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Millennium bcp

Banco Comercial Português, S.A.

2021
REPORT & ACCOUNTS

2021 Annual Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Public limited company

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

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

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

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

Nuno Amado
Chairman of the Board of Directors

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

The past year was marked by a strong recovery in economic activity, after the strong recession recorded in 2020, resulting from the adverse effects of the pandemic on economic activity.

In Portugal, the resumption of activity was accentuated from the second quarter onwards, as the health situation was increasingly under control. The annual growth of the economy, at 4.9%, was driven by an increase in consumption and robust investment, together with the recovery of exports, whose performance remained below pre-pandemic levels, due to the moderate recovery of tourism. The greater dynamism of economic activity helped the labor market improved, with the unemployment rate easing from 7.0% to 6.6%.

In Poland, GDP grew by 5.7% in 2021, a strong expansion of activity after the 2.5% drop in the previous year. In this environment, inflationary pressures increased during the year, leading to a greater tightening of monetary policy.

In Mozambique, the upturn in economic activity, which resulted in GDP growth of 2.2% in 2021, contributed to greater exchange rate stability, which has allowed inflationary risks to be kept under control.

In Angola, economic activity began in 2021 on a recovery path, and the prospects for the coming years are encouraging, in part because of reforms that have been implemented.

In 2022, the trajectory of global GDP recovery may, however, be conditioned by the adverse effects of the conflict between Russia and Ukraine, namely through the worsening of inflationary pressures, bottlenecks in production chains and increased uncertainty and instability in international financial markets.

In general terms, 2021 was still influenced by the effects of the pandemic, but the signs of economic recovery reinforced the confidence of the various economic agents and allowed the Millennium bcp Group to continue its trajectory of affirmation in the markets in which it operates, highlighting the resilience of our business models and operating processes and once again showing our ability to adapt to unpredictable and complex situations.

Millennium bcp ended 2021 with a consolidated net income of 138.1 million euros, which was greatly influenced by charges of 532.6 million euros associated with the Swiss franc loan portfolio in Poland, by specific items of 90.7 million euros in Portugal, and by mandatory contributions to the banking sector, also in Portugal, in the amount of 56.2 million euros. Excluding the charges associated with loans in Swiss francs in Poland, the consolidated net profit at the end of 2021 would have totaled 404.9 million euros, a rise of 56.6% on a comparable basis from the previous year.

The contribution of the activity in Portugal to consolidated net income, notwithstanding the aforementioned extraordinary costs of 90.7 million euros essentially related to the adjustment of the staff, amounted to 172.8 million euros, a gain of 28.5% compared to the previous year. This favorable evolution in the activity in Portugal did not, however, fully offset the lower results obtained by the international activity, whose result in 2021 amounted to a negative 34.7 million euros.

The intensification of litigation in Poland regarding loans in Swiss francs that were granted until 2008 by Bank Millennium led to a significant increase throughout 2021 in the provisions associated with this portfolio, which strongly affected the results of the Polish and consequently the consolidated results.

The net result in 2021 of Bank Millennium in Poland was a negative 291.9 million euros, which, excluding the provisions for legal risks associated with the loan portfolio in Swiss francs, would have been a positive 240.7 million euros, up 57.9% compared to the adjusted net income of 152.4 million euros in 2020, confirming the robustness of the business model and the Bank's growing relevance in the Polish market.

In the opposite direction, the contribution of the Mozambican operation to the result of the international activity proved to be higher than that of 2020. Millennium bim's net income for 2021 was 82.8 million euros, an increase of 37.7% compared to the 60.1 million euros achieved in 2020.

In consolidated terms, the core recurring operating result, excluding the costs of adjusting the workforce in Portugal, amounted to 1.29 billion euros, an increase of 10.9% compared to 2020.

This was driven by the 4.9% growth in core revenues, with the positive contribution of net interest income and net commissions, as well as the 1.8% reduction in recurring operating costs.

The priority of action defined by the Bank at the beginning of the pandemic, to support families and companies even in periods of greater uncertainty, proved decisive in 2021, placing Millennium bcp in a privileged position with customers that helped boost the growth of income when the upward phase of economic recovery began to take hold in the markets where we operate.

Despite the restrictions that in 2021 still affected relevant sectors of activity, Millennium bcp maintained a very intense commercial activity and focused on increasing its involvement with customers, resulting in an increase of 3.1 billion euros in performing credit in consolidated terms compared to 2020, of which 1.88 billion euros in Portugal, representing growth of 5.9% and 5.2% respectively.

The quality of the loan portfolio continued to be one of the Bank's main priorities, with emphasis on the decline in NPEs in 2021 of 16.5% and 20.5% in consolidated terms and in Portugal, respectively, with a reduction of 543 million euros at the consolidated level and 485 million euros in Portugal, achieved despite the still adverse context.

This reduction puts the NPE ratio (EBA) of Millennium bcp in Portugal, in December 2021, at 3.1%, which compares with 4.2% at the end of 2020, confirming the skills developed by the Bank as it successfully and consistently improved the quality of the balance sheet since 2014. During that period Millennium bcp achieved an accumulated reduction of around 9 billion euros in NPE, achieved in a balanced way and protecting the capital position.

The general improvement in credit quality indicators was accompanied by an increase of 5 percentage points in the coverage of NPEs by impairments in 2021, which reached 68%, a level that positions Millennium well in a comparative analysis of the sector, with total coverage also rising to 118%.

The moratoriums implemented during the pandemic, which in Portugal were highly relevant and covered 8.2 billion of Millennium bcp's loans at the end of 2021, were gradually reversed throughout the year without a significant impact on overdue credit, thanks in large part to the monitoring and preventive action model that implemented by the Bank to avoid possible situations of the degradation of customer risk profiles.

The evolution of loan impairment charges (net of recoveries) allowed the cost of risk to continue on a downward trajectory, recording in 2021 a significant improvement both in the activity in Portugal and in the international activity. In consolidated terms, the cost of risk in 2021 stood at 60 basis points, considerably below the 92 basis points observed in 2020, and in Portugal it fell from 92 basis points to 69 basis points.

There was also strong growth in customer deposits in 2021, which continue to be very relevant to Millennium bcp's commercial banking business model, based on stable, long-term relationships with customers who consider us their main banking partner. In 2021, total customer deposits increased by 7.8 billion euros at the consolidated level, up 9.5%, with the bank ending the year with 90.1 billion euros in total customer resources. Also of note was the 4.1% increase in off-balance sheet resources, amounting to 18.9 million euros, which proves Millennium bcp's competence in advising and providing savings solutions.

Millennium bcp's liquidity levels remain high, well above regulatory requirements, with 25.5 billion euros in assets eligible for funding from the European Central Bank.

Millennium bcp’s commercial dynamism and ability to attract customers was reflected in the growth of the customer base, which at the end of 2021 exceeded 6.1 million at the Group level and 2.5 million in Portugal, with emphasis on the 20% growth in mobile customers both in Portugal and at a consolidated level, which represent 56% of the Group's customers and 46% of the customers in Portugal.

It was a particularly demanding and complex year for the retail segment. While dealing with the restrictions of the pandemic, the Bank concluded a significant reduction of the workforce in Portugal, a very difficult process that nevertheless took place with serenity, carried out simultaneously with profound changes in the structure and operating model of the branch network. It should be noted that despite the adverse context, Millennium bcp achieved, for the first time, a leadership position in all dimensions of the quality and customer satisfaction indicators prepared by Marktest (CSI and BASEF), and was also named Consumer’s Choice in 2021, a distinction also renewed for 2022.

Millennium also reinforced its leadership among companies in Portugal, having been nominated for the fourth consecutive year as the “Main Bank for Companies,” according to the BFIN survey carried out by Data E.

In 2021, Millennium bcp concluded the sale of Banque Privée BCP (Suisse) SA to Union Bancaire Privée, UBP SA and Millennium bim formalized the sale to Fidelidade of shares representing 70% of the share capital of Seguradora Internacional de Mozambique (“SIM”), maintaining a stake of approximately 22% in SIM, which may be reduced to 9.9% by the subsequent exercise of the call or put options provided for in the transaction.

Also of note was the investment made to bolster the staff and skills of the Macau Branch, with a view to preparing it for a more intensive performance in the local market and in commercial transactions between China and Portuguese-speaking countries.

The capital position in 2021 remained stable, with a total capital ratio of 15.8% and a CET1 ratio of 11.7%, both above the regulatory requirements of 13.75% and 9.16%, respectively. The previously mentioned adverse effects related to the Polish operation, with the derecognition of minority interests in Mozambique and Poland and with the rise in sovereign debt interest rates, more than offset the positive effects of the organic generation of capital and of the sale of subsidiaries concluded in 2021.

Although the pandemic is currently more controlled because of the high level of community immunity achieved and the resumption of growth in the main economic blocs, 2022 presents very significant challenges and uncertainties, in particular the scope and magnitude of the impacts resulting from the conflict between Russia and Ukraine.

The challenges faced by the Bank in the geographies in which it operates will require intense action and rigorous and prudent management, to ensure Millennium bcp continues on the path of growth and profitability that underlies our ambitious strategic plan for the 2021-2024 cycle, called “Excelling 24.” We are confident that we will continue to deserve the indispensable support and trust of our Customers, Shareholders, Employees and other Stakeholders.

Miguel Maya

Chief Executive Officer

Vice-Chairman of the Board of Directors

Nuno Amado

Chairman of the Board of Directors

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

BCP in 2021

- Net income of the Group of 138.1 million euros in 2021, influenced by 532.6[1] million euros of costs associated with loans in Swiss francs granted by the subsidiary in Poland, by specific items of 90.7 million euros (mainly related to headcount adjustment costs) in Portugal and by 56.2 million euros of mandatory contributions for the banking sector in Portugal. Excluding the costs associated with loans granted in Swiss francs, net income of the Group reached 404.9 million euros (+56.6%, from 2020).

- Net income of 172.8 million euros in Portugal (+28.5% from 2020).

- Core operating profit, excluding specific items, of 1,291.4 million euros, corresponding to a growth of 10.9%.

- Estimated Fully-implemented Total capital ratio and Core Equity Tier 1 ratio at 15.8% and 11.7%, respectively, above regulatory requirements.

- High liquidity levels, comfortably above regulatory requirements. Eligible assets for ECB funding of 25.5 billion euros.

- Performing loans of the Group up by 3.1 billion euros, +5.9% from December 2020 (+1.9 billion euros in Portugal, +5.2%). NPE reduction of 0.5 billion euros, even in adverse context. Total customer funds of the Group up by 7.8 billion euros. Off- balance sheet customer funds of the Group up by 4.1%, to 18.9 million euros.

- Cost of risk of 60 bp for the Group and of 69 bp in Portugal.

- Growing Customer base; +571,000 mobile Customers (+20%).

[1] Net of tax and before minority interests; includes provisions for legal risks, costs with out-of-court settlements and legal advice.
Note: change in loans to customers and customer funds on a proforma basis (excludes, in 2020, the amounts from disposed operations).

Main highlights (1)

Euro million

	2021	2020 restated	2019	2018	2017	Chg. % 21/20
BALANCE SHEET						
Total assets	92,905	85,715	81,643	75,923	71,939	8.4%
Equity	7,062	7,386	7,381	6,964	7,180	-4.4%
Loans and advances to customers (net)	56,360	53,975	52,275	48,123	47,633	4.4%
Total customer funds	90,097	84,492	81,675	74,023	70,344	6.6%
Balance sheet customer funds	71,175	64,764	62,607	56,585	52,688	9.9%
Deposits and other resources from customers	69,560	63,259	60,847	55,248	51,188	10.0%
Loans to customers (net) / Deposits and other resources from customers (2)	81%	85%	86%	87%	93%	
Shareholders' equity and subordinated debt	7,514	7,626	7,697	6,853	7,250	-1.5%
RESULTS						
Net interest income	1,589	1,532	1,549	1,424	1,391	3.7%
Net operating revenues	2,334	2,257	2,335	2,184	2,197	3.4%
Operating costs	1,116	1,090	1,166	1,024	954	2.3%
Operating costs excluding specific items (3)	1,025	1,044	1,100	995	968	-1.8%
Impairment and Provisions	1,061	841	542	601	925	26.1%
Income tax	204	132	239	138	30	
Net income attributable to shareholders of the Bank	138	183	302	301	186	
PROFITABILITY AND EFFICIENCY						
Net operating revenues / Average net assets (2)	2.6%	2.7%	2.9%	3.0%	3.0%	
Return on average total assets (ROA)	0.0%	0.2%	0.5%	0.6%	0.4%	
Income before tax and non-controlling interests / Average net assets (2)	0.3%	0.4%	0.8%	0.8%	0.4%	
Return on average shareholders' equity (ROE)	2.4%	3.1%	5.1%	5.2%	3.3%	
Income before tax and non-controlling interests / Average equity (2)	3.3%	4.8%	8.9%	8.1%	4.8%	
Net interest margin	1.9%	2.0%	2.2%	2.2%	2.2%	
Cost to core income (3)	44.2%	47.3%	48.8%	47.2%	47.1%	
Cost to income (2)	47.8%	48.3%	49.9%	46.9%	43.4%	
Cost to income (2)(3)	43.9%	46.3%	47.1%	45.6%	44.1%	
Cost to income - activity in Portugal (2)(3)	42.6%	46.2%	47.4%	46.5%	44.5%	
Staff costs / Net operating revenues (2)(3)	24.1%	25.9%	26.9%	25.9%	24.6%	
CREDIT QUALITY						
Non-performing exposures	2,752	3,295	4,206	5,547	7,658	
Non-performing exposures / Loans to customers	4.7%	5.9%	7.7%	10.9%	15.0%	
Total impairment / NPE	68.0%	62.9%	58.2%	52.4%	43.4%	
Restructured loans	2,564	2,661	3,097	3,598	4,184	
Restructured loans / Loans to customers	4.4%	4.7%	5.7%	7.1%	8.2%	
Cost of risk (net of recoveries)	60 b.p.	92 b.p.	72 b.p.	92 b.p.	122 b.p.	
LIQUIDITY						
Liquidity Coverage Ratio (LCR)	269 %	230 %	216 %	218 %	158 %	
Net Stable Funding Ratio (NSFR)	150 %	140 %	135 %	133 %	124 %	
CAPITAL (4)						
Own Funds fully implemented	7,247	7,213	7,028	5,663	5,457	
Risk Weighted Assets fully implemented	45,863	46,322	44,972	41,819	39,799	
Common equity tier I fully implemented	11.7%	12.2%	12.2%	12.0%	11.9%	
Total ratio fully implemented	15.8%	15.6%	15.6%	13.5%	13.7%	
Common equity tier I phased-in	11.7%	12.2%	12.2%	12.1%	13.2%	
BCP SHARE						
Market capitalisation (ordinary shares)	2,130	1,862	3,065	3,469	4,111	
Adjusted basic and diluted earnings per share (euros)	0.007	0.010	0.018	0.020	0.014	
Market values per share (euros)						
High	0.1709	0.2108	0.2889	0.3339	0.2720	
Low	0.1126	0.0697	0.1771	0.2171	0.1383	
Close	0.1409	0.1232	0.2028	0.2295	0.2720	

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter, being reconciled with the accounting values in the respective chapters. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A. Following the sale of the entire share capital of Banque Privée BCP (Suisse) SA to Union Bancaire Privée, UBP SA and the sale of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM"), through its subsidiary BIM - Banco Internacional de Moçambique S.A., the contribution of these subsidiaries to the consolidated results of the Group, till the date of disposal, is reflected as income from discontinued operations in the international activity and the historical information related to 2020 has been restated in order to ensure its comparability, as defined in the IFRS 5. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of that subsidiary were no longer considered interest earning assets in the current period or in historical information regarding 2020. The gains obtained with the disposal of both operations are also recognised as income from discontinued operations in the international activity.

(2) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 December 2020. Following the repeal in 2018 of the Instruction No. 22/2011 from the Bank of Portugal, which defined the criteria for calculating the amount of credit, the ratio "Loans to customers (net) / Deposits and other resources from customers", is now calculated in accordance with the management criteria used by the Group, and the historical figures have been restated accordingly.

(3) Excludes the impact of specific items: negative impact of 91 million Euros in 2021, fully recognized as staff costs in the activity in Portugal, mainly related to the adjustment of headcount, identified under the Mobilising 2018/2021 strategic plan, including a provision in the amount of 84 million Euros. In 2020, the impact was also negative, in the amount of 46 million Euros, of which 32 million Euros recognized as staff costs in the activity in Portugal (related to headcount adjustment costs, compensation cost for temporary remuneration cuts of employees under the participation in the results and income arising from the agreement with a former director of the Bank), and 15 million Euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9 million Euros as staff costs, 5 million Euros as other administrative costs and 1 million Euros as depreciation). In 2019, the impact was also negative in the amount of 66 million Euros, of which 40 million Euros related to headcount adjustment costs and costs with compensation for temporary remuneration cuts, both recognized as staff costs in the activity in Portugal and 26 million Euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as other administrative costs. In 2018, the negative impact amounted to 29 million Euros, of which 27 million Euros related to headcount adjustment costs recognized as staff costs and 3 million Euros associated with the ongoing digital transformation project, recognized as other administrative costs, both in the activity in Portugal. In 2017, the impact was positive, arising from the gains from negotiation/revision of Collective Labour Agreement, net of headcount adjustment costs, in the amount of 14 million Euros, recorded as staff costs in the activity in Portugal. The profitability and efficiency indicators does not consider the specific items recognized in net operating revenues (1 million Euros in 2019 and an immaterial amount in 2020 and 2021), related to costs with the acquisition, merger and integration of Euro Bank S.A. in the Polish subsidiary.

(4) Presented figures include the cumulate net results of the respective periods.

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance

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

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

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

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

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

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

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

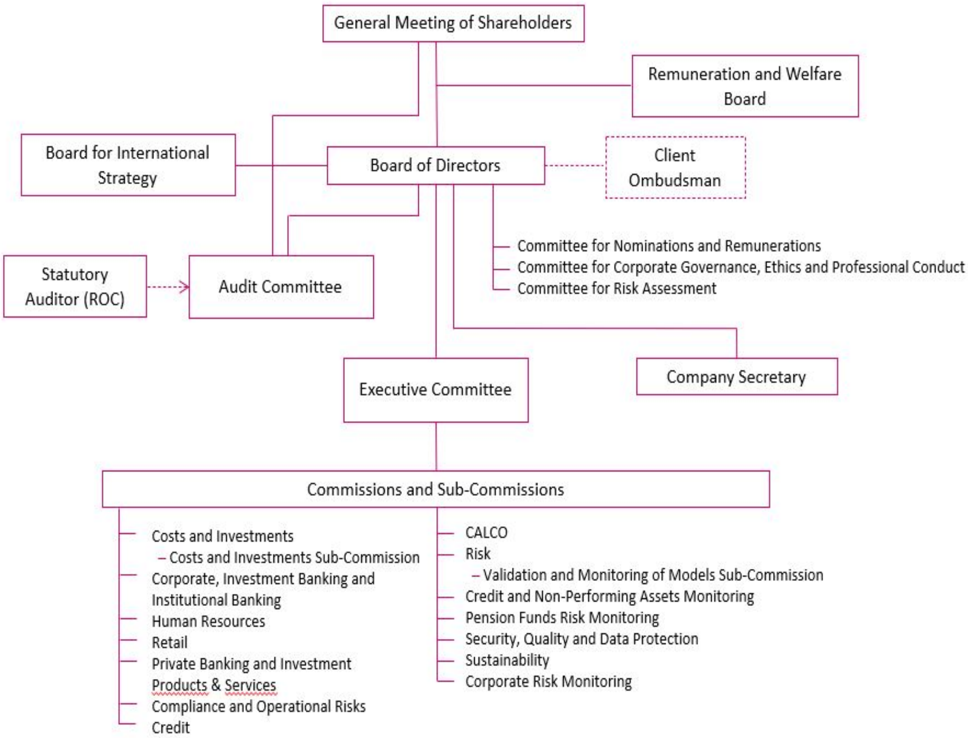
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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

The RWB is elected by the General Meeting.

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

Corporate Governance Model



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

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

* Chairman and Vice- chairman to be nominated.

Main events in 2021

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

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

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

- Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report and of the proposal for the appropriation of profit regarding the 2020 financial year;
- Approval of the Dividend Policy;
- Approval of the remuneration policy of Members of Management and Supervisory Bodies;
- Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;
- Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;
- Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External Auditor in the triennial 2021/2023;
- Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association.

On **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 in November 2, 2021. The amount received for the sale of Banque Privée's share capital is CHF 113,210,965.00, reflecting the distribution of dividends and the share capital reduction that have occurred in the meantime. The sale of Banque Privée allowed BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

On **1 August, 2021**, Banco Comercial Português, S.A. (BCP) informed about the results of the 2021 stress test, regarding the European Union. Considering the results of BCP, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 406 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average reduction of 485 b.p. in the universe of 50 banks submitted to this exercise);
- the application of the base scenario resulted in an increase of 163 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average increase of 78 b.p. in the universe of 50 banks submitted to this exercise).

On **21 September, 2021**, Banco Comercial Português, S.A. informed that Moody's rating agency upgraded in one-notch BCP's deposits ratings from Baa3/Prime-3 to Baa2/Prime-2, driven by the higher rating uplift for the deposits, stemming from the upgrade of Portugal's sovereign bond rating. This upgrade and the affirmation of the senior unsecured debt ratings of Ba1 reflect the affirmation of BCP' BCA (Baseline Credit Assessment) and Adjusted BCA, Moody's Advanced LGF (Loss Given Failure) analysis and unchanged moderate government support assumptions for BCP. The outlook on BCP's 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.

On **29 September, 2021**, Banco Comercial Português, S.A. informed that it has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer. The issue, in the amount of 500 million euros, has a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5

years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00%. This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context. The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base. The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, the recognition of Millennium bcp's commitments in terms of sustainable financing.

On **October 11**, Fitch Ratings revised the Outlook for BCP's long-term issuer rating (IDR) from Negative to Stable and affirmed the long-term issuer rating (IDR) at "BB" and the viability rating (VR) in "bb".

On **10 November 2021**, Banco Comercial Português, S.A. set the terms of a new issue of subordinated notes under its Euro Note Programme. The Notes are expected to be eligible as Tier 2 own funds. The issue will be in the aggregate amount of €300 million, with a tenor of 10.5 years and the option of early redemption by the Bank at any time during the six months between year 5 and year 5.5, a fixed annual interest rate of 4% during the first 5.5 years (corresponding to a spread of 4.065% over the 5-6 year mid-swap rate). From year 5.5 to maturity the interest rate will be determined on the basis of the then applicable 5-year mid-swap rate plus the Spread. The Notes were placed with a very diversified group of European institutional investors. The issue is part of Millennium bcp's strategy of continuing optimization of its capital structure, reinforcement of own funds and MREL (Minimum Requirements for Own Funds and Eligible Liabilities) eligible liabilities, as well as regularly accessing the international capital markets.

On **December 14, 2021**, Banco Comercial Português, S.A. informed that it has been notified by Banco de Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board. The resolution strategy applied continues to be that of a multiple point of entry ("MPE"), with three different BCP Group resolution groups (in addition to the BCP resolution group, the resolution groups corresponding to (i) Bank Millennium, S.A. and its subsidiaries and (ii) Banco Internacional de Moçambique S.A. and its subsidiaries). The MREL requirements to be met by BCP, on a consolidated basis (taking as reference BCP's resolution group, which is composed of the Bank, 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), is of:

- 23.79% 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 27.29%); and
- 7.23% of the leverage ratio exposure measure ("LRE").

The Bank's compliance with these requirements must be ensured by 1 January 2024, with an interim target set at 1 January 2022, by which BCP must comply with a requirement of:

- 18.17% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirements of 21.42%); and
- 7.23% 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 consistent with its ongoing funding plan, and based on the information available to date, the compliance with the respective MREL requirements established for January 1, 2022, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE, are already ensured, considering the senior preferred debt and subordinated debt (Tier 2) issues carried out in 2021.

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 amount received by BIM for the sale of 70% of SIM is €46.8 million. Considering this value, the operation had a (positive) impact on BCP's consolidated results for the current year, on a pro forma basis as of 11/30/2021, of approximately 5.2 million euros and a positive impact on the consolidated CET1 ratio and in the total capital of 7 basis points.

Millennium bcp and the European Investment Fund signed two contracts under the Pan-European Guarantee Fund in the amount of around 1,200 million euros, aiming to support the recovery of Portuguese SMEs affected by the economic crisis caused by the pandemic COVID-19. On October 2021, Millennium bcp and the EIF renewed the partnership and started to provide support to Portuguese SMEs with an additional 1,650 million euros.

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

Millennium bcp signed an agreement with the Business Confederation of Portugal (CIP), which reinforces its commitment to support the Portuguese companies, with financing of 300 million euros.

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

AWARDS

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

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

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

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

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

Millennium bcp was distinguished by Global Finance magazine as “Best Investment Bank” in Portugal in 2021.

Millennium bcp was distinguished by Global Finance magazine as the “Best Consumer Digital Bank” in Portugal in 2021.

Millennium bcp was awarded as “Best Private Bank” in Portugal by The Banker and PWM magazines, publications of the Financial Times Group specialized in financial services.

Millennium bcp was elected “Consumer's Choice” in the category "Largest Banks", in 2022, for the second consecutive year. The Bank was ranked 1st among 8 out of 10 categories evaluated in this study by independent consumers: Clear information, Responsiveness, Brand credibility, Easy-to-use digital channels, Fees charged, Simple and easy-to-understand communication of products, Speed of response and Good online service.

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

Millennium bcp was distinguished at the 2021 Communication Efficiency Awards for the campaigns "Vai Correr Bem" and "É tempo de pôr a economia a andar, Vamos lá!"

ActivoBank was once again distinguished, for the fourth consecutive time, with the “Consumer Choice” award, in the “Digital Banking” category, with a Satisfaction Score of 85.57% and a Recommendation Score of 91.80%.

BCP Group was awarded “Best Foreign Exchange Provider” in Portugal, Mozambique and Poland in 2021.

Bank Millennium was ranked third in the top 200 of the best Polish brands, according to Forbes magazine.

Bank Millennium distinguished in the FT ranking on diversity - Bank Millennium was one of the 850 companies chosen for the Financial Times “European Diversity Leaders 2022” ranking, which support and promote diversity in their organisations.

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

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

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

Bank Millennium was distinguished as “Best Bank in Poland” by Global Finance.

Bank Millennium was distinguished by Global Finance magazine as the “Best Consumer Digital Bank” in Poland in 2021.

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

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

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

Millennium bim was distinguished by Global Finance magazine as the “Best Consumer Digital Bank” in Mozambique in 2021.

Millennium bim was awarded as “Best Bank” in Mozambique, by The Banker magazine of the Financial Times Group.

Millennium bim was awarded as “Best Private Bank” in Mozambique, by Global Finance magazine.

BCP Share

During 2021, the performance of financial markets continued to be strongly constrained by the dissemination of the pandemic. Subsequently, this situation led to significant increases in inflation levels in the main world economies. After the most intense periods of lockdown, the world market was faced with a boom in demand, which could not be matched by supply. This phenomenon generated constraints in global distribution chains, giving rise to the scarcity of some goods and products necessary for economic development, leading to a general increase in prices.

The increase in the price of raw materials, the difficulty in hiring manpower, the constraints in supply and the energy crisis, giving rise to substantial increases in producer prices, which the industry passed in part to the consumer, making inflation more persistent than initially predicted by analysts. The price of oil has increased by more than 50%, despite OPEC's decision to increase production.

In response to this reality, throughout 2021 the main central banks left indications about possible changes in the monetary policies in force, raising the possibility of: (i) starting the movement of interest rate hikes and (ii) starting to reduce the asset purchase programs initiated in the context of the pandemic.

In this context, the US Federal Reserve accelerated the pace of reduction in asset purchases, leaving an indication of the possibility of recording three interest rate increases in 2022, three in 2023 and two in 2024, with an increase expected in each movement. increase in the reference rate of 25 basis points.

In the United Kingdom, the Bank of England raised the benchmark interest rate for the first time during the period of the pandemic, after the indication that inflation in the country has increased significantly compared to expectations.

In the Euro Zone, the ECB maintained a moderate stance with regard to monetary policy, with the market attributing a probability of interest rate hikes only in the last months of 2022.

The year 2021 proved to be positive for the capital markets, with the renewal of new historical highs in the main North American stock indices and also in the European Stoxx 600.

Despite the volatility recorded in equity markets, the European stock market recorded an appreciation of 22.1% in 2021, led by the progress of the vaccination process and less need for lockdowns. The economic growth registered in 2021 and the higher-than-expected results of companies were also levers for the performance recorded in the equity markets.

The approval of Joe Biden's mega stimulus plan, which includes investment in infrastructure, was another supporting factor. In the pandemic situation, the positive evolution of the vaccination plans that helped the gradual reopening of economies, despite the emergence of new variants, such as Delta and Ómicron, which, although bringing the reintroduction of some restrictions and lockdowns, resulted in a very less aggressive than in 2020. Global activity performed positively, with the PMI levels of the main economies reaching the maximum of recent years (with the exception of China) exceeding pre-pandemic records.

In the national business scenario, a reference for BCP, which entered the FT European Climate Leaders ranking in 2021, due to the recognition of a 34.9% reduction in GHG emissions in Portugal during 2020.

BCP SHARES INDICATORS

	Units	2021	2020
ADJUSTED PRICES			
Maximum price	(€)	0.1709	0.2108
Average price	(€)	0.1355	0.1170
Minimum price	(€)	0.1126	0.0697
Closing price	(€)	0.1409	0.1232
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,119	6,221
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,119	6,221
VALUE PER SHARE			
Adjusted net income (EPS) (1)	(€)	0.007	0.010
Book value (2)	(€)	0.378	0.385
MARKET INDICATORS			
Closing price to book value	(PBV)	0.35	0.30
Market capitalisation (closing price)	(M€)	2,130	1,862
LIQUIDITY			
Turnover	(M€)	1,932	1,562
Average daily turnover	(M€)	7.5	6.1
Volume	(M)	13,989	13,791
Average daily volume	(M)	54.2	53.7
Capital rotation (3)	(%)	92.6%	91.2%

(1) Based on the average number of shares outstanding
(2) Based on the average number of shares minus the number of treasury shares in portfolio
(3) Total number of shares traded divided by the average number of shares issued in the period

The BCP share ended 2021 with an appreciation of 14.4%, which compares with a 34.0% appreciation of the European bank index. This performance of BCP also compares with the average valuation of 22.0% of Spanish banks.

The performance of the BCP share in 2021 was conditioned by the uncertainties related to the continued spread of the Covid-19 pandemic, namely with the potential economic and social impacts arising from the pandemic situation recorded globally. The evolution of the BCP share was also influenced by additional factors of uncertainty, related to the evolution of the subject of mortgage loans granted in foreign currency associated with the Polish operation.

Based on analysts who regularly follow BCP, at the end of 2021, buy recommendations represented 62% vs 55% at the end of 2020. 23% of analysts have a neutral recommendation vs 45% in December 2020 and 15% of analysts recommends selling the stock.

The average price target for BCP shares at the end of 2021, after several upward revisions, stood at €0.18, which compares with the price target of €0.14 recorded at the end of 2020, corresponding to a variation of +28.6%.

Positive impacts:

Intrinsic to BCP:

- Disclosure of 2020 results, with the 4th quarter results exceeding analysts' expectations, especially with regard to the resilience of the Portuguese operation's business model in an extremely challenging context;
- Disclosure of results for the 1st and 3rd quarters of 2021 with a positive reaction to the operational trends registered in the different operations of the Group;
- Upward revision – by several analysts – of the BCP share price target.

Extrinsic to BCP:

- Continuation of the economic stimulus plans implemented by the various European governments and the measures to support banks implemented by the ECB;
- Success of the vaccination process against Covid 19 in Portugal and the EU, with Portugal being one of the countries in the world with the highest percentage of vaccinated population;
- Lifting of lockdowns imposed in several countries, following a successful vaccination process and greater control of the pandemic situation;
- Start of interest rate hikes by the Polish Central Bank, with three increases in the 4th quarter of 2021 and a fourth at the beginning of 2022;
- Upward revision - by several entities - of the macroeconomic projections for the Euro Zone.

Negative impacts:

Intrinsic to BCP:

- High levels of provisioning in Poland, to face legal risks associated with the mortgage loan portfolio granted in foreign currency;
- High adherence to the moratorium scheme, increasing uncertainty regarding the economy's ability to react and its impact on asset quality;

Extrinsic to BCP:

- New lockdown in Portugal in early 2021;
- Rising geopolitical tensions between the US and China and between the US and Russia;
- Beginning of the 4th wave of the pandemic and the appearance of new, more contagious variants (Omicron);
- Imposition of quarantines on travelers originating in Portugal, by several European countries, jeopardizing the revenues of the Tourism sector and contributing to the delay of the economic recovery;
- Political instability in Portugal, after the fall of the State Budget for 2022, leading the President of the Republic to announce early legislative elections for January 30, 2022.

PERFORMANCE

Index	Change 2021
BCP share	14.4%
Eurostoxx 600 Banks	34.0%
PSI20	13.7%
IBEX 35	7.9%
CAC 40	28.9%
DAX XETRA	15.8%
FTSE 100	14.3%
MIB FTSE	23.0%
Dow Jones Indu Average	18.7%
Nasdaq	26.6%
S&P500	26.9%

Source: Euronext, Reuters, Bloomberg

Liquidity

During 2021, 1,932 million euros in BCP shares were traded, corresponding to an average daily turnover of 7.5 million euros. 13,989 million shares were traded during this period of time, corresponding to a daily average volume of 54.2 million shares. The capital turnover index stood at 92.6% of the average annual number of shares issued.

Follow-up with Investors

The Bank participated in several events during 2021, having attended 10 conferences and 7 road shows in Europe and in the USA, where it held one-on-one and group meetings with investors. Approximately 210 meetings were held with analysts and institutional investors, demonstrating significant interest in the Bank.

Indexes listing BCP shares

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

Additionally, at the end of 2021, Millennium bcp also included the following Sustainability indices/statutes: “Ethibel EXCELLENCE Investment Register”, “Ethibel Excellence Europe” and “European Banks Index”. Bank Millennium, in Poland, is also part of the “WIG-ESG” of the Warsaw Stock Exchange. In 2022, the BCP Group rejoined, for the 3rd year running, the Bloomberg Gender-Equality Index.

Sustainability Indexes

member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE

included in ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Europe

standard ethics

Bloomberg Gender-Equality Index 2022

WIG ESG

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

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

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

(Continues)

(Continuation)

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

(Continues)

(Continuation)

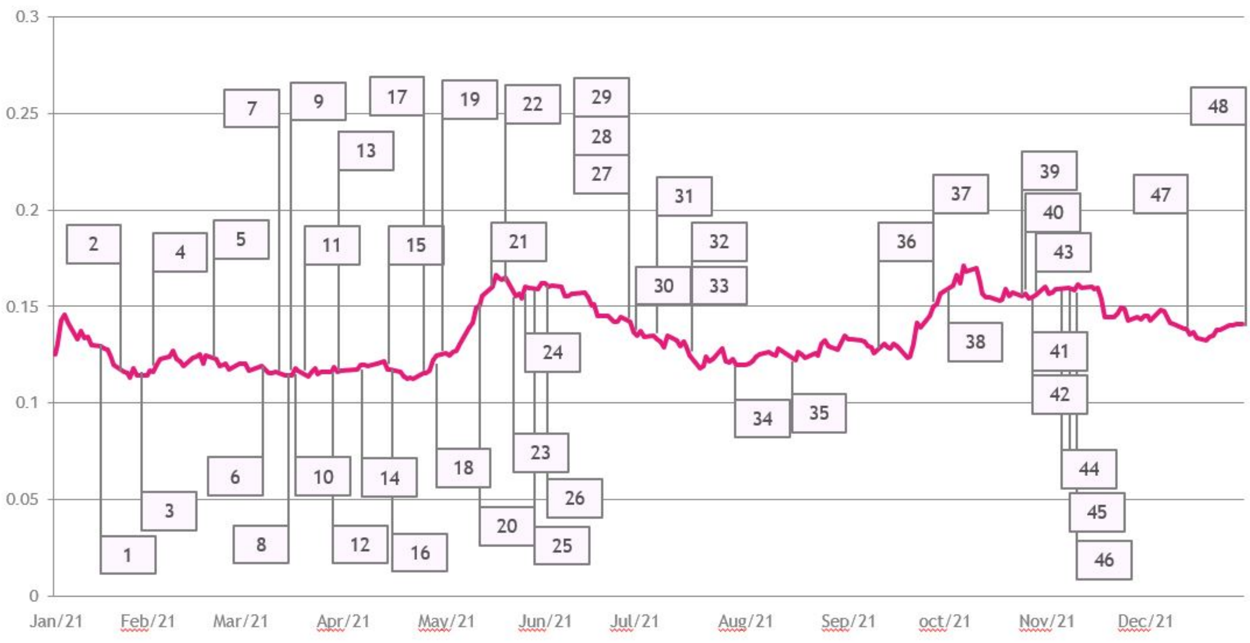
Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
24	26/May	Banco Comercial Português, S.A. informs about notice of acquisition of securities	3.6%	3.1%	1.7%	5.0%	6.1%	1.7%
25	31/May	Banco Comercial Português, S.A. informs about notice of acquisition of securities	2.0%	1.3%	1.3%	0.6%	1.4%	-0.7%
26	2/Jun	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.4%	-0.6%	-1.6%	-4.0%	-3.1%	-2.0%
27	29/Jun	Banco Comercial Português informs about the sale of Banque Privée BCP (Suisse) SA	-1.4%	-0.4%	-0.4%	-3.0%	-4.4%	-1.4%
28	29/Jun	Banco Comercial Português, S.A. informs about results of meeting of holders of CB and written resolution of the issuer	-1.4%	-0.4%	-0.4%	-3.0%	-4.4%	-1.4%
29	29/Jun	Banco Comercial Português, S.A. informs about granting of shares to the Executive Directors and Managers	-1.4%	-0.4%	-0.4%	-3.0%	-4.4%	-1.4%
30	2/Jul	Banco Comercial Português releases additional information on the sale of Banque Privée BCP (Suisse) SA	0.4%	0.1%	-1.3%	0.1%	-0.4%	1.3%
31	7/Jul	Banco Comercial Português, S.A. informs about provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	-2.4%	-1.6%	0.1%	0.0%	0.4%	0.6%
32	26/Jul	Millennium bcp Earnings release as at 30 June 2021	-4.8%	-3.6%	-4.3%	-6.6%	-5.9%	-6.2%
33	26/Jul	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1H 2021	-4.8%	-3.6%	-4.3%	-6.6%	-5.9%	-6.2%
34	1/Aug	Banco Comercial Português, S.A. informs about 2021 EU-Wide Stress Test Results	0.6%	-0.6%	-0.3%	6.0%	4.3%	1.2%
35	12/Aug	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.0%	-1.2%	-1.1%	-2.5%	-4.2%	1.8%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
36	21/Sep	Banco Comercial Português, S.A. informs about the upgrade of deposits ratings by Moody's to Baa2/Prime-2	5.3%	3.1%	2.2%	20.7%	18.5%	14.4%
37	29/Sep	Banco Comercial Português, S.A. informs about the inaugural issue of social senior preferred notes	3.8%	3.1%	3.6%	7.4%	6.6%	5.6%
38	6/Oct	Banco Comercial Português, S.A. informs about provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	5.5%	4.2%	3.8%	-3.4%	-5.8%	-4.5%
39	26/Oct	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 9M 2021	-1.7%	-1.3%	-0.5%	0.1%	-1.2%	0.3%
40	27/Oct	Millennium bcp Earnings release as at 30 September 2021	0.7%	-0.3%	1.1%	2.3%	2.3%	0.6%
41	2/Nov	Banco Comercial Português informs about the completion of the sale of Banque Privée BCP (Suisse) SA	0.4%	2.1%	-0.2%	1.6%	3.4%	3.0%
42	2/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of securities	0.4%	2.1%	-0.2%	1.6%	3.4%	3.0%
43	4/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of securities	0.0%	1.0%	-1.0%	1.5%	1.4%	0.6%
44	9/Nov	Banco Comercial Português, S.A. informs about potential issue of subordinated notes	-0.4%	-0.8%	-1.0%	-0.1%	0.4%	-1.2%
45	10/Nov	Banco Comercial Português, S.A. informs about issue of subordinated notes	1.7%	1.6%	1.1%	0.6%	1.1%	-0.1%
46	11/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.2%	-1.8%	-0.7%	-4.5%	-2.3%	-3.5%
47	14/Dec	Banco Comercial Português, S.A. informs on notification by Banco de Portugal of its MREL requirements	-2.1%	-1.8%	-1.2%	-2.9%	-3.0%	-4.0%
48	31/Dec	Banco Comercial Português informs about the partnership for the insurance market in Mozambique and the sale of a shareholding in Seguradora Internacional Moçambique, S.A.	3.2%	2.0%	2.3%	14.6%	14.1%	7.9%

The following chart depicts BCP's share price performance in 2021:



Dividend policy

The BCP Group's dividend policy takes into account in particular: (i) the promotion of conditions for sustainable compliance with the capital ratios applicable to the Bank at any given time, as well as other applicable legal provisions, including the limitations applicable at any given time that result from the calculation of the maximum distributable amount; (ii) retention of own funds to promote consistency with the Risk Appetite Statement (RAS) and with the results of the internal capital adequacy self-assessment process (ICAAP); and (iii) safeguarding an appropriate safety margin over the values established by the regulator within the scope of its analysis and assessment regarding the adequacy of strategies, processes, capital and liquidity, to the risks to which the Bank is exposed (SREP). In the current context, it will naturally still be worth considering the guidance issued by the ECB mentioned above.

The decision on the application of profits for the year is the responsibility of the General Meeting, based on a proposal from the Board of Directors.

Bearing in mind the permanent consideration of the Bank's capital needs to meet its strategic objectives, it is the intention of the Board of Directors, in a context of macroeconomic stability, to re-establish a distribution of net profits, determined in the individual accounts for each year, that goes to meeting the legitimate expectations of its shareholders and that, in the medium term, it is in line with the best practices of the reference banking sector.

The Board of Directors will define the implications of these criteria in the maximum limit of prospective dividend payout resulting from the dividend policy, as well as the respective application period, which must be evidenced in the Bank's annual budgets.

Own shares

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

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

As at 31 December 2021, regarding treasury shares owned by associated companies of the BCP Group, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. owns 142,601,002 BCP shares in the amount 20,078,000 euros (31 December 2020: 17,568,000 euros), according to note 51.

Shareholder structure

According to Interbolsa, Banco Comercial Português had 142,309 Shareholders at 31 December 2021.

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

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,613	0.32%
Other	135,454	24.16%
COMPANIES		
Institutional	285	17.24%
Qualified Shareholders	4	51.80%
Other companies	3,953	6.47%
TOTAL	142,309	100%

Shareholders with more than 5 million shares represented 74.71% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	104	74.71%
500,000 a 4,999,999	1,292	9.34%
50,000 a 499,999	12,565	11.11%
5,000 a 49,999	36,723	4.30%
< 5,000	91,625	0.54%
TOTAL	142,309	100%

The Bank's shareholding structure remained stable in terms of geographical distribution in 2021. Domestic shareholders held 30.4% of the total shares of the Bank as of December 31, 2020.

	Nr. of Shares (%)
Portugal	30.4%
China	30.0%
Africa	19.6%
UK / EUA	10.8%
Other	9.2%
Total	100%

Qualified Holdings

The following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A. as of December 31, 2021:

31 December 2021

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,525,940,191	29.95%	29.95%
TOTAL FOR FOSUN GROUP	**4,525,940,191**	**29.95%**	**29.95%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	404,590,600	2.68%	2.68%
TOTAL FOR BLACKROCK	**404,590,600**	**2.68%**	**2.68%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**8,188,500,849**	**54.18%**	**54.18%**

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

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

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated. At the date of preparation of this Report (March 2022), the Blackrock Group and the EDP Group, in accordance with article 16 of the Portuguese Securities Code, do not hold a qualifying holding in BCP.

Regulatory, economic and financial system environment

Regulatory environment

The initiatives under the "Covid-19" pandemic aiming at the transition to a "new normal context" even if subject to uncertainty, continued to influence the regulatory framework. Governance and internal control frameworks of the institutions as well as risk management and capital adequacy, remain current matters and with increased relevance due to emerging risk factors such as climate and environmental risks and cybersecurity.

The European Commission has adopted a review of the EU banking rules for the implementation of the Basel III agreement in the EU (Capital Requirements Regulation and Capital Requirements Directive), known as the "Banking Package". The review includes the following legislative elements: (i) proposal to amend the Capital Requirements Directive (Directive 2013/36/EU), proposal to amend the Capital Requirements Regulation (Regulation 2013/575/EU) and changes to the resolution framework. The legislative package is currently under discussion by the European Parliament and the European Council and in its current form with entry into force, phased-in, from 1 January 2025. An EC public consultation is underway towards a legislative proposal for the EU's macro-prudential framework for the banking sector.

The European Union and its Member States maintained or reformulated in 2021 some support measures to minimise the economic consequences of the pandemic of COVID-19, namely the support to households, companies and Member States, flexibility and reinforcement of the Stability and Growth Pact and economic recovery measures. Some of the extraordinary supervisory monitoring and reporting procedures for banks are being reviewed under the expectations of a less relevant pandemic scenario in the future, while the focus remains on the lagged effects of the pandemic, notably on credit risk.

As part of a wide-ranging response, an EU recovery fund - the Recovery and Resilience Mechanism – was set up to mitigate the effects of the pandemic crisis. The European Commission approved a scheme worth 13.9 billion euros in grants to support Portugal and 2.7 billion euros in loans, totalling 8% of 2020 GDP.

Poland has requested a total of 23.9 billion euros in guarantees under the RRF and 12.1 billion euros in loans, totalling 7% of Poland's 2020 GDP. Access to the funds is subject to Poland's acceptance of a set of justice reforms.

The ECB maintained favourable funding conditions, at a slower pace, for net asset purchases under the pandemic emergency purchase programme (PEPP) - due to be phased out in March 2022-, asset purchase programme (APP) - still without a date to be discontinued but with values reduced to around half of current ones in a phased manner over 2022 - and the reinvestment policies and special conditions associated with the longer-term refinancing operations, expected to end in June 2022. No indications were given regarding an increase of policy rates as long as the context is interpreted as one of temporary inflationary pressures.

The exceptional capital and liquidity relief measures allowed by the ECB due to the COVID-19 pandemic will expire at the end of the year. Banks can exclude certain central bank exposures from the leverage ratio until 31 March 2022 - as an exceptional macroeconomic measure and can temporarily operate below the level of capital defined by their Pillar 2 Guidance until the end of 2022. Restrictions on the payment of bank dividends have been lifted.

The environmental, social and governance factors (ESG) policies have been extended. Complementing the sustainability taxonomy defined by Regulation (EU) 2020/852, Delegated Regulation (EU) 2021/2139 has set out the technical assessment criteria for determining under which conditions an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and establish that such economic activity does not contribute substantially to any one of the environmental objectives set out in the Regulation.

The integration of ESG risks into the supervisory framework will be supported by the ongoing ECB's economy-wide climate stress test, while EBA is assessing the inclusion of ESG related risks in the Pillar 2 framework.

The EBA is also working to incorporate money laundering and terrorist financing issues into prudential and governance models.

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

- Decree-Law no. 22-C/2021, of 22 March, that extends the grace periods of state granted credit lines and approves a special regime for granting the public guarantees by the “Fundo de Contragarantia Mútuo”, within the scope of COVID-19 pandemic;
- Resolution no. 63-A/2021, of 27 May 2021, of the Council of Ministers, that authorizes amendments to the framework agreement with the Resolution Fund, as well as the financing contracts between the State and the Resolution Fund;
- Law no. 70-B/2021, of 6 August, updated the scope of PARI and PERSI regulations under the public banking moratoria regime;
- With a view to the convergence of the average maturity of new credit agreements for house purchase towards 30 years by the end of 2022, Banco de Portugal recommends new limits to the maximum maturity of new credit for house purchase based on the age of borrowers;
- Instruction 2/2021, of Banco de Portugal, which defines low and high-risk factors for money laundering and terrorist financing and specific simplified or reinforced identification and due diligence measures;
- Notice 4/2021, of Banco de Portugal, which regulates the typology and registration of agencies and the framework applicable to agency extensions;
- The revised version of the draft Banking Activity Code, which aims to replace the General Regime of Credit Institutions and Financial Companies (RGICSF) and transpose the European directives relating to the so-called “Banking Package” (CRD V and BRRD II) is under analysis by the Ministry of Finance;
- Decree-Law No. 65/2021, regulates the Legal Regime of Cyberspace Security and defines the obligations regarding cybersecurity certification;
- Decree-Law no. 70-B/2021, of 6 August, establishes protective measures for bank customers with credit contracts covered by moratoria and amends the general default regime, approved by Decree-Law no. 227/2012, of 25 October;
- Under the COVID-19 pandemic, bank moratoria were extended (Law No. 50/2021, 30 July 2021) until the end of 2021;
- On a macro-prudential level, the countercyclical own funds buffer applicable to credit exposures to the domestic non-financial private sector remained at 0% of the total amount of exposures and, in accordance with the annual procedure, the values given for the O-SII buffer to be applied to systemically relevant banks in Portugal were defined.

The EU Benchmarks Regulation has been amended by Regulation 2021/168, granting the European Commission powers on the LIBOR transition in the European Union. An alternative interest rate to LIBOR CHF, "SARON", has already been designated, while initiatives to designate other interest rates as statutory replacements for certain LIBOR rates that have already been discontinued are under consideration. The "risk-free interest rate working group" for the euro area has published guiding principles and high-level recommendations in this area, but these are not binding in nature.

The Single Resolution Board, the European authority responsible for the resolution of banks, updated the MREL policy, allowing it to restrict banks’ earnings distribution if there are MREL breaches, defining MREL-eligibility of UK instruments without bail-in clauses while refining the MREL methodology.

Poland presented a stimulus plan for 2021-30 - the "Polish Deal" - designed to strengthen the economy following the coronavirus pandemic. Faced with inflationary pressures, which have supported the increases of official Polish interest rates since mid-Q4 2021, the Polish government implemented a set of measures to mitigate the effects of high inflation, namely through the reduction of some taxes and duties on consumer goods.

The CRD V and the BRRD II have been transposed into Polish law. The Civil Chamber of the Polish Supreme Court postponed – with no defined date - the disclosure of the understanding regarding foreign currency-denominated loans that could contribute to increase the uniformity in related court decisions – potentially relevant to the size of potential losses to the banking sector from for legal risks provisions.

In Mozambique, the measures to mitigate the effects of the pandemic in the banking sector have been progressively watered down given the improved context, the regulatory frameworks for crisis management (recovery and resolution of credit institutions) are being drawn up, and the reforms to the Money Laundering Act, the Bank Accounts Act, the creation of the Unique Bank Identification Number and the Foreign Exchange Act are under consideration.

Economic environment

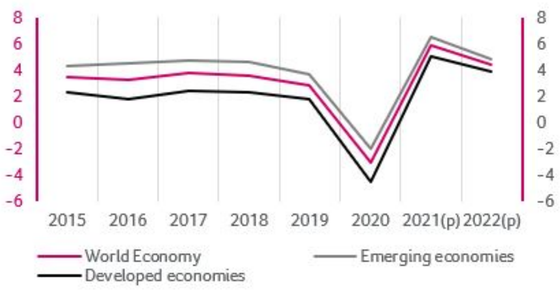
Global Economic Environment

The world economy recovered strongly in 2021, after the fall of 3,1% in the preceding year, consequent of the adverse effects of the pandemic on economic activity.

In 2022, this trajectory may, however, be strongly conditioned by the adverse effects of the war between Russia and Ukraine, namely through the worsening of inflationary pressures, restrictions in production chains and the increase in uncertainty and instability in international financial markets.

In 2022, the International Monetary Fund (IMF) forecasts a slowdown of the global GDP growth rate, from 5.9% to 4.4%. The risks to this projection are tilted to the downside, and relate to the evolution of the pandemic, the effects of disruptions of the global supply chains, and the possibility of more restrictive monetary policies, induced by sharp increases in inflation.

STRONG RECOVERY OF THE GLOBAL ECONOMY IN 2021
Annual growth rate of real GDP (in %)



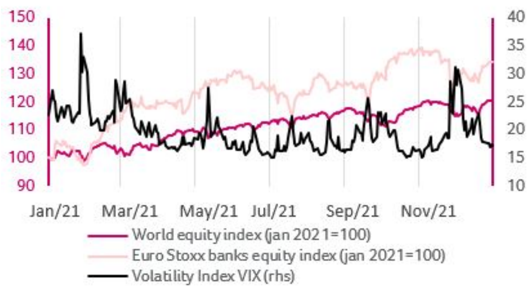
Source: IMF WEO (Jan 2022)

Global Financial Markets

In financial markets, the year of 2021 was characterized, on one hand, by marked valuations of the main global stock indexes, supported by the strong recovery of economic activity and, on the other hand, by the increase in long term interest rates, which followed the rise in inflation and the consequent expectations of removal of monetary stimuli measures, namely in the USA. Given this, the USD appreciated in the whole year, particularly against the Euro. The favorable macroeconomic picture and the optimistic environment that prevailed in the markets benefited credit spreads in developed economies. In emerging markets, however, the performance of several asset classes turned out less positive, against a background of more difficulties in controlling the pandemic and of idiosyncratic frailties.

In the Euro Area, the controlled increase in the inflation rate throughout 2021 allowed the European Central Bank to progress very gradually in reducing the degree of accommodation of monetary policy. As a result, Euribor interest rates have stayed relatively stable throughout the year, as well as the risk premia of government bonds of periphery countries, including Portugal.

THE WORLD EQUITY INDEX REGISTRED STRONG VALUATIONS IN 2021



Source: Datastream

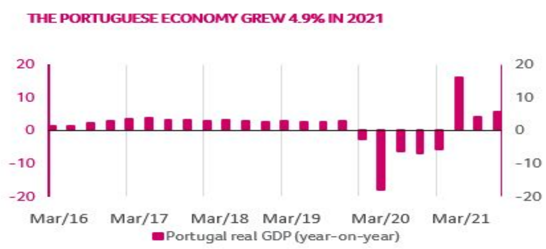
Outlook for the Portuguese Economy

In 2021 the GDP grew 4.9%, which represented a strong recovery compared to the contraction of 8,4% observed in the preceding year. The performance of the Portuguese activity benefited particularly from the removal of containment measures on the second quarter, which triggered a strong increase in consumption, in the context of elevated levels of accumulated savings by the families and an improving labour market. Investment has kept its robustness throughout the year, boosted by the execution of the Recovery and Resiliency Plan (RRP), and exports exhibited a marked rebound, despite the less favorable performance of services associated with tourism, consequent of the erratic dynamic of the pandemic.

The European Commission (EC) foresees that the Portuguese GDP will grow 5.5% in 2022, bolstered by the dynamism in domestic demand and the recovery of external demand, namely regarding tourism.

Regarding the inflation rate, an annual increase was registered in 2021, from -0.1% to 0.9%, as a result of the strong increase in energy prices. For 2022, the EC forecasts that the upwards trajectory of inflation should steepen, estimating an increase in consumer prices of 2.3%.

The budgetary measures implemented in 2020 and 2021, which proved vital in attenuating the adverse effects of the pandemic, have translated into a substantial aggravation of the public debt ratios, which should, however, see a progressive improvement, in tandem with the strong rebound of economic activity.



Source: Datastream

International Operations

In Poland, GDP growth was of 5,7% in the whole year. The strong expansion of GDP, together with inflationary pressures coming from rising commodity prices and wage increases, resulted in a significative increase of the inflation rate that, in 2021, rose to 5.2%. Against this background, the central bank started a cycle of increased restrictiveness of monetary policy, by raising the reference interest rate from 0,10% to 1,75%. Despite the dynamism of economic activity and the increase in interest rates, the Zloty depreciated against the Euro in the whole year, penalized by divergences between national authorities and the European institutions.

In 2022, the expectations of maintained dynamism in activity, together with increases in wages, should contribute to the persistence of the elevated level of prices. However, the geopolitical instability between Russia and Ukraine may represent an important risk for economic activity in Eastern European countries.

In Mozambique, the GDP registered a growth of 2,2% in 2021, which represents a strong recovery after the fall of 1,2% in 2020. In 2022, the execution of natural gas projects in the Rovuma bay, and the favorable evolution of global demand should contribute to reinforce the trajectory of the economic activity. The economic rebound has contributed to exchange rate stability, which has allowed inflationary risks to be kept relatively controlled.

In Angola, the economic activity started to increase, after five consecutive years of recession. In 2022, the IMF forecasts a GDP growth of 2.9%. In this context, the Kwanza has been appreciating.

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2019	2020	2021	2022	2023
EUROPEAN UNION	1.8	-5.9	5.3	4.0	2.8
Portugal	2.7	-8.4	4.9	5.5	2.6
Poland	4.7	-2.5	5.7	5.5	4.2
SUB-SAHARAN AFRICA	3.1	-1.7	4.0	3.7	4.0
Angola	-0.5	-5.2	0.1	2.9	3.3
Mozambique	2.3	-1.2	2.2	5.3	12.6

Source: EC, February 2022 for the EU, Portugal and Poland. IMF, October 2021 for Sub-saharan Africa, Angola and Mozambique. National Statistics Institutes

Estimates

Financial system

Central Banks and Governments maintained in 2021, as in 2020, unprecedented coordinated global policy stimulus, in particular: i) maintenance of zero or negative reference rates and asset purchase programmes; and ii) major fiscal programmes to support the economy but revealing widely diverging levels of support from member States to the private sector. Such differences generate large competitive distortions due to different levels of indirect State support to Banks and Companies in each EU jurisdiction. Also of note are the positive developments in the European crisis response programmes, of which the approval of the Recovery and Resilience Plan for Portugal ('PRR') is worth highlighting. It should also be noted that Central Banks at the end of the year took the first steps towards the normalization of the monetary policy, with the Fed announcing the end of its asset purchase programme and indicating the possibility of three interest rate hikes in 2022. The ECB, which continued to consider inflation levels as 'temporary', does not anticipate changes in the interest rates in 2022, but announced the end of the Pandemic Emergency Programme and the gradual reduction of volumes asset purchase during 2022.

In a context that remains very challenging due in part to the maintenance of negative interest rates, the legislative pressure on commissioning and the maintenance of disturbance factors of a geopolitical nature (e.g. persistence of commercial and socio-political tensions between the major economic blocks), the Portuguese banking system managed to achieve positive profitability levels (although reduced in relation to its cost of capital) while maintaining conservative provisioning levels to reflect the deterioration of the macroeconomic forecasts induced by the pandemic. The evolution and performance of the banking system continued to be impacted by increasingly demanding and costly Supervision and Regulation. Despite some temporary pandemic-induced flexibility, ad-hoc reporting demands have greatly intensified, and regulatory contributions increased (e.g. contributions to the European and National Resolution Funds, and Contributions to the Banking Sector, in these last two cases at a clear disadvantage compared to other European jurisdictions). In spite of being an exogenous event, the pandemic outbreak brought high uncertainty to the Portuguese banking system, which is facing this crisis in better conditions than in previous crises, showing greater strength both in terms of capital and liquidity, and improved asset quality indicators, reflecting the efforts made in recent years to reduce NPE and to reinforce provisioning and coverage level. The exception continues to be one player that keeps relying on the National Resolution Fund to top-up its capital ratios to comply with its minimum requirements. This situation, together with the other financial needs generated by the resolution processes of Banco Espírito Santo and BANIF, remains a source of risk potentially affecting the normalisation of the profitability of the Portuguese banking system and raising questions around the fairness of the competition.

The Covid-19 pandemic accelerated the transformation process of the banking system and confirmed the merits of the business model and customers relationship adjustment strategy adopted in recent years by some of the main domestic banks, making it more digital, closer, simpler, safer and more sustainable, and by improving the quality service to increasingly demanding customers. The absence of a single regulatory framework applying to all entities that can operate in specific business segments, which would ensure a level playing field, is forcing Banks to further accelerate their digital transformation processes and to adjust their cost structure to compensate for the loss of business and revenues to unregulated non-bank players, inevitably implying the adaptation of their business models to the new environment. As in recent years, the mitigation of compliance risks (associated for example with money laundering and the financing of illicit activities, e.g. terrorism) and cybersecurity, required enhanced investment in appropriate operating and technological risk assessment and control policies, as well as in IT, and particularly data security systems and the defence lines of the Banks, together with the increasing integration of sustainability issues ('ESG') in daily management which will contribute to a more resilient response of the Portuguese financial system to the public health and economic crisis.

The consequences of the invasion of Ukraine by Russia on the financial markets are still not fully known and could be significant for different sectors, namely for European banks. Most banks in Europe have a very limited direct exposure to the risk of conflict, being practically negligible at the level of the Portuguese banking system. However, indirect consequences of the conflict should be taken into account, namely through the rise in inflation and the deceleration of economic growth in Europe, generating uncertainty about the macroeconomic policy decisions of the ECB and other central banks in Europe. International economic and financial sanctions will continue to evolve and are unlikely to cause directly significant constraints to Portuguese banks.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

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

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

On 31 December 2021, operations in Portugal accounted for 72% of total assets, 68% of total loans to Customers (gross) and 74% of total customer funds. The Bank had over 2.5 million active Customers in Portugal and market shares of 17.5% and 18.3% of loans to Customers and customer deposits, respectively, in November 2021.

International presence as a platform for growth

At the end of December 2021, Millennium bcp was also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 6.1 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, on a reference service quality, with high brand recognition, a robust capital base, comfortable liquidity and sound risk management and control. In December 2021, Bank Millennium had a market share of 6.1% in loans to Customers and of 5.5% in deposits.

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

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.1 million Active Customers and is the reference bank in this country, with market shares of 16.7% in loans and advances to Customers and of 23.9% in deposits, in December 2021. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

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

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

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

Growth based on digital/mobile banking

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

Digital banking

At Group level, mobile Customers grew 20% (+571 thousand customers), surpassing 3.4 million customers, thus representing a penetration rate of 56% over the active Customer base.

With regard to digital Customers, within the Group, there was an increase of 12%, representing currently 69% of the Active Customer base.

In Portugal, mobile Customers grew 20% (+192 thousand customers), surpassing 1.1 million customers, already representing 46% of Portugal's active Customer base.

With regard to digital Customers, there was a 12% increase in Portugal, thus allowing them to represent in December 2021, 59% of the Active Customer base in Portugal.

Digital sales

In 2021, sales made through digital channels represented 38% of the Bank's total sales, an increase of 6 pp compared to 2020. In a context still very conditioned by the pandemic, mainly during the 1st half of the year, the Bank continued its plan to develop a new standard of digital experience focused on mobile, with the application of a more personalized and targeted communication strategy with Customers, highlighting the greater convenience of the products and services available in the Millennium app and always seeking to simplify everyday life of the Customer.

With the gradual and careful lifting of restrictions in the Bank's credit policy, it was possible to carry out own media and paid media campaigns customized to the profile of each Customer and with a promotional rate at different times of the year. Thus, levels of monthly production of personal digital credit were possible higher than those seen in the pre-pandemic months, with a product penetration rate of 44% in 2021 in number of transactions (+15 pp compared to 2020), with the app to be responsible for 83% of them (+20p.p compared to 2020).

The credit card ordering process in the app, with an automatic decision to increase the credit limit, also proved to have been a good initiative to increase sales, representing 81% of digital card sales in 2021. The Bank provided a process of card limit increase in the app with 100% digital approval and features such as monitoring the issuance and receipt of the card and the acceptance of payments through 3D Secure through the app were very important to ensure more service to Customers.

Also in terms of credit, a new mortgage loan simulator was developed for a website and app with a credit request, a faster, more intuitive journey with contextual explanations for greater financial literacy of Customers.

In the creation and reinforcement of savings, there was an aggregate growth of 16 p.p. compared to December 2020 in the penetration rate in number of transactions, with the app representing around 83% of the digital total.

In terms of investments, the significant weight of most products sold on digital was maintained: 34% of subscriptions to investment funds, 89% of subscriptions to Millennium bcp stock exchange certificates and 98% of stock exchange orders were carried out on digital in 2021. It should be noted that the Millennium app already represents 32% of the sale of investment funds in digital and this year a new investment area was launched in the Millennium app, with the availability of trading stock exchange certificates and the completion and consultation of the Questionnaire of the Investor, in addition to the investment portfolio monitoring screen whose information has been reinforced. In the online trading business, we highlight the significant growth in the value of orders +29% carried out on our digital channels and the weight of the Bank's online trading platform – MTrader –, with 75% of orders placed, having registered around 10,000 new additions in 2021.

In risk insurance, the Bank ended the year with a weight of 32% of digital sales (+4 p.p. compared to December 2020). Following the trend of increasing demand from Customers for products related to their protection, the Bank made available the Médis Dental Health Insurance, Médis Health Insurance and YOLO! insurance through the app.

Customer-oriented relationship model

2021 was a year of excelling. Excelling Teams, Business and Communication with Customers.

The beginning of the year was marked by the recognition of Millennium as a “Consumer's Choice” in the “Largest Banks” category, allowing the Bank to reinforce its positioning of excellence and number 1 among Customers and Non-Customers.

The communication path taken was based on the pursuit of this commitment and respect for the needs, ambitions and projects of the Customers. In a year still marked by the effects of the pandemic, the Bank continued to reinforce its communication strategy on the subject of Mortgage Loans and Personal Credit - as well as in the offer of differentiating solutions and products, always maintaining a focus on the Mobile aspect.

The Millennium app reinforced its path of innovation, with actions such as the launch of StayON, as well as the “App Millennium, again from the Best” campaign, following the “Best Digital Bank in Portugal” award given by the prestigious international magazine Global Finance.

Millennium's positioning as a pioneering and dynamic bank of the financial system was also reinforced by the strong focus on new Means of Payment solutions, such as Swatch Pay, Fitbit and Garmin, which joined the solutions already available through Apple Pay and, as early as 2022, from Google Pay.

Also noteworthy is the strong visibility of other strategic segments such as Companies, Prestige and Diaspora.

The business segment was undoubtedly one of the most dynamic in terms of communication. With a strong commitment to the recovery of the Economy, the Bank launched the “Lets go!” Campaign, in an affirmation of will, dynamism and proximity to its Customers. The motto and promise were reinforced with the launch of the subsequent campaign – the Savings and Recovery Plan (PRR). With the claim “Resilience is with us. Lets go!" the Campaign pays tribute to all businesses and companies that had the ability to resist and overcome themselves in such a complex moment, being also a tribute to the country as a whole and to the way it fought and fights against adversity.

In 2021, Millennium consolidated its positioning as a “Corporate Bank”, having obtained leadership in the attribution of PME Líder statutes, as well as the COTEC Inovadora Award, being recognized as the Best Bank for Companies by the DATAE study.

In turn, Millennium's communication with Prestige Customers was marked by the launch of Personalized Investment, as well as by the dynamics of migration and reinforcement of Prestige Direct, with strategic and segmented campaigns for this purpose.

In terms of the Diaspora, the strong multimedia campaign “More Digital. More Portuguese” should be highlighted, which allowed the Bank and its Customers to support the teaching of the Portuguese language abroad, in a partnership carried out with the Camões Institute that awarded Millennium of “Company promoting the Portuguese language”.

The Bank's Communication strategy maintained a clear focus on the constant presence in external Media, but also on the Bank's Social Networks, in order to reinforce and consolidate the Millennium Brand's reputation among its most diverse targets.

Millennium sought to be where people are. The challenge remained high, given the limitations in social interaction and contact. But the Bank knew how to respond. In fact, and in terms of events, 2021 was marked by the safe and controlled return of a set of initiatives that are part of the Bank's history as an agent of Society, Economy and Culture, such as the Millennium Festival ao Largo, the Millennium Estoril Open (in 2021, still without an audience), Agricultural Fairs and art sharing, through the Millennium Foundation. In this context, reference should be made to the inauguration of the Millennium Gallery at the Museum of Contemporary Art and the reopening of the Rua dos Correeiros Archaeological Center (NARC).

The Millennium Brand remembrance and notoriety index and the Awards received in 2021 prove the effectiveness and success of the strategy undertaken.

According to the 2021 BrandScore study, Millennium achieved leadership in Banking in Communication Visibility, both in Campaigns and Sponsorships. In fact, the Corporate Campaigns “Lets go” and “Resilience is with us”, and the Millennium Estoril Open were the actions with the most memory, respectively, in Campaigns and Sponsorships. This study also showed that Millennium maintained its leadership as the best Digital Bank and Best Corporate Bank, in both cases with the highest increases in the sector. The reinforcement of leadership also allowed Millennium to be the institution in Portugal whose brand registered the highest appreciation, measured through the Brand Impact indicator.

Business Model Sustainability

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

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

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

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

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

Millennium network

USA
Commercial protocols

Brazil
2 Representative offices

BRANCHES

BRANCHES OPENED ON SATURDAY

BRANCHES WITH DIFFERENTIATED SCHEDULE

BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

REPRESENTATIVE OFFICES

COMMERCIAL PROTOCOLS

PARTNERSHIP

* Includes branches of different networks that share the same physical space.

Portugal
434 Branches
158* 380

United Kingdom
1 Representative office

Poland
655 Branches
83 99 306

Macao (China)
1 Branch

France
Commercial protocols

Luxembourg
Commercial protocols

South Africa
1 Representative office

China
1 Representative office

Switzerland
2 Representative offices

Mozambique
199 Branches
29 63 189

Angola
Partnership

	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM [1]	POS [2]
Portugal	2,529	625,664	326,778	1,046,749	1,964	82,411
Poland	2,503	2,016,812	222,549	1,966,582	480	1,386
Mozambique	1,109	11,278	73,408	687,638	515	8,187
Macao (China)	2	-	-	-	-	-

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

Financial information

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (in the version in force), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2005, in the version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the version currently in force.

To provide a better reading of the evolution of the Group's financial situation and to ensure comparability with the information from previous periods, a set of concepts are described in this analysis that reflect the management criteria adopted by the Group in the preparation of the financial information, whose accounting correspondence is presented in the glossary and throughout the document, whenever applicable.

Banco Comercial Português, S.A. ("BCP") established, on 29 June 2021, an agreement with Union Bancaire Privée, UBP SA concerning the sale of the entire the share capital of Banque Privée BCP (Suisse) S.A. ("Banque Privée"). On 2 November 2021, after obtaining the non-opposition of the local competent supervisory entities and all the remaining conditions agreed were complied with, the sale was completed. The final price is still subject to adjustments due to the performance of assets under management and the activity of Banque Privée BCP (Suisse) SA. The completion of the sale of Banque Privée allows BCP Group to continue its strategy focused on the allocation of resources and on the management of core geographies, enhancing its development and thus ensuring the creation of value for stakeholders.

On 31 December 2021, BIM – Banco Internacional de Moçambique, S.A. (a bank incorporated under Mozambican law where BCP holds, indirectly, a 66.69% stake) ("BIM") formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, S.A. ("Fidelidade"), to enhance capacities and increase the offer of insurances in the banking channel (bancassurance) in Mozambique. Within the scope of this partnership, which was planned in the memorandum of understanding signed between BCP and Group Fosun in November 2016, BIM and Fidelidade also formalised the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A. ("SIM"), remaining BIM with approximately 22% of the respective share capital. BIM and Fidelidade also agreed call and put options to enable Fidelidade to acquire additional shares. Thus, the stake held by BIM, due to those options, may be reduced to 9.9 % of SIM's share capital. Within the scope of the agreement for the long-term exclusive distribution, BIM shall promote the distribution of insurances from SIM through the banking channel, continuing to providing its customers with a wide range of competitive insurance products, an offer reinforced by the partnership established with Fidelidade, an Insurance Group of reference.

Following the sales mentioned above and as defined in IFRS 5, the contribution from the Swiss subsidiary and from SIM for the consolidated earnings of the Group is reflected in the income arising from discontinued or discontinuing operations in the international activity and the historical information has been restated since January 2020, to ensure comparability. Accordingly, the figures related to the Group's income statement, presented for periods prior to January 2020 have not been changed, since it is considered that the size of the activity of the subsidiaries sold does not materially distort the comparability of the data. The booking of the assets and liabilities of Banque Privée BCP (Suisse) S.A., and of SIM in the historical periods was not changed versus the criteria considered in the consolidated financial statements previously published. Within this context, and considering the immateriality of the respective balance sheets in the Group as a whole, the calculation of the several indicators presented that relate the performance of the profit and loss account with the balance sheet aggregates were not adjusted, with exception of the interest margin rate, whose estimation reflects the fact that the assets of the subsidiaries mentioned above are no longer considered as interest earning assets in the period in question and in the historical information submitted. The gains generated with the sale of both operations are also recognised as a income arising from discontinued or discontinuing operations in the international activity.

The figures associated to discontinued or discontinuing operations also include the ones related with the Planfipsa Group, which was considered as a discontinued or discontinuing operation with reference to the 3rd quarter of 2018 (after the communication of the quarterly earnings to the market and respective publication) and was sold in February 2019. In addition, in 2019, gains and losses related with the sale of Millennium bcp Gestão de Ativos, following adjustments introduced in the sale price agreed in the sale of that company were also recognised in the item income from discontinued or discontinuing operations.

During the first half of 2021, the Group changed the way it presents the provisions booked by Bank Millennium to face the legal risk associated with mortgage loans in Swiss francs, being now recognised as a reduction of the gross carrying amount of the loans for which a reduction in future cash flows is expected, in accordance with the provisions of IFRS 9 - Financial Instruments, and which were previously recognised in liabilities, in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. Accordingly, the Group restated the information previously published for all periods, beginning on 1 January 2020, with a simultaneous reduction in the book value of the portfolio of loans to customers and other liabilities provisions, versus the financial position previously disclosed by the Group. Provisions in accordance with the framework foreseen in IAS 37 will only be applied to disputes related with loans already repaid and not reflected in the Group's Balance Sheet. In addition, Bank Millennium changed the presentation of interest on derivative financial instruments, which do not meet the definition of formal hedge accounting provided for in IFRS 9. Considering that these instruments, although included in the trading portfolio, were contracted with the objective of establishing an economic hedging relationship for the risk of the hedged financial assets or liabilities, the Polish subsidiary started, as of the first six months of 2021 onwards, to record the respective interests in net interest income, when previously the same were recognised in net trading income. In that sense, the financial statements of the Group published in prior periods were restated, as of 1 January 2020, to ensure the comparability of the information.

During 2021, some commissions were re-classified to improve the quality of the information reported. The historical figures of 2020 and 2019 of the items which were re-classified, considered for the purposes of this analysis, are shown on a "pro forma" basis, in accordance with the reclassifications made, with the purpose of ensuring their comparability. Except in what regards the impacts produced by the classification of entities as discontinued operations, within the scope of the sale agreements established in 2021, as required by IFRS 5, the total amount of net fees disclosed in previous periods remains unchanged.

In 2021, with the exception of the restatement and reclassifications made with the purpose of ensuring the comparability of information, exclusively resulting from the situations previously mentioned, no other changes were introduced in the way information regarding previous financial years was presented.

In 2021, Millennium bcp continued to show the resilience of its business model and its capacity to adjust to a context strongly influenced by the evolution of the pandemic crisis. The Bank continued to provide support to companies and families, seeking to respond to the needs of its Customers at all times. Thereon, it is worth mentioning the relevance of the credit granted under the COVID-19 lines guaranteed by the Portuguese State and also the agreements established with the European Investment Fund. By the end of the third quarter, the Bank carried out an issue of preferred senior social debt securities under its Euro Note Programme, becoming the first Portuguese issuer to carry out this type of issue in the ESG segment (Environmental, Social and Governance), focused on the social component. This issue represented a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, especially in the financing to micro, small and medium-sized companies, the ones most affected by the recent pandemic context, evidencing, at the same time, the recognition of the commitments assumed by Millennium bcp in terms of sustainable financing.

At the same time, the Bank remains focused on pursuing an ongoing technological innovation that, together with the recovery of the economic activity in the previous year, enabled carrying out the headcount adjustment plan, initially foreseen to take place in 2020, in the wake of the strategic plan Mobilizar 2018/2021, but which was postponed due to the emergence of the pandemic associated with COVID-19. On the other hand, the reinforcement of the Bank's digital capacities is increasingly valued, a fact proven by the continuing growth of its customer base, particularly in terms of mobile customers and also through its external recognition materialised by the several distinctions and awards received by the Bank, which are also a recognition of its commitment towards people and society.

The consolidated net earnings of Millennium bcp reached 138 million Euros in 2021, standing below the 183 million Euros achieved in the previous year.

Despite the fact that the net income of the activity in Portugal recorded a positive performance in 2021 and grew 28.5% versus 2020, consolidated net income of the Group ended by being heavily penalised by the increase in the costs associated with the portfolio of mortgage loans in Swiss francs recognised by Bank Millennium, S.A., in Poland. Excluding those costs, in both years, the net income of the Group would have recorded a 56.6% growth, from 259 million Euros in 2020 to 405 million Euros in 2021.

The performance of the Group's net income is also influenced by the capital gains generated with the completion of the sale, in the last quarter of 2021, of the entire share capital of Banque Privée BCP (Suisse) S.A., and of the stake held by the Group in SIM, whose impact in consolidated income amounted to 51 million Euros and to 10 million Euros (amount net of taxes and non-controlling interests), respectively.

The consolidated core operating profits of Millennium bcp, recorded a growth of 7.4% versus the 1,118 million Euros recorded in the previous year, amounting to 1,201 million Euros in 2021. In the activity in Portugal, notwithstanding the impact caused by the constitution of an extraordinary provision recognised as staff costs to deal with the costs related with the headcount adjustment, the core operating profit stood 2.5% above the 637 million Euros recorded in 2020, amounting to 653 million Euros at the end of 2021. On its turn, the operating profits of the international activity recorded a growth of 13.9%, from 482 million Euros in 2020 to 548 million Euros in 2021, for which the major contribution was given by the Polish subsidiary and also by the subsidiary company in Mozambique.

Millennium bcp's consolidated balance sheet total stood at 92,905 million Euros on 31 December 2021, showing a 8.4% increase in comparison with the 85,715 million Euros computed at the end of 2020. This increase was mostly originated by the expansion of the activity in Portugal, but also, although to a lesser extent, of the international activity, triggered, in both cases, by the growth recorded by the credit portfolio.

Consolidated loans to customers of Millennium bcp amounted to 58,231 million Euros on December 31 2021, showing a 4.6% growth versus the 55,694 million Euros recorded at the end of 2020, benefiting mostly from the growth in mortgage loans, but also from loans to companies. In terms of the international activity, we must also highlight the growth of personal loans in Poland.

Total liabilities of the Group stood at 85,843 million Euros in 2021, up 9.6% comparing to the 78,329 million Euros recorded at the end of 2020, determined essentially by the evolution of deposits and other customer funds.

On 31 December 2021, total customer funds amounted to 90,097 million Euros, showing a positive performance by increasing 9.5% against the 82,306 million Euros recorded at the end of 2020. This increase mostly shows the expansion of the portfolio of customer deposits that recorded a very expressive growth in Portugal, although in Poland there was also a significant increase in funds raised, mainly from individual customers.

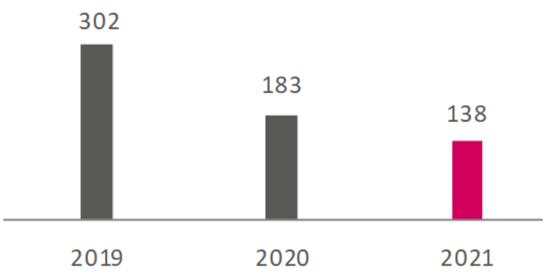
PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 138 million Euros in 2021, below the 183 million Euros reached in the previous year, as the favourable evolution in the activity in Portugal was not enough to outweigh the lower results obtained in the international activity.

NET INCOME

Million euros



The net income of the Group was heavily impacted by the increase in costs associated with the foreign exchange mortgage loans portfolio accounted for by Bank Millennium, S.A. in Poland, which, in consolidated terms, amounted to 267[2] million Euros in 2021, more than three times the 76[2] million Euros reported in the previous year. Excluding this impact in both years, the net income of the Group would have grown by 56.6%, from 259 million Euros in 2020 to 405 million Euros in 2021.

The impact of the overall costs associated with foreign exchange mortgage loans on Bank Millennium's results amounted to 533[3] million Euros, reflecting substantial growth compared to the 151[3] million Euros, which had been recorded in the previous year. These costs materialised mainly in the recognition of additional provisions to face the legal risk implicit in the portfolio of foreign exchange mortgage loans, mainly reflecting the continued negative trends in court rulings, the increase in the number of new lawsuits and the most conservative assumptions applied in risk assessment. In addition, the costs associated with foreign exchange mortgage loans also incorporate the costs of agreements concluded in the meantime by the Polish subsidiary with its customers, aimed at converting the loans into local currency or their early repayment (total or partially), recognised mainly as costs of foreign exchange transactions in net trading income, the costs of legal advice and the costs of litigation brought by the Bank against its customers.

Other impairments and provisions of the Group, together with loans impairments, totalled 1,061 million Euros in 2021, reflecting a growth of 26.1% compared to the previous year, in which 841 million Euros had been recorded. As previously stated, this growth was mainly influenced by the contribution of the Polish subsidiary, whose provisions booked to meet the legal risk associated with foreign exchange mortgage loans totalled 457 million Euros, well above the 152 million Euros recorded in 2020 (net amounts of the value originated by the operations of Euro Bank S.A., to be repaid by a third party). Inversely, loans impairment showed a transversal reduction, both in the activity in Portugal and in the international activity, in both cases influenced by the impact of the extraordinary impairments that had been booked in 2020 and were intended to meet the risks associated with the COVID-19 pandemic.

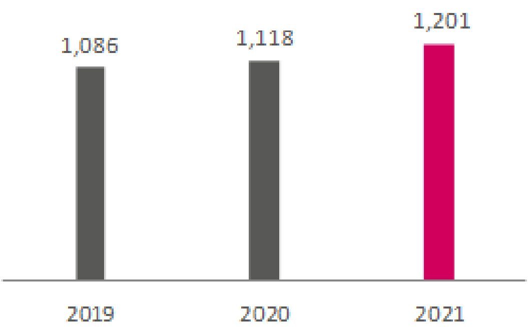
The core operating profit in 2021 amounted to 1,201 million Euros, showing a growth of 7.4% compared to the 1,118 million Euros reached in the previous year. It is worth noting that this favourable development was possible despite the recognition of an extraordinary provision, recognised as staff costs in the activity in Portugal, in the amount of 84 million Euros, intended to cover the costs with the headcount adjustment plan. This adjustment, initially planned for the year 2020, still under the previous strategic plan Mobilising 2018/2021, would eventually be postponed due to the outbreak of the pandemic COVID-19.

[2] Net of tax and after minority interests.
[3] Net of tax and before minority interests.

Excluding the aforementioned provision, considered as a specific item, and also excluding the remaining specific items[4] in both periods, the Group's core operating profit increased by 10.9% compared to 2020. For this evolution, the growth in core income, both in the activity in Portugal and in the international activity, was decisive. In consolidated terms, core income amounted to 2,316 million Euros in 2021, 4.9% above the 2,208 million Euros posted in the previous year, having benefited from both the 3.7% growth in net interest income and the 7.6% increase in net commissions.

CORE OPERATING PROFIT

Million euros



The performance of the Group's net income was also influenced by the income arising from discontinued operations, which progressed from 16 million Euros in 2020, to 71 million Euros in 2021, reflecting the positive impacts of the sale, in 2021, of the total share capital of Banque Privée BCP (Suisse) S.A., and of 70% of the stake that the Group held in Seguradora Internacional de Moçambique, S.A. (“SIM”).

In this sense, under the agreement to sell the entire share capital of Banque Privée BCP (Suisse) S.A. to Union Bancaire Privée, UBP SA, concluded on 29 June 2021, and in accordance with the provisions of IFRS 5, this operation was considered as discontinued operation in June 2021, and since then its result considered as income from discontinued operations.

According to the provisions of that regulation, the results of the corresponding period, previously distributed over the various lines of the income statement, are now also reflected as income arising from discontinued operations in order to ensure that the information is comparable (1 million Euros in 2021 and 7 million Euros in 2020). The implementation of the sale of the operation, on 2 November 2021, allowed the recognition of a gain, in the amount of 51 million Euros, also recognised as income from discontinued operations. Considering the costs assumed by the subsidiary related to the sale, the impact in income arising from discontinued operations was approximately 47 million Euros.

Additionally, at the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of its stake in Seguradora Internacional de Moçambique, S.A. (“SIM”), and now only holds a minority stake of about 22% in the insurance company. In accordance with IFRS 5 and similarly to what happened with the Swiss subsidiary, this entity was also classified as a discontinued operation, and the gain generated with the sale, in the amount of 12 million Euros, net of taxes and before minority interests, in consolidated terms, was recorded as income arising from discontinued operations. Considering a provision set up for contingencies related to the sale, recorded by BIM - Banco Internacional de Moçambique, S.A. as other impairment and provisions, the impact of this operation on the Group's net income (after non-controlling interests) was approximately 6 million Euros.

The result generated by the insurance company up to the moment of conclusion of its sale, as well as the result generated by its activity in the previous year, in the amount of 7 million Euros and 8 million Euros, respectively, are also reflected as income arising from discontinued operations.

[4] Net income includes the negative impact of 91 million Euros in 2021 and of 46 million Euros in 2020, both before taxes, recognized as specific items. In 2021, specific items were fully recognized as staff costs in the activity in Portugal, mainly related to the adjustment of headcount, identified under Mobilising 2018/2021 strategic plan, including a provision, in the amount of 84 million Euros. In 2020, from the total amount of 46 million Euros considered as specific items, 32 million Euros were recognized as staff costs in the activity in Portugal (related to headcount adjustment costs, compensation cost for temporary remuneration cuts of employees and income arising from the agreement with a former director of the Bank), and 15 million Euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9 million Euros as staff costs, 5 million euros as other administrative costs and 1 million Euros as depreciations). Net income also includes specific items, of an immaterial amount included in the net operating revenues, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary in 2020.

QUARTERLY INCOME ANALYSIS

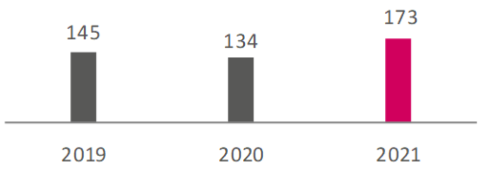
Million euros

	2021						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2020 restated	2019
NET INTEREST INCOME	375	391	399	424	1,589	1,532	1,549
OTHER NET INCOME							
Dividends from equity instruments	0	1	0	0	1	5	1
Net commissions	171	182	182	193	728	677	703
Net trading income	42	39	(9)	15	87	141	143
Other net operating income	(25)	(87)	(4)	(9)	(126)	(165)	(104)
Equity accounted earnings	15	14	13	15	57	68	43
TOTAL OTHER NET INCOME	203	148	182	213	746	725	787
NET OPERATING REVENUES	578	539	581	637	2,334	2,257	2,335
OPERATING COSTS							
Staff costs	141	231	143	138	654	625	668
Other administrative costs	77	72	81	94	324	330	373
Depreciation	34	34	34	34	137	136	125
TOTAL OPERATING COSTS	252	338	259	266	1,116	1,090	1,166
RESULTS BEFORE PROVISIONS AND IMPAIRMENTS	326	201	322	371	1,219	1,166	1,169
IMPAIRMENT							
For loans (net of recoveries)	111	46	107	85	349	510	390
Other impairment and provisions	132	173	157	250	712	331	151
INCOME BEFORE INCOME TAX	83	(18)	57	36	158	325	627
INCOME TAX							
Current	22	27	18	14	81	109	101
Deferred	35	18	22	48	122	24	138
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	26	(63)	18	(27)	(46)	193	388
Income from discontinued operations	3	3	3	61	71	16	13
NET INCOME AFTER INCOME TAX	29	(60)	21	35	25	208	401
Non-controlling interests	(29)	(14)	(26)	(44)	(113)	25	99
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	58	(46)	47	79	138	183	302

In the activity in Portugal, net income amounted to 173 million Euros in 2021, showing a growth of 28.5% compared to the 134 million Euros reached in the previous year.

NET INCOME

Activity in Portugal
Million euros



The performance of the activity in Portugal benefited from the favourable evolution of most items, with particular emphasis on the growth of core income of 59 million Euros, as a result of the positive performance shown by both net interest income and net commissions. Indeed, net commissions recorded a solid growth of 33 million Euros compared to the previous year, which was reflected in almost all types of commissions, as a result not only of the increase in transactions to pre-pandemic levels, but also of the commercial initiatives implemented by the Bank. On the other hand, net interest income increased 26 million Euros compared to the same period of the previous year, mainly due to the reduction in the cost of funding, which benefited from the additional financing obtained from the European Central Bank, through the TLTRO III operation.

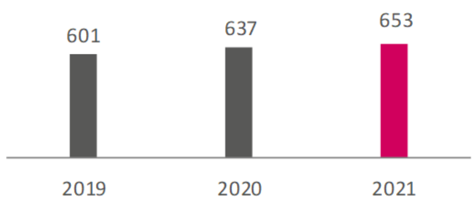
The significant reduction of the need for provisioning of the loan portfolio over the previous year also contributed, to a large extent, to the favourable trend of net income from activity in Portugal. In 2021, loans impairments fell 81 million Euros from the previous year, mainly reflecting the effect of the extraordinary reinforcements that had been recorded in 2020 in order to meet the increased risks implicit in the adverse and uncertain context associated with the COVID-19 pandemic.

Although of lesser importance, net trading income and other net operating income, in turn, also contributed to the positive evolution of net income in the activity in Portugal, insofar as net trading income showed a growth of 14 million Euros compared to the previous year, while other net operating income turned out to be 7 million Euros less negative than in 2020.

By contrast, the evolution of net income from activity in Portugal was penalised by the increase in other impairments and provisions by 47 million Euros, mainly justified by the reinforcement of provisions for other risks and by the performance of operating costs, which were 43 million Euros higher than the amount calculated in 2020. It is worth noting that the performance of operating costs was determined by the recognition of a provision, in the amount of 84 million Euros, booked as staff costs, to cover the costs with the headcount adjustment plan, which although, under the Mobilising 2018/2021 strategic plan, was planned for 2020, it was eventually postponed due to the emergence of the pandemic associated with COVID-19. It is important to mention that, despite the recognition of this provision, considered as a specific item, the core operating profit of the activity in Portugal stood at 2.5% above the 637 million Euros reached in 2020, amounting to 653 million Euros at the end of 2021. Excluding the aforementioned provision, as well as the remaining specific items in both years, operating costs reflect a reduction of 2.7%, which combined with the favourable performance of core income, translates into a growth of 11.3% in core operating profit, from 668 million Euros in 2020, to 743 million Euros in 2021.

CORE OPERATING PROFIT

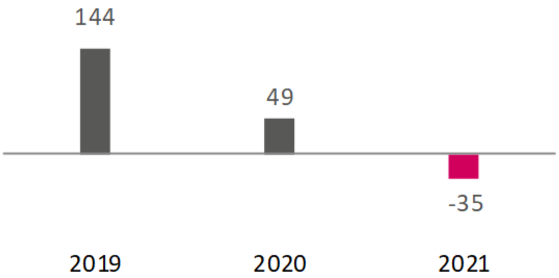
Activity in Portugal
Million euros



In the international activity, net income in 2021 was negative in 35 million Euros, showing a relevant decline compared to the profits of 49 million Euros reached in 2020.

NET INCOME

International activity
Million euros



This evolution was mainly determined by the activity of the Polish subsidiary, whose performance was strongly penalised by the increase in costs associated with foreign exchange mortgage loans. Although it was reflected in various items of the profit and loss account of the international activity, the increase in costs associated with foreign exchange mortgage loans was particularly relevant at the level of other impairments and provisions, with the recognition of a substantial amount of provisions to deal with the legal risk implicit in the portfolio of foreign exchange mortgage loans. Net trading income were also widely penalised, as they incorporate relevant amounts of exchange rate losses arising from agreements with customers to convert loans into local currency or to repay them (total or partially) beforehand.

Excluding the full impact of these impacts in both years, the international activity would show profits of 232 million Euros in 2021, showing a relevant growth compared to the 124 million Euros obtained in 2020.

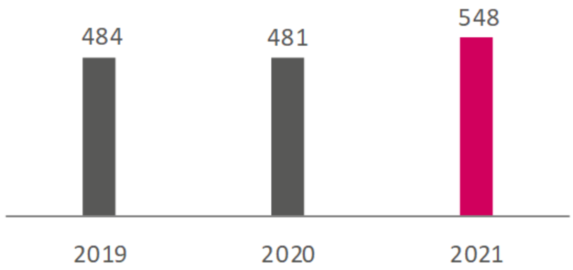
Although the Polish subsidiary's negative contribution was decisive for the fall in net income from international activity, the lower appropriation of the results generated by Banco Millennium Atlântico compared to the previous year also conditioned the performance of the foreign operations aggregate, though to a lesser extent.

On the contrary, the contribution of the operation in Mozambique to the result of the international activity proved to be higher than in 2020, due not only to the positive performance of the subsidiary's current activity, but also to the recognition of the gain generated by the sale of 70% of the stake held in Seguradora Internacional de Moçambique, S.A. (“SIM”), at the end of 2021.

Within the scope of the analysis of the development of the net income of the international activity, the positive performance of the core operating profit, which recorded a growth of 13.9%, from 481 million Euros in 2020, to 548 million Euros in 2021, to which the Polish subsidiary, but also the operation in Mozambique, contributed most of all, must be emphasized.

CORE OPERATING PROFIT

International activity
Million euros



Moreover, net income of the international activity also benefited from the gain, in the amount of 51 million Euros, generated as a result of the conclusion of the agreement for the sale of the entire share capital of Banque Privée BCP (Suisse) S.A., to Union Bancaire Privée, UBP SA. It should be noted that the gain obtained with the sale operation was recorded as income from discontinued operations together with the results generated by the current activity of that entity (1 million Euros in 2021 and 7 million Euros in 2020). Considering the costs assumed by the subsidiary related to the sale, the impact in income from discontinued operations was approximately 47 million Euros.

Bank Millennium in Poland showed a negative net income of 292 million Euros in 2021, which compares with 5 million Euros of profit achieved in the previous year. This evolution was shaped by the recognition of significant costs with the portfolio of foreign exchange mortgage loans, whose impact on the subsidiary's net income amounted to 533 million Euros in 2021, more than triple the already high amount registered in 2020 (151 million Euros). Excluding these impacts in both years, the Polish subsidiary's net income would have evidenced a 54.3% growth in its profit, from 156 million Euros in 2020 to 241 million Euros in 2021, indicating that the operation has successfully overcome the direct and indirect impacts of the pandemic crisis.

Of the total costs associated with foreign exchange mortgage loans, special mention should be made of the reinforcement of impairments and provisions, to address the legal risk associated with this portfolio which, in 2021, reached 457 million Euros, higher than the 152 million Euros recognised in 2020 (net of the amount originated by the operations of Euro Bank S.A., to be repaid by a third party in both years). The reinforcement made was due to the use of more conservative parameters considered in the provisioning methodology of Bank Millennium, S.A., in order to reflect the negative trends of court rulings, the increase in the number of proceedings and the changes in the risk assessment methodology.

On the other hand, the agreements concluded in the meantime with customers holding foreign exchange loans, which resulted in the conversion of loans in Swiss francs into local currency or in early repayments (total or partially), had a negative impact of 80 million Euros in 2021, reflected mainly as net trading income, an impact that largely explains the reduction that the Polish subsidiary showed in this item, compared to the amount posted in 2020. Although less significant, there were also other items in the profit and loss account whose evolution also reflects impacts associated with foreign exchange mortgage loans, namely other administrative costs, which include costs with legal advice and other net operating income, which incorporate the amounts of legal costs associated with dispute proceedings filed in the meantime by the subsidiary and which are mainly aimed at requesting the return of costs associated with the use of capital by customers during the period of the respective loans.

Excluding the problems associated with foreign exchange mortgage loan portfolio, the results of Bank Millennium, S.A. reflect a solid growth in core income, in particular in net interest income, which benefited mainly from the fact that the Polish Central Bank increased its reference rates by 165 bps in the last quarter of the year (from 0.1% to 1.75%), but also from the growth in loan volumes, despite a reduction in the foreign exchange loans portfolio. Furthermore, in 2021 commissions also reflect relevant growth compared to the previous year, especially commissions associated with banking transactions, reaching in some cases similar levels to those prior to the pandemic.

At the same time, also worth noting is the improved efficiency of the Polish subsidiary that reflects the impact associated with the reduction in the number of employees and the optimisation of the physical distribution network, with the reduction in the number of branches demonstrating the Bank's progress in the digitalisation of the commercial business.

The efficiency improvement measures implemented by the Polish subsidiary together with the synergies obtained after the merger with Euro Bank S.A. were decisive for, together with the increase in core income, an improvement in the cost to income ratio and in the cost to core income ratio.

Even without excluding the impacts associated with foreign exchange mortgage loans, the subsidiary's core operating profit grew by 13.2%, increasing from 395 million Euros in 2020 to 447 million Euros at the end of 2021 and the cost to income and cost to core income ratios recorded an improvement from 49.0% and 47.2% in 2020 to 46.5% and 42.5% in 2021, respectively.

Lastly, the Polish subsidiary's net income also benefited from the lower level of loan portfolio provisioning due to the improvement in the risk implicit in the portfolio, both in the individual customers and companies' segments. The impact of the sale of non-performing loan portfolios, together with the extraordinary reinforcement of impairments, which had been made in the previous year by the subsidiary, to deal with the risks implicit in the COVID-19 pandemic, contributed so that in 2021 the cost of risk was substantially lower than in 2020.

Millennium bim in Mozambique, in turn, showed a net income of 96 million Euros in 2021, which translates into an increase of 43.0% compared to the 67 million Euros obtained in the previous year. This evolution resulted, on the one hand, from the favourable performance of most items in the profit and loss account and, on the other hand, from the gain generated by the sale of 70% of the subsidiary's stake in Seguradora Internacional de Moçambique, S.A. ("SIM"), at the end of 2021, now holding only a minority stake of 22%. In this context it is important to note that, in accordance with IFRS 5, the insurance company is now classified as a discontinued operation and its income is reflected as income from discontinued operations in both years. In this way, net income previously mentioned includes income from discontinued operations, in the amount of 13 million Euros in 2021, of which 6 million Euros related to the gain recorded with the sale operation, and 8 million Euros in 2020.

Accordingly, with the exception of other impairments and provisions which stood at a higher threshold than in 2020, largely due to the recognition of a provision for the real estate property corresponding to the Bank's former headquarters and operating costs which in 2021 reflect, among others, the effect of inflation, additional payments for employees' health insurance and medical expenses associated with COVID-19, the other items showed a favourable performance in the last year. Therefore, in a positive trend, we highlight the lower levels of loans provisioning, influenced by the reversal of impairment associated with an individual customer, due to the accord and satisfaction agreement for the property given as guarantee, and the growth in net interest income, mostly justified by the increase in investment in public debt.

In what Angola is concerned, its contribution to net income from international activity in 2021 was negative by 11 million Euros, compared to an also negative amount of 7 million Euros in 2020. This change resulted from the lower appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings, although it was offset by the lower level of provisioning aimed at tackling the risks associated with the context in which the Angolan operation develops its activity.

NET INCOME OF INTERNATIONAL ACTIVITY

Million euros

	2021	2020 restated	2019	Chg. % 21/20
Bank Millennium in Poland (1)	(292)	5	131	<-200%
Costs associated with foreign exchange mortgage loans	(533)	(151)	(52)	<-200%
Bank Millennium (exc. costs associated with foreign exchange mortgage loans)	241	156	182	54.3%
Millennium bim in Mozambique (2)	83	59	100	40.3%
Banco Millennium Atlântico (BMA) (3)	(11)	(7)	3	-50.5%
Other (4)	1	2	9	-29.9%
Income from discontinued operations (5)	71	16	-	>200%
Banque Privée BCP (Suisse) S.A.	52	7	-	>200%
Seguradora Internacional de Moçambique, S.A.	19	8	-	120.5%
Non-controlling interests	(113)	25	100	<-200%
NET INCOME OF INTERNATIONAL ACTIVITY	(35)	49	143	-171.5%
NET INCOME OF INTERNATIONAL ACTIVITY (exc. costs associated with foreign exchange mortgage loans)	232	124	169	87.0%

(1) The amounts showed are not deducted from non-controlling interests. In 2021, the activity in Poland generated a negative net income of 292 million Euros, of which also negative 146 million Euros attributable to the Bank.

(2) Corresponds to net income after income taxes from continuing operations. Net income of 2021 and 2020 does not include the net income generated by SIM up to the date of disposal of 70% of the stake that the Group held in the insurance company, nor the gain recognized with the aforementioned disposal. Income arising from discontinued operations, in the amount of 13 million Euros in 2021 and 8 million Euros in 2020, is presented in the line "Income from discontinued operations". The non-controlling interests related to the holdings held in Millennium bim and in the insurance company, meanwhile disposed, are reflected in the line "Non-controlling interests".

(3) Corresponds to the proportion of the results of Banco Millennium Atlântico appropriated by the Group, considering the equity method.

(4) Includes the net income of the operation in Cayman Islands, fully attributable to the Bank. In 2019, also includes net income of the operation in Switzerland fully attributable to the Bank.

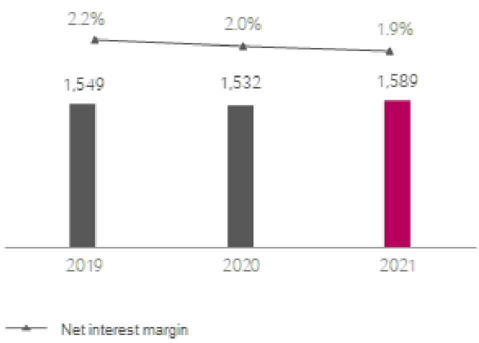
(5) Income arising from discontinued operations includes the net income of Banque Privée up to the date of its disposal (1 million Euros in 2021 and 7 million Euros in 2020 - restated), as well as the gain, in the amount of 51 million Euros, generated with the sale of the participation. Additionally, income from discontinued operations also includes the gain generated with the sale of 70% of the stake that the Group held in SIM, in the amount of 12 million Euros net of taxes and before minority interests (of which 6 million Euros reflected in Millennium bim accounts) and the net income generated by the insurance company (7 million Euros in 2021 and 8 million euros in 2020 - restated).

NET INTEREST INCOME

Net interest income rose to 1,589 million Euros in 2021, 3.7% above the 1,532 million Euros of the previous year, fuelled by the performance of both the activity in Portugal and the international activity.

NET INTEREST INCOME

Million euros



In the activity in Portugal, net interest income was 3.2% above the 805 million Euros posted in 2020, totalling 831 million Euros at the end of 2021.

The favourable performance of net interest income in the activity in Portugal was primarily due to the fact that there was a significant reduction in the cost of funding during 2021. The positive impact arising from the additional financing obtained from the European Central Bank, through the participation in the new targeted longer-term refinancing operation (TLTRO III), was crucial to this change. In this respect, the Bank's decision to increase its participation in this operation, first to 7,550 million Euros in June 2020 and then to 8,150 million Euros in March 2021, together with remuneration based on a more favourable negative interest rate, aimed at encouraging lending to the economy, allowed for a reduction of 35 million Euros in the cost of funding, compared to the amount recorded in 2020. Of note is that these gains were partially offset by the costs incurred by the Bank with the surplus liquidity deposited at Banco de Portugal. Furthermore, the evolution of the cost of funding, in the activity in Portugal, also benefited from the lower costs sustained with customer funds, mainly reflecting the reduction in the remuneration of the term deposits portfolio, although there was also a decrease in the average balance of remunerated deposits compared to 2020. Simultaneously, the costs incurred with the issue of subordinated debt in the activity in Portugal were also lower than in 2020, reflecting the maturity of some issues during the last year.

On the other hand, the performance of net interest income, in the activity in Portugal, was limited by the reduction of return on assets, namely by the lower income generated by the customer loans portfolio and the securities portfolio. The historically low levels at which interest rates stood last year continued to strongly penalise the income generated by the performing loans portfolio, whose earnings in 2021 fell short of those recorded in the previous year. It is worth noting, however, that this impact was particularly visible in loans granted to individuals, both in terms of personal loans and mortgage loans, while the income generated by loans to companies demonstrated a slight increase compared to those that had been recorded in 2020. The favourable evolution of income generated by loans to companies was possible thanks to the increase in credit volumes, to which largely contributed the loans granted to companies under the credit lines guaranteed by the Portuguese State, because of the COVID-19 pandemic. On the other hand, the reduction in the volume of non-performing loans (NPE portfolio) was reflected negatively in the evolution of net interest income in the activity in Portugal.

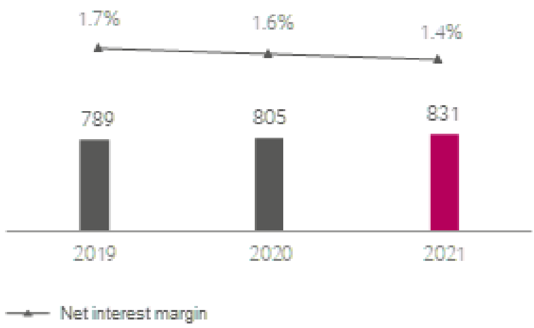
In turn, the lower income generated by the securities portfolio was mostly due to the performance of the Portuguese public debt portfolio, although the other securities also generated lower income than in 2020.

Although with a lesser impact, the higher costs borne with debt issued and the lower income from the net investment of liquidity surpluses with credit institutions also negatively influenced the evolution of net interest income on activity in Portugal. Reference should be made to the fact that the increase in costs borne with the debt issued resulted, on one hand, from the execution of a senior preferred issue, in the amount of 500 million Euros, foreseen in the Liquidity Plan for the third quarter of 2021, but moved forward to the first quarter, in order to benefit from the prevailing market conditions, and on the other hand, from a new issue of senior preferred 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, both issues aiming at compliance with the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

NET INTEREST INCOME

Activity in Portugal

Million euros

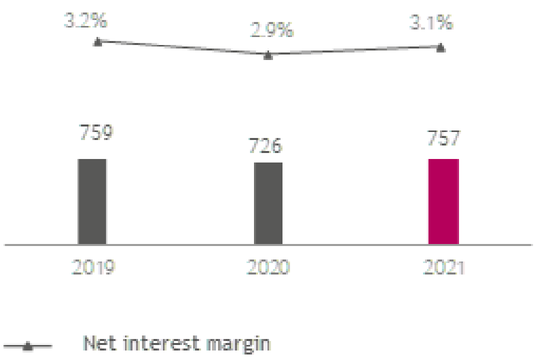


In the international activity, net interest income reached 757 million Euros in 2021, being 4.3% above the 726 million Euros of the previous year, reflecting the performance of both the Polish subsidiary and the subsidiary in Mozambique.

NET INTEREST INCOME

International activity

Million euros



In the Polish subsidiary, net interest income, which had been heavily affected by the successive cuts in reference interest rates imposed by the Polish Central Bank, benefited in the last months of 2021 from the reversal of this trend. Hence, the changes that occurred in the reference interest rates defined by the Polish Central Bank, first from 0.10% to 0.50% in October 2021 and then to 1.25% in November and to 1.75% in December, together with the increase in the volumes of the loans to customers portfolio contributed decisively to the Polish subsidiary's net interest income ending the year above the amount obtained in 2020.

On the other hand, the favourable performance of net interest income in the Mozambican operation is mainly explained by the increase in the volume of the public debt portfolio, but also by higher implicit yields and lower costs borne with customer funds.

In consolidated terms, the net interest margin stood at 1.9% in 2021, slightly below the 2.0% recorded in the previous year, mainly reflecting the performance of the activity in Portugal, as in the international activity the net interest margin recorded an increase over the previous year.

In the activity in Portugal, the net interest margin evolved from 1.6% in 2020 to 1.4% in 2021, influenced, on the one hand, by the increase in balance sheet volumes, namely by the increased weight of the liquidity buffer, and on the other hand, by the context of negative interest rates that continued to be observed. Additionally, the greater weight of products with lower rates in credit production in the special context of the pandemic and the loss of income associated with the reduction of the NPE portfolio also contributed to the decrease, though slight, in the net interest income of the activity in Portugal. In turn, the net interest margin on international activity rose slightly, from 2.9% in 2020, to 3.1% in 2021. Despite being pressured by the impact of the sharp reduction of interest rates in Poland, the net interest margin of international activity in 2021 already reflects the reversal of the trend of reference interest rates determined by the Polish Central Bank.

AVERAGE BALANCES

Million euros

	2021		2020 restated		2019	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	6,116	0.3%	4,842	0.7%	4,033	1.0%
Financial assets	20,116	0.8%	17,341	1.1%	15,400	1.7%
Loans and advances to customers	55,045	2.7%	52,970	2.9%	50,674	3.2%
TOTAL INTEREST EARNING ASSETS	81,277	2.0%	75,154	2.3%	70,107	2.8%
Discontinued operations (1)	726		789		—	
Non-interest earning assets	8,481		8,887		9,484	
TOTAL ASSETS	90,484		84,829		79,590	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	9,110	-0.8%	8,164	(0.4%)	7,086	0.2%
Deposits and other resources from customers	66,705	0.1%	61,963	0.3%	58,209	0.5%
Debt issued and financial liabilities	3,523	0.8%	3,076	1.0%	3,271	1.2%
Subordinated debt	1,248	4.5%	1,449	4.8%	1,364	4.4%
TOTAL INTEREST BEARING LIABILITIES	80,586	0.1%	74,652	0.3%	69,930	0.6%
Discontinued operations (1)	761		835		—	
Non-interest bearing liabilities	1,890		2,022		2,089	
Shareholders' equity and Non-controlling interests	7,247		7,319		7,571	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS	90,484		84,829		79,590	
NET INTEREST MARGIN (2)		1.9%		2.0%		2.2%

(1) Includes, in 2021 and in 2020, the activity of the Swiss subsidiary (adjusted from the inter group' movements) and from Seguradora Internacional de Moçambique, S.A. ("SIM"), until the date of the respective disposals.
(2) Net interest income as a percentage of average interest earning assets.

Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2021, 2020 and 2019, to the respective balance item.

The Group's interest earning assets in 2021 stood at 81,277 million Euros, compared to 75,154 million Euros in 2020. The recorded growth was driven by the evolution of loans to customers, which rose from 52,970 million Euros in 2020 to 55,045 million Euros in 2021, the performance of financial assets, which stood at 20,116 million Euros in 2021 compared to 17,341 million Euros in 2020, and the rise in investments in credit institutions, from 4,842 million Euros in 2020 to 6,116 million Euros in 2021. It is also important to note that despite this generalised increase in the average balances of the main categories of assets, the respective implicit rate showed a reduction compared to the previous year, reflecting the context of reference rates prevailing in Portugal, Poland and Mozambique.

Non-interest earning assets, in turn, recorded a decrease from the 8,887 million Euros in 2020, totalling 8,481 million Euros in 2021.

In terms of average balance sheet structure, interest earning assets represented 89.8% of average net assets in 2021, increasing their relative weight from 88.6% in the previous year. Although its relative weight in the balance sheet structure fell from 62.4% in 2020 to 60.8% in 2021, loans to customers remained the main aggregate in the interest-earning assets portfolio, representing 67.7% of it in 2021 (70.5% in 2020). By contrast, the financial assets portfolio strengthened its relative weight in the balance sheet structure, increasing from 20.4% in 2020 to 22.2% in 2021.

The increase in interest bearing liabilities mainly reflects the evolution of customer deposits, whose average balance, in consolidated terms, evolved from 61,963 million Euros in 2020, to 66,705 million Euros in 2021, primarily fuelled by the increase in deposits obtained in Portugal, but also benefiting from the growth in international activity. Also contributing to the evolution of interest-bearing liabilities was the increase in the average balance of deposits from credit institutions, which rose from 8,164 million Euros in 2020, to 9,110 million Euros in 2021, largely reflecting the additional funding obtained from the European Central Bank in March 2021, under the targeted longer-term refinancing operation (TLTRO III).

The structure of average interest-bearing liabilities did not show significant changes in relation to the previous year, with Customer deposits remaining the main financing and activity support instrument, representing, in 2021, 82.8% of the balance of interest-bearing liabilities (83.0% in 2020). Deposits from credit institutions, which include the additional funding obtained from the European Central Bank under the targeted longer-term refinancing operation (TLTRO III), in turn represented 11.3% of the average balance of interest-bearing liabilities in 2021 (10.9% in 2020), while the aggregate of debt securities issued, and financial liabilities represented 4.4% on the same date (4.1% in 2020).

OTHER NET INCOME

Other net income[5], which aggregates dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totalled 746 million Euros in 2021, showing an increase of 2.9% compared to 725 million Euros in the previous year. In this evolution it is important to highlight the favourable performance of the activity in Portugal, although it has been offset by the decrease in the international activity.

In the activity in Portugal, other net income showed a 9.4% increase from the 532 million Euros accounted in 2020, rising to 582 million Euros in 2021. The increase, in the amount of 50 million Euros, was mainly due to the positive dynamics of the commissions item, which stood 33 million Euros above the amount obtained in the previous year, but also to net trading income and other net operating income, which showed increases of 14 million Euros and 7 million Euros, respectively, in the last year. Dividends from equity instruments, in turn, proved to be 4 million Euros lower compared to the amount recorded in 2020, while equity accounted earnings remained in line with the values recorded in the previous year.

In the international activity, other net income amounted to 164 million Euros in 2021, lower than the 193 million Euros obtained in the previous year. This evolution was largely influenced by the 68 million Euros reduction in net trading income, whose performance was strongly influenced by the activity of the Polish subsidiary, even though it was slightly offset by the increase registered in the subsidiary in Mozambique. At the same time, the equity accounted earnings were also lower, by 11 million Euros, compared to the amount recorded in 2020, in this case due to the lower appropriation of the results generated by Banco Millennium Atlântico in Angola, insofar as they are strongly influenced by the impacts arising from the country's economic situation. By contrast, other net income benefited, on the one hand, from the favourable evolution of other net operating income, whose negative impact on the profit and loss account in 2021 proved to be 31 million Euros less than the previous year and, on the other hand, from the growth in net commissions of 18 million Euros, both developments determined by the performance of the Polish subsidiary, while there was also an improvement, compared to the previous year, in the Mozambican operation, though of a smaller dimension.

[5] In 2020, other net operating income includes the specific items considered by the Polish subsidiary, related to costs arising from the acquisition, merger and integration of Euro Bank S.A., of an immaterial amount.

OTHER NET INCOME

Million euros

	2021	2020 restated	2019	Chg. % 21/20
Dividends from equity instruments	1	5	1	-80.4%
Net commissions	728	677	703	7.6%
Net trading income	87	141	143	-38.5%
Other net operating income	(126)	(165)	(104)	23.3%
Equity accounted earnings	57	68	43	-15.9%
TOTAL	746	725	787	2.9%
of which:				
Activity in Portugal	582	532	542	9.4%
International activity	164	193	245	-15.1%

DIVIDENDS FROM EQUITY INSTRUMENTS

Income from equity instruments, which incorporates dividends and income from equity shares received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 5 million Euros booked in 2020, to 1 million Euros at the end of 2021. This evolution reflects the performance of income associated with investments that are part of the shares portfolio of the activity in Portugal, immaterial in 2021, but, in the amount of 4 million Euros, in the previous year.

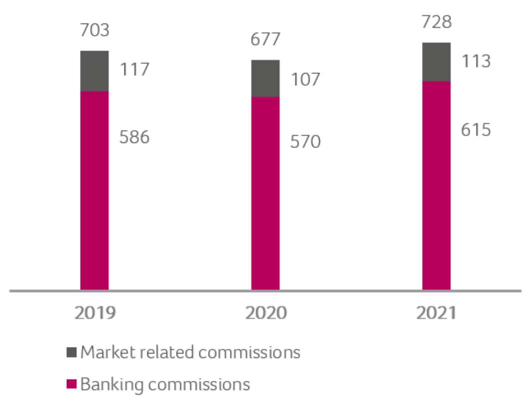
NET COMMISSIONS

Net commissions include commissions related to the banking business and commissions more directly related to financial markets. During 2021, some accounting reclassifications were made, in order to improve the quality of the reported information. The historical amounts, for the years 2020 and 2019, of the reclassified items, considered for the purposes of this analysis, are presented on a pro forma basis according to the reclassifications made, in order to ensure its comparability. Except for the impacts produced by the classification of entities as discontinued operations, within the scope of the sale agreements entered into in 2021, as required by IFRS 5, the total amount of net commissions disclosed in previous periods remains unchanged.

In 2021, net commissions showed a favourable evolution, by growing 7.6% from the 677 million Euros recorded in 2020, amounting to 728 million Euros at the end of 2021. This evolution mainly reflects the progressive normalisation of economic activity, but also the extinction of the customer support measures that had been implemented by Banco de Portugal during the most critical periods of the pandemic. Net commissions, as a whole, showed a favourable performance both in the activity in Portugal and in the international activity. In both cases, banking commissions were higher than in the previous year, with the growth of market-related commissions in the activity in Portugal being marginally offset by the lower contribution of the international activity.

NET COMMISSIONS

Million euros



In consolidated terms, commissions related to the banking business amounted to 615 million euros in 2021, standing 7.9% above the 570 million Euros achieved in the previous year, driven by increases of 6.5% and 11.5% in the activity in Portugal and in the international activity, respectively. This evolution was mainly due to the increase in commissions generated by the cards and transfers business, which grew by 23 million Euros (from 159 million Euros, to 182 million euros) compared to the previous year and also by the performance of commissions related to accounts management and maintenance, which reached 149 million Euros in 2021, 18 million Euros above the 131 million Euros recognised in 2020, reflecting, in both cases, the good performance of the activity in Portugal and the international activity.

Commissions related to credit and guarantees also showed a favourable performance, both in the activity in Portugal and in the international activity, growing 7 million Euros in consolidated terms (from 148 million Euros, to 155 million Euros). Conversely, bancassurance commissions, which incorporate the fees obtained from the placement of insurance products through the Bank’s distribution networks operating in Portugal and Poland, were 2 million Euros lower than the amount ascertained in 2020, reflecting the reduction in the Polish subsidiary, to the extent that the activity in Portugal saw a growth, albeit modest, of this type of commissions.

Commissions related to financial markets, on the other hand, amounted to 113 million Euros at the end of 2021 in consolidated terms, showing a 5.5% growth compared to 107 million Euros ascertained in 2020, determined by the performance of the activity in Portugal. This evolution results from the growth in commissions associated with asset management and distribution, which increased 13 million Euros in comparison to the previous year, although it was partially absorbed by the reduction of 7 million Euros in commissions associated with securities.

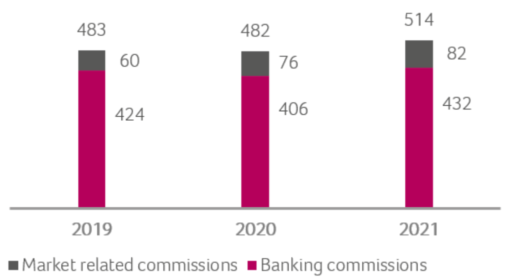
In the activity in Portugal, net commissions grew 6.8% from 482 million Euros posted in 2020 rising to 514 million Euros at the end of the current year. As referred to above, this evolution reflects the performance of both commissions related to the banking business, which showed an increase of 6.5%, and commissions related to financial markets, which were 8.4% above the amount recorded in 2020.

In 2021, commissions related to the banking business, in the activity in Portugal, amounted to 432 million Euros, showing an increase of 26 million Euros from the 406 million Euros in the previous year.

NET COMMISSIONS

Activity in Portugal

Million euros



Commissions related to cards and transfers were the main drivers of this performance, in particular commissions associated with transfers, which mainly include the amounts charged for transactions made with cards and corresponding payment networks, bank transfers and the use sale points (POS), with the level of transactions gradually approaching a similar level to that prior to the pandemic outbreak. The pricing revision that took place last year also contributed to the good performance of this type of commissions, which overall grew by 14 million Euros compared to the amount recognised in 2020. Although with less expression, commissions directly related to cards showed an inverse behaviour, standing 2 million Euros below the amount achieved in 2020, to the extent that the increase in fees earned from the acquiring activity was not sufficient to offset the increase in incurred costs, as well as the reduction of charged annuities and fees associated with cash advance operations.

At the same time, the performance of commissions related to the banking business in the activity in Portugal benefited from the growth in management and maintenance of account commissions, which increased 8 million Euros compared to the amount recognised in 2020, reflecting, on the one hand, the attraction of new customers and, on the other, a greater commercial dynamic implemented in 2020, aimed at encouraging customers to subscribe to integrated solutions and service packages.

Similarly, commissions associated with credit and guarantees also contributed to the favourable evolution of commissions related to the banking business, in the activity in Portugal, by growing 3 million Euros compared to the previous year. This evolution was driven by the growth in commissions directly related to credit operations, namely credit dossier fees and penalties for credit early repayment, although there was a reduction in commissions associated with the discounting of effects and the values collection.

Bancassurance commissions remained practically in line with the amounts achieved in the previous year, showing only a slight increase.

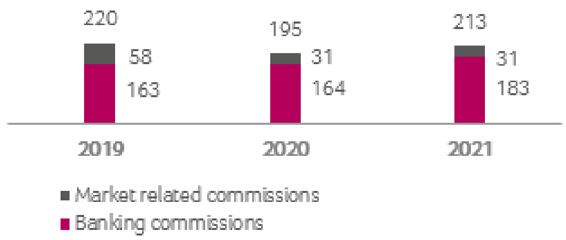
On the other hand, market-related commissions, in the activity in Portugal, evolved from 76 million Euros in 2020, to 82 million Euros at the end of 2021. The 6 million Euros growth recorded benefited from the performance of commissions associated with asset management and distribution, which stood 13 million Euros above the amount recognised in 2020, mainly due to the third-party investment fund distribution activity, but also to the growth in portfolio management fees. Inversely, commissions associated with securities were 7 million Euros lower than the amount ascertained in the previous year, mainly penalised by the lower income generated by the structuring, and setting up of transactions, notwithstanding the evident growth in fees associated with stock exchange transactions.

In the international activity, net commissions showed a growth of 9.4% compared to the 195 million euros ascertained in 2020, totalling 213 million Euros at the end of 2021.

This evolution was determined by the 19 million Euros growth in commissions related to the banking business, which evolved from 164 million Euros in 2020 to 183 million Euros in 2021, driven by the performance of the Polish subsidiary, but also benefiting from the increase verified in the subsidiary in Mozambique, albeit on a smaller scale.

NET COMMISSIONS

International activity
Million euros



In the Polish subsidiary, the growth in banking business commissions resulted mainly from the expansion of management and maintenance of accounts fees, partly due to the pricing review applied to deposit accounts. Commissions associated with cards and transfers also contributed to the favourable evolution of commissions related to the banking business which, like credit commissions, benefited from the recovery in economic activity. In the opposite direction, commissions from bancassurance activity recorded a reduction compared to the amount ascertained in 2020.

Commissions related to the financial markets in the international activity remained stable in relation to the values recognised in the previous year, being 1.3% below the amount ascertained in 2020.

NET COMMISSIONS

Million euros

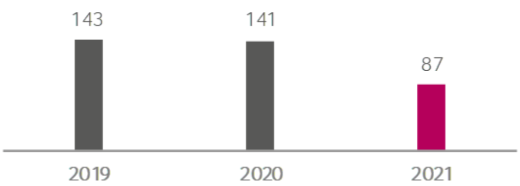
	2021	2020 restated	2019	Chg. % 21/20
BANKING COMMISSIONS				
Cards and transfers	182	159	172	14.2%
Credit and guarantees	155	148	159	4.7%
Bancassurance	116	118	119	-1.9%
Management and maintenance of accounts	149	131	123	13.4%
Other commissions	13	13	13	2.8%
SUBTOTAL	615	570	586	7.9%
MARKET RELATED COMMISSIONS				
Securities	37	44	40	-16.3%
Asset management and distribution	76	63	77	21.0%
SUBTOTAL	113	107	117	5.5%
TOTAL NET COMMISSIONS	728	677	703	7.6%
of which:				
Activity in Portugal	514	482	483	6.8%
International activity	213	195	220	9.4%

NET TRADING INCOME

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

In 2021, net trading income amounted to 87 million Euros, significantly below the 141 million Euros recorded in the previous year, penalised by the performance of international activity, which reduction was, however, partially offset by the growth evidenced by the activity in Portugal.

NET TRADING INCOME
Million euros



In the activity in Portugal, net trading income amounted to 76 million Euros at the end of 2021, up 22.9% from 61 million euros posted in 2020. This evolution was largely due to the fact that the costs recognised with the revaluation of corporate restructuring funds proved to be lower than the 72 million Euros recognised in 2020, amounting to 35 million Euros at the end of 2021. It should, however, be noted that the amount recorded in 2020 included 65 million Euros recognised following the incorporation of conservative assumptions intended to reflect the adverse context caused by the COVID-19 pandemic in the underlying assets value. Additionally, it is also worth mentioning the favourable evolution of the costs borne with the sale of loans in the activity in Portugal, to the extent that they stood at 4 million Euros in 2021, compared to 28 million Euros accounted for in the previous year.

On the other hand, the evolution of net trading income was penalised by the fact that, in 2020, 39 million Euros income was recognised, related to the exchange rate hedging of the Group's stake in Poland, following the devaluation of the Polish Zloty, which was not repeated in 2021.

Additionally, although in 2021 the gains recognised from Portuguese public debt securities were set at 39 million Euros, which was 18 million Euros less than the income recognised in 2020, this evolution was, however, partially offset by the higher gains recognised from the sale of other securities, namely foreign public debt.

Regarding international activity, net trading income was significantly below the 79 million Euros booked in 2020, rising to 11 million Euros in 2021. This evolution was determined by the performance of the Polish subsidiary, having been slightly offset by the increase recorded in the Mozambican operation.

In the Polish subsidiary, the increase in the costs incurred with the conversion of mortgage loans granted in Swiss francs, following the agreements meanwhile signed with the customers holding these loans, assumed particular importance, which in 2021 penalised net trading income by 78 million Euros, compared to 11 million Euros that had been recognised in 2020. Additionally, the performance of net trading income in the Polish subsidiary also reflects the lower income obtained from the disposal of debt securities, mainly Polish public debt.

On the contrary, this evolution was partially offset by the impacts arising from the loan portfolio mandatorily classified at fair value through profit or loss, since in 2021 profit was recognised, in the amount of 9 million Euros, contrasting with the negative amount of 10 million Euros that had been recorded in the previous year. It should be noted that, part of the profit recognised in 2021 is related to exposures measured at fair value through profit or loss, but that during 2021 started to be recognised based on the amortised cost criterion, with the same amount having been recognised as impairments for loans, thus producing a null impact on the profit and loss account.

Finally, it should be noted that net trading income recognised by the Polish subsidiary include profit from the revaluation of Visa shares, in the amount of 19 million Euros, similar impact to what had been recognised in the previous year.

The favourable evolution of net trading income in the subsidiary in Mozambique was determined by the increase in income from foreign exchange transactions with customers.

NET TRADING INCOME

Million euros

	2021	2020 restated	2019	Chan. % 21/20
Net gains / (losses) from financial operations at fair value through profit or loss	(0)	(17)	5	98.6%
Net gains / (losses) from foreign exchange	17	88	69	-80.2%
Net gains / (losses) from hedge accounting operations	4	(2)	(6)	>200%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(4)	(28)	(25)	86.8%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	69	100	100	-31.3%
TOTAL	87	141	143	-38.5%
of which:				
Activity in Portugal	76	61	51	22.9%
International activity	11	79	92	-86.1%

OTHER NET OPERATING INCOME

Other net operating income includes other operating income, net of other operating costs, which includes, inter alia, costs related to mandatory contributions and to deposit guarantee and resolution funds, both in the activity in Portugal and in the international activity. In addition, other net operating income also includes income from the insurance activity (only until 2019) and income from the sale of subsidiaries and other assets.

Other net operating income[6] showed a very favourable evolution from the negative 165 million Euros ascertained in 2020, setting at 126 million Euros also negative at the end of 2021. This evolution, despite mainly reflecting the favourable performance of the international activity, also benefited, although to a lesser extent, from the positive performance of the activity in Portugal.

Other net operating income in the activity in Portugal evolved from a negative amount of 73 million Euros in 2020, to an also negative amount of 66 million Euros in 2021. This evolution was mainly due to the gains recognised in 2021 from the divestment of non-current assets held for sale, which contrasted with the losses generated in the previous year. On the other hand, the increase in costs borne with mandatory contributions continues to penalise the performance of other net operating income in the activity in Portugal. In 2021, the total amount of costs recognised with mandatory contributions amounted to 79 million Euros, which compares with 72 million Euros ascertained in the previous year. With the exception of the additional solidarity contribution to be applied on the banking sector, to finance the costs of the public response to the crisis impact caused by the COVID-19 pandemic, which, despite having increased compared to the previous year, remained at around 6 million Euros, and the supervisory fee charged by the ECB, which remained close to 2 million Euros in both 2021 and 2020, all other contributions were higher than the amount borne in 2020. Thus, the contribution cost to the Single Resolution Fund (SRF) increased from 19 million Euros in 2020 to 21 million Euros in the current year, while the contribution required for the national resolution fund rose from 15 million Euros to 17 million Euros in the last year. The contribution on the banking sector, meanwhile, amounted to 33 million Euros in 2021, compared to 30 million euros posted in the previous year. The total cost associated with mandatory contributions also includes the contribution to the deposits guarantee fund, whose amount, in this context, seems immaterial. It should be noted that, in the activity in Portugal, of the total amount of costs recognised with mandatory contributions in the current year, 56 million Euros refer to contributions for national entities.

In the international activity, other net operating income[6], in 2021, amounted to a negative amount of 60 million Euros, showing a very significant improvement over the also negative 92 million Euros recorded in the previous year.

This evolution was determined by the contribution of the Polish subsidiary, which in 2021 incorporates the income recognition, in the amount of 48 million Euros (8 million Euros in 2020), corresponding to the amount receivable from a third party, as compensation for the costs incurred with the provisions booked to address the legal risk implicit in foreign exchange mortgage loans, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. Inversely, in 2021, were recognised, in this item, legal costs related to claims filed by Bank Millennium, mainly to claim the reimbursement of the costs associated with the capital use, by the customers, during the period of the respective loans.

It should be noted that, following the conditions set out in the agreement for the acquisition of Euro Bank S.A, the other net operating income accounted for by the Polish subsidiary in 2020 also included the recognition of profit, in the amount of 11 million Euros, receivable from a third party, although in this case related to the return of commissions to customers who repaid in advance their consumer credits, partially mitigating the impact of the additional provisions set up for this purpose in the previous year.

On the other hand, contrary to what happened in the activity in Portugal, the evolution of other net operating income in the Polish subsidiary benefited from the reduction of the costs borne with the mandatory contributions to which the operation is subject, to the extent that they evolved from 100 million Euros in 2020, to 94 million Euros, in the current year. In this sense, we highlight the decrease in the contribution to the deposit guarantee fund which amounted to 15 million Euros in 2021, compared to 24 million Euros ascertained in 2020, and the contribution to the resolution fund which amounted to 11 million euros at the end of the current year, compared to 13 million euros in the previous year. Inversely the special tax on the Polish banking sector proved higher than the 63 million Euros accounted for in 2020, totalling 69 million Euros at the end of 2021.

[6] In 2020, other net operating income includes the specific items considered by the Polish subsidiary, related to costs arising from the acquisition, merger and integration of Euro Bank S.A., of an immaterial amount.

In the operation in Mozambique, although less material, there was also a favourable evolution of other net operating income compared to 2020.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies.

In 2021, the equity accounted earnings amounted to 57 million Euros, compared to 68 million Euros ascertained in 2020, reflecting the performance of the international activity, to the extent that in the activity in Portugal equity accounted earnings remained in line with the amount recorded in the previous year.

Equity accounted earnings in the activity in Portugal were set at 58 million Euros at the end of 2021, but despite remaining practically in line with the amount ascertained in 2020, they incorporate distinct evolutions that offset each other. In this sense, it is important to note the increase in the income generated by the stake in SIBS, although it was absorbed, almost entirely, by the lower contribution of the stake in Millenniumbcp Ageas in 2021. The extraordinary positive impact, arising from the assessment of liabilities of local insurance contracts based on assumptions consistent with those used by the parent company, in the first half of 2020, largely justifies the lower contribution generated by Millenniumbcp Ageas in 2021 compared to the previous year. In turn, although on a smaller dimension, the income increase generated by the stake in Banque BCP (France) was largely absorbed by the recorded fall in income generated by Unicre.

In the international activity, equity accounted earnings evolved from a positive amount of 9 million Euros ascertained in 2020, to negative amount of 1 million Euros at the end of the current year, mainly punished by the fact that in the previous year income of 6 million Euros was recognised with the reversal of the previous annulment of gains on the sale of real estate by Banco Millennium Atlântico to entities of the Group. It should be noted that this reversal was possible because the said real estate were classified, in 2020, as investment real estate and were consequently subject to revaluation in that year. The negative evolution in comparison with the previous year is also explained by the lower appropriation of the results generated by Banco Millennium Atlântico in Angola, strongly influenced by the impacts resulting from the economic situation the country is experiencing.

EQUITY ACCOUNTED EARNINGS

Million euros

	2021	2020 restated	2019	Chg. % 21/20
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	38	44	28	-13.8%
UNICRE - Instituição Financeira de Credito, S.A.	5	6	3	-19.1%
Banco Millennium Atlântico, S.A.	(1)	9	3	-114.7%
Banque BCP, S.A.S.	4	3	4	57.3%
SIBS, SGPS, S.A.	11	5	6	121.0%
Other	—	—	(1)	<-200%
TOTAL	57	68	43	-15.9%

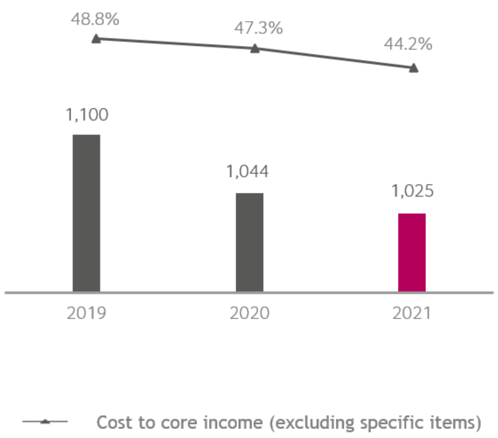
OPERATING COSTS

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

Excluding the effect of specific items[7], operating costs amounted to 1,025 million Euros in 2021, showing a reduction of 1.8% relative to the 1,044 million Euros ascertained in the previous year. This evolution reflects a disciplined management of costs and the Group's continued focus on its commitment to improve efficiency, particularly visible in the activity in Portugal.

OPERATING COSTS

Million euros



In consolidated terms, operating costs, excluding the effect of specific items, benefited mostly from the savings achieved in staff costs, namely in the activity in Portugal, while other administrative costs remained at a similar level to that recorded in 2020, and depreciations showed a slight growth compared to the amount ascertained in the previous year.

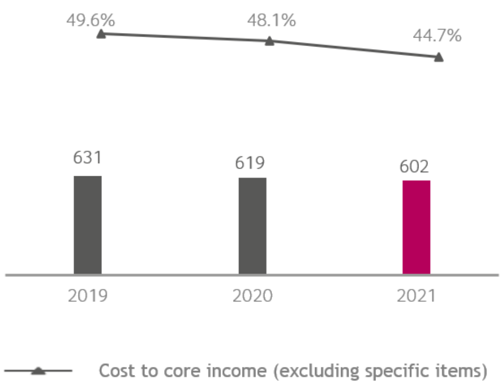
In the activity in Portugal, operating costs, not considering the effect of specific items, amounted to 602 million Euros at the end of 2021, 2.7% below the 619 million Euros ascertained in the previous year. Specific items amounted to 91 million Euros in 2021 and 32 million Euros in 2020, in both years mainly related to the costs recognised with the headcount adjustment. It should be noted that the specific items recognised in 2021 incorporate the impact of a provision, in the amount of 84 million Euros, recognized following the headcount adjustments identified as necessary under the Mobilising 2018/2021 strategic plan.

The favourable evolution of operating costs in the activity in Portugal, excluding specific items, was mainly due to savings in staff costs. Although with less expression, other administrative costs were also lower than in 2020, while depreciations, in turn, recorded an increase compared to the amount posted in the previous year.

OPERATING COSTS

Activity in Portugal

Million euros

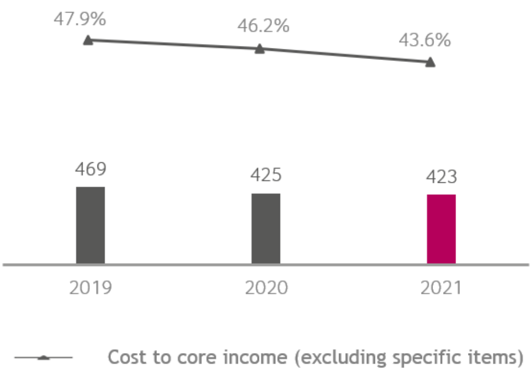


In the international activity, operating costs, excluding the effect of specific items (15 million recognised by the Polish subsidiary in 2020, related to costs with the acquisition, merger and integration of Euro Bank S.A.), amounted to 423 million Euros at the end of 2021, slightly below the 425 million Euros accounted for in 2020.

OPERATING COSTS

international activity

Million euros



[7] Negative impact of 91 million Euros in 2021, fully recognized as staff costs in the activity in Portugal, mainly related to the costs with headcount adjustment, including a provision, in the amount of 84 million Euros. In 2020, the impact was also negative in the amount of 46 million Euros, of which 32 million Euros were recognized as staff costs in the activity in Portugal (related to headcount adjustment costs, compensation cost for temporary remuneration cuts of employees and income arising from the agreement with a former director of the Bank), and 15 million Euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9 million Euros as staff costs, 5 million euros as other administrative costs and 1 million Euros as depreciations).

Although remaining practically in line with the amount posted in 2020, operating costs in the international activity incorporate distinct dynamics in their evolution, to the extent that the favourable performance of the Polish subsidiary was largely absorbed by the increase in costs registered in the Mozambican operation. The evolution of operating costs in the Polish subsidiary was mainly due to the efficiency improvement measures implemented by Bank Millennium and the synergies obtained after the merger with Euro Bank S.A., among which stands out the significant reduction in the number of employees and branches, with impact mainly in staff costs, but also in depreciations and other administrative costs, although in this case less visible, since they were partially absorbed by the increase in costs with legal advice to support issues related to the foreign exchange mortgage loan portfolio.

Operating costs, in turn, in the operation in Mozambique were higher than in 2020, driven by the increase in staff costs, other administrative costs and depreciation, in both cases also reflecting the effect of the exchange rate evolution of the Metical against the euro.

In consolidated terms, the reduction in operating costs, excluding specific items, together with the increase in core income and net operating revenues, led the cost to income ratio and the cost to core income ratio of the Group to be lower than the previous year (46.3% and 47.3%, respectively), standing at 43.9% and 44.2%, respectively.

In the activity in Portugal, excluding specific items, the cost to income ratio and the cost to core income ratio also showed a favourable evolution in the last year, from 46.2% in 2020 to 42.6% in the current year and from 48.1% in the previous year to 44.7% in 2021 respectively, reflecting, on one hand, the reduction of operating costs and, on the other hand, the increase in core income and net operating revenues.

The evolution of operating costs, excluding specific items, together with the increase in core income also enabled an improvement in the cost to core income ratio in the international activity, which evolved from 46.2% in 2020 to 43.6% in the last year. Cost to income ratio in the international activity, in turn, stood at 45.9% in 2021, very close to the 46.3% recorded in 2020.

OPERATING COSTS

Million euros

	2021	2020 restated	2019	Chg. % 21/20
ACTIVITY IN PORTUGAL (1)				
Staff costs	346	364	371	-5.1%
Other administrative costs	176	178	191	-1.1%
Depreciation	80	76	69	5.1%
	602	619	631	-2.7%
INTERNATIONAL ACTIVITY (1)				
Staff costs	218	220	257	-0.8%
Other administrative costs	148	146	156	0.9%
Depreciation	57	59	56	-3.4%
	423	425	469	-0.6%
CONSOLIDATED (1)				
Staff costs	564	584	628	-3.5%
Other administrative costs	324	325	347	-0.2%
Depreciation	137	135	125	1.4%
	1,025	1,044	1,100	-1.8%
SPECIFIC ITEMS	91	46	66	95.2%
TOTAL	1,116	1,090	1,166	2.3%

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

STAFF COSTS

Staff costs, not considering the effect of specific items, (91 million euros in 2021 and 41 million euros in 2020), totalled 564 million euros at the end of 2021, recording a reduction of 3.5% versus the 584 million euros accounted in the previous year, mostly due to the positive performance of the activity in Portugal.

It is important to mention that the specific items in 2021 were fully recognized in the activity in Portugal, being especially related with costs incurred with the headcount adjustment, including mostly the impact of a provision, in the amount of 84 million euros, recognized following the headcount adjustments, considered necessary within the context of the strategic plan Mobilising 2018/2021.

On the other hand, in 2020, besides the specific items considered in the activity in Portugal, mostly associated with costs recognised with the headcount adjustments, were also considered the costs with the acquisition, merger and integration of Euro Bank S.A. recognized by the Polish subsidiary.

In the activity in Portugal, staff costs amounted to 346 million Euros in 2021, decreasing 5.1% versus the 364 million Euros in 2020. This performance does not consider the impact of specific items, amounting to 91 million Euros in 2021, and 32 million Euros in 2020, in both years mostly related with headcount adjustments. Once again, it is important to mention that the amount recognized in 2021 includes the impact of the aforementioned provision, in the amount of 84 million Euros, booked within the context of the adjustments in headcount carried out by the Bank in 2021. The headcount adjustment was a consequence of the assessment made to the Bank’s needs versus the existing capacity, also considering the adaptation of the models and business processes to the new technologies. Although this adjustment was initially planned to take place in 2020, the Bank decided to postpone it due to pandemic associated with COVID-19.

On the other hand, in 2020, apart from the costs associated with the headcount adjustment, specific items also include costs with the compensation due for the temporary adjustment of the employee’s remuneration and the positive impact resulting from the agreement established with a former director of the Bank.

The positive performance of staff costs in the activity in Portugal, excluding the impact of specific items, resulted mainly from the net decrease in the number of employees, which went from 7,013 employees on 31 December 2020, to 6,289 by the end of 2021, reflecting the impact of the implementation of the above-mentioned headcount adjustment plan.

In the international activity, staff costs showed a slight reduction of 0.8% versus the 220 million Euros recorded in 2020 and stood at 218 million Euros by the end of 2021. These figures do not consider the impact of specific items, amounting to 9 million Euros, fully recognised in 2020 by the Polish subsidiary and related with costs with the acquisition, merger and integration of Euro Bank S.A.

The performance of staff costs, excluding specific items, in the international activity, was boosted by the reduction recorded in the Polish subsidiary, despite the fact that it was largely absorbed by the increase that occurred in the subsidiary in Mozambique.

The challenging context that the Polish subsidiary has been facing, marked by a strong reduction in interest rates that lasted until the end of the third quarter of 2021 and by the implicit risks of the portfolio of mortgage loans in Swiss Francs, dictated the need to accelerate efficiency improvement. In this sense, there was a progressive reduction in the total number of employees, from 7,645 employees (7,493 FTE - full time equivalent) by the end of 2020, to 7,079 employees (6,942 FTE – full-time equivalent) on 31 December 2021, whose impact was decisive for the staff costs reduction in the subsidiary and, consequently, in the international activity.

In the operation in Mozambique, headcount went down from 2,591 employees on 31 December 2020, to 2,496 employees on 31 December 2021. Although there has been a reduction of 95 employees in staff, it should be noted that this reduction was a consequence of the sale by BIM - Banco Internacional de Moçambique, of 70% of the share capital that the Group held in Seguradora Internacional de Moçambique, S.A. (“SIM”), becoming a minority shareholder with a stake of around 22%.

Within this context, it should be noted that, in accordance with the requirements of IFRS 5, this operation was classified as discontinued operation and the respective staff costs are now recorded as income from discontinued operations, as well as the respective historical 2020 figures, in order to ensure the comparability of information.

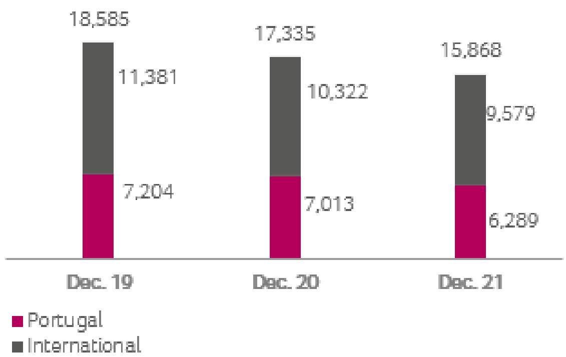
Excluding the 152 employees who, by the end of 2020 were part of the workforce of Seguradora Internacional de Moçambique, S.A. ("SIM"), the staff of the Mozambican subsidiary increased by 57 employees in 2021, a fact that together with the effect of inflation, with additional payments for employee's health insurance and medical expenses associated with COVID-19, resulted in a higher total staff cost than in the previous year.

The staff of the international activity by the end of December 2021 was composed by 9,579 employees, less 743 employees than the 10,322 employees recorded on the same date in 2020. The reduction of 566 employees observed in Bank Millennium, contributed significantly for this significant reduction in the number of employees in the international activity.

In addition, the headcount in the international activity was also influenced by the net reduction of 95 employees made by the subsidiary in Mozambique, partially reflecting the impact of the sale of Seguradora Internacional de Moçambique, S.A. ("SIM") (152 employees in 2020).

Furthermore, it should also be noted that, following the sale of the share capital of Banque Privée BCP (Suisse) S.A. to Union Bancaire Privée, UBP SA, completed on 2 November 2021, the number of employees allocated to the Swiss subsidiary (82 employees by the end of 2020) also played a role in the reduction of the number of employees observed in the international activity.

EMPLOYEES



STAFF COSTS

Million euros

	2021	2020 restated	2019	Chg. % 21/20
Salaries and remunerations	455	478	507	-4.7%
Social security charges and other staff costs	108	106	121	2.0%
TOTAL EXCLUDING SPECIFIC ITEMS	564	584	628	-3.5%
SPECIFIC ITEMS	91	41	40	121.6%
TOTAL	654	625	668	4.7%
Of which:				
Activity in Portugal	436	396	411	10.3%
International activity	218	229	257	-4.9%

OTHER ADMINISTRATIVE COSTS

Other administrative costs totalled 324 million Euros in 2021, being in line with the amount posted in the previous year, excluding the specific items recognised in 2020, in the amount of 5 million Euros, fully accounted by the Polish subsidiary, relating to costs incurred with the acquisition, merger and integration of the Euro Bank S.A.

In spite that, in consolidated terms, other administrative costs, excluding the impact of the specific items mentioned, standing at a level similar to that seen in 2020, it is important to highlight the savings obtained in the activity in Portugal, even if the same have been almost entirely absorbed by the increase recorded by international activity.

In the activity in Portugal, other administrative costs totalled 176 million Euros by the end of 2021, evidencing a decline of 1.1% versus the amount accounted in 2020.

The impacts of the pandemic COVID-19 continue to strongly influence the evolution of other administrative costs in both ways. As such, the impacts from the implementation of the Bank's contingency plan, based on remote work and on the suspension or postponement of certain projects and travels, was mainly reflected in the reduction of costs related to advisory services, other supplies and services, information technology, communications, consumables, water, energy and fuels, maintenance and related services and travel, hotel and representations.

On the other hand, the pandemic context led to a greater activity in call centres, which contributed mainly for the increase of costs associated with outsourcing but also of those associated with rents, namely the rental of software. In addition, the gradual pick-up in activity in 2021 also had an impact on the increase in certain types of costs, in particular those associated with legal expenses, advertising and other specialised services, which were thus higher than the amount recognised in the previous year.

Besides the impacts deriving from the pandemic, the performance of other administrative costs in the activity in Portugal was also influenced by the Bank's decision of maintaining a disciplined management of costs, continuing to put into place a series of thereto related measures, among which we may point out the re-dimensioning of the branch network that went from 478 branches on 31 December 2020 to 434 by the end of 2021.

In the international activity, other administrative costs stood at 148 million Euros by the end of 2021, being slightly above (0.9%) of the amount recorded in the previous year, not considering the impact of the specific items mentioned above.

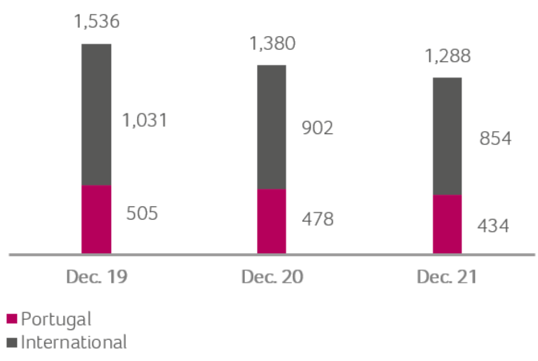
The performance recorded by other administrative costs in the international activity was characterised by an increase in costs recorded by the subsidiary in Mozambique, although the same have been partially offset by the savings achieved by the Polish subsidiary.

The performance of other administrative costs in the subsidiary in Mozambique resulted mostly from the increase in management fees, since the same are linked with the earnings obtained by the subsidiary that, in 2021 significantly exceeded the ones achieved in the previous year. The performance of the exchange rate of Metical against the euro, in turn, also contributed negatively to this performance.

Regarding the number of branches, the subsidiary in Mozambique ended 2021 with 199 branches, the same number it showed in the previous year.

On its turn, the Polish subsidiary benefited from the restructuring measures underway which enabled reaching a number of synergies resulting from the merger with EuroBank S.A., among which we point out the savings associated with the optimisation of the branch network which evolved from 702 branches on 31 December 2020 to 655 by the end of 2021, and also the savings associated with IT services which have, however, been partially absorbed by the increase in costs with advisory services, namely legal advising services to assist the Bank in issues related with the foreign exchange mortgage loans portfolio.

BRANCHES



OTHER ADMINISTRATIVE COSTS

Million euros

	2021	2020 restated	2019	Chg. % 21/20
Water, electricity and fuel	13	14	16	-9.7%
Consumables	6	9	8	-24.1%
Rents	20	21	23	-4.6%
Communications	22	26	25	-16.6%
Travel, hotel and representation costs	3	4	10	-21.7%
Advertising	24	23	29	5.6%
Maintenance and related services	15	16	18	-7.9%
Credit cards and mortgage	8	8	8	6.8%
Advisory services	27	22	19	22.2%
Information technology services	44	45	45	-2.0%
Outsourcing	77	75	77	3.5%
Other specialised services	28	26	28	5.3%
Training costs	1	1	3	-6.2%
Insurance	5	5	4	4.2%
Legal expenses	5	3	5	51.4%
Transportation	8	9	10	-7.3%
Other supplies and services	19	19	19	-3.6%
TOTAL EXCLUDING SPECIFIC ITEMS	324	325	347	-0.2%
SPECIFIC ITEMS	-	5	26	-100.0%
TOTAL	324	330	373	-1.7%
of which:				
Activity in Portugal	176	178	191	-1.1%
International activity	148	151	182	-2.4%

DEPRECIATIONS

Depreciations, excluding the specific items recognised in 2020 by the Polish subsidiary following the acquisition of Euro Bank S.A., in the amount of 1million Euros, stood 1.4% above the 135 million euros posted in 2020, totalling 137 million Euros by the end of 2021. These figures reflect essentially the performance of the activity in Portugal, whose increase was partially offset by the decrease recorded in the international activity.

In the activity in Portugal, depreciations went from 76 million Euros in 2020 to 80 million Euros by the end of the current year, essentially reflecting the impact of the increase of investment in software carried out in the last few years. This increase in the investment in software translates the Bank's commitment with the digital transformation process underway and the constant commitment to technological innovation, which was crucial for the capacity to immediately respond to the challenges arising from the pandemic associated with COVID-19. Thereon, it is also important to mention that customers increasingly value the Bank's digital capabilities, translated by the continued growth of the customer base, particularly mobile customers, and the various awards and distinctions that the Bank has been receiving.

In the international activity, depreciation, excluding the specific items mentioned above, evidenced a reduction of 3.4% versus the 59 million Euros recorded in 2020, totalling 57 million Euros in the current year. This performance resulted mostly from the activity of the Polish subsidiary, reflecting, in part, the synergies obtained following the integration of the Euro Bank S.A. by Bank Millennium, S.A. On the other hand, in 2021, depreciations in the subsidiary in Mozambique exceed the amount recognised in 2020, in part due to the performance of the exchange rate of Metical against the euro.

LOANS IMPAIRMENT

Impairment of loans to customers includes impairment of financial assets at amortized cost for loans granted to customers and for debt securities associated with credit operations, net of reversals and recoveries of credit and interest.

The reconciliation of the impairment of financial assets at amortized cost presented in the consolidated profit and loss account with the impairment of loans to customers considered for the purposes of this analysis is presented as follows:

LOANS IMPAIRMENT (P&L)

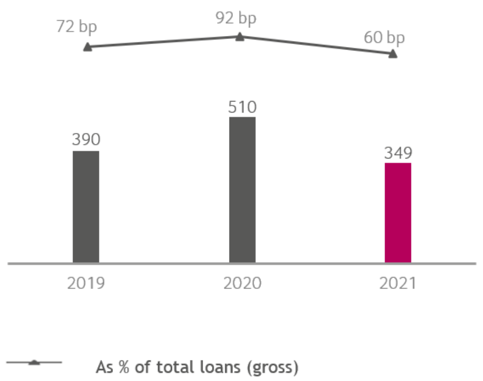
Million euros

	2021	2020 restated	2019
Impairment of financial assets at amortised cost (accounting P&L) (1)	353	513	390
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	1	0	(1)
Impairment of financial assets at amortised cost not associated with credit operations (3)	3	4	1
Loans impairment considering management criteria (1)-(2)-(3)	349	510	390

Over the last year, loan impairment charges (net of recoveries) evolved favourably both in the activity in Portugal and in the international activity, having presented, in consolidated terms, a reduction of 31.6%, from 510 million Euros in 2020, to 349 million Euros in the current year.

This performance was strongly influenced by the extraordinary reinforcement of impairments recognised in 2020 to face the economic crisis caused by the COVID-19 pandemic and its underlying risks, affecting both Portugal and the international activity, totalling 187 million Euros in consolidated terms.

LOANS IMPAIRMENT (NET)
Million euros



In the activity in Portugal, loan impairment charges (net of recoveries) amounted to 273 million Euros in 2021, standing 22.8% below the 354 million euros recognised in the previous year.

This reduction comes mostly from the fact that, in 2020 extraordinary impairments were made, in the amount of 153 million Euros, with the purpose of dealing with the increase in risks associated with the adverse and uncertain context that was experienced at the time, as a result of the pandemic associated with COVID-19. Hence, in June 2020, the credit risk parameters underlying the models to calculate collective impairment were updated to evidence the new macroeconomic scenario resulting from the pandemic associated risks. The same were afterwards revised by the end of the year to align some macroeconomic variables with the projections then disclosed by Banco de Portugal. Altogether, the update of the macroeconomic scenario implicit in the models for calculating impairment for credit led to the booking of additional impairments, in the amount of 55 million Euros in 2020. Furthermore, and within the scope of the individual assessment of credit customers, extraordinary impairments were also booked to anticipate the expected effects of the pandemic.

At the same time, and to incorporate an additional conservative approach and aiming at complying with the recommendations of the Supervisors, namely regarding the identification and measurement of credit risk within the context of the pandemic COVID-19, additional impairments (overlays) were recognised in relation to those estimated by the models in force to calculate collective impairment, which amounted to 58 million Euros in 2021 and to 27 million Euros in 2020. The exercise carried out was based on an analysis of migrations to stage 2 and stage 3 of customers identified as being of greater risk, with the most significant impact occurring in the corporate segment.

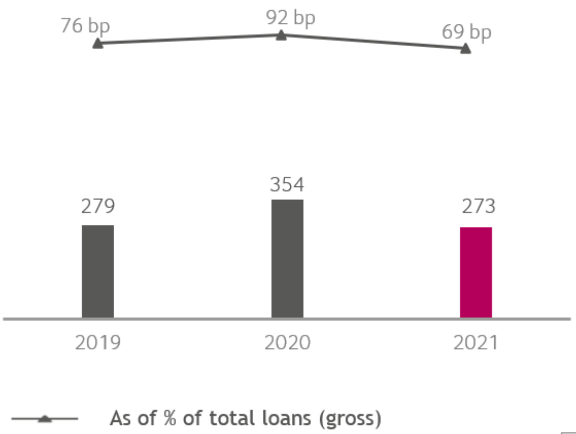
We must also emphasize that, in 2021 and in 2020 impairments were recognized to meet the needs of minimum coverage of losses for non-performing exposures in order to promote greater alignment of the equity situation of the Bank with the prudential regulations in effect, namely with Regulation (EU) 2019/630 of the European Parliament and of the Council of April 17 of 2019 and with the expectations of the supervisory entities regarding the need to reduce these exposures in the balance sheet of the institutions, avoiding future accumulation.

On the other hand, the evolution in loans impairment in the activity in Portugal also benefited from extraordinary and not expected positive impacts, associated with the activity of an individual customer, which led to lesser impairment needs in 2021.

LOANS IMPAIRMENT (NET)

Activity in Portugal

Million euros

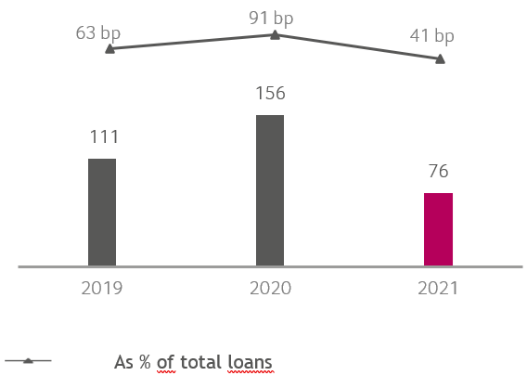


In the international activity, loan impairment charges (net of recoveries) fell to less than half of the 156 million Euros recognized in 2020, standing at 76 million Euros at the end of 2021.

LOANS IMPAIRMENT (NET)

International activity

Million euros



The Polish subsidiary was the main responsible for this evolution, possible thanks to the improvement observed, both in the level of risk implicit in the loans object of moratoriums, which have expired in the meantime, and in the risk underlying the remaining loan portfolio, both for individual and corporate customers. At the same time, loan impairment in the Polish subsidiary in 2021, benefited not only from the reversions recognised resulting from the sale of portfolios of non-performing loans but also from less needs for provisioning due to the update of the macroeconomic assumptions implicit in the collective impairment models.

On the other hand, loan impairments recognized in 2021 by the Polish operation include the impairment associated to some exposures that initially were part of the loan portfolio measured at fair value through profit and loss which, however, by the year's end were part of the loan portfolio at amortized cost.

It is also important to mention that the decrease in impairment verified at the Polish subsidiary in the last year was also the result of the extraordinary reinforcement of impairments, in the amount of 30 million Euros (of which 14 million Euros regard overlays), which had been accounted in 2020 to deal with the implicit risk of the COVID-19 pandemic, plus the impacts coming from the implementation of a more conservative definition of default for the exposures of the retail segment.

In the Mozambican subsidiary there was also a significant reduction in loans impairment which, in 2021, was fixed at an immaterial amount. Apart from the impact of additional impairments, amounting to 5 million Euros, which had been booked in 2020 to face the risks implicit in the loan portfolio, arising from the context of the COVID-19 pandemic, the evolution of loans impairment in the subsidiary in Mozambique also benefited from the reversion of impairment associated with an individual customer due to the agreement established between the parties according to which the bank receives the real estate property which acted as collateral. We must also mention that, in this case, there was simultaneously an increase in other impairments and provisions through the reinforcement of impairments for non-current assets held for sale.

The evolution of impairment charges (net of recoveries) led to the cost of risk (net of recoveries) recording a significant improvement both in the activity in Portugal, and in the international activity, enabling, in consolidated terms, to place the cost of risk at 60 basis points, considerably below the 92 basis points observed in 2020.

In the activity in Portugal, the cost of risk (net of recoveries) went from 92 basis points in 2020, to 69 basis points in 2021. Moreover, in the international activity, it improved from 91 basis points to 41 basis points last year.

LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2021	2020 restated	2019	Chg. % 21/20
Loan impairment charges (net of reversions)	372	533	414	-30.2%
Credit recoveries	23	23	24	1.1%
TOTAL	349	510	390	-31.6%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	60 bp	92 bp	72 bp	-32 bp

OTHER IMPAIRMENT AND PROVISIONS

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

Other impairments and provisions totalled 712 million Euros in 2021, more than doubling the amount of 331 million euros recognized in 2020, strongly influenced by the reinforcement of the extraordinary provision, booked by the Polish subsidiary to face the legal risk associated with foreign exchange mortgage loans. Although with a lower magnitude, other impairments, and provisions in the activity in Portugal were also higher than in 2020.

In 2021, other impairments and provisions in the activity in Portugal, reached 165 million Euros, versus the 119 million Euros recognised in the previous year. This evolution mainly reflects the increase, in the amount of 63 million Euros, of provisions booked for other risks, which, seeking to reflect an additional conservative approach, incorporate generic amounts to prevent possible consequences of the pandemic crisis, namely in the valuation of the Bank's assets. Although with less material impact, provisions for impairment for guarantees and commitments increased 9 million Euros if compared with the previous year, mostly due to the need to guarantee the minimum levels of coverage of non-performing exposures provided for in the regulations in force. On the other hand, it is important to mention the lower level of impairment required by non-current assets held for sale and by other financial assets, which stood at, respectively, 18 million Euros and 8 million Euros below the amounts recorded in the previous year. We must emphasize that the evolution of impairment for other financial assets was positively influenced by the aforementioned review of the credit risk parameters of the collective impairment models carried out in 2020, which had contributed to an additional reinforcement of impairments in that year.

In the international activity, the evolution recorded by other impairments and provisions, from 213 million Euros in 2020, to 547 million Euros in 2021 was determined, as already mentioned, by the contribution from the Polish subsidiary, namely by the reinforcement of the extraordinary provision, booked to face the legal risk associated with foreign exchange mortgage loans. Thus, following the negative trends in court decisions and the increase in the number of new lawsuits, as well as the use of more conservative assumptions applied in the risk assessment, the aforementioned provisions amounted to 345 million Euros above the 160 million Euros recognised in 2020, totalling 505 million Euros in the current year. However, it is important to mention that the impact of these provisions in 2021 was partially offset by the recognition of income, amounting to 48 million Euros (8 million Euros in 2020), reflected in the item 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. In addition, and although the appeal request is still under assessment, in November 2021, the Polish subsidiary booked a provision in the amount of 23 million Euros, intended to cover potential losses which may result from a dispute involving the contracting of foreign exchange operations with a customer. We must stress that, in 2020, the Polish subsidiary had booked additional provisions in the amount of 32 million Euros to face the refund of commissions to customers who repaid their consumer credits in advance, following the decision made by the Court of Justice of the European Union. This impact, similar to the provisions associated with foreign exchange mortgage loans, was partially offset by the recognition of income, also reflected in other net operating income, in the amount of 11 million Euros, corresponding to the amount to be received from a third party, following the clauses part of the Euro Bank S.A. purchase agreement.

Although with less significance, we must also mention the evolution recorded by other impairments and provisions in the subsidiary in Mozambique, an amount which was higher in 2021 versus the one recorded in 2020, mostly due to the recognition of a provision for the property of the former head office of BIM - Banco Internacional de Moçambique, S.A.

Additionally, the evolution of other impairments and provisions in the international activity also reflects the reinforcement of impairments recognized to cover the investment in the holding in Banco Millennium Atlântico, in the amount of 10 million Euros (17 million Euros in 2020, including impairment for goodwill).

INCOME TAX

Income tax (current and deferred) totalled 204 million Euros in 2021, which compares to 132 million Euros obtained in the same period of the previous year.

The recognized taxes include, in 2021, current tax of 81 million Euros (109 million Euros in 2020) and deferred tax of 122 million Euros (24 million Euros in 2020).

Current tax expenses in 2021 were strongly influenced by provisions for legal risks related to the portfolio of foreign exchange mortgage loans and mandatory contributions to the banking sector, both at the level of the Polish subsidiary.

Deferred tax expenses in 2021 were influenced by provisions and mandatory contributions to the banking sector, non-deductible for tax purposes, at the level of the activity in Portugal.

NON-CONTROLLING INTERESTS

Non-controlling interests are the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests record mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%) and in Millennium bim in Mozambique (33.3%).

In 2021, non-controlling interests totalled a negative amount of 113 million Euros, which compares with a positive amount of 25 million Euros in 2020. This evolution was mainly a result of the income for the year attributable to third parties via the consolidation of the Polish subsidiary, which recorded a decline of 148 million Euros in that period (from a positive amount of 3 million Euros in 2020, to a negative amount of 146 million euros in 2021), reflecting the losses reported by Bank Millennium in 2021.

On the other hand, income for the year attributable to third parties via the consolidation of the subsidiary in Mozambique in 2021, stood at 32 million Euros, 10 million Euros above the 22 million Euros recorded in 2020.

REVIEW OF THE BALANCE SHEET

Following the entrance into force of the IFRS 9 – Financial Instruments on January 1, 2018 and the consequent impacts on the structure of the financial statements of Millennium bcp versus previous periods, some indicators were defined based on concepts that translate the management criteria adopted by the Group within the scope of preparation of financial information. The correspondence between the management approaches and the accounting information is described in the glossary and throughout the document, when applicable, especially the concepts related with loans to customers, balance sheet customer funds and the securities portfolio.

BALANCE SHEET AS AT 31 DECEMBER

Million euros

	2021	2020	2019	Chg. % 21/20
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	8,158	5,566	5,487	46.6 %
Financial assets measured at amortised cost				
Loans and advances to credit institutions	453	1,015	893	-55.4 %
Loans and advances to customers	54,972	52,022	49,848	5.7 %
Debt instruments	8,205	6,235	3,186	31.6 %
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	931	1,031	878	-9.7 %
Financial assets not held for trading mandatorily at fair value through profit or loss	991	1,315	1,406	-24.7 %
Financial assets designated at fair value through profit or loss	-	—	31	
Financial assets measured at fair value through other comprehensive income	12,891	12,140	13,217	6.2 %
Investments in associated companies	462	435	400	6.3 %
Non-current assets held for sale	781	1,026	1,280	-24.0 %
Other tangible assets, goodwill and intangible assets	857	887	972	-3.4 %
Current and deferred tax assets	2,705	2,645	2,747	2.3 %
Other (2)	1,497	1,396	1,298	7.3 %
TOTAL ASSETS	92,905	85,715	81,643	8.4 %
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	8,896	8,899	6,367	— %
Resources from customers	69,560	63,001	59,127	10.4 %
Non subordinated debt securities issued	2,188	1,389	1,595	57.6 %
Subordinated debt	1,395	1,405	1,578	-0.7 %
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	231	279	344	-17.1 %
Financial liabilities measured at fair value through profit or loss	1,582	1,599	3,201	-1.1 %
Other (3)	1,990	1,757	2,051	13.3 %
TOTAL LIABILITIES	85,843	78,329	74,262	9.6 %
EQUITY				
Share capital	4,725	4,725	4,725	
Share premium	16	16	16	
Other equity instruments	400	400	400	
Treasury shares	-	(0)	(0)	100.0 %
Reserves and retained earnings (4)	840	897	241	-6.4 %
Net income for the period attributable to Bank's Shareholders	138	183	302	-24.6 %
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119	6,221	6,120	-1.6 %
Non-controlling interests	943	1,165	1,262	-19.1 %
TOTAL EQUITY	7,062	7,386	7,381	-4.4 %
TOTAL LIABILITIES AND EQUITY	92,905	85,715	81,643	8.4 %

(1) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.
(2) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.
(3) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.
(4) Includes Legal and statutory reserves and Reserves and retained earnings.

The reconciliation between the management criteria defined and the accounting values published in the consolidated financial statements are presented below.

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

Loans to customers

Million euros

	2021	2020	2019
Loans to customers at amortised cost (accounting Balance Sheet)	54,972	52,022	49,848
Debt instruments at amortised cost associated to credit operations	1,308	1,598	2,075
Balance sheet amount of loans to customers at fair value through profit or loss	79	354	352
Loan to customers (net) considering management criteria	**56,360**	**53,975**	**52,275**
Balance sheet impairment related to loans to customers at amortised cost	1,849	2,037	2,417
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	7	11	12
Fair value adjustments related to loans to customers at fair value through profit or loss	14	26	20
Loan to customers (gross) considering management criteria	**58,231**	**56,048**	**54,724**

Regarding deposits and other resources from customers, the Bank continued to use the approach previously used for the item "Resources from customers and other loans", aggregating resources from customers at amortized cost and customer deposits at fair value through profit and loss (non-existent on 31 December 2021 since the remaining operations reached maturity during the first six months of the year). Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities placed with customers either classified at amortized cost or designated at fair value through profit or loss.

Balance sheet customer funds

Million euros

	2021	2020	2019
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,582	1,599	3,201
Debt securities at fair value through profit or loss and certificates (2)	1,582	1,341	1,481
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**–**	**259**	**1,720**
Resources from customers at amortised cost (accounting Balance sheet) (4)	69,560	63,001	59,127
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**69,560**	**63,259**	**60,847**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	2,188	1,389	1,595
Debt securities at fair value through profit or loss and certificates (7)	1,582	1,341	1,481
Non subordinated debt securities placed with institucional customers (8)	2,155	1,225	1,316
Debt securities placed with customers considering management criteria (9)=(6)+(7)-(8)	**1,615**	**1,505**	**1,760**
Balance sheet customer funds considering management criteria (10)=(5)+(9)	**71,175**	**64,764**	**62,607**

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

Securities portfolio

Million euros

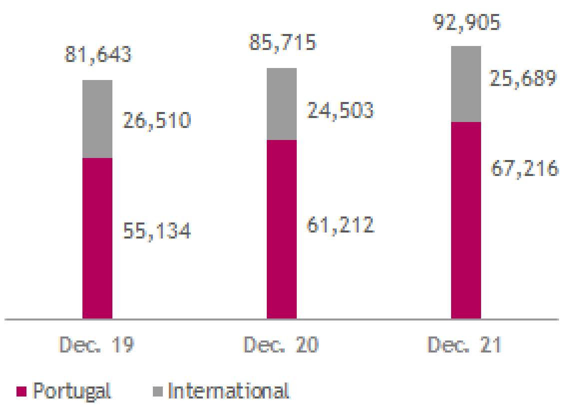
	2021	2020	2019
Debt instruments at amortised cost (accounting Balance sheet)	8,205	6,235	3,186
Debt instruments at amortised cost associated to credit operations net of impairment	1,308	1,598	2,075
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**6,897**	**4,637**	**1,111**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	991	1,315	1,406
Balance sheet amount of loans to customers at fair value through profit or loss (5)	79	354	352
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6)=(4)-(5)	**912**	**961**	**1,053**
Financial assets held for trading (accounting Balance sheet) (7)	931	1,031	878
of which: trading derivatives (8)	431	544	620
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	–	0	31
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	12,891	12,140	13,217
Securities portfolio considering management criteria (11)=(3)+(6)+(7)-(8)+(9)+(10)	**21,201**	**18,226**	**15,671**

2021 was characterised by an increase in Millennium bcp's consolidated balance sheet, and it should be highlighted, in terms of assets, the growth of the portfolio of loans to customers, of the securities portfolio and deposits with Central Banks and, in terms of liabilities, the increase in customer funds and in issues of non-subordinated debt.

The structure of the consolidated balance sheet was not significantly changed if compared with 2020. However, the dynamics of growth in deposits, more accentuated than the one observed in the customer loan portfolio, allowed the reduction of the commercial gap and, consequently, of the loans-to-deposits ratio (measured by the ratio of net loans to customers and deposits and other resources from customer, considering stated values), that went from 85.3% at the end of 2020, to 81.0% on 31 December 2021.

TOTAL ASSETS

Million euros



Millennium bcp's consolidated balance sheet total stood at 92,905 million Euros on 31 December 2021, showing a 8.4% increase in comparison with the 85,715 million Euros accounted by the end of 2020. This increase was mostly a consequence of the expansion of the activity in Portugal, also benefiting, although to a lesser extent, from the expansion of international activity.

The performance of the activity in Portugal resulted in a 9.8% increase in total assets against the 61,212 million Euros recorded on 31 December 2020, and stood at 67,216 million Euros at the end of 2021. This evolution is justified, to a large extent, by the growth of the securities portfolio, in particular of the foreign public debt portfolio, the customer loan portfolio and deposits at Central Banks. On the other hand, there was a decrease in non-current assets held for sale, namely via the reduction of the portfolio of real estate received in lieu of payment, and also a decrease in the amounts placed with credit institutions.

In the international activity, total assets stood at 25,689 million Euros on 31 December 2021, showing a 4.8% increase in comparison with the 24,503 million Euros accounted at the end of 2020. This performance shows essentially the contribution given by the subsidiary company in Poland, mostly triggered by the performance of the credit portfolio and also the one given by the subsidiary in Mozambique although, in this specific case, taking advantage from the appreciation of the Metical versus the Euro. We must stress that the evolution shown by the assets of the international activity also includes, in reverse, the impact of the deconsolidation of the operation in Switzerland and of Seguradora Internacional de Moçambique, S.A., following the sale of these entities in 2021.

Total liabilities of the Group stood at 85,843 million Euros in 2021, up 9.6% comparing to the 78,329 million Euros recorded at the end of 2020, determined essentially by the evolution of deposits and other resources from customers, that recorded an increase of 6,939 million Euros during this period. The growth in deposits and other resources from customers mostly translates the positive performance of the activity in Portugal, reaching 4,491 million Euros, mainly showing the increase in individual's savings, solidifying the trend observed in the last years.

The increase in the issue of non-subordinated debt at amortised cost, which went up from 1,389 million Euros at the end of 2020 to 2,188 million Euros at the end of 2021 also contributed to the growth of consolidated liabilities, resulting this increase mostly from the issues made by Millennium bcp in Portugal, especially from the senior preferred debt issue made in the first quarter of the year, in the amount of 500 million Euros and also by the issue of debt in the form of social senior preferred notes in the segment ESG (Environmental, Social and Governance) made in the last quarter of 2021, also in the amount of 500 million Euros, in both cases to comply with minimum requirements for own funds and eligible liabilities ("MREL" - Minimum Requirements for Own Funds and Eligible Liabilities).

Moreover, and despite Millennium bcp in Portugal having carried out a subordinated debt issue, in the last quarter of the year, in the amount of 300 million Euros, also with the objective of complying with the MREL, subordinated liabilities recorded a reduction from 1,405 million Euros at the end of 2020 to 1,395 million Euros at the end of 2021, following the maturity of some issues in the course of the year.

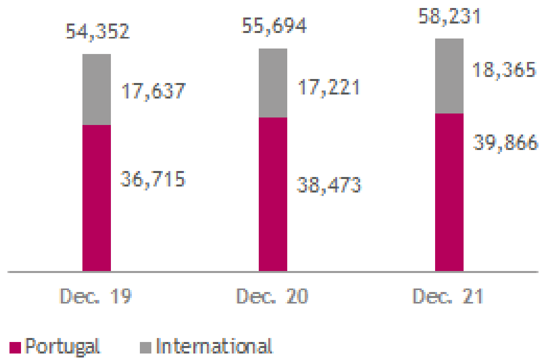
Equity, including non-controlling interests, totalled 7,062 million Euros at the end of 2021, below the 7,386 million Euros recorded at the end of the previous year. Equity attributable to the shareholders of the Bank also showed a slight reduction, going from 6,221 million Euros at the end of 2020 to 6,119 millions on 31 December 2021, since the positive impact of the net income for the year, the actuarial deviations associated with the pension fund and the consolidation exchange differences were not, as a whole, sufficient to offset the negative impact of the reduction in the fair value reserve.

LOANS TO CUSTOMERS

Millennium bcp's consolidated customer loan portfolio [8](gross loans, that is, before impairment and fair value adjustments) amounted to 58,231 million Euros at 31 December 2021, showing an increase of 4.6% from 55,694 million Euros at the end of the previous year, mostly due to the performance of the activity in Portugal, but also in the international activity.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments and on a comparable basis: excludes the impact from discontinued operations

In the activity in Portugal, loans to customers (gross) stood at 39,866 million Euros at 31 December 2021, 3.6% above the 38,473 million Euros at the end of 2020. The net growth of the portfolio incorporates, on the one hand, the expansion of performing loans, which grew by 1,878 million Euros during 2021 and, on the other hand, the reduction of non-performing exposures (NPE) by 485 million Euros, from 2,363 million Euros at 31 December, 2020 to 1,878 million Euros at the end of 2021. Reference should be made to the fact that the Bank has been successfully implementing a strategy of divestment in NPEs, in order to achieve the targets defined in the plan approved for the reduction of this type of exposure.

In international activity, there was also growth in credit to customers1 (gross credit), which stood at 18,365 million Euros at 31 December 2021, 6.6% higher than the 17,221 million Euros registered at the end of 2020. This evolution mainly reflects the expansion of the loan portfolio of the subsidiary in Poland, but also the positive contribution of the operation in Mozambique. Although there has been a decline in credit volumes of this subsidiary in local currency, its contribution turned out to be positive due to the appreciation of the Metical against the Euro.

[8] Following the sale of the Swiss subsidiary in 2021, the respective historical values (354 million Euros in 2020 and 372 million Euros in 2019) are not being considered within the scope of this analysis, in order to ensure comparability of information.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

	2021	2020 comparable (1)	2019 comparable (1)	Chg. % 21/20
INDIVIDUALS				
Mortgage loans	28,072	26,363	25,894	6.5%
Personal loans	5,999	5,789	6,016	3.6%
	34,071	32,152	31,910	6.0%
COMPANIES				
Services	8,297	8,280	8,578	0.2%
Commerce	4,231	4,031	3,487	5.0%
Construction	1,766	1,796	1,702	-1.7%
Other	9,866	9,435	8,675	4.6%
	24,160	23,542	22,442	2.6%
	58,231	55,694	54,352	4.6%
Discontinued operations (1)		354	372	
TOTAL	58,231	56,048	54,724	3.9%

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2020 and 2019 were included in a single line called "Discontinued Operations" in order to ensure the comparability of information.

The structure of the consolidated (gross) loans to customers portfolio maintained balanced patterns of diversification, with the relative weight of loans to individuals, in the total amount of the portfolio, being established at 58.5% at 31 December 2021, which compares with 57.4% at the end of 2020. On the other hand, the weight of credit to companies stood at 41.5% at the end of 2021, compared to 42.6% on 31 December 2020.

Loans to individuals, at 31 December 2021 amounted to 34,071 million Euros, 6.0% above the 32,152 million Euros recorded at the end of the previous year, simultaneously reflecting the favourable evolution of both the activity in Portugal and the international activity, which presented growth rates of 5.0% and 7.5%, respectively, compared to the same period in the previous year.

In the activity in Portugal, loans to individuals evolved from 19,528 million Euros existing on 31 December 2020 to 20,505 million Euros on the same date in 2021, boosted above all by the dynamics seen in mortgage loans, which grew by 5.3% compared to 31 December 2020, benefiting from the acceleration of the new business production. The temporary measures adopted in response to the impact of the pandemic on individuals' financial resilience were gradually withdrawn throughout 2021. The suspension of payments through moratoria, which had partly contributed to the growth in mortgage credit in 2020, became less and less impactful over 2021 as the moratoria gradually came to an end. Noteworthy is the fact that at the end of the third quarter of 2021 public moratoria for most loans ended, while the remaining ended at the end of the year.

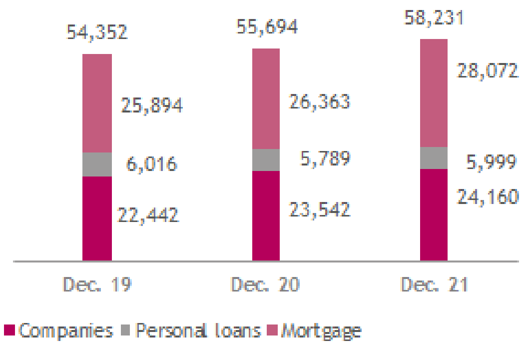
The portfolio of loans to individuals in international activity showed an increase from 12,624 million Euros in December 2020 to 13,566 million Euros at the end of 2021, this evolution being mainly explained by the behaviour of mortgage loans, which on 31 December 2021 reached 9,678 million Euros, as a result of an 8.7% growth over the same period. It is important to note that the contribution of Bank Millennium in Poland was decisive for this evolution, since there was an expansion of the mortgage loan portfolio granted by the Polish subsidiary, even in a context of progressive reduction of the mortgage loan portfolio in foreign currency. In this context, it should be mentioned that Bank Millennium's mortgage loan portfolio in foreign currency, mostly in Swiss francs, showed a relevant reduction of 30.6% during the past year, dropping from 3,149 million Euros at December 31, 2020 to 2,185 million Euros at the end of 2021. Of note, in the first half of 2021, the Group has changed the presentation of the provisions for individual proceedings related to mortgage loans in Swiss francs and has now allocated the provisions to future legal risks and recognised them as a reduction of the gross book value of loans for which a reduction in future cash flows is expected in accordance with IFRS 9. The mortgage loan portfolio in foreign currency represented 18.9% and 12.3% of the total loans recorded in Bank Millennium's balance sheet and 5.6% and 3.8% of the Group's total loan portfolio at the end of 2020 and 2021, respectively.

It should be noted that the loan portfolio in foreign currency before the aforementioned provisions, which amounted to 96 million Euros and 589 million Euros at December 31, 2020 and 2021, respectively, less the portion relating to Euro Bank, S.A., whose risk is fully guaranteed by a third party entity, under the scope of the clauses provided for in the contract for the acquisition of that entity, amounted to 3,026 million Euros at the end of 2020 and 2,609 million Euros at the end of 2021, a reduction of 13.8%.

In consolidated terms, mortgage loans represented 82.4% of loans to individuals, with consumer loans representing 17.6%.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments and on a comparable basis: excludes the impact from discontinued operations

On the other hand, consumer loans grew by 3.6% in consolidated terms compared to the end of the previous year, reaching 5,999 million Euros in 2021, recovering to levels close to those existing in the pre-pandemic period. In this context, it is important to emphasise the contribution of the Polish subsidiary, in which the production of consumer loans recovered significantly in 2021, contributing decisively to the growth of the Group's personal loan portfolio, despite the sales of non-performing loans made by Bank Millennium during the year.

Loans to companies totalled 24,160 million Euros at 31 December 2021, representing an expansion of 2.6% from 23,542 million Euros at the end of 2020, benefiting from the positive contributions of both the activity in Portugal and the international activity. Loans to companies in Portugal grew by 2.2% compared to 18,945 million Euros existing at 31 December 2020, standing at 19,361 million Euros at the end of 2021, boosted largely by loans granted with a guarantee from the Portuguese State and under the agreements established with the European Investment Fund. In this context, it is worth highlighting the Bank's contribution in providing companies with lines of credit that the Government has launched to deal with the impacts caused by the pandemic associated with COVID-19, thus reinforcing Millennium bcp's support role to Portuguese businesses. It should be stressed that the growth in loans to companies, in net terms, was possible even in a context of pursuing the strategy of divesting in non-performing exposures.

Loans to companies in the international activity recorded a growth of 4.4% when compared to the existing 4,597 million Euros at 31 December 2020, reaching 4,799 million Euros at the end of 2021, benefiting from the performance of the Polish subsidiary, to the extent that, after a period of slowdown in the granting of loans due to the effects of the COVID-19 pandemic, 2021 witnessed a period of recovery in the activity of companies, and consequently an increase in the use of bank loans.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

	2021	2020 comparable (1)	2019 comparable (1)	Chg. % 21/20
MORTGAGE LOANS				
Activity in Portugal	18,394	17,462	17,281	5.3%
International Activity	9,678	8,901	8,612	8.7%
	28,072	26,363	25,894	6.5%
PERSONAL LOANS				
Activity in Portugal	2,111	2,065	2,118	2.2%
International Activity	3,888	3,723	3,898	4.4%
	5,999	5,789	6,016	3.6%
COMPANIES				
Activity in Portugal	19,361	18,945	17,316	2.2%
International Activity	4,799	4,597	5,127	4.4%
	24,160	23,542	22,442	2.6%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	39,866	38,473	36,715	3.6%
International Activity	18,365	17,221	17,637	6.6%
	58,231	55,694	54,352	4.6%
Discontinued operations (1)		354	372	
TOTAL	58,231	56,048	54,724	3.9%

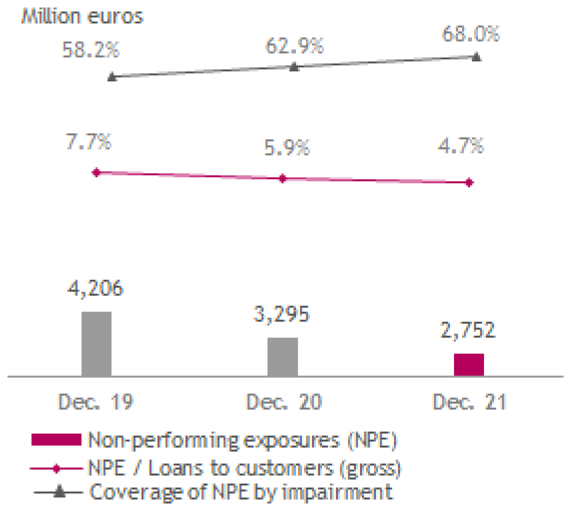
(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2020 and 2019 were included in a single line called "Discontinued Operations" in order to ensure the comparability of information.

The focus on selectivity and monitoring of credit risk control processes and the initiatives undertaken by commercial areas and credit recovery areas, aiming at reducing the value of loans in default, have improved the quality of the credit portfolio over recent years.

The quality of the loan portfolio continues to be one of the Group's priorities, focusing on the continuous improvement of the risk control environment and on the continuous monitoring of the risk levels incurred, whilst ensuring full compliance with regulatory and supervisory requirements and keeping the internal regulatory structure suitable for risk control and management up to date.

With the emergence of the pandemic associated with COVID-19, the Bank implemented an action plan to identify and measure credit risk, adopting operational measures to appropriately address the impacts arising from the pandemic outbreak. To this end, the development and strengthening of the model for monitoring Customers with the aim of responding appropriately to these impacts, namely the end of the support measures for companies and individuals promoted by the State, should be emphasised. The approach defined by the Bank in this context involved the creation of new areas/task forces to evaluate and monitor Customers' credit exposures and to define and implement strategies appropriate to each specific situation. The monitoring plan is underpinned by the segmentation of the Bank's total loan portfolio, with allocation of the Customers selected for monitoring to the different areas created in accordance with criteria approved by the Executive Committee, ensuring specific reports, including reports to the Supervisory Entities and management bodies. At the same time, the scope of the Credit and Non-Performing Assets Monitoring Commission was extended to monitor the credit portfolio, with special focus on the impacts arising from the pandemic.

CREDIT QUALITY



In this context, Overdue loans by more than 90 days showed a decrease of 26.8% compared to the 1,297 million Euros accounted for at the end of 2020, amounting to 949 million Euros on 31 December, 2021. The total volume of overdue loans also recorded a reduction of 24.0% from the 1,420 million Euros booked at 31 December 2020 to 1,080 million Euros on the same date in 2021, by benefiting from the evolution seen in the activity in Portugal, where there was a reduction of 327 million Euros in total overdue loans to 605 million Euros at the end of 2021, compared to 933 million Euros recorded at the end of 2020.

The NPE stock, in consolidated terms, decreased to 2,752 million Euros at 31 December 2021, showing a reduction of 543 million Euros compared to the end of 2020. In the activity in Portugal, the stock of NPE totalled 1,878 million Euros at the end of 2021, with an equally expressive reduction of 485 million Euros observed in the same period.

The improvement in credit quality is evidenced by the favourable evolution of the respective indicators, namely the overdue loan ratio for more than 90 days over total loans to customers, which rose from 2.3% on December 31, 2020 to 1.6% on December 31, 2021, and the ratios of NPL for more than 90 days and NPE as a percentage of the total loan portfolio, which dropped from 3.2% and 5.9% at the end of 2020 to 2.1% and 4.7% on December 31, 2021 respectively, essentially reflecting the performance of the credit portfolio in Portugal.

At the same time, coverage levels of the various loan aggregates presented also showed a positive progression, and it should be highlighted the reinforcement of NPE impairment coverage which grew from 62.9% on December 31, 2020 to 68.0% at the end of 2021. This evolution is explained by the level of provisioning made in the activity in Portugal, where the coverage of NPE by impairments increased about 6 percentage points, standing at 68.5% at 31 December 2021, compared to 63.0% at the end of the previous year. Coverage of NPL for more than 90 days, in consolidated terms, also evolved very favourably, having increased by about 34 percentage points compared to 2020. The coverage ratio of overdue loans by more than 90 days by impairments, on a consolidated basis, stood at 197.0% at 31 December 2021, compared to a ratio of 159.8% on the same date in 2020 (in Portugal and for the same dates, this ratio was 219.5% and 162.0%, respectively).

Lastly, it is also important to mention the improvement in the degree of coverage of the foreign currency mortgage loan portfolio granted by Bank Millennium in Poland. Considering the total amount of this portfolio, that is, the total amount of loans granted before deducting the respective amount arising from the provisions recorded directly through the reduction of the gross book value of loans, but deducting the total amount of the exposure originated by Euro Bank, S.A. 3,026 million Euros and 2,609 million Euros at the end of 2020 and 2021, respectively) and the total amount of provisions booked (203 million Euros and 672 million Euros including both the provisions booked directly through the reduction of the value of the asset and the provisions shown under liabilities) the degree of coverage of the mortgage loan portfolio in foreign currency showed considerable growth from 6.7% at 31 December 2020 to 25.7% at 31 December 2021.

CREDIT QUALITY INDICATORS

	Group				Activity in Portugal			
	Dec.21	Dec.20	Dec.19	Chg. % 21/20	Dec.21	Dec.20	Dec.19	Chg. % 21/20
STOCK (M€)								
Loans to customers (gross)	58,231	56,048	54,724	3.9%	39,866	38,473	36,715	3.6%
Overdue loans > 90 days	949	1,297	1,486	-26.8%	586	918	1,088	-36.2%
Overdue loans	1,080	1,420	1,605	-24.0%	605	933	1,117	-35.1%
Restructured loans	2,564	2,661	3,097	-3.7%	2,069	2,174	2,529	-4.9%
Non-performing loans (NPL) > 90 days	1,237	1,766	2,260	-30.0%	776	1,255	1,688	-38.2%
Non-performing exposures (NPE)	2,752	3,295	4,206	-16.5%	1,878	2,363	3,246	-20.5%
Loans impairment (Balance sheet)	1,871	2,073	2,449	-9.8%	1,286	1,488	1,877	-13.6%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS								
Overdue loans > 90 days / Loans to customers (gross)	1.6%	2.3%	2.7%		1.5%	2.4%	3.0%	
Overdue loans / Loans to customers (gross)	1.9%	2.5%	2.9%		1.5%	2.4%	3.0%	
Restructured loans / Loans to customers (gross)	4.4%	4.7%	5.7%		5.2%	5.7%	6.9%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	2.1%	3.2%	4.1%		1.9%	3.3%	4.6%	
Non-performing exposures (NPE) / Loans to customers (gross)	4.7%	5.9%	7.7%		4.7%	6.1%	8.8%	
COVERAGE BY IMPAIRMENTS								
Coverage of overdue loans > 90 days	197.0%	159.8%	164.8%		219.5%	162.0%	172.5%	
Coverage of overdue loans	173.3%	146.0%	152.6%		212.6%	159.6%	168.1%	
Coverage of Non-performing loans (NPL) > 90 dias	151.2%	117.4%	108.4%		165.8%	118.6%	111.2%	
Coverage of Non-performing exposures (NPE)	68.0%	62.9%	58.2%		68.5%	63.0%	57.8%	
EBA								
NPE ratio (includes debt securities and off-balance exposures)	3.2%	4.0%	5.3%		3.1%	4.2%	6.1%	

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

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

In the context of the pandemic brought about by COVID-19, the Portuguese government, like its European counterparts, decreed measures to support the economy in order to mitigate the adverse impacts on families and companies arising from the need for more or less prolonged and intermittent lockdowns in time, which limit the activity of the Portuguese business fabric and the movement of people in national territory. Therefore, lines of support were created for companies so that they could access credit on more favourable conditions than those practised to date by the Portuguese banking system. At the same time, public and private moratoria were also established with the aim of suspending the payment of interest and/or principal (depending on the nature of the moratorium applicable in each case and point in time) on credit contracts granted to both individuals and companies.

In this context, Millennium bcp took on its role of protecting families and companies early on, by providing support to the national economy, thus ensuring the maintenance of its solvency situation until the normalisation of the national economic activity, with the main emphasis on the provision of these lines of credit to the Portuguese business fabric.

As at 31 December 2021, the total amount of (gross) credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State amounted to 2,577 million Euros, which represents a growth of 13.9% compared to the amount of 2,262 million Euros that, the Bank had granted under these lines at the end of 2020. It is worth noting that the credit lines, mostly granted during 2020, were mainly made available to small and medium-sized Portuguese companies, having supported more than 18 thousand customers. At the end of 2021 these exposures represented about 6.5% of the total credit portfolio related to the activity in Portugal.

During the years 2020 and 2021, the Bank suspended the payment of interest and/or principal on credit operations covered by public and private initiative moratoria to more than 80,000 customers.

Million euros

	31. Dec. 21		30. Set. 20		30. Jun. 20		30. Mar. 21		31. Dec. 20	
	Alive	Expired	Alive	Expired	Alive	Expired	Alive	Expired	Alive	Expired
Families	--	3,949	106	3,995	3,269	934	3,421	862	4,101	107
Companies	--	4,259	624	4,026	4,066	711	4,597	270	4,579	194
Total	--	8,208	730	8,021	7,335	1,645	8,018	1,132	8,680	301

Note: Excludes the extensions of the grace periods of principal and extension of maturity in credit operations that have benefited from guarantees provided by Mutual Guarantee Companies or the Mutual Counter Guarantee Fund, within the scope of Decree-Law 22C/2021, of 22 March.

Loans to customers subject to moratorium showed a downward trend throughout 2021 until their complete extinction at the end of the year.

Following the reactivation promoted by the European Banking Authority on 2 December 2020 and the publication of Decree-Law no. 107/2020 of 31 December 2020 as a response to the deterioration of the pandemic crisis situation associated with COVID-19 there were, during the first quarter of 2021, new applications to the moratorium regime by the Bank's customers. The new framework allowed access to new moratoria for a period of up to nine months starting from the date of application (deducted from any moratorium period previously granted), maintaining the conditions and characteristics of the moratorium regime in force, with the adaptations provided for in the new diploma, namely the application deadline and the term of the moratorium.

Simultaneously, the first quarter of 2021 witnessed a significant reduction in moratoria, particularly in the Private moratorium, largely influenced by the end of the mortgage moratorium, which mainly originated a decrease in the value of exposures subject to moratoria in the Individuals segment.

At the end of the third quarter of 2021 there was once again a substantial reduction in the total amount of credit in a moratorium situation following the end of the state moratorium provided for in Decree Law no. 10-J/2020, of March 26 and subsequent amendments.

In turn, the last quarter of the year saw the maturity of all the remaining moratoria corresponding to the applications that, as mentioned above, had taken place in the first quarter of 2021.

Regarding the quality of the loan portfolio previously subject to moratorium, which at December 31, 2021 amounted to 8,208 million Euros (expired moratoria), it should be noted that 90.2% of this exposure corresponded to performing credit. Consequently, only 9.8% concerned non-performing exposures (classified as stage 3), which compares with a percentage of non-performing exposures of 4.7[9]% for the total portfolio.

It should be noted that, under the scope of Decree-Law no. 22C/2021, of March 22, extensions were granted to the grace periods and maturity extension in credit operations that benefited from guarantees provided by Mutual Guarantee Societies or the Mutual Counter-Guarantee Fund. The banking supervision and regulation entities considered such extensions to be a moratorium on such exposures. Thus, the amount of exposure that in December 31, 2021 results from this understanding amounts to 1,222 million Euros.

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

CUSTOMER FUNDS

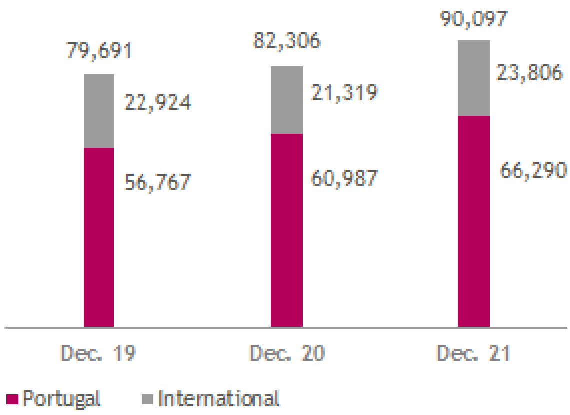
On December 31, 2021, total customer funds[10] amounted to 90,097 million Euros, showing a favourable evolution, increasing 9.5% from the 82,306 million Euros obtained on the same date of the previous year.

This increase, of 7,791 million Euros compared with the same period of the previous year, was possible thanks to the strong business performance in Portugal, which grew by 5,304 million Euros, but also to the contribution of international business, which grew by 2,487 million Euros. The evolution of total customer funds, in consolidated terms, reflects the favourable evolution of most items, with special reference to the increase in balance sheet customer funds and more specifically deposits and other resources from customers, which grew by 6,939 million Euros, compared to the amount at December 31, 2020.

Off-balance sheet customer funds amounted to 18,922 million Euros at December 31, 2021, showing a favourable evolution by increasing 4.1% compared to the 18,180 million Euros obtained on the same date of the previous year, benefiting from an increase in assets under management and assets placed with customers of 22.5% and 22.6%, respectively, year-on-year.

TOTAL CUSTOMER FUNDS (*)

Million euros



(*) On a comparable basis: excludes the impact from discontinued operations

10 Following the sale of the Swiss subsidiary in 2021, the respective historical values (2,186 million Euros in 2020 and 1,984 million Euros in 2019) are not being considered within the scope of this analysis, in order to ensure comparability of information.

TOTAL CUSTOMER FUNDS

Million euros

	2021	2020 comparable (1)	2019 comparable (1)	Chg. % 21/20
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	69,560	62,621	60,250	11.1%
Debt securities placed with customers	1,615	1,505	1,760	7.3%
	71,175	64,125	62,010	11.0%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	5,773	4,712	4,459	22.5%
Assets placed with customers	6,486	5,291	4,212	22.6%
Insurance products (savings and investment)	6,663	8,177	9,011	-18.5%
	18,922	18,180	17,682	4.1%
Discontinued operations (1)		2,186	1,984	
TOTAL	90,097	84,492	81,675	6.6%

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2020 and 2019 were included in a single line called "Discontinued Operations" in order to ensure the comparibility of information. From the total amount of customer funds relating to Banque Privée BCP, which amounted to 2,186 million euros as of 31 December 2020 and 1,984 million euros as of 31 December 2019, 638 million euros relates to balance sheet (539 million euros in 2019) and 1,548 million euros to off-balance sheet customer funds (1,387 million euros in 2019)

In the activity in Portugal, total customer funds also benefited from the favourable evolution observed in most items, reaching 66,290 million Euros on December 31, 2021, compared to 60,987 million Euros on the same date of the previous year, with a special reference to the 4,491 million Euros increase in deposits and other resources from customers over the same period.

In the international activity[10], total customer funds went up 11.7% from 21,319 million Euros on December 31, 2020, rising to 23,806 million Euros at the end of 2021.

The Group’s balance sheet customer funds, which comprise deposits and other customer resources and debts to retail bonds, amounted to 71,175 million Euros on December 31, 2021, showing an increase of 11.0% compared to 64,125 million Euros at the end of the previous year, mainly driven by the increase in deposits and other resources from customers which grew by 6,939 million Euros compared to the previous year. More than half of this growth is explained by the performance of the activity in Portugal, whose deposits and other resources from customers grew by 4,491 million Euros during 20021, with the remaining 2,448 million Euros coming from the evolution, also positive, observed in the international activity.

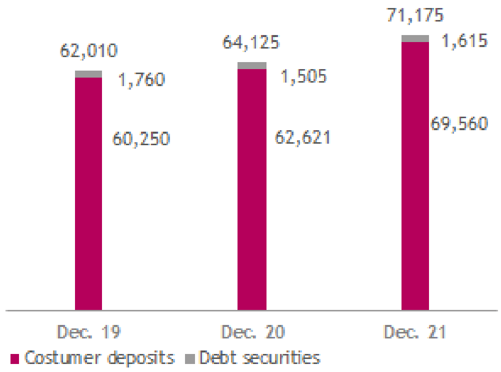
On 31 December 31, 2021, balance sheet total customer funds represented 79.0% of total customer funds, with deposits and other resources from customers representing 77% of total customer funds.

Deposits and other resources from customers, showed an increase of 11.1% from 62,621 million Euros at December 31, 2020, by totalling 69,560 million Euros by the end of 2021, confirming their weight in the asset financing structure over the last few years. The increase of 6,939 million Euros in relation to the amount obtained in December 2020, resulted from the significant growth in the activity in Portugal, whose increase of 4,491 million Euros, reflects, on one hand, the lower volume of household spending during the confinement period and, on the other, the savings motivated, either by the natural feeling of insecurity triggered by the crisis, or with the aim of future use of the funds saved. In the international activity, in December 2021, the amount of deposits and other resources from customers stood at 21,848 million Euros, compared to 19,400 million Euros in the same period of the previous year, the evolution having been, for the most part, justified by the acquisition of new funds made by the Polish operation, especially regarding individual customers' deposits.

Debt securities placed with customers, which correspond to the Group's issues of debt securities subscribed by clients, recorded an increase of 7.3% compared to the end of 2020, standing at 1,615 million Euros on December 31, 2021. This growth is essentially justified by the evolution seen in the activity in Portugal, whose retail debt securities evolved from 1,437 million Euros at the end of 2020 to 1,606 million Euros by the end of 2021, largely due to the increase in the portfolio of certificates issued by the Bank.

BALANCE SHEET CUSTOMER FUNDS (*)

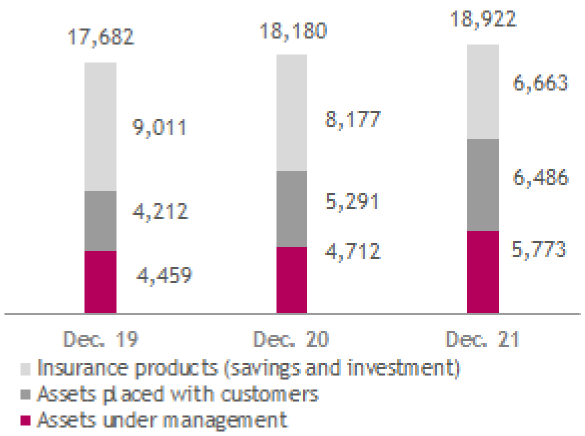
Million euros



Off balance sheet customer funds, which include assets under management, assets placed with customers and savings and investment insurances totalled 18,922 million Euros at the end of December 2021, up 4.1% from 18,180 million Euros on the same date in the previous year. The most significant increase resulted from activity in Portugal, whose off-balance sheet funds evolved from 16,329 million Euros on December 31, 2020 to 16,972 million Euros at the end of 2021, although international activity also recorded a growth of 5.3%, which after the disposal of the Swiss operation, now only has the contribution of the Polish subsidiary.

OFF BALANCE SHEET CUSTOMER FUNDS (*)

Million euros



(*) On a comparable basis: excludes the impact from discontinued operations

Assets under management, which result from the provision of the service of managing portfolios of client assets under existing agreements for their placement and administration, stood at 5,773 million Euros on December 31, 2021, up 22.5% from 4,712 million Euros at the end of 2020, due to the performance of both the activity in Portugal and the international activity, where the amount of assets under management rose 24.8% and 14.1%, respectively, largely driven by the appreciation of the assets in the portfolio.

Assets placed with customers, which in turn correspond to the amounts held by clients within the scope of the placement of third-party products that contribute to the recognition of fees, also evolved favourably in 2021, having recorded a growth of 22.6% compared to the 5,291 million Euros recorded on December 31, 2020, amounting to 6,486 million Euros. The increase of 1,198 million Euros recorded by the activity in Portugal was the main responsible for the evolution observed in consolidated terms, having resulted essentially from the dynamism observed during the year in the distribution of third party investment funds.

Savings and investment insurance stood a 6,663 million Euros on December 31, 2021, down 18.5% from 8,177 million Euros on the same date the previous year, with activity in Portugal contributing with 1,473 million Euros less to this evolution.

TOTAL CUSTOMER FUNDS

Million euros

	2021	2020 comparable (1)	2019 comparable (1)	Chg. % 21/20
BALANCE SHEET TOTAL CUSTOMER FUNDS				
Activity in Portugal	49,319	44,658	41,016	10.4%
International Activity	21,856	19,467	20,993	12.3%
	71,175	64,125	62,010	11.0%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	16,972	16,329	15,751	3.9%
International Activity	1,950	1,852	1,931	5.3%
	18,922	18,180	17,682	4.1%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	66,290	60,987	56,767	8.7%
International Activity	23,806	21,319	22,924	11.7%
Discontinued operations (1)		2,186	1,984	
TOTAL	90,097	84,492	81,675	6.6%

(1) Following the sale of Banque Privée BCP in Switzerland in 2021, its historical figures related to 2020 and 2019 were included in a single line called "Discontinued Operations" in order to ensure the comparibility of information. From the total amount of customer funds relating to Banque Privée BCP, which amounted to 2,186 million euros as of 31 December 2020 and 1,984 million euros as of 31 December 2019, 638 million euros relates to balance sheet (539 million euros in 2019) and 1,548 million euros to off-balance sheet customer funds (1,387 million euros in 2019)

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale recorded a decrease of 24.0% on 31 December 2021 compared to the same period last year, amounting to 781 million Euros at the end of the year. It should be noted that all asset categories showed a reduction in value compared to the existing position at the end of 2020, with special emphasis on real estate, which at 31 December 2020 amounted to 978 million Euros, while on the same date in 2021 totalled 748 million Euros (amounts net of impairments recorded), reflecting the Bank's effort in pursuing the strategy of divestment in this type of non-productive assets.

Other assets (which include, mainly, equipment and financial assets), have a minor weight in the overall calculation of this item, having recorded a decrease of 33.0% compared to December 31, 2020.

NON-CURRENT ASSETS HELD FOR SALE

Million euros

	2021	2020	2019	Chg. % 21/20
REAL ESTATE				
Arising from recovered loans	503	702	881	-28.4%
From investment funds and real estate companies	229	257	317	-11.1%
For own use	17	19	23	-13.4%
	748	978	1,222	-23.5%
OTHER ASSETS				
Equipment	17	28	34	-38.0%
Other assets	15	20	24	-25.9%
	32	48	58	-33.0%
TOTAL	781	1,026	1,280	-24.0%

SECURITIES PORTFOLIO

The securities portfolio, as defined above, stood at 21,201 million Euros on December 31, 2021, showing an increase compared with 18,226 million Euros recorded on the same date of the previous year, now representing 22.8% of total assets compared to 21.3% at the end of 2020.

In this evolution, the increase of 2,632 million Euros in the portfolio of public debt securities held by the Group should be highlighted, which saw its value increase from 15,072 million Euros at the end of 2020 to 17,704 million Euros on December 31, 2021, although its weight in the portfolio total amount remained globally in line with the previous year (83.5% and 82.7% at the end of 2021 and 2020, respectively).

The performance of the Group's securities portfolio was determined by the growth of 2,808 million Euros in the portfolio allocated to activity in Portugal, whose balance sheet stood at 16,128 million Euros at the end of 2021 compared with 13,320 million Euros on December 31, 2020. This growth resulted, to a large extent, from the reinforcement of investment in foreign sovereign debt, namely French, Belgian and Irish public debt, simultaneously allowing the placement of the existing liquidity surplus and the reinforcement of eligible assets.

The securities portfolio allocated to international activity also stood at a higher level than at the end of 2020, having evolved from 4,906 million Euros on that date to 5,072 million Euros on December 31, 2021. This evolution was determined by the increase in the securities portfolio of the subsidiary in Mozambique, although it was partially absorbed by the observed reduction in the subsidiary in Poland, reflecting the divestment in Polish sovereign debt in the last year. It should also be noted that this evolution is influenced by the impact of the sale of the Swiss subsidiary that took place at the end of 2021, whose securities portfolio amounted to 60 million Euros on December 31, 2020.

SECURITIES PORTFOLIO

Million euros

	2021	2020	2019	Chg. % 21/20
Financial assets measured at amortised cost (1)	6,897	4,637	1,111	48.7%
Financial assets measured at fair value through profit or loss (2)	1,413	1,449	1,343	-2.5%
Financial assets measured at fair value through other comprehensive income	12,891	12,140	13,217	6.2%
TOTAL	21,201	18,226	15,671	16.3%
of which:				
Activity in Portugal	16,128	13,320	9,482	21.1%
International activity	5,072	4,906	6,189	3.4%

(1) Corresponds to debt instruments not associated to credit operations.
(2) Excluding the amounts related to loans to customers and trading derivatives.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

Resources from other credit institutions, net of cash and loans and advances to other credit institutions, totalled 8,081 million Euros at the end of 2021 compared to 7,621 million Euros on December 31, 2020. This evolution mainly incorporates the impact of the additional funding, in the amount of 600 million euros, obtained from the European Central Bank in March 2021.

Following the ECB's decision to extend the use of the targeted longer-term refinancing operation III (TLTRO III) to 55% of eligible loans, BCP extended its medium-long term funding component in the first quarter of 2021 through an additional underwriting of 600 million Euros, in addition to the 7,550 million Euros taken in June 2020, thus raising to 8,150 million Euros the total gross amount taken in that instrument.

OTHER ASSET ITEMS

The other asset items, which comprise hedging and trading derivatives, investments in associates, investment properties, other tangible assets, goodwill and intangible assets, current and deferred tax assets and other assets, stood at 5,952 million Euros on 31 December, 2021, representing 6.4% of total consolidated assets, and by the end of 2020, other asset items represented 6.9% of total consolidated assets, totalling 5,907 million Euros.

EQUITY

On 31 December, 2021, total equity (including non-controlling interests) amounted to 7,062 million Euros, 324 million Euros below the equity of 7,386 million Euros existing at the end of the previous year.

The reduction in the Group's net worth, including non-controlling interests, results from the combined effect of the reduction in equity attributable to the Bank's shareholders, which evolved from 6,221 million Euros at the end of December 2020 to 6,119 million Euros on 31 December, 2021 and the decrease in non-controlling interests, from 1,165 million Euros at the end of the previous year to 943 million Euros in 2021, herein motivated by the reduction in the net position of the subsidiary in Poland, justified on one hand by the losses generated in the year and, on the other, by the reduction in fair value reserves.

The decrease in equity attributable to the Bank's shareholders resulted mainly from the negative impact of the fair value reserve, which decreased by 400 million Euros, net of taxes and interest from coupons of the Additional Tier 1 instruments, which amounted to 37 million Euros. Conversely, the capital attributable to the Bank's shareholders benefited from the integration of the net profit for the year which totalled 138 million Euros, the positive actuarial deviations associated to the pension fund which amounted to 128 million Euros after tax and the positive exchange rate consolidation differences, totalling 78 million Euros, which resulted mainly from the appreciation of the Metical against the Euro and also of the Kwanza.

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 current net income for the years 2021 and 2020, as well as the capital gain generated with the sale of the entire shareholding in Banque Privée BCP (Suisse), S.A., is reflected as income from discontinued and discontinuing operations, as provided for in IFRS 5.

(***) Consolidated by the equity method.

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

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

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

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

The information presented below for the individually more relevant business areas in

Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 December 2021. In this context, it should be noted that, following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A., the contribution of this subsidiary to the net income of the Foreign Business segment is reflected as income from discontinued operations, and the historical information has been restated in order to ensure its comparability, as provided for in IFRS 5. Banque Privée BCP (Suisse) S.A. ceased to be part of the BCP Group on 2 November 2021, the date on which the sale of this subsidiary was completed. In this context, income from discontinued or discontinued operations also reflect the capital gain from the sale of the operation. It should also be noted that on 29 December 2021, BIM – Banco Internacional de Moçambique, S.A. also formalized the sale to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A., with BIM maintaining approximately 22% of its share capital. The contribution of this subsidiary to the net income of the Foreign Business segment is also presented as income from discontinued or discontinued operations for the periods corresponding to the years 2021 and 2020, 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

Mass Market

In an environment still very constrained by the COVID 19 Pandemic, the Bank accelerated during 2021 a very strong strategy to increase the digital engagement of Customers with the Bank, through actions to collect/update e-mails, subscription to the digital statement and activation/use of digital channels, especially the Millennium app.

As a result of this action, the Bank was able to reach the historic milestone of 81% of active current accounts with extracts in digital format and 43% of Customers using the app.

Also from the point of view of organizing the Branch Network, the Bank leveraged the new Mass Market distribution model implemented in 2020, with approximately 50% of the Customers in the Mass Segment proactively managed remotely, and reached a historic milestone of 85% of Individual deposits and 57% of corporate deposits made through automatic channels.

From a commercial point of view, the bank focused heavily in 2021 on increasing first-Bank relationships, either through targeted marketing actions aimed at increasing average Customer involvement (upgrade, upselling and reactivation of Customers), or through wage domiciliation actions.

Given the importance of salary domiciliation for establishing relationships with the 1st Bank, constant salary domiciliation campaigns were launched throughout the year, and at the same time, the protocol offer with companies (Mais Colaborador Plan) aimed at Employees of Business Customers was redoubled. from the bank:

- access to an Integrated Solution of Banking Products and Services at special price conditions;
- promotional advantages in Mortgage, Personal and Car Loans with discounts on spreads and commissions;
- special discounts on insurance: Médis, Homin (Multirisk insurance) and Yolo (Life insurance).

An action was also implemented to attract new Customers, through a campaign with high visibility, which allowed the Bank to grow in Customers in the A/B segment (high and medium high), younger and more digital.

Prestige

The Bank innovated in investment services, successfully launching the Personalized Investment service, exclusively for Prestige Customers, which allows for punctual advisory based on the investor profile and objective (Retirement and Investment) through an innovative Customer experience with omnichannel subscription, reinforcing the segment's innovative positioning and continuous improvement of customer-centric journeys.

This service, which also made it possible to reinforce the focus on training and certification of Investment Managers, already contributes more than 1/3 to the volume of investments subscribed by managed Prestige Customers in 2021, with an accumulated subscription rate of 80%. Several multi-channel actions (Email Marketing, Paid Media, Owned Media) allowed increasing the awareness of Customers for the service in light of the campaign “The Personal Trainer of your Investments”.

In Remote Customer Management, the Bank relaunched the “Prestige Direct” service, aimed at Prestige Digital Customers, which allows for dedicated remote management over extended hours (9:00 am to 7:00 pm) with a competitive value proposition, transforming its offer, omnichannel subscription processes, systematic and specialized and extended commercial structure. 20% of Prestige Customers are managed in Prestige Direct, which now has 16 Remote Management Branches and new Integrated Solutions (Start & Family) with an offer adapted to the needs of these Customers.

The Bank increased its Customer base through actions to attract, retain loyalty and upgrades, reinforcing its positioning as 1st Bank (+5% Customers with salary/retirement domiciled) through campaigns aimed at potential Customers and promotion of protocols with Customer Companies (Plano Mais Colaborador).

The Bank significantly increased the portfolio of core investment products and Mortgage Loans in this segment, contributing to 55% of the volume of Mortgage Loans contracted in 2021.

The Bank maintained its continuous focus on improving the Customer experience and on training in commercial and service techniques, with a positive impact on the NPS Manager, which reached historic highs.

The continuous improvement of the Mobile experience and activation through the Network allowed an increase of 17% in active Prestige Customers in the Millennium app.

Portuguese Diaspora & Foreigners

The Bank continued to pursue a strategy of high proximity to Customers residing abroad, leveraging all the contact channels available for this segment: the Millennium branches in Portugal with regular proactive contact, the contact centre with specialized service lines, the representation in Switzerland, London, Brazil and South Africa, and the digital channels that allow daily interaction between the Customer and the Bank, which in 2021 were leveraged with the "More Digital. More Portuguese" Campaign. Within the scope of this campaign, Millennium bcp, as a Portuguese Language Promotion Company, donated 30,000 euros to the Camões Institute to promote the teaching of Portuguese Language abroad.

In the context of a pandemic, the Bank implemented an alternative model to Arraial Millennium. Customers from the Portuguese Diaspora received a basket of traditional Portuguese products, so that in the comfort of their homes they could live the tradition of Portuguese popular festivals with the Millennium bcp stamp.

Several events were also held throughout the year for direct contact with Customers and potential Customers: i) "Welcoming Talks", webinars aimed at foreigners wishing to invest or settle in Portugal, reinforcing Millennium's position as the Foreigners' Partner Bank in Portugal; ii) sessions dedicated to current residents in the United Kingdom, South Africa and Switzerland, to present the Bank's value proposition; iii) event "Destination: Portugal", held by the Representative Office of Geneva (Switzerland) and by Ludal Conseils, aimed at Portuguese and foreigners wishing to return, invest or settle in Portugal.

Business

The year 2021 was marked by the signing of the largest contract ever in Portugal with the European Investment Fund (EIF), with 2,850 million euros to support investment by companies.

the Bank increased loans to Businesses by more than 20% compared to 2020, a value close to 1,000 million euros.

Despite the first half being marked by numerous contingencies in the context of the pandemic – COVID19, the focus was maintained on attracting new Customers, ensuring the growth of the Business Customer base with the support of the new available credit lines.

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

Throughout 2021, the Bank monitored the end of the moratorium period and no relevant impact on credit performance was recorded.

Millennium bcp is positioned to be the Leader Bank of PME Líder for the 4th consecutive year, supporting more than 4,000 Companies in obtaining the PME Líder status. In 2021, PME Líder 2020 celebrated the campaign dedicated with the motto "Giants in Dedication", which intended to make the parallel between a Small and Medium Enterprise and the concept of Giant. The idea of the campaign was to demonstrate that, despite its size, an SME can be a Giant in Dedication, Overcoming, Ambition and Innovation.

Millennium bcp joined COTEC as a partner bank in the launch of the first edition of the COTEC Innovative Statute, having won a share of around 40% in the applications, thus conferring leadership and strengthening the Bank's positioning in supporting Innovative Companies.

Highlight for the implementation of the training program "The One", in partnership with the Millennium Banking Academy, designed for the Business Teams, based on the reinforcement of behavioral skills and the improvement of technical skills in core areas that each employee can choose according to their role. of your needs. This reinforcement of skills, which culminated in the certification of Business Managers, aims to establish leadership in this segment.

Products

Loans to individuals

Throughout the year, the Bank maintained its focus on Credit to Individuals, providing a variety of solutions adjusted to the needs of Customers, in order to support them in the implementation of their projects.

In Loans to Individuals, the following stand out:

- Continuation of the commitment and promotion of Digital Channels (app and website);
- As part of the Sustainability policy, two new products were launched to finance renewable energy production equipment and energy efficiency solutions;
- In support of the training of young people, through the sale of University Credit with Mutual Guarantee.

In Mortgage loans, the following stand out:

- The provision of attractive and advantageous Solutions, in order to increase the capture of Customer operations with greater potential for profitability.
- Continued strong focus on loans for young people, with an offer geared towards this Customer segment;
- Maintenance of the "Other Credit Institutions Transfers" Campaign, with very attractive conditions for Customers wishing to transfer loans to Millennium bcp;
- Renewal of the "Home Exchange Solution", for Customers who are in the process of moving house;
- Continuous improvement of digital tools, aiming at innovation, simplification, agility and speed of processes.

Investment solutions

- Given the current environment of negative interest rates, the Retail Network focused its commercial dynamics on the presentation of investment solutions suited to the profile of each Customer, namely through products for the diversification of financial assets, such as Investment Funds and Financial Insurance.
- At the same time, the Bank maintained its concern to help Customers plan their future, namely through Retirement solutions based on a varied offer of PPR Funds and Insurance.
- In order to ensure a uniform approach to investment, the Personalized Investment service was launched. This service allows for a simplified subscription to various investment products and retirement planning focused on the clients' life goals.
- As a complement to the allocation products, a new offer of passively managed Allocation Strategy Certificates was launched.

Integrated Solutions

- Launch of a new integrated solution of banking products and services exclusively for digital lovers, accompanied on the Prestige Direct platform - Pestige Start and Prestige Family - innovative in the market and with differentiated pricing depending on age, number of current account holders and the Customer's financial involvement with the Bank.
- Reinforcement of the insurance offer in "Family Benefits" for Customers with Integrated Solutions, clearly the strongest and most complete family benefits program in our banking system, providing customers and their immediate family with special pricing on credit products , insurance and integrated solutions.
- Availability of the main integrated solutions via "pending operations" allowing the closing of the operation by the Customer on our digital channels.
- Launch of a strong campaign supported by a raffle of 15 electric scooters promoting the business and reinforcing Millennium's ecological footprint.
- Throughout the year, our digital lovers Customers were rewarded with special pricing on the website and Employee Customers of companies with protocol at Millennium bcp.

ActivoBank

- In 2021, ActivoBank maintained its commitment to the continuous growth of the business based on two fronts: growth of its Customer base, focusing on the continuous attractiveness of the brand and growth in the market, and development of the relationship with the current Customer base with the objective of growth in the level of loyalty from a first-bank point of view.
- ActivoBank was recognized as Consumer Choice, in the Digital Banking category; with the Five Stars Award, in the Digital Banking category; Best Mobile Banking App and Best Consumer Digital Bank by World Finance. These awards materialize the bank's strategy of investing in service quality, innovation and digital service and are the result of consumers' trust in the brand.
- ActivoBank maintained part of the communication action focused on Financial Literacy in line with the brand's values of simplifying banking concepts and greater inclusion of all at a financial level. It ensured a set of contents, which were made available on

ActivoBank's digital communication channels – Facebook, Youtube, Instagram, LinkedIn and TikTok. On the TikTok network, ActivoBank was the first Portuguese bank to create content on this social network in an infotainment logic. These contents were published in the following formats: Investment conferences (About Investments), webcasts or informative videos and images. A partnership was also established with Cofina, in which investment financial literacy content was developed for Branded Content publications.

- From the point of view of communication, the brand rebranding project was implemented, which embodies a new market positioning with the target segment and adjustment of the brand's original elements, allowing to maintain the brand's identity and respond to use in an increasingly digital.
- Within the scope of developing the relationship with the current Customer base, a new Customer Relationship Management strategy was applied with the technological implementation of new integrated actions for contacting Customers on the different business fronts and within the framework of the Customer's preferred channels.
- The ongoing digital marketing account opening campaign initiatives contributed to the sustained growth of the Customer base, directing business leads to the digital account opening process via app and website.
- The institutional campaign with Influencer Mariana Cabral “Bumba na Fofinha”, with the objective of attracting Affluent and Pre-Affluent Clients and Salaries. The Campaign highlighted the advantages of being an ActivoBank Customer and had as a non-financial offer a voucher of 100 euros at Discovery Hotel Management (DHM) Group Hotels for new domiciles with a salary equal to or greater than 1,250 euros.
- Several campaigns for loans to individuals and housing were carried out in fully digital media, reinforcing the characteristics of the products such as the competitive rate on personal loans and the campaign to reduce instalments by up to 30% in housing loans. A campaign was also developed in partnership with the company Vorwerk, within the scope of the home loan offer, aimed at operations worth more than 150 thousand euros with the offer of Thermomix equipment.
- In terms of credit, we highlight the launch of training credit, with a competitive rate, exempt from commission for opening credit and where during studies, only interest is charged. This product is intended to support the strategy of attracting young digital customers, ensuring contact with the bank even during the academic phase.
- In order to support our Customers' more ecological choices, creating sustainable living habits, in their homes and on their journeys, two new products were launched: the +Energy Credit for financing equipment for the production and storage of energy from renewable sources and the EcoActivo Credit for items or equipment that, while not producing energy, are characterized by their efficiency and/or energy rating.
- The bank reinforced its insurance placement strategy with the development of an insurance hub through the ActivoBank app, materialized by the launch of Médis and Médis Dental insurances in the app with the offer of the 1st monthly subscription fee through the app;
- Within the scope of investments, the launch of the ActivoBank advising service stands out, an investment support service that combines the needs and objectives of Customers with their investment profile to find the appropriate investment or retirement solution for each Customer. This service includes investment funds, financial insurance and certificates sold by ActivoBank;
- The sale of certificates was also launched through the ActivoBank app, making it possible, with a single stock exchange transaction, to access the global bond and stock markets through the new family of Allocation Strategy Certificates. These Certificates replicate the behavior of two world reference indices of bonds and shares in pre-defined proportions, deducted from the Management Cost and with half-yearly rebalancing.
- In terms of investment products at ActivoBank in 2021, 26% of the assets under management for sale correspond to Investment Funds that respect social and environmental aspects, which represents more than 6x the amount recorded in the previous year.
- In 2021, the attraction reached around 48 thousand Customers and the growth of Accounts that allowed reaching a base of approximately 400 thousand Customers.
- Diversification levels grew by 24% in the global portfolio, with 31% growth in investment funds and 125% in certificates as a result of the digitalization process of subscription via the ActivoBank app.
- ActivoBank's net income in 2021 stood at 13.5 million euros, which represents an increase of 13.2% compared to the net income for 2020.

Microcredit

Although the number of new companies created in Portugal in 2021 (41,656) showed a growth of 9.6% compared to 2020 (37,586), the pre-pandemic entrepreneurial dynamics (49,175 in 2019) have not yet resumed. Thus, COVID-19 and the respective pandemic continued to determine the evolution of the economy in Portugal and, consequently, the search for instruments to support the creation of new businesses, such as Microcredit. On the other hand, State employment protection measures preserved many jobs, preventing a substantial increase in the number of unemployed, the main recipients of this credit instrument.

In this context, Millennium bcp was able to finance 74 new Microcredit operations during 2021. These operations totalled 1,170 thousand euros in credit and contributed to the creation of 161 new jobs.

The work of dissemination of Microcredit is based on a strong and consistent relationship with institutional partners that, spread across the country, have direct contact with the target audience of this instrument (unemployed, immigrants, young people at the end of their training, etc.). Despite the limitations still imposed by the pandemic, the relationship with these partners was resumed throughout the year and in this way the following initiatives were carried out to promote entrepreneurship and dissemination of Microcredit:

- 132 meetings (face-to-face or telematics) to monitor the relationship with existing partners;
- 85 meetings (face-to-face or telematics) for the presentation of Microcredit to potential institutional partners;
- 18 new cooperation agreements (5 social economy entities; 4 municipalities; 4 consultants; 5 associations);
- 21 Microcredit training and dissemination sessions reached 654 people (unemployed, in training courses or finalists in vocational education);
- 10 presences in initiatives of institutional partners.

Million euros

RETAIL BANKING in Portugal	31 Dec. 21	31 Dec. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	448	490	-8.6%
Other net income	429	391	9.5%
	877	881	-0.5%
Operating costs	462	476	-2.9%
Impairment and provision	76	99	-23.7%
Income before tax	339	306	10.6%
Income taxes	106	93	13.3%
Income after tax	233	213	9.4%
SUMMARY OF INDICATORS			
Allocated capital	1,210	1,234	-2.0%
Return on allocated capital	19.3 %	17.3 %	
Risk weighted assets	10,233	9,947	2.9%
Cost to income ratio	52.7 %	54.0 %	
Loans to Customers (net of impairment charges)	25,011	23,493	6.5%
Balance sheet Customer funds	36,813	33,080	11.3%

Notes:

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

Income

As at 31 December 2021, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 233 million, showing a 9.4% increase compared to Euros 213 million in 2020, reflecting a lower level of impairment recorded in 2021. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 448 million as at 31 December 2021, reducing 8.6% compared to the previous year (Euros 490 million), mainly influenced by lower income arising from the internal placements of the excess liquidity, but also due to lower income arising from the loan portfolio, whose performance remained constrained by the context of negative interest rates.
- Other net income reached Euros 429 million as at 31 December 2021, showing an increase of 9.5% compared to the amount attained in the previous year. This evolution mainly reflects the positive performance of commissions, whose improvement is visible across almost all of its types, as a result not only from the increase in transactions to pre-pandemic levels, but also from the commercial initiatives implemented by the Bank. Regarding to market-related commissions, it should be highlighted the commissions associated with the placement of third-party investment funds, which showed a significant growth compared to previous year.
- Operating costs dropped of 2.9% from the amounts recognized in 2020, reflecting mainly the decrease in staff costs due to the progressive reduction in the number of employees, but also, although to a lesser extent, by savings in other administrative costs, considering that some type of costs were only positively impacted by the generalized reduction in the activity observed during the COVID-19 pandemic from the end of the first quarter of 2020.
- Impairment charges amounted to Euros 76 million by the end of December 2021, decreasing 23.7% compared to the amount of Euros 99 million recorded in the previous year. It should be noted that the impairments levels in 2020, reflect mainly the impact of the downgrade of the credit risk parameters considered in the impairment calculation model, which had been updated in order to incorporate a macroeconomic scenario consistent with the adverse context caused by the COVID-19 pandemic.
- In December 2021, loans to customers (net) totalled Euros 25,011 million, 6.5% up from the position at the end of December 2020 (Euros 23,493 million), while balance sheet customer funds increased by 11.3% in the same period, amounting to Euros 36,813 million by the end of December 2021 (Euros 33,080 million at the end of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

The year 2021 was also marked by adversity. The provision of financial aid remained an absolute priority, guaranteeing the necessary support to Portuguese Entrepreneurs and Companies.

With an expanded offer, the reinforcement of lines and the signing of new agreements, Millennium bcp is the leader in Corporate Credit:

- In 2021, Millennium bcp's cooperation with the EIB/FEI Group intensified quite significantly, with operations in the context of supporting companies affected by the economic crisis caused by the COVID-19 pandemic.
- FEI EGF contracts were signed, for a total portfolio amount of around 2,850 million euros. This operation, which was the largest in Europe with a commercial bank, allowed Millennium bcp to grant credit to SMEs under preferential conditions, ensuring that companies in Portugal had access to credit lines, to mitigate the impacts of the pandemic crisis and allowing them to maintain the respective growth and development plans in the medium and long term.
- An EGF EIB contract was also signed for a loan portfolio of 400 million euros, covering almost all economic sectors to support post-pandemic recovery and which will allow acting within the scope of the new PRR supporting Companies, Corporates and Large Corporate.
- Millennium bcp continued to expand its relevance and criticality in the business market in Portugal, reaching a credit market share of 19.0% in Non-Financial Companies, a credit market share of 19.8% in SMEs and a share of credit market at Exporters of 21.6% (Bank of Portugal);
- Millennium bcp continued to reinforce its indicators of Proximity, Partnership, Recommendation with Business Customers, reaching the best indicators of the decade of Customer Satisfaction (more than 85 points out of 100) in the evaluation of the Satisfaction Management System;
- 19% market share in the SNGM (National Mutual Guarantee System) which corresponds to more than 118 million euros of guarantees a total of more than 900 operations (as of September 2021).
- Portugal 2020: As part of the support to companies with applications and investment projects approved under the Portugal 2020 Programme, new financing was granted in a total of more than 175 million euros and a market share in COMPETE of 45% was recorded in the notices of the System of Incentives for Productive Innovation.
- Recovery and Resilience Plan: Monitoring and preparation of the investment support plan with Community Funds over the next decade, with the implementation of several initiatives, highlighting the creation of 11 Sectoral Snapshots of the PRR whose objective is to disseminate information in a simplified way and measures with customers
- Also in the same context, the web talks ‘Lets go, Portugal!’ were promoted, aimed at reflecting on the main pillars of the Recovery and Resilience Plan (PRR).
- Financial Instrument for Urban Rehabilitation and Revitalization (IFRRU): crucial focus on financial support to operations totalling more than 33 million euros of investment in the rehabilitation, sustainability and energy efficiency of buildings.
- Negotiation and conclusion of a Partnership Agreement with the Portuguese Industrial Association (AIP) – Chamber of Commerce and Industry, providing a set of Guarantee Lines and other financial instruments for its members, with a view to implementing the 'Portugal 2020' program 'Horizon 2020' and the new Multi annual Financial Framework for 'Portugal 2030'.
- Market leadership in Factoring & Confirming, according to ALF - Associação de Leasing e Factoring, with a market share of 24% (data for June 2021).
- Market leadership in Confirming, according to ALF - Associação de Leasing e Factoring, with a market share of 35% (data for June 2021).
- Growth of +37% in the contracting of online Factoring & Confirming operations, with an end-to-end digital simulation and contracting process, with an average credit balance of more than 7 million euros.
- Millennium bcp was named, for the fourth consecutive year, as the Main Bank of Companies in Portugal, according to the BFIN 2021 study carried out by DATA E, where it leads with a share of 19.6% in the various dimensions of companies (Micro-companies, SMEs and Large Companies). As the main bank, Millennium bcp leads in the Industry, Construction and Commerce sectors, also leading the satisfaction and leadership indices as the main bank of companies that have resorted to and or applied for Covid support lines (financing and moratoriums). Regarding the image it conveys, Millennium bcp is elected as the Bank with the “most suitable products for Companies”, “globally more efficient”, “globally better for Companies” and “closest to its Customers”. Dedication, Overcoming, Ambition and Innovation of all SMEs and the

Bank's leadership in the PME Líder 2020, for the 3rd consecutive year, the campaign “Gigantes na Dedication” was launched.

- Millennium bcp joined COTEC from the outset for the public recognition of national companies that, due to their innovation performance, are an example of creating value for the country. In this 1st edition of the COTEC 2021 Innovative Statute, Millennium was the Bank that supported more Companies to achieve this Statute, with a share of 42% and a total of 104 Statutes.
- In terms of the reputation of Corporate Communication, Millennium bcp is the leader in Brandscore with 44% of awareness in the quality of Corporate Communication with Customers.
- In order to support Corporate Customers and Individual Entrepreneurs (ENI) with financial difficulties that prevent them from meeting their credit responsibilities, the Bank has designed a set of Financial Monitoring Solutions, reinforcing the possibilities of debt restructuring and/or refinancing.
- These solutions were particularly important for Customers who showed difficulties in complying with debt services in the context of the pandemic, namely for the most needy Customers at the end of the Moratoriums. In this context, the Bank resorted to financial instruments from national and European entities, namely guarantee lines.
- During the first quarter of the year, additional State support, which allowed new adhesions to the moratoriums and the extension of the suspension period, allowed support to more than 390 Customers with the implementation of 466 new requests for Business moratoriums, in a total of 143 million euros of credit.
- The extension of the grace period, capital and maturity, of credit operations contracted under publicly guaranteed credit lines, allowed support to around 9,250 Business Customers, in a total of 9,789 Operations.

Proximity to the Primary Sector

With a team specialized and dedicated to the business of the agriculture-food and agroforestry sectors, the Bank deepened, during this period, its commitment to proximity to Entrepreneurs, attentive to the challenges and the universe of their financial needs, highlighting:

- Renewal, with a reinforcement of 20 million euros, of the Credit Line for Support to the Fishing Sector - 2020, filed with IFAP, for financing the treasury of natural or legal persons active in the fishing, aquaculture, processing industry and marketing of fishery products, affected by the COVID-19 pandemic.
- Promotion of the IFAP Short Term Line of Credit, with a subsidized interest rate, for financial support to entrepreneurs and farms.
- Launch and promotion of the commercial campaign to anticipate the 2021 Single Order Aids (PU-2021), with promotional actions.
- Negotiation and conclusion of a Partnership Agreement with the Confederação dos Agricultores de Portugal (CAP), providing a set of guarantee lines for its members.

Investment banking

- In Corporate Finance, the Bank participated in several projects in Portugal and in international markets, providing financial advice to its Customers and to the Bank itself in various projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In Mergers & Acquisitions, the assistance to Staples Solutions BV in the sale of its business in Portugal and the financial advisory to Millennium bim in the sale of a 70% stake in Seguradora Internacional de Moçambique to Fidelidade should be emphasized.
- In terms of Project Finance, we highlight the closing of the debt refinancing of: (i) a biomass power plant with a 11 MW installed capacity, (ii) one wind park with a 8 MW installed capacity and (iii) a solar PV park located in Spain with a 50 MWp installed capacity, as well as the financing of the construction and operation of two solar PV parks with 11.6 and 17.4 MWp installed capacity, both under merchant risk.
- In what regards Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal in diverse segments, namely mining, agribusiness, metallurgic, utilities, energy, coatings/paints, transports and logistics, retail and distribution, pharma, leisure, hotels and tourism. Despite 2021’s economic framework, it is particularly noteworthy the successfully closing of financing to Sodim, connected with the public tender offer of Semapa, the participation in the international syndicated loan to Sociedade Francisco Manuel dos Santos, the financing of the cruise ship fleet belonging to Mystic Invest Group and the financing of ATPS SGPS to participate on Ibersol equity capital increase, among others.
- In the debt capital markets, we note the joint lead of the €750 million green hybrid bond issued by EDP, and the joint lead of REN’s €300 million inaugural green bond issue and of €435 million euro bond issued by the Autonomous Region of Azores. In the equity segment, we highlight the participation of Millennium investment banking in the structuring and

organization of the general and voluntary tender offer for the acquisition of Semapa shares, launched by its majority shareholder Sodim, SGPS, as well as the rights issue of Ibersol, SGPS.

STAPLES
FINANCIAL ADVISORY
Financial Advisory to Staples in the sale of its business in Portugal
Undisclosed
2021
Millennium investment banking

edp
JOINT LEAD MANAGER
1.875% green bonds
€ 750,000,000
2021
Millennium investment banking

galp energia
MANDATED LEAD ARRANGER
Refinancing
26,600,000 €
2021
Millennium investment banking

Semapa
JOINT GLOBAL COORDINATOR
Acquisition Tender Offer
277,861,375 €
2021
Millennium investment banking

REN
JOINT LEAD MANAGER
Inaugural Green Bond 2021-2029
300,000,000 €
2021
Millennium investment banking

ibersol grupo
JOINT GLOBAL COORDINATOR
Rights Issue
40,000,000 €
2021
Millennium investment banking

Metalogalva
MANDATED LEAD ARRANGER
Acquisition finance
Undisclosed
2021
Millennium investment banking

ENERFER
MANDATED LEAD ARRANGER
Refinancing
5,515,000 €
2021
Millennium investment banking

MYSTIC CRUISES
MANDATED LEAD ARRANGER
Cruise ship fleet financing
60,000,000 €
2021
Millennium investment banking

Zolve
MANDATED LEAD ARRANGER
Acquisition finance
15,000,000 €
Ongoing
Millennium investment banking

Millennium bim
FINANCIAL ADVISORY
Financial Advisory in the sale of 70% of SIM
46,800,000 €
2021
Millennium investment banking

NEXTENERGY CAPITAL
MANDATED LEAD ARRANGER
Construction financing
6,450,000 €
2021
Millennium investment banking

JOINT LEAD MANAGER
Bond Issue due 2036
435,000,000 €
2021
Millennium investment banking

Patinter
MANDATED LEAD ARRANGER
Acquisition finance
15,000,000 €
2021
Millennium investment banking

ETERMAR
MANDATED LEAD ARRANGER
Facilities acquisition financing
7,500,000 €
2021
Millennium investment banking

SODIM, SGPS, S.A.
MANDATED LEAD ARRANGER
Acquisition finance
250,000,000 €
2021
Millennium investment banking

BIOMASS
MANDATED LEAD ARRANGER
Refinancing
28,787,000 €
2021
Millennium investment banking

ibersol grupo
MANDATED LEAD ARRANGER
Medium-long term loan
7,500,000 €
2021
Millennium investment banking

NEXTENERGY CAPITAL
MANDATED LEAD ARRANGER
Construction financing
4,000,000 €
2021
Millennium investment banking

Real estate business

Main lines of action during 2021:

- Management of available-for-sale properties - the Bank achieved its objectives of reducing the portfolio of available-for-sale assets, even in an atypical year, either due to the pandemic and all its impact generated on the business, or due to the greater difficulty in carrying out operations with foreign capital in view of existing contingencies. Therefore, there was a need to adapt strategies to the new reality and several promotional initiatives were implemented, some innovative, using digital and online platforms, being closer to potential interested parties, conveying all the support in decision-making as well as confidence to the market and your agents.
- Management of properties not available for sale - the physical, legal and administrative regularization focused on the oldest assets, complemented by the change in procedures for the reception of properties and their follow-up, made it possible to shorten the permanence periods and exceed the objectives outlined in passing of these properties for sale.
- Management of Investments controlled by the Bank in Entities that manage real estate risk, Funds and Companies in a divestment strategy with preservation of value.

Interfundos

- As at 31 December 2021, Interfundos had twenty-five (25) Real Estate Investment Undertakings (Real Estate Investment Funds and Fixed Capital Real Estate Investment Companies) under management, corresponding to 1,181 million euros of net assets under management, which compares with 1,270 million euros recorded in the same period of 2020, showing a 7% decrease in the volume of managed assets compared to the same period of the previous year. Interfundos had market share of 11.2% in the Real Estate Investment Undertakings.
- Interfundos pursued its strategy of strengthening the financial sustainability of Real Estate Investment Undertakings and creating liquidity conditions for Participants and Shareholders, a situation evidenced by the completion of capital increase operations in four Real Estate Investment Funds (Imotur, Monumental Residence, Sand Capital and Imocott) and capital reduction in seven Real Estate Investment Funds (Fundial, Gestimo, Imosotto, Imorenda, Renda Predial, I Marope and Fimmo).
- Following the deliberations of the respective Participants, Interfundos extended the duration of three Real Estate Investment Funds with a fixed duration (Imoal, TDF and Imopromoção).
- Interfundos also liquidated three Real Estate Investment Funds (DP Invest, Stone Capital and Gestimo) and transferred the management of a Real Estate Investment Fund (Multiusos Oriente).
- In 2021, global sales amounted to 91 million euros, corresponding to a total of 178 properties.
- Interfundos' net income in 2021 amounted to 2,531 thousand euros, which corresponds to a decrease of 27.5% compared to the value recorded in the same period last year (3,492 thousand euros). This performance is mainly attributable to the unfavorable evolution of the results from services and commissions, resulting from the 89 million euros reduction in assets under management and the reinforcement of the provision for taxes.
- Net commissions registered a decrease of 5.2% justified by the decrease of 5.1% in commissions received, fundamentally explained by the reduction of assets under management resulting, namely, from capital reduction operations in seven Real Estate Investment Funds, from the settlement of three Real Estate Investment Funds and the transfer of a Real Estate Investment Fund.
- Operating costs increased by 1%, as a result of a slight increase in Personnel Costs and a reduction in Other Income, partially offset by reductions in FST's, Amortization and Other Costs. As a result of this situation, the efficiency ratio increased from 41.1% to 43.4%.

Financial Institutions Group

The second year of the pandemic saw the gradual recovery of international trade and the resumption of growth in the main economies and markets with which Portugal relates. It was, therefore, a framework with increased opportunities for correspondence banking, through trade finance activity and agile and efficient solutions for cross-border payments. The challenges of this period also made evident the advantages of being a reference bank in the negotiation of financial products and instruments with multilateral lines.

Trade finance: Strong dynamism of this business line in response to the needs of companies with international business, in a context of reorganization of distribution chains and emergence of new opportunities in foreign markets. Close monitoring with national exporting companies allowed for a timely response and in competitive conditions for different jurisdictions and currencies, both through trade finance instruments and through the continuous improvement of cross-border payment systems.

Custody: The institutional custody activity remained a reference service in the national market and with increasing importance in its different segments, including the provision of depository banking services to venture capital fund management companies. The performance of this area results from a value proposition based on a flexible service model, with monitoring and tailor-made offer along with very competitive conditions.

***Multilateral lines**:* Highlight for the signing of the largest guarantee contracts ever in Portugal with the EIF: 2,827 million euros, corresponding to a first agreement of 1,177 and a subsequent one of 1,650 million euros. With the FEI EGF Line (Pan-European Guarantee Fund), instruments to support small and medium-sized companies in response to the pandemic were thus substantially reinforced, with extended deadlines and very competitive financial conditions. At the end of the year, a portfolio guarantee was contracted with the EIB, covering 50% of the risk of a credit portfolio in the global amount of 400 million euros (corresponding, therefore, to 200 million euros guarantee). This Line is intended to finance loans granted by the Bank to MidCap companies and Large Companies in the various sectors of the economy (agriculture, industry, services), with a view to expanding the EGF offer to all Customer segments. These various contracts join the portfolio of other instruments previously negotiated with the EIB/FEI group, covering various sectors and segments of national companies.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Dec. 21	31 Dec. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	259	254	2.0%
Other net income	146	137	6.5%
	405	391	3.6%
Operating costs	121	122	-1.2%
Impairment and provision	151	268	-43.5%
Income before tax	133	1	
Income taxes	42	(1)	
Income after tax	91	2	
SUMMARY OF INDICATORS			
Allocated capital	1,243	1,272	-2.3%
Return on allocated capital	7.3%	0.2%	
Risk weighted assets	10,653	10,784	-1.2%
Cost to income ratio	29.9%	31.3%	
Loans to Customers (net of impairment charges)	12,077	11,990	0.7%
Balance sheet Customer funds	9,289	8,605	7.9%

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

Income

Companies, Corporate and Investment Banking segment in Portugal reached an income after tax of Euros 91 million in December 2021, compared to a gain of Euros 2 million presented in 2020. Despite the favourable performance of this segment, 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 2021 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 259 million as at 31 December 2021, 2.0% above the amount attained in the previous year (Euros 254 million). The reduction in the cost of internal funding and also in the interest rates of term deposits contributed favourably to the net interest income evolution, which ended up being partially offset by lower income arising from the loan portfolio, as a consequence of the lower level of average interest rates. It should be noted that, despite the growth of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government and under the agreements with the European Investment Fund, the margin of the credit portfolio continues to be under pressure by the current macroeconomic context characterized by a persistent low interest rate scenario.
- Other net income reached Euros 146 million in December 2021, being 6.5% higher compared to the amount achieved in December 2020, which is mainly explained by the positive impact on net fees and commissions.
- Operating costs totalled Euros 121 million by the end of December 2021, 1.2% down from the overall amount of costs recorded in the same period of the previous year. This decrease is mainly driven by lower staff costs, largely reflecting the reduction in the average number of employees.
- Impairments showed a 43.5% drop, decreasing from Euros 268 million in December 2020 to Euros 151 million in December 2021. This favourable evolution reflects, on one hand, the extraordinary reinforcement of impairments that had been carried out in 2020, following the context of the economic crisis caused by the COVID-19 pandemic and, on the other hand, the non-recurrent positive impact associated with the activity of a single name exposure that led to lower impairment needs in 2021.
- As at December 2021, loans to customers (net) totalled Euros 12,077 million, increasing 0.7%

from the position in December 2020 (Euros 11,990 million), reflecting, on one hand, the Bank's positive performance in granting credit under the credit lines guaranteed by the Portuguese State and the agreements established with the European Investment Fund and, on the other hand, the impact of reduction of the non-performing exposures. Balance sheet customer funds reached Euros 9,289 million, 7.9% above the amount recorded in December 2020, in particular through the expansion of the client's deposits base.

PRIVATE BANKING

2021 was for Millennium Private Banking a year of:

- consolidation of the Customer base growth process, to which the action developed by the Non-Residents and Attracting Department with non-national Customers with an address in Portugal and cross-referencing actions contributed strongly;
- strong growth and increasing diversification of our Customers' assets, not unrelated to the remarkable levels of Customer satisfaction and confidence with the services provided;
- performance of the Portfolio Management service providing considerable returns to our Clients;
- continuous and remarkable growth in the number of active Customers with an app installed, in the number of Millennium Site users, subscribers to the digital statement and in the number and volume of transactions carried out through digital channels.

Investment was made in cross selling, diversification and the intelligent management of the stock of deposits as well as in improving the quality of the service provided to execution customers by reinforcing the commercial network's short-term view of the markets, without ever bleaching the culture of proximity between Private Bankers and Customers. Constant monitoring of Customers' assets was ensured, always keeping Customers informed about the impacts of the pandemic, with events that were mostly non-face-to-face possible.

Within the scope of the measures identified within the scope of the Private 2.0 Project, it should be noted that all the targets set for the 2021 forecasts were exceeded and that this year the investment in paperless processes was reinforced, the focus on the digital account maintenance process and the implementation new measures to systematize the commercial network and the business.

2021 was also the year in which Millennium bcp was elected "Best Private Bank" in Portugal by The Banker and PWM magazines, Financial Times publications specialized in financial services. This award, which the Bank receives for the fourth time in six years, comes within the scope of the "Global Private Banking Awards 2021" and reflects the success of Millennium bcp's Private Banking operation, based on a consolidated business model and with an impact on the results achieved. by the Bank.

Million euros

PRIVATE BANKING in Portugal	31 Dec. 21	31 Dec. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	4	12	-63.4%
Other net income	36	28	30.1%
	40	40	1.7%
Operating costs	19	20	-7.5%
Impairment and provision	(3)	4	
Income before tax	24	16	49.3%
Income taxes	7	5	49.3%
Income after tax	17	11	49.3%
SUMMARY OF INDICATORS			
Allocated capital	78	73	6.5%
Return on allocated capital	21.4%	15.2%	
Risk weighted assets	667	642	4.0%
Cost to income ratio	47.1%	51.8%	
Loans to Customers (net of impairment charges)	344	276	24.8%
Balance sheet Customer funds	2,721	2,569	5.9%

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

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 17 million in December 2021, showing an increase of 49.3% compared to the net profit reached in 2020 (Euros 11 million), mainly due to the favourable evolution of impairment and operating costs. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at Euros 40 million in December 2021, 1.7% up from the previous year (Euros 40 million), as the growth observed in other net income has exceeded the unfavourable performance of net interest income. Net interest income totalled Euros 4 million in December 2021, comparing to Euros 12 million reached in December 2020, penalized by lower income arising from the internal placements of the excess liquidity, despite lower costs incurred with term deposits. Other net income amounted to Euros 30 million in December 2021, reflecting an increase of 30.1% compared to the previous year, mainly driven by higher commissions from asset management activity and from exchange and brokerage transactions, but also by the increase in commissions linked to distribution of third-party investment funds.
- Operating costs amounted to Euros 19 million in December 2021, below the operating costs recorded in 2020 (Euros 20 million), reflecting the decreasing trend verified in the staff costs.
- Impairments impacted positively the profit and loss account, with reversals reaching Euros 3 million in 2021, while in the previous year, impairment charges amounting to Euros 4 million had been recorded.
- Loans to customers (net) amounted to Euros 344 million by the end of December 2021, showing an increase of 24.8% compared to figures accounted in the previous year (Euros 276 million), while balance sheet customer funds grew 5.9% during the same period, from Euros 2,569 million in December 2020 to Euros 2,721 million in December 2021, mainly due to the increase in customer deposits.

FOREIGN BUSINESS AND OTHERS

Poland

- Adjusted net income increased by 44.5%, despite the 0.11 p.p. decline in 3-month WIBOR.
- Net income of -291.9 million euros, influenced by provisions of 456.3 million euros for legal risks associated with CHF credits.
- Banking income influenced by results from financial operations arising from out-of-court mortgage credit agreements in CHF.
- Continuation of the implementation of measures to optimize the workforce and geographic coverage: reduction of 551 Employees and 47 branches.
- Increases of 11.3% in customer funds and 5.8% in the loan portfolio demonstrate the strength of the franchise.
- NPL ratio>90d represented 2.2% of total credit in December 2021 (2.7% in December 2020).
- Coverage of NPL>90d by provisions stood at 135% (122% in December 2020).
- Cost of risk of 37bp, compared to 83bp in 2020, which included Covid-19 provisions.
- CET1 ratio of 14.0% and total capital ratio of 17.1%.

Mozambique

- Net income of 82.3 million in 2021, influenced by the sale of the stake in Seguradora Internacional Moçambique.
- Customer funds reduced by 0.7%; loan portfolio is reduced by 5.0%
- NPL>90d ratio of 10.8% in December 2021, with coverage of 77% on the same date.
- Risk cost of 72 b.p. in 2021 (503 bp in 2020).
- Capital ratio of 44.8%.

Macao[11]

- Net income of 13.1 million euros in 2021, 64% higher than in 2020, due to a reduction in credit impairment (-54 bp), given the regulatory impairment of the previous year attributed to credit granted to a corporate customer, as well as the increase in net operating income, namely through the increase in net interest income, essentially due to the higher average volume of loans to customers, together with a lower cost of financing, which was only partially offset by lower commissions and lower foreign exchange earnings. The increase in operating income was partially offset by the increase in operating costs, essentially due to personnel costs.
- The branch's performance as a support platform for the business of Portuguese companies in Macau and mainland China.
- Trade finance operations to support Portuguese companies with exports to and/or imports from China.
- Acquisition of trading companies with international trade operations with China.
- Attracting Chinese Customers wishing to invest in Portugal, either individually or at a corporate level.
- Promotion of contacts between Millennium bcp's investment banking area and Chinese companies in the search for investment solutions in Portuguese-speaking countries.

Cayman Islands

- Net income of 1.1 million euros in 2021, -30% versus 2020.
- Continuation of the process of reduction of commercial activity, translated into the reduction of core revenues, notwithstanding the reduction in operating costs.

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

Million euros

FOREIGN BUSINESS	31 Dec. 21	31 Dec. 20	Chg. 21/20
PROFIT AND LOSS ACCOUNT			
Net interest income	757	726	4.3%
Other net income (*)	164	193	-15.1%
	921	919	0.2%
Operating costs	423	440	-3.9%
Impairment and provision	622	369	68.9%
Income before tax	(124)	110	
Income taxes	95	52	82.6%
Income after tax from continuing operations	(219)	58	
Income from discontinued operations	71	16	>200%
Income after income tax	(148)	74	
SUMMARY OF INDICATORS			
Allocated capital (**)	2,771	2,939	-5.7%
Return on allocated capital	-5.3%	2.5%	
Risk weighted assets	16,646	16,114	3.3%
Cost to income ratio	45.9%	47.9%	
Loans to Customers (net of impairment charges)	17,780	16,990	4.7%
Balance sheet Customer funds	21,856	20,106	8.7%

(*) 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 148 million in December 2021, reversing the last year's performance, when a profit of Euros 74 million was achieved by the end of December 2020. This evolution is mostly explained by the substantial amount of impairment and provisions charged in 2021.

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

- Net interest income stood at Euros 757 million in December 2021, which compares to Euros 726 million achieved in December 2020. Excluding the impact arising from the foreign exchange effects, it would have increased 5.8%, 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 Polish Central Bank, benefited, in 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 public debt portfolio volumes.
- Other net income decreased by 15.1% compared to the previous year. Excluding foreign exchange effects, other net income would have dropped 13.6%, reflecting mainly the performance of the Polish subsidiary, in particular the impact of the costs arising from the agreements concluded with its clients, in order to convert the credits to local currency or their early repayment, mainly recorded as net trading income. Conversely, the performance of net fees and commissions and other net operating income, reflecting, in this case, lower costs with mandatory contributions, mitigate, in part, the abovementioned negative impacts. Additionally, the lower appropriation of the results generated by Banco Millennium Atlântico in Angola, strongly constrained by the impacts arising from the country's economic situation, also contributed negatively to the evolution of this item. In this context, the positive performance of the Mozambican subsidiary should be highlighted, with emphasis on the growth

presented by banking commissions and higher gains arising from foreign exchange transactions carried out with customers.

- Operating costs amounted to Euros 423 million as at 31 December 2021, 3.9% down from December 2020. Excluding foreign exchange effects, operating costs would have dropped 2.5%, mostly influenced by the evolution of the subsidiary in Poland, which reflects the efficiency improvement measures implemented by Bank Millennium and the synergies obtained after the merger with Euro Bank SA, since the operating costs in the Mozambican operation were higher than the amount achieved in the previous year.
- Impairment and provision charges at the end of December of 2021 presented a substantial increase compared to figures reported in the same period of 2020, reflecting mainly the additional extraordinary provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary, amounting to Euros 505 million (Euros 160 million in the same period of 2020). Credit impairment showed a favourable evolution against the full year of 2020, which had included the impact of additional provisions related to risks from COVID-19 pandemic, recorded both by the Polish and Mozambican subsidiaries.
- Results from discontinued or discontinued operations include the net income generated by the current activity of Banque Privée BCP (Suisse) SA, and Seguradora Internacional de Moçambique, S.A., in the amounts of Euros 7 million and Euro 1 million as at 31 December 2021, respectively (Euros 7 million and Euros 8 million as at 31 December 2020, respectively) until the date on which the respective transactions were carried out. Additionally, in 2021 the results from discontinued or discontinued operations also include the gains recognized following the completion of the sale agreements, which amounted to Euros 51 million in the case of the sale of the subsidiary in Switzerland and Euros 12 million in the case of the sale of the insurance company in Mozambique.
- Loans to customers (net) stood at Euros 17,780 million at the end of December 2021, above the amount attained as at 31 December 2020 (Euros 16,990 million). Excluding foreign exchange effects, the loan portfolio increased 4.4%, benefiting from the growth achieved by the Polish subsidiary, overcoming the impact produced by the deconsolidation of the subsidiary in Switzerland. The Foreign business' balance sheet customer funds increased 8.7% from Euros 20,106 million reported as at 31 December 2020 to Euros 21,856 million as at 31 December 2021. Excluding the foreign exchange effects, balance sheet customer funds increased 7,2%, mainly driven by the performance of the subsidiary in Poland, overcoming the impact arising from the deconsolidation of the subsidiary in Switzerland.

BANCASSURANCE BUSINESS

Sale of Insurance through the banking channel

During 2021, continuity was given to the strategic objectives defined and projects in progress, which made it possible to provide a distinctive service to the Customer and to strengthen the partnership in the sale of insurance through the banking channel (Bancassurance), with the following highlights:

- Launch of the "Bancassurance Next Level" program, involving teams from the Bank and the Insurance Company, with a focus on innovation and disruptive transformation of processes;
- Reinforcement of presence in digital channels by expanding the range of products available on the app (Médis and Yolo) and the possibility of confirming the purchase of financial products in the app and on the website ("Pending Operations");
- For the corporate segment, optimization of insurance sales processes and development of new approaches for remote sales;
- Launch of campaigns in various products, for Individual and Corporate Customers, with price advantages and offers for Customers;
- At Médis, we highlight the i) reinforcement of primary care and protection for the young segment with the launch of the Médis Baby Program, a new option with an Outpatient Clinic and Médis Assistant Physician with better access, and the Reinforcement of Protection in Oncology with the launch of 1st Campaign for the early detection of Colorectal Cancer and the Campaign "It will never be easier, but with Médis it is less difficult"; ii) strong commitment to Health Promotion and Literacy, with the Healthy Company Programs and the Vaccination Campaign; iii) development of the "Clínicas Médis" dental care network with the opening of two new clinics, in Vila Nova de Gaia and in Oeiras, and the provision of a clinical analysis service at Clínica das Amoreiras.

COVID-19

The year 2021 continued to be marked by its transversal impact on society as a whole. Protection in the different lines of business is a fundamental security factor for our Customers, examples being:

- Life insurance, which guarantees situations of death and disability due to COVID-19;
- Work accident insurance, which covers telecommuting;
- Payment Protection Plan Insurance, which guarantees coverage in the event of illness caused by the COVID-19 infection;
- Médis Health Insurance, in which Médis as a Personal Health Service® continued to invest in a series of measures to support and protect the health of its Customers, namely the availability of the Medical Online service, the service of delivery of medicines at home, the COVID-19 symptom assessor and cost-sharing of diagnostic tests;
- Insurance moratoriums: extension of the flexibility of the payment of insurance premiums.

Strategic Plan 2021-2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Targets for 2024

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

Our aspiration can be synthesised as:

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

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

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

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

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

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

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

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

Ambitious goals aligned with strategic priorities — Group level

	9M 2021	2024
C/I ratio	48% (44% excluding non-usual costs)	~40%
Cost of risk	60 bp (66 bp excluding one-off reversals)	~50 bps
ROE	2.4%	~10%
CET1 ratio	11.7%	>12.5%
NPE ratio	4.7%	~4%
Share of mobile customers	56%	>65%
Growth of high engagement customers* (vs. 2020)	+4%	+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.

Risk and Outlook

Internal Control System

The internal control system governance model encompasses the organizational structure, the lines of reporting and levels of authority, the set of lines of responsibilities and processes, that result from the applicable laws and regulations, as well as the Bank's by-laws and internal regulations, to ensure a prudent and effective management of the Bank and adequate checks and balances.

The governance model promotes a conduct and risk culture across all the areas of the Bank, which is materialized in an overarching set of principles, strategies, policies, systems and functions.

The Board of Directors promotes a strong governance and internal control culture, embedded in all levels of the organization, and based on high standards of ethical behaviour, with rules established in the Code of Conduct, available in the Bank's site.

The Board of Directors provides the Bank's governance, guidance and oversight and sets the broad strategies and major policies of the organization, approves the overall organizational structure, and has the ultimate responsibility for ensuring that adequate governance and internal controls system are established and maintained, being supported in this function by the Audit Committee.

The Audit Committee plays a central role in the development of a governance culture and an internal control system with a direct relation with the Board of Directors, the Bank's internal control units and the external auditors.

The current management of the Bank is delegated in the Executive Committee. This Committee established different specialized commissions, with the participation of two or more Executive Directors, and first line Managers who directly report to them.

The organizational structure of the Group is based on the principle of the segregation of functions between the business units and internal control functions, aiming that any situations of potential conflict of interests are identified in advance, minimized and subject to careful and independent monitoring.

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

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud.
- The existence of financial and managerial information, which is complete, pertinent, reliable, and timely, to support decision-making and control processes, both at an internal and external level.
- Observance of the applicable legal and regulatory provisions issued by the Supervision Authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical codes of conduct, standards and practices, internal and statutory rules, guidelines of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, Shareholders, Employees and Supervisors.
- An effective Risk Management Function (RMF) with well-defined processes to identify, manage, monitor, and report the risks that the Group is exposed.
- A Compliance Function ensuring the alignment with legal, regulatory, and statutory requirements, and with internal rules, including rules of conduct and relationship with Clients, Investors, Supervisors' Entities, and others, which rules are established in a Code of Conduct.
- An Internal Audit Function ensuring the effectiveness and consistency of the internal control processes and mechanisms.
- The alignment of subsidiaries operating model with the organizational and managerial principles defined by the Bank, as the consolidating Entity.
- The adoption of sound sustainability principles, namely regarding Environmental, Social and Governance (ESG) factors, and its coherence with the Group's activity.
- The good image and reputation of the Bank towards its stakeholders.

To achieve these objectives, the internal control system is based on the compliance function, the risk management function and internal audit function. The Heads of these three divisions are appointed by the Bank's Board of Directors, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit Committee and of the Committee for Risk Assessment.

The internal control system is based on:

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

The internal control system is consistently applied across all Group entities, supported on group codes issued by BCP defining global policies, principles, and rules, considering, and complying with local, legal or regulatory requirements of the countries where operations are based.

Three lines of defense model

The Bank's internal control system is based on the "Three Lines of Defense Model", aiming to ensure:

- A clear accountability of the business areas for the respective assumption of risks.
- The effective monitoring, control and management of the risks assumed.
- An independent evaluation, to be reported to the Board of Directors and to the Executive Committee, of the levels of risk assumed, their compliance with the Risk Appetite Framework and the effectiveness of the established internal control systems.

The business lines, as the first line of defense, take risks and are responsible for their operational management directly and on a permanent basis. For that purpose, business lines have appropriate processes and controls in place that aim to ensure that risks are identified, analysed, measured, monitored, managed, reported and kept within the limits of the institution's risk appetite and that the business activities comply with the external and internal requirements.

The risk management function and the compliance function form the second line of defense.

The risk management function facilitates the implementation of a sound risk management framework throughout the institution and has responsibility for further identifying, monitoring, analyzing, measuring, managing, and reporting on risks and forming a holistic view on all risks on an individual and consolidated basis. It challenges and assists in the implementation of risk management measures by the business lines to ensure that the process and controls in place at the first line of defense are properly designed and are effective.

The compliance function monitors the Bank's compliance with legal, regulatory, and internal policies requirements, including the reputational protection of the Bank, comprising, among others, the prevention of financial crime activities. It provides advice on compliance matters to the management body and establishes policies and processes to manage compliance risks and to ensure an overall compliance culture within the Bank.

Both the risk management function and the compliance function intervene to ensure the improvement and strengthening of internal control and risk management systems interacting with the first line of defense whenever necessary.

The internal audit function, as the third line of defense, conducts risk-based audits and reviews the internal governance arrangements, processes, and mechanisms to ascertain that they are sound and effective, implemented and consistently applied, to assess the suitability and efficiency of the organizational culture, of the risk management process, of the internal control system and of the governance models in place. The internal audit function performs its tasks fully independently of the other lines of defense.

Internal Control subsystems

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

Risk management system

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

The risk management system takes into consideration the credit risk, market risk, interest rate risk, foreign exchange rate risk, liquidity risk, compliance risk, operational risk, information technology risk, strategy risk and reputation risk, as well as all other risks that, in view of the institution’s specific situation, may prove material for its feasibility and sustainability. Environmental and social aspects are included in the assessment of these risks, once they are considered risk drivers that are transversal to all risk types.

The risk management system ensures the segregation between the risk management function and the risk-generating business activities, respectively the second and first lines of defense. The internal audit, as third line of defense, ensures independent analysis concerning the risk activity of the first and second lines. The credit analysis and granting process ensure the segregation and independence between the credit analysis and rating structures and the business origination units.

The risk management system ensures timely reaction to changing circumstances and conditions that engenders new risks and change the risk profile of the Bank.

Management information and reporting system

The management information and reporting system ensures the existence of information, which is substantive, up-to-date, understandable, consistent, timely and reliable, to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the Group and the behaviour and prospective evolution of relevant markets and risks.

The output of the system is an information flow enabling the management with a global and comprehensive view on the Group’s financial standing, non-financial information and risk data on the compliance with the obligations assumed before third parties, legal and regulatory, and the regular monitoring of the activity, the implementation of the defined strategy and objectives so as to support decision-making processes, and also on the Group’s overall risk profile, in aggregate terms and detailed by risk; and the performance, evolution and risk profile of the market(s) in which the Group operates.

For this purpose, each entity of the Group develops, implements, and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external. An adequate organizational structure promotes the necessary data flow between the relevant parties in a process and ensures the necessary confidentiality in information flows.

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

Clear duties and responsibilities are set for each organizational unit in the information and communication processes and in the decision-making process.

Planning process

The Group planning process defines a long run sustainable strategy, compatible with the corporate vision and previously established goals, with its market positioning, approved risk profile and with the implemented internal control system.

The planning process is based on properly grounded assumptions, subject to sensitivity analysis and on reliable and understandable information. As a result, clear, precise, and sustainable objectives are defined for the global activity and for each business area, including the products, activities, systems and processes of the Group and the human and material resources, namely the adequate levels of capital and liquidity, necessary to fulfill the defined strategy are identified.

The planning process complies with the Risk Policy of the Group, as per the Risk Appetite Framework, ensuring that the profitability levels are aligned with the risks involved.

The Group's planning process includes the preparation of the annual and three-year budget, the verification of the sufficiency of capital and liquidity (ICAAP e ILAAP), the execution of stress tests within the internal or supervision scope, the preparation of the Funding and Capital Plan and of the Recovery Plan, the activities deriving from the resolution planning and remaining initiatives that, at each moment, are required to be implemented to comply with the requirements issued by the Supervision Authorities.

The Chief Financial Officer and Chief Risk Officer of the BCP, are responsible for the different elements of the Group's planning process, together with the Chief Financial Officers of the main subsidiaries.

The Group's strategy is communicated, by the adequate means and detail, to all the Employees of the Bank.

Monitoring process

The monitoring and correcting system includes all the control and assessment actions to ensure the permanent effectiveness and adequacy of the internal control system, namely, through the identification of deficiencies in the system - in terms of its design, implementation and/or use.

This process is continuously executed and complemented by independent, periodical and or extraordinary evaluations made by the Internal Audit.

The frequency of the control and assessment actions depend on the nature and magnitude of the risks inherent to the activity carried out and the effectiveness of the associated specific controls.

All internal control of deficiencies and events of non-compliance are duly recorded in a deficiencies data base at Group level, documented, and reported to the appropriate management levels to enable the adoption of correction measures in line with the respective remediation plan. Processes for the follow-up and validation of the measures implemented are established with clear deadlines according to the inherent risk level.

Internal control system governance

The internal control system is supported by a governance model that defines the responsibilities for the assumption of risks by the Business Areas, and ensures an effective follow-up, control and management of the risks assumed, and an independent evaluation of the risk levels assumed as per the Risk Appetite Framework.

The key pillars of the governance model implemented in the Bank are:

- Clear, transparent, and understandable rules are set and communicated to all employees to enable supporting the development of the activity while ensuring an adequate broad and effective internal control system.
- Coherent, clear, and objective definition of the competences and responsibilities of each structure unit and/or function, reporting lines and authority levels, information flows, are communicate across the organization, including an appropriate segregation of potentially conflicting functions or duties, also ensure that any potential conflict of interests is identified in advance, minimized and subject to an independent and careful monitoring.

- Sufficient and appropriate material and human resources are provided at all levels of the organization for the execution of the responsibilities, activities, and tasks inherent to the internal control system.
- Physical and functional segregation of the business activities and the respective operational and control services, avoiding possible conflict of interests through ensure robust control activities, including regular reviews, physical controls, authorization, verification, and reconciliation.

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

The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying Customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP.

The Accounting Division and the Studies, Planning and ALM Division receive and centralize the financial information of all subsidiaries.

The corporate areas of the Bank, namely the Research, Planning and ALM Division, Accounting and Consolidation Division, the Treasury, Markets and International Division, the Compliance Office, the Risk Office, and the Audit Division ensure the existence of the procedures necessary to obtain all relevant information for the consolidation, accounting and financial information and remaining elements supporting the management, as well as the supervision and control of the risks at Group’s level. These procedures include:

- The definition of the contents, the terms, and the format of the information to be reported by the companies included in the consolidation perimeter of the parent-company, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required.
- The identification and control of the intra-Group operations.
- Assurance that the relevant accounting and financial information is consistent between the different subsidiaries, so that it is possible to measure and monitor the evolution and profitability shown by each business, verify the compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.
- Timely communication of extraordinary events which are relevant in terms of risk for the subsidiary or for the Group.
- A financial information and reporting system that is supported by adequate contingency arrangements.
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

The Audit Department is responsible for an on-site control function of the internal system, exercising this function transversally on a permanent and independent basis, assessing, always and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, issuing recommendations based on the outcome of those assessments. The Audit Division is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

Common principles across the Group

To foster Group coherence, and keeping up with local laws and regulations, internal control system’s organizational models similar to that of the Bank are established in the Group’s subsidiaries, by anticipating the existence of an Audit Committee and a Risk Assessment Committee, or equivalent bodies. The local Supervisory Bodies have, in what the internal control system of each entity is concerned, the mission to verify its quality, integrity and effectiveness, as well as to evaluate its coherence and adherence with the internal control system of BCP and the Group.

The Bank's governance model and internal control system is extended to all subsidiaries, in a way which is compatible with their nature, complexity and business model, ensuring the maximum possible level of coherence and alignment:

- The CRO of BCP is responsible for coordinating the risk management system at Group's level through the Risk Officers and the Compliance Officers of each subsidiary.
- The CFO of BCP is responsible for coordinating the financial and accounting information system as well as for the planning process at Group's level.
- There is always at least an Executive Board member of BCP representing the parent company in each subsidiary's Board of Directors, being responsible for monitoring the overall performance of the entity.
- Notwithstanding, to ensure the maximum consistency of the criteria, methods, processes, and models used in all subsidiaries, the CRO of BCP is appointed as a non-executive director of the subsidiary's management body, with supervision functions, being also designated for the subsidiaries' Audit Committee and Risk Assessment Committee when these governance bodies exist.

The Bank, as the Group's parent company, ensure that all subsidiaries implement internal control systems that are coherent with each other, proportionate to the risks undertaken and with the local regulations and legislation in force.

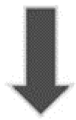
Whistleblowing

The Group has in place and maintains a Whistleblowing Policy and procedures, which are available for staff or any person regardless of their relationship with any entity of the Group to report potential or actual breaches of regulatory or internal requirements, through specific, independent, and autonomous channels.

The Whistleblowing Policy covers eventual or potential irregularities, the acts and omissions, both with malicious intent or negligence, related with management, accounting organization, internal supervision or serious evidence of breaches of duties that, in a serious manner, are susceptible namely of infringe the law, articles of association, the regulations and other rules in effect, endanger, directly or indirectly, the assets of the Customers, of the Bank and of the Shareholders or cause reputational damage to Bank.

The Whistleblowing procedures ensure, among others the protection of the identity and personal data of both the person who reports the breach and the natural person who is allegedly responsible for the breach, through which the Entity shall adopt the highest form of anonymity legally available and that the person reporting the breach is appropriately protected from any negative impact (e.g. retaliation, discrimination or other types of unfair treatment). Any information about irregularities provided through the whistleblowing procedures is analyzed by the Audit Committee, supported by the Compliance Office and the Audit Division, ensuring that the potential or actual breaches raised are assessed and escalated, including as appropriate to the relevant competent authorities.

Main Risks and Uncertainties

Risk	Souces of Risk	Level of Risk	Trend	Interactions/Mitigations
Regulatory and legal	▪ General increase in regulatory complexity ▪ Adaptation to the regulatory framework associated to ESG objectives ▪ Potential increase in calendar provisioning requirements and level of conservatism of models, derived from EBA guidelines ▪ Need for greater sophistication in AML models to ensure adequate prevention	Medium		▪ Culture of compliance and anticipation of capital requirements ▪ Rigorous and efficient management of capital and its implications on the business model
Sovereign	▪ High public deficit and high weight of debt in GDP ▪ Less capacity to implement budget and fiscal stimulus ▪ Exposure to Portuguese, Polish and Mozambican sovereign debt	High		▪ Uncertainty about timing of ECB monetary policy normalization ▪ Volatility in capital markets ▪ Increase in funding costs and implementation of contingency measures at European and national level
Credit	▪ Increase in corporate debt ratios, namely due to the impacts of Covid-19 and the disruption of logistics chains ▪ NPA stock still high in the corporate segment ▪ Risk of execution of NPA reduction plans ▪ Political/military tensions Russia/Ukraine and the possibility of stagflation in Europe in addition to constraints in global distribution chains, leading to a shortage of some goods and products necessary for economic development, leading to a general increase in import prices ▪ Credit risk spreads impacted by the strong competition environment due to excess liquidity in the market ▪ Impact of ESG risk drivers on the valuation of the loan portfolio	High		▪ Positive track record in executing the NPA reduction plan ▪ Additional support to the economy through the Recovery and Resilience Plan (PRR) ▪ Higher level of collateralization of credit exposures to companies (namely with state guarantees) ▪ Enhancement of the loan origination and monitoring structure ▪ Incorporation of ESG risk drivers into credit policies ▪ Relatively low volume of exposures to sectors exposed to high transition risks
Operational	▪ Rising cyber threats looking to take advantage of remote work and importance of digital channels ▪ Growing number of digital Customers and increase in internet and mobile transactions requiring the maintenance of a high level of availability of the ICT system (Information and Communication Technologies) ▪ Increase in information needs implying greater demand in the management and control of data quality ▪ Implications of the acceleration of automation, integration and digitalization of processes, on operational resilience the banking sector	Medium		▪ Continuous monitoring of the alignment of technological development plan with the business strategy ▪ Enhancing of skills awareness and resilience against cyber risks ▪ Promotion of a strong internal control culture ▪ Implementation of a comprehensive technology renewal program ▪ Implementation of a data protection accountability framework

Risk	Souces of Risk	Level of Risk	Trend	Interactions/Mitigations
Market	▪ Volatility in capital markets ▪ Uncertainty regarding the timing of monetary policy adjustment in the eurozone ▪ Uncertainty regarding geo-political implications	Low	↑	▪ Limited exposure to trading portfolios
Liquidity and Funding	▪ Widening of spreads and reduced liquidity in WSF debt markets as a result of increased volatility in financial markets and factors intrinsic to BCP ▪ Structural excess of liquidity arising from the Bank's business model ▪ Need to comply with MREL requirements	Low	↔	▪ On-balance sheet Customer funds decisive in the funding structure ▪ Significant growth in the level of savings from households and companies due to the pandemic and periods of confinement with repercussions on total Customer funds
Litigation associated with the CHF loan portfolio in Poland	▪ Increasing in the number of open court cases ▪ Growing share of cases with court decisions against the Polish banks ▪ Risks related to verdicts issued by Polish courts in lawsuits against Bank Millennium	High	↔	▪ Decrease of the overall CHF loan portfolio ▪ increase of coverage by provisions of the CHF loan portfolio ▪ Increase of out of court settlements with debtors with mortgage loans in CHF
Pension Fund	▪ Effect of changes in interest rates and wages on liabilities ▪ Effect of asset value on portfolios	Medium	↔	▪ Integrated management of assets and liabilities in order to obtain an adequate balance between risk and return
Real estate and other investments	▪ Still relevant portfolio of foreclosed real estate and other assets ▪ Uncertainty regarding the development of real estate activity ▪ Uncertainty related with market and regulatory trends in terms of environmental awareness ▪ Risks related to the Bank's collaterals and properties	Medium	↓	▪ Positive track record in reducing the portfolio of foreclosed assets ▪ Expected low level of new entries of foreclosed assets ▪ Positive outlook regarding the evolution of the Portuguese real estate market ▪ Impact of insurance policies in the mitigation of real estate assets ▪ Reduction of exposure to Restructuring Funds according to divestment plans
Recurring profitability/ Business Model	▪ Implications of the level of interest rates on net interest income ▪ Regulatory limitations on fees and commissions ▪ Impact of economic deterioration on asset value and recurrent cost of risk ▪ Wholesale funding cost, including ECB funding (TLTRO) ▪ Inflationary pressures on operating costs ▪ New global players and competition from Big Techs	Low	↔	▪ Strict management of net interest income ▪ Strict cost structure control

Risk management

Framework

Risk appetite

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

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

The Group RAS is composed by a broad set of indicators that are considered of primary importance and representative of risks assessed as "material", within the formal risks’ identification and quantification process, carried out at least once a year. The RAS metrics are grouped in five blocs covering solvency, funding, profitability, reputation and franchise and also sustainability risks.

For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is still acceptable but from which corrective measures must be taken immediately (in order to that the level of risk regained to an comfortable level) and a 'level of breach’, which requires immediate measures with significant impact, aimed at correcting a risk situation considered unacceptable.

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

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

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialize the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors, by proposal of the Committee for Risk Assessment. Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, to address the mitigation or control of the risks classified as material within the risks’ identification and assessment process. These lines of action formally constitute the Group's Risk Strategy. Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks’ identification process.

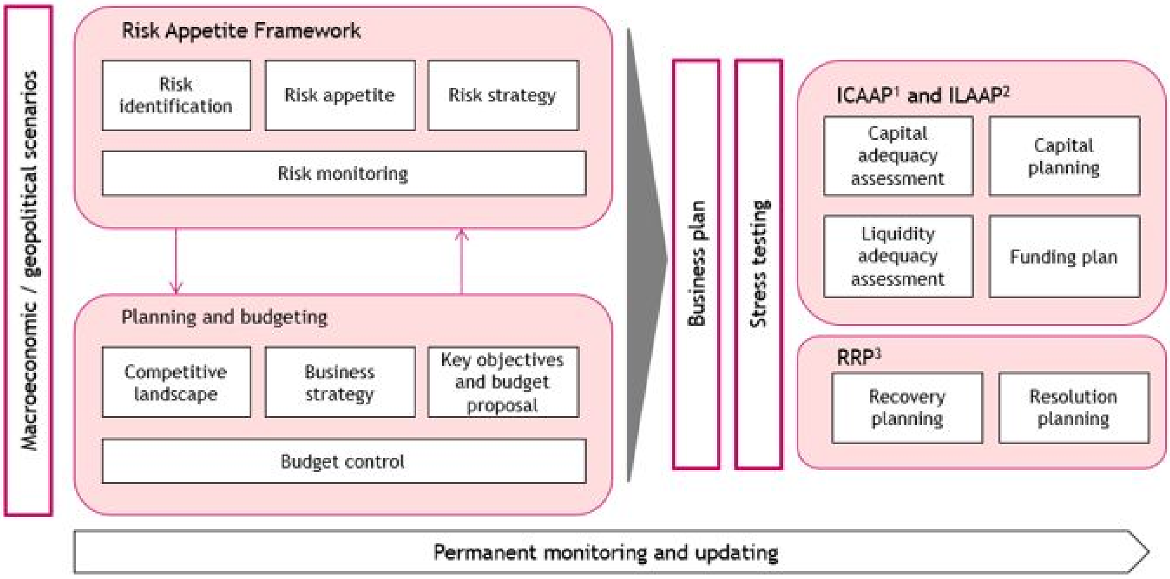
Integration between the business and risk management

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

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

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

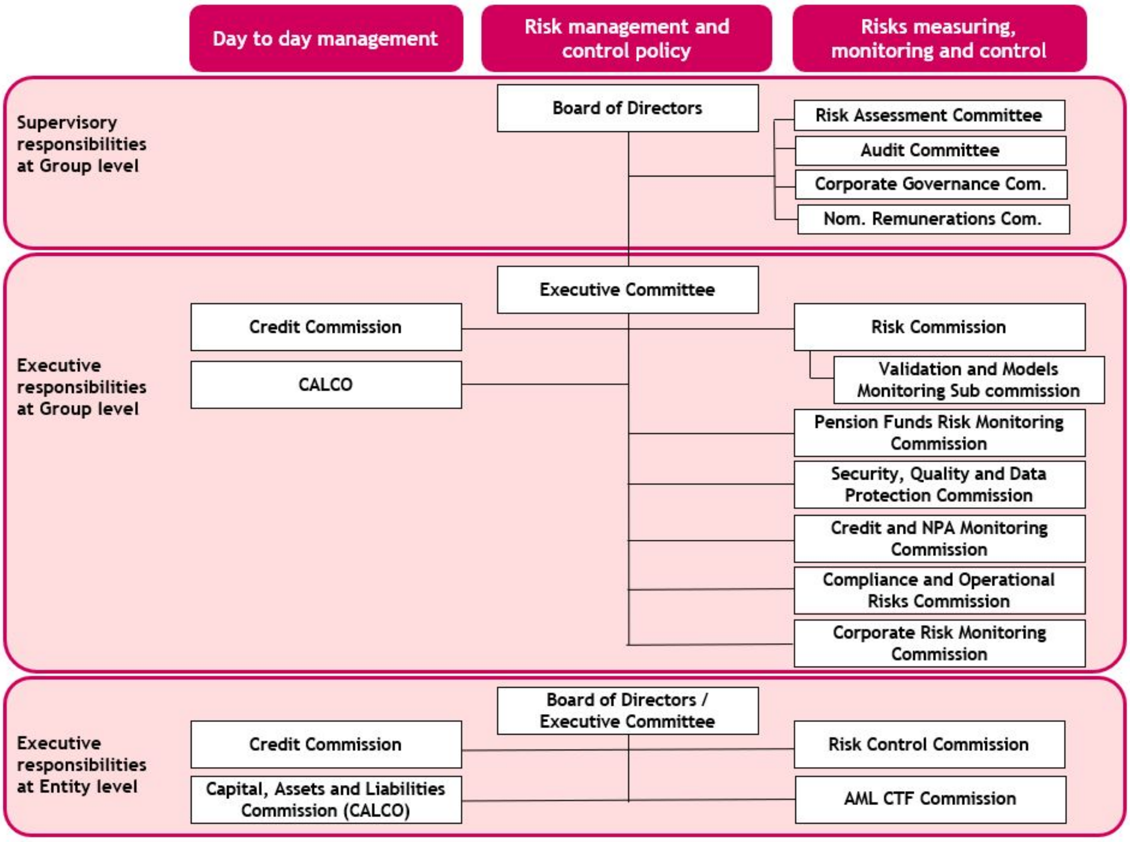
The following figure summarizes the relationships described above, providing a graphic representation of the integration of risk management within the scope of the business developed by the BCP Group.



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

Risk management Governance

The following figure illustrates the process of risk management's Governance, as at December 31, 2021, exerted through various organizational bodies and units with specific responsibilities in risk management or internal supervision:



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

Board of Directors

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

Risk Assessment Committee

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

- Evaluate the integrity and adequacy of the Risk Management function.
- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD.
- Monitoring the evolution of the RAS metrics, verifying their alignment with the defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits.

- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities.
- Oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks to the Group, such as market, credit, operational (including legal, IT and compliance), and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy.
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analyzing and approving the conclusions of the regular follow-up on these processes.
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

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

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

Audit Committee

The BoD's Audit Committee is elected by the Shareholders' General Meeting and is composed by three to five non-executive Directors, mainly independent. Within the competences of this Committee, this Committee has global corporate supervising capabilities - e.g. in what concerns financial information, namely risk levels follow-up - as well as those that are attributed within the Internal Control System, namely:

- Overseeing the management activity of the Bank;
- Monitoring the suitability and effectiveness of the Bank's organizational culture, governance models and internal control and risk management systems;
- Monitoring the accounting policies and processes adopted by the Bank, the financial reporting process and submit recommendations aimed at ensuring its integrity;
- Overseeing the performance of the Compliance and Internal Audit functions;
- Supervising and controlling the effectiveness of the risk management system, in conjunction with the Risk Assessment Committee; as well as the internal control system in its different aspects and also the internal audit system itself;
- Issuing an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests;
- Analyzing the information is received through the whistleblowing mechanism as well as the clients claims.
- Monitor the activity of the External Auditor and periodically assess its independence and objectivity in the exercise of its activity.

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

The Compliance Officer participates in the meetings of this Committee, presenting the evolution of the monitoring of compliance and compliance risks, as well as all developments and interactions with regulation/supervision in terms of regulatory compliance.

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

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

Committee for Corporate Governance, Ethics and Professional Conduct

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

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

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

Committee for Nominations and Remunerations

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

The BoD delegates in the Committee for Nominations and Remunerations the monitoring on issues related with human resources, assessment and composition of the Board of Directors and of its Committees, reviewing the Remuneration Policies of the Directors and Employees, including the Key Function Holders (KFH), and monitoring their respective implementation, in accordance with the powers conferred to it by the law and its own Regulations.

Other functions of this Committee:

- Monitor the existence of specific policies related with selection and recruitment, evaluation of performance, promotion and career management, training, and development of competences.
- Elaborate and report to the BoD recommendations on the candidates to members of the Governance and Supervisory bodies of the Bank, ensuring the Fit & Proper assessment process.
- Issue an opinion to the BoD on the Selection, Assessment and Succession policies for members of the Governance and Supervisory bodies and responsible for control functions.
- Prepare and maintain a succession plan for members of the Board of Directors and KFH.

Executive Committee

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

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

The Executive Committee is supported, to carry out its responsibilities, by several management commissions in a wide range of dimensions: Business Activity; Credit Decisions; Risk and Compliance Management; Planning, Costs and Investments; Capital Structure and Liquidity Management; Human Resources Management; Information Technology Security and Data Integrity and Protection. These management commissions can benefit from the presence of one or more internal control function units (Risk Office, Compliance Office and Internal Audit) which ensures timely detection of any potential internal control deficiencies.

The Executive Committee delegates in the Risk Commission, the Compliance and Operations Risk Commission (CORC) and the Security, Data Quality and Data Protection Commission, the mission of monitoring the risks the Group is exposed to as well as the deficiencies identified regarding the internal control system. These commissions are also responsible for monitoring the adoption of corrective measures and the overall progress of open recommendations. Furthermore, the CORC may also evaluate and propose improvements to be introduced to the internal control system.

Risk Commission

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

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

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), and , optionally, any other Executive Director.

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

Validation and Monitoring of Models Sub-commission

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

The CRO is the chairmen of the Sub-commission and other member are the Risk Officer, the head of the GAVM, of DCR, DRAT and os Treasury, Markets and International Division (DTMI), as well as the several Model Owners, responsible for developing and monitoring the risk models of the Bank.

Security, Quality and Data Protection Commission

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

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

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

Credit and Non-Performing Assets Monitoring Commission

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

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

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

Pension Funds Risk Monitoring Commission

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

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

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

Compliance and Operational Risks Commission

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

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

The Commission members are the CEO, the COO and the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The ActivoBank CEO and the Heads of the following Divisions are also members of the Commission: COFF, ROFF, IT (DIT), Operations (DO), Segments and Network Support (DSAR). The Head of DAU, the AML[12] Officer and the managers responsible for the COFF areas that deal with the matters under discussion are also permanently invited members of this Commission, without voting rights.

Corporate Risk Monitoring Commission

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

- Monitor the evolution recorded by the main performing corporate Clients credit exposures, particularly assessing the implications from the COVID-19 pandemic versus the specific risk factors of each client (sector of activity, prior COVID-19 financial standing, cost structure, etc.), issuing opinions regarding the credit strategy to adopt.
- Follow-up the counterparty risk and the largest exposures concentration risk.

The members of this committee are: the CEO, CRO, CCorpO and CRetO. Any other members of the EC may participate in the meetings of this Committee, whenever they consider it convenient to do so. Members of this Committee are also primarily responsible for the following directorates: ROFF, DRE, DCR, DRAT and DMEN.

[12] Anti-money laundering.

CALCO

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

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

The Group CALCO meets every month and is composed of the following executive Directors: CEO , CFO, CRO and, optionally any other Executive Director. The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI, DWM, DMEN and DMR, the responsible for the ALM Department of DEPALM.

At Subsidiary Companies Level, the local Credit Commission, CALCO, Risk Control Commission and AML/CTF Commission replicate the roles of equivalent commissions at Bcp level.

Credit Commission

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

The members of this Commission are the CEO, the CCorpO, and the CRO (the former only with veto rights). Any other Executive Director may, whenever he/she sees fit, participate in the Commission. Other members are the Heads of the following Divisions: DCR, DAJC, DRAT, Companies Network Coordination (North/South), Large Corporates, as well as Level 3 credit managers and, depending on the proposals to be decided upon, the coordination managers of other proposing areas (e.g., Private Banking, Retail, DRR) or members of the subsidiaries’ Credit Commissions. The Company’s Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights. Other Group Employees may also be invited to participate (without voting rights), if they are relevant for the matters under discussion.

Risk Office

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

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk.

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

The Risk Officer is appointed by the BoD, and reports to the CRO of the Group.

Compliance Office

The Compliance Office (COFF) is part of its organizational structure, construed upon "3 lines of defence model". It ensures the compliance function assigned to the "second line of defence", which includes control and regulatory compliance activities, analysing and advising the corporate bodies and the various Divisions of the Bank prior to the making of decisions that may involve the assumption of specific risks which are monitored by the compliance function.

Furthermore, the COFF has also the mission to:

- Verify if the respective regulatory requirements are complied with, as well as the ethical values of the organization, fulfilling all the attributions that are legally conferred on it, ensuring the existence of a culture of internal control, thus contributing to the mitigation of the risk of attribution to the Group Entities of sanctions or significant assets or reputation damages.
- Promoting the preparation, approval, application, verification of compliance and periodic updating of the Code of Conduct.
- Ensure compliance with the regulatory framework on the prevention and fight against money laundering and terrorism financing (hereinafter "AML/CTF").
- Participate in the definition of policies and procedures related with Conflicts of Interest and transactions with Related Parties, following-up their implementation and effective application.
- Ensure the management and controls adequacy of the whistleblowing process.
- Provide support to the International Entities in the development of their activities, seeking to normalise their action principles, systems and processes, in compliance with local regulatory specifications.

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

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse, with conflict of interests and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas.

The functions attributed to the COFF are exercised in accordance with the law or with other applicable normative source, as well as by the Bank's corporate bodies, and the performance of the Compliance Office should be based on a risk approach, at the level of the business, Customers and transactions, allowing the identification, assessment, monitoring and control of compliance risks that may influence the strategy, reputation and objectives defined for the Bank.

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

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

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

- The control and monitoring of compliance risks;
- The Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT);
- The mitigation of reputation risk at all Group entities, aiming at the alignment of concepts, practices and goals in these matters.

In compliance with the Principle of Coherence of the Group's internal control, the 1st responsible for the Compliance Officer of BCP is also responsible for the follow-up and monitoring of the compliance activities and Policies at Group level, highlighting the follow-up and monitoring of the AML/CFT risk through the International AML/CFT Committees, with the participation of the management and Compliance Bodies of the local units.

The COFF is also responsible for coordinating the process of structuring, drafting and approving the annual self-assessment reports on the effectiveness of the organisational culture and the governance and internal control systems, both individual and consolidated, and on the ML/FT prevention system to be submitted to the Bank of Portugal and the Securities Market Commission, under the terms of the respective Notices and Regulations, and as well for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

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

Audit Division

The Audit Department (DAU) provides functions of the third line of defense, under the scope called "Model of the 3 lines of defense" and is responsible for assessing the adequacy and effectiveness of the risk management process, the internal control system and the governance models. DAU performs its function on a permanent and independent basis and in accordance with the internationally accepted principles and best practices of internal auditing, carrying out internal audit inspections to assess the systems and processes of internal control and risk management which can give rise to recommendations aimed at to improve its efficiency and effectiveness.

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

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

- The Bank's governance model is adequate, effective, and efficient.

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

Main developments and accomplishments in 2021

In 2021, the Risk Management Function maintained focused on the continuous improvement of the Group's risk control environment, and on the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits, ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

The most relevant activities developed during 2021 were, synthetically, as follows:

- Continuous improvement of the internal governance model, management, measurement and risk control at Group level, with special focus on strengthening credit risk monitoring;
- Implementation of an action plan for identifying and measuring credit risk in the context of the COVID-19 pandemic including operational measures to adequately respond to the impacts arising from the pandemic outbreak::
  - Development and deepening of the customer follow-up model in the pandemic context aiming to adequately respond to its impacts, namely to the end of the State support measures for companies and individuals . The approach defined by the Bank in this context involved setting up Task Forces to assess and monitor customer credit exposures and define and implement strategies suited to each specific case, which implied the segmentation of the entire Bank's loan portfolio, with the allocation of selected customers for follow-up to the different created areas for this purpose.
  - Extension of the scope of the Credit and Non-Productive Assets Monitoring Committee to monitor the credit portfolio;
  - Ensure dedicated reports for monitoring the credit portfolio in pandemic context;
- Focus on improving the effectiveness of the internal control system;
- Monitoring the compliance level with risk limits, in particular the RAS, at the level of the Group and the main geographies;
- Reinforcement of the supervision and support for the BCP Group's subsidiaries, implementing a daily reporting system of the main risk indicators in all geographies;
- Completion of the ICAAP and ILAAP annual reports, and their ongoing monitoring ensuring the Group's capital adequacy and liquidity on a continuous basis, and participation in other Bank planning processes such as the Strategic Plan, Funding and Capital Plan and Recovery and Resolution Plan;
- Organization of the annual risk identification process (Risk Identification Process, "RIP") at the Group level and conclusion of the risk appetite and risk strategy revision processes for 2022;
- Implementation of the provisions and reporting system for backstop provisioning for non-performing operations;
- Update of the goals of the NPA/NPE reduction plan for the period 2021-2023;
- Continuation of the implementation of the EBA guidelines on credit origination and monitoring;
- Pursuit of the sustainability master plan for integration of ESG issues into the Bank's risk management framework and monitoring its implementation within the scope of the Bank's RAS;
- Continued redevelopment of the internal IRB models, reflecting the new definition of default and the ECB and EBA guidelines regarding the estimation of PD and LGD models, with submission to the ECB for approval of the respective applications for material changes;
- Continuous improvement of the liquidity and funding risk management and control systems at the Group level, including the annual review of the internal liquidity stress test framework and the improvement of the liquidity risk management framework at Banco Internacional de Moçambique and in the Bank Millennium in Poland, carrying out monthly liquidity stress tests and building a liquidity management framework in the context of resolution planning;
- Completion of the project for the revision of interest rate risk in the banking book's monitoring and control framework in line with the most regulatory guidelines in this area;
- Participation in the EBA stress testing exercise with reference to December 2020, covering prospective scenarios (baseline and adverse) for the period 2021-2023;
- Preparation of the ECB climate stress test exercise (to be held in the 1st half of 2022);

- Provision of the requirements for the integrated report to the Single Resolution Board, scheduled to start in 2023;
- Reinforcement of market risk monitoring and control processes and continuation of the FRTB implementation project - Fundamental Review of the Trading Book;
- Continuous improvement of the quality of the data supporting the Group's risk management decisions, and in the upgrade of the Risk Office’s technological platform;
- Conducting the annual exercise of operational risks’ self-assessment, with the presentation of the results and conclusions to the management bodies;
- Execution of the Scenario Analysis exercise within the scope of operational risk (estimation of losses for events with very low probability and high impact) and global update and review of the internal statistical model for estimating maximum annual operational losses;
- Continued monitoring of outsourcing risk in conjunction with the respective contract managers;
- Monitoring of several Supervisory Entities' On-Site Inspections.

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

The most relevant activities and initiatives developed during 2021 were, as follows:

- In the context of AML/CFT, the compliance action, based on a risk-based approach, included operations filtering, a process that ensured compliance with sanctions and embargoes regimes enacted by the competent national and supranational authorities, their monitoring, aiming to detect and prevent potentially irregular situations, but also the substantive and formal pre-validation process of opening and maintaining entities and accounts and credit operations. This functional perimeter, based on dedicated technological solutions, also envisage the definition and management of risk models based on the evolution of the various variables competing for the establishment of scorings to be applied to operations. Also noteworthy is the development of new, more efficient solutions, based on automation processes for the analysis of risk factors inherent to new account openings and transaction screening.
- Launch, on the Millenniumbcp and ActivoBank Apps, of a process that facilitates the collection and updating of Customers' personal information, namely the information defined in the regulatory framework.
- In relation to the onboarding AML/CFT risk, it is important to highlight the strengthening of control over segments and jurisdictions involved in business relations.
- Reinforcement and specialization continuation of the COFF teams within the scope of AML/CFT in its various dimension.
- Updating the Anti-Money Laundering and Counter Financing of Terrorism Policy, mainly with the aim of formalising the implementation of the EBA Guidelines AML/CFT risk assessment and due diligence measures (EBA/GL/2021/02).
- Reinforcement and specialization continuation of the COFF teams within the scope of AML/CFT in its various dimensions.
- Issuance of the 2020 Anti-Money Laundering and Terrorism Financing Report to the Supervisory Entities.
- Maintenance and optimization of work processes so that they can adequately respond to the operational challenges posed by the COVID 19 pandemic continued, ensuring the scrutiny and decision on Customer operations service level, as well as all internal controls and other functions of the COFF’s responsibility.
- Following the publication, on July, 15 2020, by Banco de Portugal, of Notice 3/2020 (Notice), referring to the adequacy and effectiveness of the organizational culture, governance and internal control systems, which has a significant impact on issues directly related to compliance risks, the COFF prepared a plan of initiatives with the objective of aligning the organization and internal practices with the Notice, ensuring full compliance with all requirements. Of the initiatives undertaken in the first half of 2021, we highlight:
  - Changes of the management and supervisory bodies and delegated committees internal regulations;

    - Group's Code of Conduct update, highlighting changes, among others, on topics such as personal data protection, gifts, conflict of interests and irregularities reports, and a new section dedicated to non-discrimination and prohibition of harassment was introduced;
    - Code of Conduct training, applicable to all Employees and Outsourcers, with a completeness level around 100%;
    - Issue, in February and December, of the two annual self-assessment reports on the effectiveness of the organizational culture, governance and internal control systems, for Banco de Portugal (covering both the Group and its various Companies) and for CMVM (only Portugal);
    - Updating the internal regulations related with Notice themes, from which we highlight the cases of the governance and internal control system, the Policy for the Prevention and Management of Conflicts of Interest, fit and proper assessment and succession planning for members of the management bodies and other key function holders and the whistleblowing communication policy, which includes updating the communication process resulting from the implementation of a new channel that ensures the source's anonymity;
    - Training session, by telematic means, dedicated to the impact of the Notice on the Bank's governance, culture and internal control issues, directed mainly at the second and third line of defence functions;
    - Updating of the regulations governing the competencies and functions of the COFF;
    - Code of Conduct training, applicable to all Employees and Outsourcers, with a completeness level above 90%;
    - Within the scope of internal communication, the following important initiatives should be highlighted: in compliance with Article 63 of the Notice, regarding the systematization of information, the COFF has ensured that the information on the matters set out in the Annex to the Notice was made available in an integrated and up-to-date manner, in a format accessible to all employees, as well as communication initiatives, on the Bank's internal portal, about the Notice importance and the nature of its main issues.
- Execution of the Communication Plan dedicated to the 1st lines of defence with the most important aspects to be taken into account both in terms of the risk of financial crime and in other risks of compliance and regulatory compliance.
- Controls strengthening regarding the risk of market abuse.
- Controls strengthening on regulatory requirements compliance regarding advertising campaigns.
- With regard to the Group's activities, the strengthening of the risks monitoring of the various operations remains a priority, ensuring the monitoring of the AML/CFT risk through the International AML/CFT Committees, with the participation of management bodies and compliance function of the International Entities, aiming to assess and monitor the specific compliance risk factors of each geography, as well as the existing business segments in each operation.
- Development of joint COFF projects with teams of subsidiaries and branches abroad in order to analyse and improve the effectiveness of existing controls for mitigating the main risks in the area of AML/CFT.
- With regard to training, there was also a significant reinforcement of actions in compliance matters in the first half, with special emphasis, in addition to the above-mentioned Code of Conduct, to the new AML/CFT training, already considering the changes arising from the entry into force of Law No. 58/2020.

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations.

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

Evolution and breakdown of the loan portfolio

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

(million euros)

Geography	Dec 21	Dec 20	Change	
			Amount	%
Portugal	65,881	59,708	6,173	10,3%
Poland (1)	23,281	22,148	1,133	5,1%
Mozambique	2,377	1,869	507	27,1%
TOTAL	**91,539**	**83,726**	**7,813**	**9,3%**

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

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

Considering the position on December 31, 2020 as a basis for comparison, the Group's loan portfolio, measured in euros (EUR), recorded a growth of 9.3% during 2021, identical to that seen in 2020 (also +9.3%). The evolution is explained by an increase in all geographies.

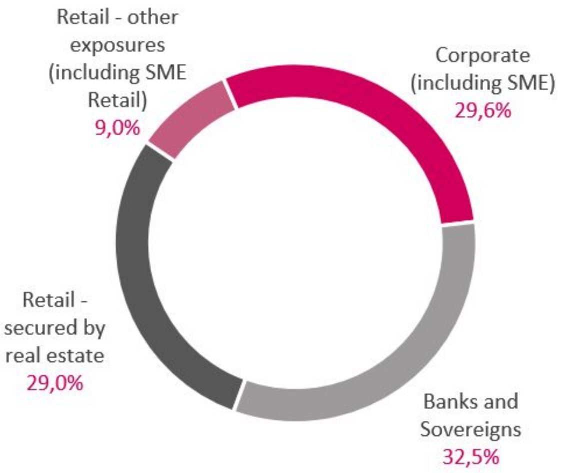
The increase in Portugal is explained, on the one hand, by the increase in the credit portfolio in the different segments, particularly in residential loans and, on the other, by the exposure to Banks and Sovereigns, which increased by approximately 4.9 billion euros, particularly the position in Portuguese government public debt and deposits at the Bank of Portugal, which grew 2.3 billion euros. It should be noted that this evolution was made in a context of a 485 million euros reduction in the NPE portfolio.

In the Polish loan portfolio, there was an increase of 5.1%, measured in euros, explained, almost entirely, by the increase in credit exposure to Corporates and Retail, which amounted to approximately € 1 billion.

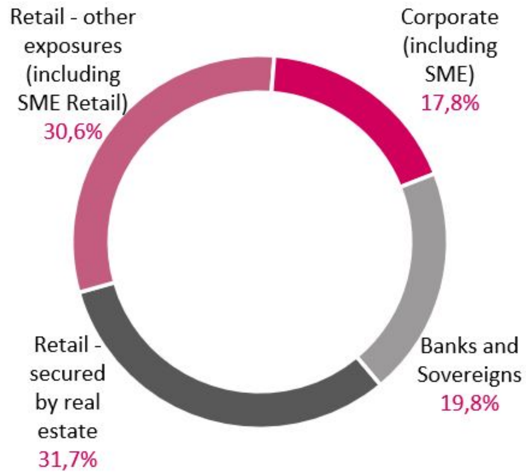
Likewise, with respect to Mozambique, there was a 27.1% increase in the loan portfolio, measured in EUR, mainly related to the increase in exposure to Banks and Sovereigns in the total of € 363 million.

Regarding the composition of the portfolio by risk classes, it is illustrated by the following graphs, representative of the portfolio structure on December 31, 2021:

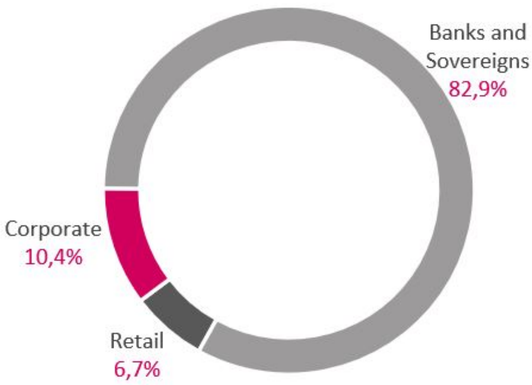
PORTUGAL



POLAND



MOZAMBIQUE



In what concerns the structure of portfolios by counterparty segment, in Portugal the most significant portion continues to be assumed by the retail segment with 38% of the total, with 29% relating to exposures that benefit from mortgage. Corporate segment represents a weight of around 29.6%, slightly lower than at the end of 2020, with emphasis on the growth of the weight of the Banks and Sovereigns segment, which registered an increase in its representativeness to a level close to 32.5 %, coming from a weight of 27.9% on December 31, 2020.

In Poland, we highlight the retail segment, with a weight of 62.3%, maintaining the weight of the exposures collateralized by mortgage guarantee at 31.7%, a slight reduction in the representativity of the Corporate segment and the Banks and Sovereigns component, ending the year 2021 with weightings of 17.8% and 19.8%, respectively.

In Mozambique, the structure remained stable, with emphasis on the relevance of the weight of the Banks and Sovereigns segment, which increased to 82.9% of the portfolio. The corporate and retail segments assumed a representation of 10.4% and 6.7%, respectively.

Since the beginning of the year 2020, the occurrence of the pandemic outbreak COVID-19 should be noted. In order to reflect the extent of exposure in Portugal to the sectors considered most sensitive to the effects of this pandemic, the following table shows the six sectors of activity considered as most vulnerable, which represent 5.8% of total domestic exposure.

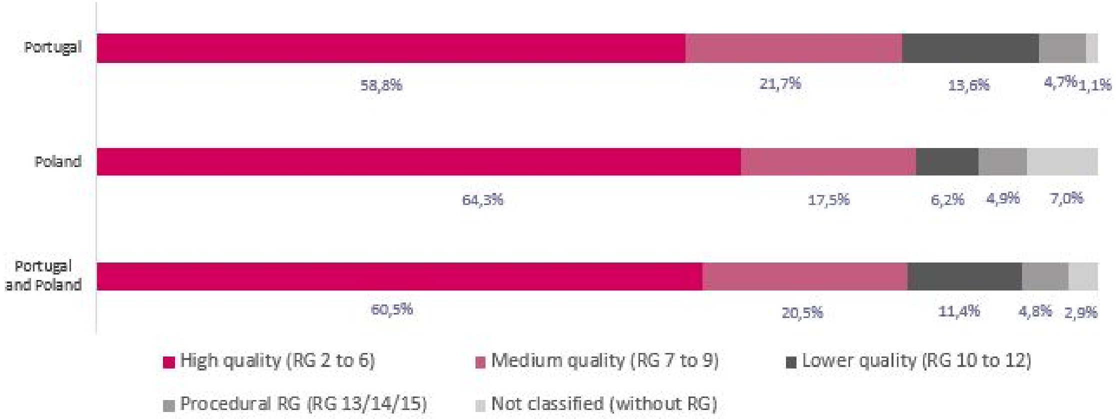
(million euros)

Sector	Exposure
Accommodation	1,227
Food services	351
Collective passenger transport	151
Rent-a-Car	73
Travel Agencies	75
Arts, leisure, entertainment and organization of events	347
Total	**2,224**
% of Total	**5.8%**

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

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

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



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

As shown in the chart above, the weight of the EAD corresponding to medium and higher quality risk grades, for the two geographies, represented 80.9% of total EAD on December 31, 2021, with a slightly different structure in the two geographies, with a higher weight of risk grades between 1 and 6 in the case of Poland, where there was an increase in this range of risk grades, while in Portugal the structure remained relatively stable. These weightings compare with year-on-year weights of 80.7%, 76.8% and 73.6% at the end of 2020, 2019, and 2018, respectively, reflecting a consistent favorable evolution, although with a slower pace of the favorable evolution in 2021, well by the effect of the pandemic on the risk grade classification of the business segment.

Regarding the weight of exposure in the two main geographies in what concerns customers with procedural risk grades (without access to new credit), it reached 4.8% on December 31, 2021, maintaining the downward trend that had already been seen in previous years: 5.9% (2020), 7.8% (2019), 11.3% (2018)

and 14.8% (2017). In Portugal, the trend towards a more accelerated reduction in exposure to Clients with procedural risk grade has also continued: 4.7% (2021), 6.1 % (2020), 8.8% (2019), 12.8% (2018) and 17.1 (2017).

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

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
2021	16,2%	32,1%	34,6%	35,5%	46,3%	34,4%	26,6%
2020	16,1%	32,0%	32,6%	37,2%	47,3%	34,5%	27,2%

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

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between 31/12/2020 and December 31, 2021, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec-21	**Sep-21**	**Jun-21**	**Mar-21**	**Dec-20**
CONSOLIDATED					
NPE/Gross credit	**4,7%**	4,9%	5,2%	5,5%	5,9%
NPL > 90 days / Gross credit	**1,6%**	1,7%	1,9%	2,1%	2,3%
Past due credit / Gross credit	**1,9%**	1,9%	2,2%	2,3%	2,5%
Impairment / Gross credit	**3,2%**	3,3%	3,5%	3,6%	3,7%
PORTUGAL					
NPE/Gross credit	**4,7%**	4,8%	5,3%	5,7%	6,1%
NPL > 90 days / Gross credit	**1,5%**	1,6%	1,9%	2,1%	2,4%
Past due credit / Gross credit	**1,5%**	1,6%	1,9%	2,2%	2,4%
Impairment / Gross credit	**3,2%**	3,3%	3,6%	3,7%	3,9%
POLAND					
NPE/Gross credit	**4,4%**	4,6%	4,7%	4,8%	5,0%
NPL > 90 days / Gross credit	**1,8%**	1,9%	1,9%	2,0%	2,1%
Past due credit / Gross credit	**2,4%**	2,5%	2,6%	2,6%	2,7%
Impairment / Gross credit	**3,0%**	3,1%	3,1%	3,1%	3,3%
MOZAMBIQUE					
NPE/Gross credit	**15,9%**	15,4%	14,1%	16,4%	16,9%
NPL > 90 days / Gross credit	**8,0%**	7,3%	6,4%	6,7%	6,2%
Past due credit / Gross credit	**8,1%**	7,4%	6,7%	6,8%	6,3%
Impairment / Gross credit	**8,3%**	8,4%	7,2%	8,1%	7,4%

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments.

Despite the negative impacts resulting from the pandemic outbreak COVID-19, the evolution of credit risk indicators during 2021 was favorable at the consolidated level, in Portugal and in Poland; however, a slight deterioration of past due credit ratios in Mozambique should be noted. Overall, the evolution is positive as evidenced in the 'NPE/Gross Credit' ratio with a reduction of 1.2 percentage points at the consolidated level and 1.4 percentage points in Portugal. The same favorable evolution can be seen in the ratio of Past due credits and 90 Day past due credits to Gross credit at the domestic and consolidated levels.

The dynamics of these ratios is the result of a positive effect which results not only from the continued effort pursued over the last few years to reduce loans classified as non-performing and past due, but also from the growth in Gross Credit, as presented above. It should, in any event, be noted that this increase in the portfolio continues to be based on prudent credit concession criteria, with the aim of preserving the quality of the portfolio over the long term.

It should also be noted that between the end of 2020 and the end of 2021 the consolidated 'Impairment/ Gross credit' ratio was reduced to a lower extent than the 'NPE/Gross Credit' ratio (0.5 vs. 1.2 percentage points), which reflects the conservative provisioning policy.

Similarly to what happened in Portugal and at the consolidated level, in Poland there was a decrease in risk indicators, which was 0.6 percentage points in the 'NPE/Gross Credit' ratio and 0.3 percentage points in the Past due credit/Gross Credit' ratio.

Reflecting the persistence of a less favorable economic and financial environment, the operation in Mozambique, despite an improvement in the 'NPE/Gross Credit' ratio by 1 percentage point, registered a degradation of the remaining credit risk indicators during the year 2021, in result of a prudent policy of granting new credits.

NPA Reduction Plan

The implementation of the Group's NPA Reduction Plan remained a priority throughout 2021, in its two aspects - problematic loans (NPE-non performing exposures) and assets received as repayment of loans (FA-foreclosed assets) - focusing mainly on the NPE loan and FA property portfolios held for sale, in Portugal.

The NPA Reduction Plan is framed by a specific governance model and a robust management framework, based on specialized credit recovery areas and systematized recovery strategies - both resulting from automatic analysis and decision models (for Retail) and based on the relationship of the recovery managers with their corporate clients, with tailor-made solutions. In order to respond to the challenges posed by the COVID-19 pandemic, the Bank has been developing and strengthening the methodologies and installed capacity of the monitoring and recovery areas, in order to ensure an adequate monitoring of the potentially more impacted exposures.

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

The NPA Reduction Plan also benefits from a technological environment supported by specific IT infrastructures for activities related to credit recovery, NPE reduction and FA management, with its monitoring being reinforced by the NPA Reduction Operational Plan, in which initiatives are defined to accelerate, maximize efficiency and ensure greater focus on recovery or disposal processes (both of loans and real estate properties), distributed over the various stages of the recovery and NPA reduction processes: prevention, collection, recovery, enforcement, insolvency and, finally, the receipt, possession and handling of FA and respective sales.

The fulfillment of the reduction targets of each area involved in the reduction of NPA is measured monthly, both in terms of management information for the respective dedicated structures, as well as for the specific focused activities and initiatives defined in the Operational Plan mentioned above, with reporting to senior management, namely to the NPA Monitoring Committee.

The NPA Reduction Plan has consistently recorded very positive results over the past few years, not interrupted despite pandemic outbreak.

The following table presents the evolution of NPE volumes between December 31, 2020 and December 31, 2021, for the Group and for Portugal:

(Million euros)

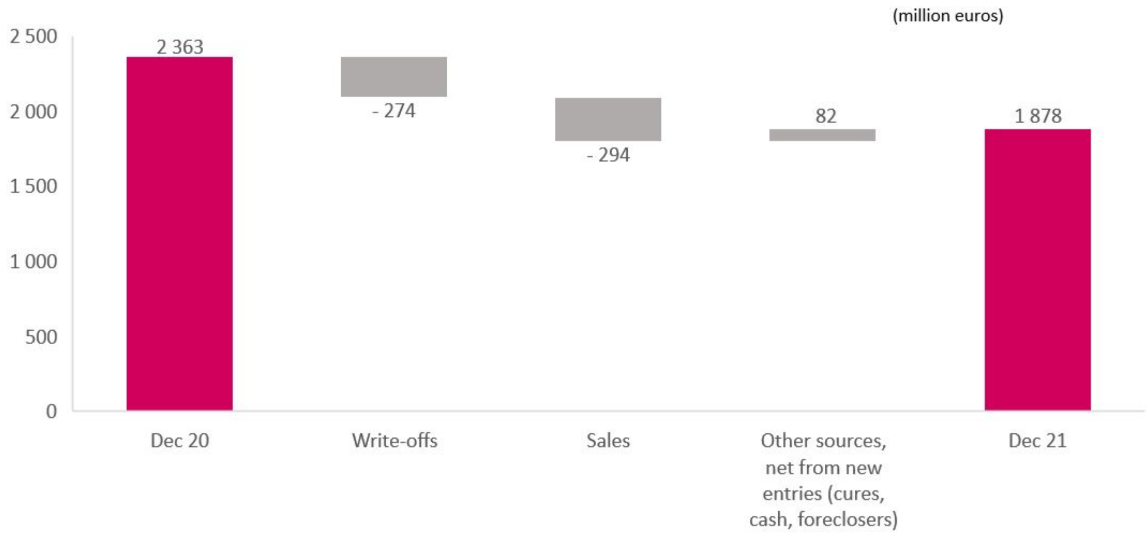
		Dec 21	Sep 21	Jun 21	Mar 21	Dec 20
CONSOLIDATED		**2,752**	2,832	3,003	3,100	3,295
	Change YoY	-543				-911
PORTUGAL		**1,878**	1,931	2,095	2,193	2,363
	Change YoY	-485				-883

Note: Does not include the adjustment to the balances of 2020 made in Millennium Bank and related to mortgage loans indexed to Swiss francs (transferred from the liability item "Provisions" to the asset item "Loans and advances to costumers").

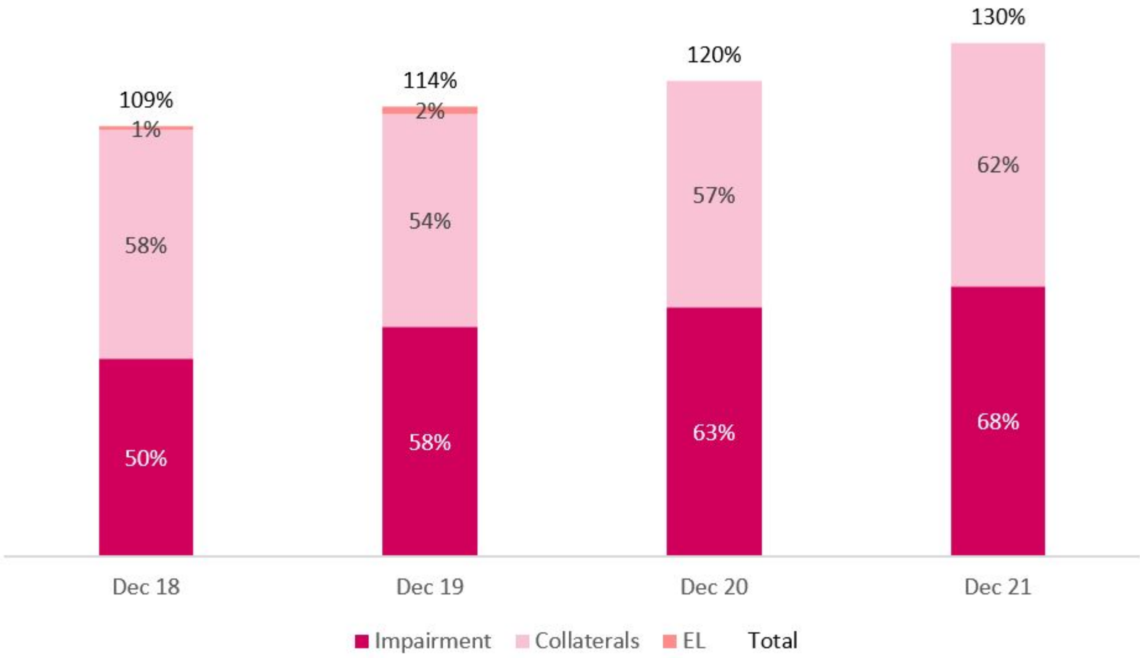
Comparing the size in value of the Customers classified as NPE at the end of 2021 with that at the end of 2020, there is a very positive evolution, with a reduction of 543 million euros at the consolidated level and 485 million euros in the activity in Portugal, corresponding to a relative contraction of 16.5% and 20.5%, respectively. This result reflects the maintenance of the successful path taken over the last few years in identifying and implementing solutions that enable the reduction of these non-productive assets, even in an adverse context.

It should be noted that the evolution described above was consistent with expressive values in all quarters of the year.

The following graph shows the main drivers that explain the reduction of NPE in Portugal during the year 2021 where it is possible to highlight the contribution of credit sales, which amounted to a gross value of 294 million euros. Write-offs amounted to 274 million euros, and the combined effect of other sources of NPE reduction and new entries had an upward impact of 82 million euros.



On the other hand, the consistent growth in the coverage of the NPE portfolio by impairment, collateral and Expected Loss Gap, both at a consolidated level and in Portugal, should be highlighted. The following chart, which refers to domestic evolution, shows an increase of ten percentage points in the coverage level, reaching 130% by the end of 2021, with an increase in the coverage by collateral to 62% and an increase to 68% of the impairment component.



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

(Million euros)

	Dec-21	Dec-20	Dec-19	Dec-18
Real estate properties	565	809	1,020	1,474
Real estate Funds and companies	205	246	306	330
Other assets (non-Real estate)	81	92	87	156
SUB-TOTAL - Portugal	**851**	**1,146**	**1,413**	**1,960**
Other geographies Foreclosed Assets	65	40	52	58
GROUP TOTAL	**916**	**1,186**	**1,465**	**2,019**

Despite the more adverse context in the real estate sector for carrying out divestment operations of assets of this nature, in 2021 there was a reduction of 22,8% in the Foreclosed portfolio in relation to the position at the end of 2020, corresponding to an amount of 295 million euros, explained mainly by the Real Estate component in Portugal, which amounted to 244 million.

During 2021, the Bank continued its efforts to reduce the foreclosed assets, in particular real estate received as payment. This year it was possible to reduce its stock by 295 million euros, based on a remarkable commercial sales dynamic and a significant reduction in the entries of this type of assets. This reduction in inflows is explained, on the one hand, by the reduction in the size of the NPE loan portfolio and, on the other, by the operation of judicial sale instruments to third parties. The received assets, amounting 37 million euros, are essentially composed of residential and commercial properties with good liquidity in the real estate market.

It should also be noted the reduction in volume of properties still being prepared to be sold, to 145 million euros, at the end of 2021.

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures (non-NPE), as at December 31, 2021, in terms of EAD and using the concept of "Groups of Clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

	Dec 21	Dec-20
Client Groups	Exposure weight in total (EAD)	Exposure weight in total (EAD)
Client group 1	0,7%	0,8%
Client group 2	0,5%	0,6%
Client group 3	0,4%	0,5%
Client group 4	0,4%	0,5%
Client group 5	0,4%	0,4%
Client group 6	0,4%	0,4%
Client group 7	0,3%	0,4%
Client group 8	0,3%	0,3%
Client group 9	0,3%	0,3%
Client group 10	0,3%	0,3%
Client group 11	0,3%	0,3%
Client group 12	0,3%	0,3%
Client group 13	0,2%	0,3%
Client group 14	0,2%	0,3%
Client group 15	0,2%	0,2%
Client group 16	0,2%	0,2%
Client group 17	0,2%	0,2%
Client group 18	0,2%	0,2%
Client group 19	0,2%	0,2%
Client group 20	0,1%	0,2%
Total	**6,1%**	**6,9%**

Globally, this set of 20 largest 'non-NPE' exposures accounted for 6.1% of total EAD as of December 31, 2021, which compares with a global weight of 6.9% by the end of 2020. Hence, in terms of EAD, there was a reduction of credit concentration on the 20 largest performing exposures.

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

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

Operational risk

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

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

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

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

Operational Risks Self-assessement (RSA)

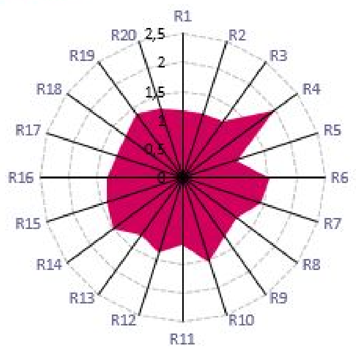
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

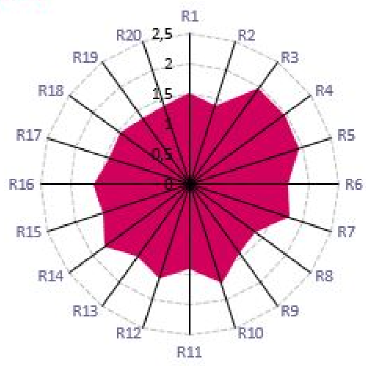
The aim of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the 'worst-case event' that might occur in each process, for three different scenarios: Inherent Risk (without considering the existing/implemented controls), Residual Risk (considering the existing/implemented controls) and Target Risk (the desirable risk level). These exercises are typically carried out in the second half of each year.

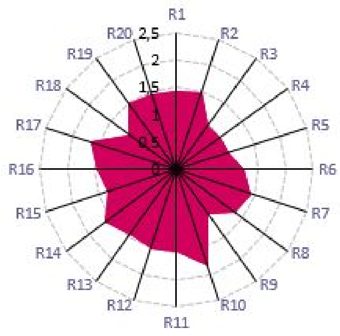
The 2021 RSA exercise for operational risk processes incorporated:

- Qualitatively, the results of the ICT risks RSA computed in the beginning of the year, as input information to process owners, regarding 3 of the 20 risks assessed. The ICT risks RSA was made over 155 critical technological assets – hardware, software and communication lines and infrastructures – under 3 evaluation dimensions: availability/integrity/data confidentiality;
- The input stemming from the CORPE (Compliance and Operational Risk Process Evaluation) factors, which introduce and highlight operational risk components that result from the compliance and internal control status of the processes.

The results from the 2021 exercise are presented in the following charts, in terms of the average score for each of the 20 risk subtypes considered for the set of process in each geography, in which the outer line represents a score of 2.5 in a scale from 1 (lowest exposure) to 5 (highest exposure):







R1 Internal fraud and theft	R11 Monitoring and reporting errors
R2 Execution of unauthorised transactions	R12 Customer related errors
R3 Employee relations	R13 Products or services flaws/errors
R4 Breach of work health & safety regulations	R14 External fraud and theft
R5 Discrimination over Employees	R15 Property and disasters risks
R6 Loss of key staff	R16 Regulatory and tax risks
R7 Hardware and Software	R17 Inappropriate market and business practices
R8 Communications infrastructure	R18 Project risks
R9 Systems security	R19 Outsourcing related problems
R10 Transaction, capture, execution & maintenance	R20 Other third parties' related problems

Hence, the risk levels resulting from the operational processes risks' self-assessment remained at moderate levels in 2021, for Portugal, Poland and Mozambique.

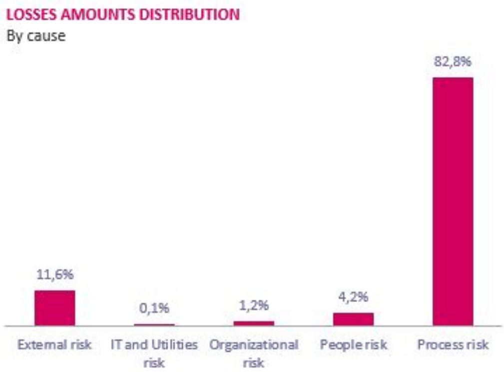
Operational losses capture

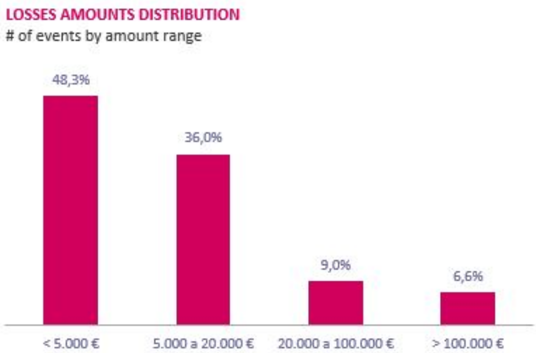
The operational losses data capture (i.e. the identification, registration and typification) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information for process owners to incorporate within their process management.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

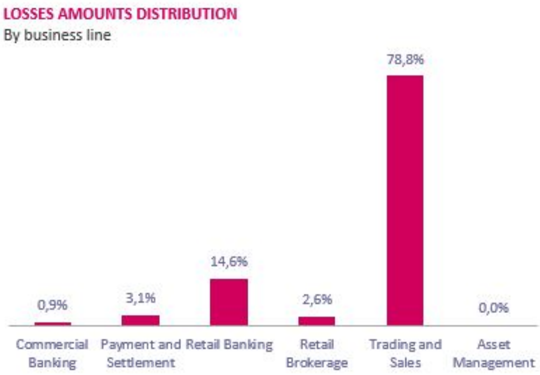
The detection and reporting of operational losses is a responsibility of all Employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding certain thresholds, "Lessons Learned" reports are presented to and discussed by the specialised governing body for operational risk (the EC's Compliance and Operational Risks Commission).

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







As shown in the distribution of loss events by cause (in loss amounts), the process risks and the external risks assumed a marked predominance in the set of losses recorded in 2021, representing around 94% of the global amount of losses. This resulted, mainly, from a large loss event related to a litigation situation regarding an FX markets' product that was discontinued a few years ago. The weight of the external risks is due, essentially, to external frauds.

In what concerns the distribution of losses by class of amount (in number of losses), there was no change in the typical profile of the distribution of operating losses. Regarding the distribution of losses by banking business line, there was an expected concentration in the Trading and Sales segment, due to the the referred large loss event.

Key risk indicators (KRI)

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

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

Business continuity management

Within the scope of Business Continuity Management, 2021 brought the consolidation of the response to the challenges imposed by the COVID-19 pandemic, namely, regarding the implementation of governmental and health authorities determinations and guidelines. Hence, a highlight should be made on the continuity of priority efforts with regards to safeguarding the health and well-being of the Group's employees, as well as in preserving the full operational continuity of the services provided and the products made available to clients.

Thus, in Portugal, Poland and Mozambique, teleworking and rotation working on the premises were maintained, with preservation of physical distance. It should be noted that, despite these changes to working processes, there was no degradation of services to clients.

Also, the emergency responses, prevention and safety measures in the workplace were maintained, such as, for example:

- Placement of affected Employees in isolation spaces or prophylactic teleworking for Employees with contact with infected people;
- Internal channels of specific information for the dissemination of prevention measures (behaviours to be observed), distribution of protective equipment (gloves, masks, disinfectants), reinforcement of cleaning routines;
- Segregation of some critical teams, involving the movement of Employees to alternative spaces intended for business recovery, to guarantee the recommended social distance.

In Portugal, the Business Continuity maintenance program provided an updating of the analysis of the criticality of operational processes, the monitoring of the continuity plans of the Bank's service providers and suppliers and the establishment of new recovery and solutions based on the experience and learning of the last two years. In Poland, continuity plans were implemented and tested for the mortgage bank recently created in that country, also benefitting from the experience recently acquired in what concerns teleworking.

Insurance contracting

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

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

Legal, Compliance, Conduct and Financial Crime risks

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

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

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

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

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

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2021, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- Launch of a set of actions with the aim of ensuring compliance with Bank of Portugal Notice 3/2020, regarding the adequacy and effectiveness of the corporate culture and governance and internal control systems.
- Reinforcement continuation of resources and expertise of the operational AML/CFT model.
- In relation to the onboarding AML/CFT risk, it is important to highlight the strengthening of control over segments and jurisdictions involved in business relations.
- Launch, on the Millenniumbcp and ActivoBank Apps, of a process that facilitates the collection and updating of Customers' personal information, namely the information defined in the regulatory framework.
- Strengthening of the AML/CFT risk monitoring models for the Group's subsidiaries and branches, with the enrichment of risk indicators information arising from them.
- Strengthening of the internal communication strategy, with regular actions to the Bank's 1st Line of Defense, with innovative solutions, which include the regular participation of its Employees and on a wide spectrum of compliance and conduct risks.
- Provision, within the scope of Notice 3/2020 of the Bank of Portugal, in an integrated and updated manner, of information relating to the matters provided for in its Annex, in a format accessible to all employees, including information about the Bank such as its shareholder, organisational and

governance structure, its internal control system, its key function holders, the characterisation of its business, its Code of Conduct, among others.

- Update of the whistleblowing communication process as a result of the implementation of a new channel that ensures the source's anonymity.
- Strengthening the monitoring process of compliance with regulatory requirements in relation to advertising campaigns other Bank's behavioural matters.
- Foster a culture of rigor, ethics and good conduct, either through updating the Code of Conduct, in which new matters and requirements were introduced, or through training and specific internal communication.
- Update of regulations such as those on governance and the internal control system, the policy for the prevention and management of conflicts of interest, the fit and proper assessment and succession planning for members of the management bodies and other key function holders and the policy for communicating irregularities.

Market risks

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.
For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

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

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

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

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

Trading Book market risks[13]

The Group uses an integrated market risk measurement that allows for the monitoring of all risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each

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

subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

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

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

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

The table below presents the amounts at risk for the Trading Book, in December 31, 2020 and December 31, 2021, as measured by the methodologies referred to above.

(Thousand euros)

	Dec 21	Dec 20
GENERIC RISK (VaR)	1,533	3,863
Interest rate risk	1,432	3,770
FX risk	469	341
Equity risk	274	318
Diversification effects	*(642)*	*(567)*
SPECIFIC RISK	35	19
NON-LINEAR RISK	0	0
COMMODITIES RISK	—	—
GLOBAL RISK	**1,568**	**3,882**

VaR model monitoring and validation

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

The VaR model's hypothetical backtesting exercise for the Portugal's Trading Book, during 2021, resulted in nil negative excesses (and nil positive) over the results predicted by the model in 259 days of observation. Hence, in terms of the frequency of excesses verified, the back-testing results validate the model as appropriate for measuring the risk at stake.

Trading Book Stress Tests

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

The results of these tests on the Group's Trading Book, as at December 31, 2021, in terms of impacts over this portfolio's results, were the following:

(Thousand euros)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 b.p.	+ 100 b.p.	-7,980
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 b.p.	+ 25 b.p.	-1,554
4 combinations of the previous 2 scenarios	+ 100 b.p. & + 25 b.p.	-9,367
	+ 100 b.p. & - 25 b.p.	-6,555
Variation in the main stock market indices by +/- 30%	+30%	-680
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-1,679
Variation in swap spreads by +/- 20 b.p.	- 20 b.p.	-493
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	-79
Significant vertices [1]	VaR w/o diversification	-1,391
	VaR w/ diversification	-743
Historical scenarios [2]	May 7, 2010	-937
	July 18, 2011	-1,533

[1] Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.
[2] Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis (from 2010 onward)

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

Interest rate risk in the Banking Book

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

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

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

In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the Clients' behaviour are also considered, in particular, for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments) and impacts of any potential prepayments on credits with defined maturity.

The result of this analysis for a +100 b.p. change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), in the Banking Book portfolio as at December 31, 2021 consists of a positive impact on the balance sheet's economic value of around 100.7 million euros. On the other hand, the impact of a generalized drop in Euro rates of -100 b.p. and considering a floor of 0% for the cash flows discount rate, would be around -52 million euros.

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of original maturity and price is generated. To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution.

Considering a variation in market interest rates combined with the scenario for the coefficients that transmit the market variations over the deposit´s rates and other interest-generating liabilities ('betas'), the evolution of the sensitivity of the net interest margin is assessed. Hence, for a variation in interest rates of +100 b.p. on December 31, 2021, on a consolidated basis, the net interest income would increase by around 175 million euros, with the sensitivity to a decrease of 100 b.p. of about -115 million euros.

FX and equity risks of the Banking Book

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

As at December 31, 2020, the Group's holdings in convertible foreign currency were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, through a 'Fair Value Hedge' methodology, I this case.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 0.34 million euros in terms of VaR, as at December 31, 2020.

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

Liquidity risk

Liquidity risk consists of the Group's potential inability to meet its financing repayment obligations without incurring significant losses, either due to onerous financing conditions (funding risk) or by selling assets at lower than market values (risk of market liquidity).

The Consolidated Liquidity Plan, which forms an integral part of the annual budgeting process and is formulated at the level of the Group and for the main subsidiaries, includes the projection of the wholesale funding structure, including the use of market financing, and also the forecast of the internal and regulatory liquidity indicators, ensuring its compliance with the regulatory and internally defined requirements. The preparation of this plan is coordinated by the Group Treasurer, and its execution is continuously monitored throughout the year, with the respective revision being carried out whenever necessary.

The year 2021 showed a very significant growth in the deposit bases of the Group's operations in Portugal and Poland, mainly supported by growth in the retail segment, continuing the trend that began to take shape soon after the outbreak of the COVID-19 crisis in March 2020.

After the ECB's decision to extend the use of the Targeted Longer-Term Refinancing Operation III (LTRO III, “T LTRO III” in the English abbreviation) to 55% of eligible loans, BCP reinforced its medium-long-term financing component in the first quarter of 2021 through an additional borrowing of 600 million euros, in addition to the 7,550 million euros taken in June 2020, thus bringing the total gross amount taken in that instrument to 8,150 million euros.

Within the scope of its Strategic Plan 2021-24, in order to comply with the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities), BCP took advantage from market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue in the amount of 500 million euros, foreseen in that plan for the third quarter of 2021.

At the end of the third quarter, BCP returned to the market, under its Euro Note Program, placing an inaugural issue of 500 million euros by a Portuguese issuer of senior preferred social debt securities in the ESG (Environmental, Social and Governance) segment), focusing in this case on the social component. Thus, under the terms of its Green, Social and Sustainability Bond Framework, the net proceeds from the issuance are primarily intended for the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, constituting a demonstration of the commitment assumed by the Bank in supporting the economy, specifically in financing micro, small and medium-sized enterprises most affected by the recent pandemic context. The issuance has a term of 6.5 years, with an option for early repayment by the Bank at the end of 5.5 years, and involved a diverse set of European institutional investors, many of whom are committed to ESG investments.

Also in line with the strategy of continuously optimizing its capital structure, strengthening its own funds and its base of eligible liabilities to meet the “MREL” requirements, the Bank issued in November subordinated debt in the amount of 300 million euros, eligible as Tier 2 own funds, with a maximum term of 10.5 years and with the option of early repayment by the bank at any time in the six months following the end of the 5th year.

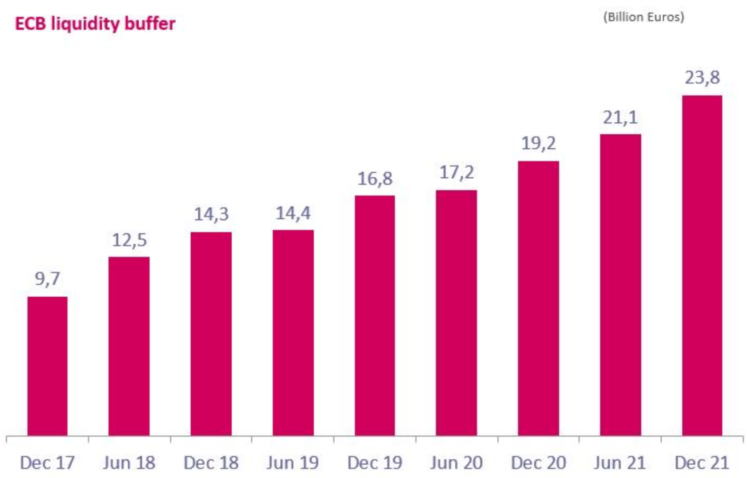
The liquidity generated by the operations described above, in addition to that resulting from the sustained reduction in the commercial gap in Portugal, mainly due to the growth in deposits from retail customers, continued to be applied to support the real economy and also, given its materiality, to reinforce by 2.8 billion euros in the public debt securities in Portugal and an increase of 2.1 billion euros (to 6.4 billion euros) in reserves deposited with the Bank of Portugal.

The following table illustrates the WSF structure (net) as of December 31, 2020 and December 31, 2021, in terms of the relative weight of each of the instruments used:

	Dec 21	Dec 20	Change in weight
Money Market	3.5%	6.0%	-2.5%
ECB	28.0%	48.1%	-20.1%
Private Placements	0.0%	0.0%	0.0%
REPOS	0.0%	0.6%	-0.6%
Loan Agreements	7.4%	8.2%	-0.8%
EMTN	16.2%	0.8%	15.4%
Covered Bonds	16.2%	14.6%	1.5%
Subordinated Debt	28.8%	21.6%	7.1%
Total	100.0%	100.0%	

The financing decisions described above resulted in increases in the weight of EMTN (senior preferred), from 0.8% to 16.2%, and subordinated debt, from 21.8% to 28.8%, offset by a reduction in the ECB's net funding, from 48.1% to 28,0%, among other minor variations.

Focused mainly on sovereign debt portfolios, placements in securities contributed to an increase of 3.0 billion euros in the balance of eligible assets (after haircuts) available for discount at the ECB, to 25.5 billion euros. Taking in account that net funding with the ECB, in the same period, fell by 1.6 billion euros, to 1.7 billion euros, the discountable liquidity buffer with the ECB increased by 4.6 billion euros, to 23.8 billion euros, as shown in the chart:



The ECB's response to the COVID-19 crisis involved, in addition to providing additional liquidity to the banking system through the creation of the aforementioned LTRO III, a transversal reduction of haircuts applicable to all types of assets eligible for discount, in the case of portfolios of credit rights on a permanent basis. Unless otherwise decided by that entity, the temporary measures should be in force until June 30, 2022, and their reversal is not expected to have material consequences on the size of the buffer held by the BCP with the ECB, given its current magnitude.

Throughout 2021, the liquidity positions of Bank Millennium (Poland) and Bim (Mozambique), the two main subsidiaries of BCP, continued to show their robustness, mainly through the reinforcement of retail deposits, allowing their liquidity buffers at the respective central banks to remain at a high level. As a result, both have globally positioned themselves in the comfort zone of the liquidity risk indicators adopted across the Group, as well as in all regulatory indicators.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 31 December 2021, had a total estimated value for Portugal of 2.3 billion euros, with the following origins: sale of corporate bonds, securitization of a portfolio consumer credit and own issuance of mortgage bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk of medium to long-term instruments will remain at very low levels in the coming years. Excluding the LTRO III refinancing, the annual amount to be refinanced over the next five years will only reach 1.0 billion euros in 2022, with the payment of a mortgage bond issue at that exact amount. Even in this case, the collateral released after repayment will be integrated into the cash-discountable liquidity buffer at the ECB, without significant loss of liquidity.

The conclusions of the ILAAP process reiterate the adequacy of the liquidity and risk management process in force in the Group to meet its commitments, as well as the compliance of its practices with the requirements defined by the supervision.

Liquidity risk control

The Group controls its liquidity profile from a structural and short-term perspective through regular monitoring of a set of internal and regulatory indicators, with identification of the factors underlying the variations that occur.

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 269% at the end of December 2021, comfortably above the minimum requirement of 100%, supported by a solid highly liquid assets portfolio. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (230%) which already reflected a high coverage level.

Consistently with the BCBS' stable funding standard came into effect in June 2021 the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced its stable funding base, characterized by the large share of customer deposits in the funding structure, supplemented by collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at December 31, 2021 to stand at 150% (140% as at December 31, 2020).

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund. The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

In 2021 the BCP Group Pension Fund had a net performance in commissions of 1.92%.

The Share Stock portfolio made a positive contribution to this performance, namely in the European components, where there was a 10% appreciation and international components with an appreciation above 20%.

It is also worth mentioning the total sale, at the end of the year, of the position in Achmea and its replacement by exposure to the European index.

In terms of allocation to equities, it should be noted that the fund started from a very conservative base at the beginning of the year, having proceeded to the repositioning of the fund to an over-exposure position during the 1st quarter, a position that was maintained throughout the year with a preference for European and North American markets.

The Real Estate investment portfolio made a positive contribution to the overall performance, registering an increase of 4%.

The Bonds portfolio recorded a negative performance, both in fixed and variable rates, as a result of the increase in yields throughout the year, despite the tactical positioning of maintaining a less duration when compared to the respective benchmark. It is also worth noting the preference for the periphery in the context of Public Debt, which was replaced in the second half of the year by an increase in exposure to core and semi-core markets.

The evolution of market interest rates in 2021 led to the need to update the discount rate to clear the Fund's liabilities. Thus, the current discount rate was changed from 1.05% in December 31, 2020, to 1.45% on June 30, 2021 and to 1.35% on December 31, 2021. On that date, the coverage of the pension fund's liabilities had an excess of around 228 million euros.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM acts as the second line of defence, within the scope of model risk management framework, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured. Its mission consists in monitor and validate risk quantification methodologies and internal models used in BCP and other Group entities in Portugal, as well as to independently ensure the assessment of the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data, according to the Model Risk Management (MRM) framework.

GAVM's scope of action encompasses, inter alia, the validation of the methodologies and internal models for credit risk (including Probability of Default (PD), Loss given Default (LGD), Credit Conversion Factors (CCF) and Expected Credit Loss (ECL) models), market risk (in the trading book), interest rate risk in the banking book and for the risks included in the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission. Additionally, GAVM participates in the Risk Assessment Committee (CAvR) to report the unit's activity.

Besides the activities directly related with the monitoring and validation of models, in terms of their performance and quality, GAVM is responsible for the coordination of the model risk management (MRM) activities, including the maintenance of a complete repository of the models used by the Bank and its permanent monitoring and updating through the use of a model management and risk assessment tool implemented at the Bank to support the MRM framework.

In 2021, several actions were carried out to monitor and validate the internal models in use by the Bank, including the regulatory report of the templates on the validation results of the credit risk internal models, according to the ECB instructions "Instructions for reporting the validation results of internal models". These actions aim, inter alia, to reinforce the confidence in the models, to monitor their performance and evolution, verifying their business adequacy and their compliance with applicable regulatory requirements and best practices, as well as to reinforce the identification and adaptability to changes in their predictive quality.

Within the scope of models' validation, a highlight is made to the initial validation's exercises performed in 2021 of the new credit risk internal models concerning the PD models for the Retail, Corporate and Real Estate Promotion segments, and the LGD models applicable to the Retail and Corporate segments, whose model's material changes' applications were submitted to the European Central Bank (ECB) in the last quarter of 2021. The subsequent validations regarding the credit risk internal models in production concerning the PD models for the Retail, Corporate and Real Estate Promotion segments, the Slotting Criteria model applied to Project Finance and the LGD models applicable to Retail and Corporate segments were also performed. It is noteworthy the validation made to the CCF model applicable to the Retail and Corporate segments, the validation's exercises performed to the internal market risk model and the validation activities performed within the scope of the ICAAP risk's quantification.

GAVM has the responsibility to maintain a robust and documented validation process for internal risk methodologies and models, in line with current regulations. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with the applicable regulatory requirements, by reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

As part of the model's monitoring activities, GAVM also ensured, among others, the quarterly report to the Risk Commission regarding the performance and quality of the internal models used under the IRB and IMA approaches for, respectively, credit and market risk, as well as the reporting of the 2021 regulatory Credit Risk Benchmarking exercise promoted by EBA.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group annually revises the Recovery Plan for its business and activities, in which a large set of key indicators are defined; these are permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and Supervision Bodies, is mandatory.

From the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment and from the modelling of all appropriate variables, metrics and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are defined by the Recovery Plan, which complements the Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis.

The Recovery Plan includes components of Bank Millennium's Recovery Plan (Poland) and information from Millennium bim's Recovery Plan (Mozambique). It is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

During 2021, there was a recovery in Portugal, although pre-COVID-19 pandemic levels have not yet been reached. The measures implemented to contain the spread of the pandemic and lessen the economic and social impacts were globally successful. GDP recorded an acceleration of growth to 4.9% in 2021, year on year. There was a recovery in terms of the external position and budgetary position, with a budget deficit of 4.3% of GDP being expected in 2021. Additionally, the Portuguese economy continues to record a level of public debt as a percentage of GDP above average of the Eurozone.

Noteworthy is the stability of public debt sustainability, recognized through the maintenance of the Portuguese Republic's rating and Outlook by three rating agencies and by the rating upgrade in September 2021 by a rating agency: Moody's from Baa3 to Baa2.

Portuguese banks continued to develop their activity in a challenging context during 2021, with the ECB keeping interest rates at historically low levels, despite the fact that at the end of the year there was a resurgence of inflationary pressures and there are signs that it may not be a cyclical phenomenon. This environment conditions the evolution of net interest income in Portugal. However, and in some cases, the negative impact on the margin was offset by long-term refinancing operations (TLTRO III) by the ECB, trading gains and the continued reduction in operating costs.

It is also worth noting the progress achieved in recent years in improving the quality of Portuguese banks' assets - through the reduction of NPE -, as well as the reinforcement of capital and liquidity, allowing favourable perspectives regarding the performance of the Portuguese banking sector even in a challenging context.

Despite the reduction of problem assets on the part of Portuguese banks, these still have high values on their balance sheets, remaining, alongside profitability and capitalization levels, one of the main concerns of rating agencies.

In 2021, some rating agencies took rating actions on BCP:

On September 21, 2021, Moody's upgraded BCP's deposit rating from Baa3/Prime-3 to Baa2/ Prime-2. This rating action was prompted by the upgrade of Portugal's public debt rating to Baa2 from Baa3 on 17 September 2021.

On October 11, Fitch Ratings revised the Outlook for BCP's long-term issuer rating (IDR) from Negative to Stable and affirmed the long-term issuer rating (IDR) at "BB" and the viability rating (VR) in "bb".

These actions by the Rating agencies reflect the persistence of some risks, such as the legal risk associated with the loan portfolio denominated in CHF in Poland, the still high stock of NPEs (some uncertainty regarding the evolution of the defaults) and the moderate levels, in relative terms, of capitalization levels.

Moody's	
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	Ba2
Counterparty Risk Assessment LT/ ST	Baa2(cr)/ P-2(cr)
Counterparty Risk LT / ST	Baa2/P-2
Deposits LT / ST	Baa2/ P-2
Senior Debt	Ba1 /NP
Senior Non Preferred	Ba3
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P)Ba3
Subordinated Debt	Ba3
Additional Tier 1	B2(hyb)
Other Short Term Debt	P(NP)
Covered Bonds	Aa2

Rating Actions

On September 21, 2021, Moody's upgraded BCP's deposit rating from Baa3/Prime-3 to Baa2/Prime-2. This rating action was prompted by the upgrade of Portugal's public debt rating to Baa2 from Baa3 on 17 September 2021.

Standard & Poor's	
Stand-alone credit profile(SACP)	bb
Resolution Counterparty Credit Rating LT/ ST	BBB-/A-3
Issuer Credit Rating LT/ ST	BB/B
Senior Debt	BB
Senior Non Preferred	B+
Outlook	Stable
Subordinated Debt	B
Additional Tier 1	CCC+

Rating Actions

Fitch Ratings	
Viability Rating	bb
Support	5
Support Floor	No Floor
Deposits LT/ ST	BB+/B
Senior Debt LT/ST	BB/B
Senior Non Preferred	BB-
Outlook	Stable
Subordinated Debt Lower Tier 2	B+
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

On October 11, 2021, Fitch Ratings revised the Outlook for BCP's long-term issuer rating (IDR) from Negative to Stable and affirmed the long-term issuer rating (IDR) at "BB" and the viability rating (VR) in "bb".

DBRS	
Intrinsic Assessment(IA)	BBB(low)
Critical obligations	BBB (high) / R-1 (low)
Deposits LT/ST	BBB/R-2 (high)
Senior Debt LT/ ST	BBB (low)/ R-2 (middle)
Senior Non Preferred	BB (high)
Trend	Negative
Dated Subordinated Notes	BB
Additional Tier 1	B
Covered Bonds	A

Rating Actions

Capital

The estimated CET1 ratio as at 31 December 2021 stood at 11.7%, compared to the 12.2%, reported in the same period of 2020, both phased-in and fully implemented and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2021 (CET1 8.828%, T1 10.750% and Total 13.313%).

The evolution of capital ratios in the period was significantly impacted by the increase in provisioning for legal risks associated with foreign currency loans of Bank Millennium in Poland, as well as by changes in the recognition of non-controlling interests in own funds, partially offset by the good performance of the activity in Portugal. Therefore, the CET1 ratio decreased from the figure presented in the same period of 2020, standing below the bank's medium-term goals, without jeopardizing the prospect of convergence towards such goals.

SOLVABILITY RATIOS

(Euro million)

	31 Dec. 21	31 Dec. 20	31 Dec. 21	31 Dec. 20
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	5,373	5,657	5,375	5,651
Tier 1	5,882	6,194	5,884	6,187
TOTAL CAPITAL	7,213	7,212	7,247	7,213
RISK WEIGHTED ASSETS	45,933	46,413	45,863	46,322
CAPITAL RATIOS (*)				
CET1	11.7%	12.2%	11.7%	12.2%
Tier 1	12.8%	13.3%	12.8%	13.4%
Total	15.7%	15.5%	15.8%	15.6%

(*) Includes the cumulative net income recorded in each period.

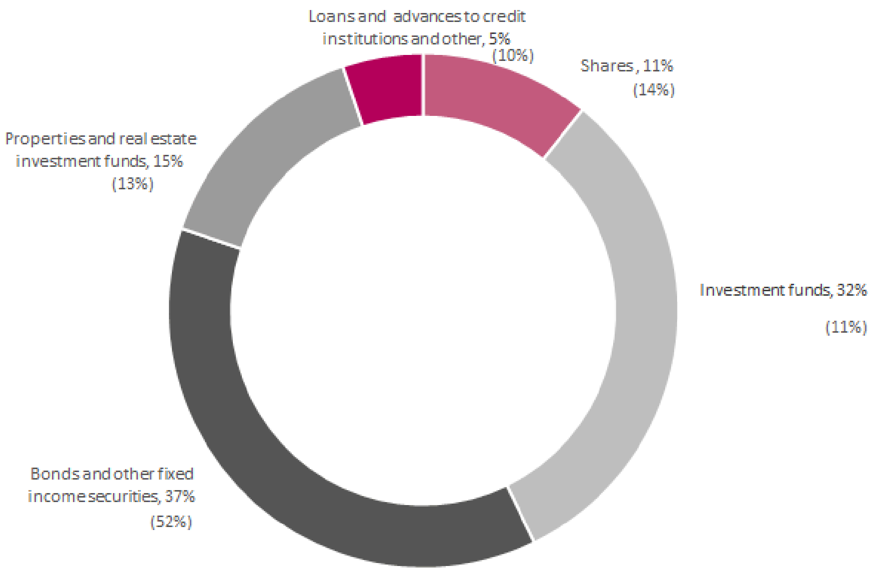
Pension Fund

The liabilities assumed by the Group Banco Comercial Português with pensions on retirement and other benefits are related with the payment to Employees of pensions on retirement, permanent disability pensions and widow and orphan benefits.

As at 31 December 2021, the Group's liabilities stood at 3,498 million Euros, comparing to 3,658 million Euros at the end of previous year. The Pension Fund's assets which are financing the above mentioned liabilities reached 3,700 million Euros by the end of 2021 (3,751 million Euros as at 31 December 2020).

As at 31 December 2021 and 31 December 2020, the main asset categories in the Pension Fund's portfolio presented the following distribution:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2021



(xx%) Proportion as at 31 December 2020

As at 31 December of 2021, the structure of the Pension Fund's asset portfolio shows, when compared to the end of previous year, a reduction in the bonds and other fixed income securities category, in contrast to the increase verified in exposure to participation units in investment funds. It is worth to highlight that in December 2021, the Pension Fund sold a 2.73% stake in the Dutch unlisted insurance group "Achmea BV", whose valuation amounted to 104 million Euros as at 31 December 2020.

The actuarial assumptions considered by the Group for calculating the liabilities with pension obligations were based on market indicators, particularly long-term debt yield of Euro Zone issuers considered to be at good risk, as well as the demographic characteristics of its employees. The main actuarial assumptions used to determine the Pension Fund's liabilities for the year ended in 2020 and 2021 are shown below:

ASSUMPTIONS	31 Dec. 21	31 Dec. 20	31 Dec. 19
Discount rate	1.35%	1.05%	1.49%
Increase in future compensation levels (a)	0.75%	0.75 %	0.75 %
Rate of pensions increase (a)	0.50%	0.50 %	0.50 %
Projected rate of return on fund's assets	1.35%	1.05%	1.40%
Mortality tables			
Men	TV 88/90	TV 88/90	TV 88/90
Women (b)	TV 88/90 - 3 years	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable	Not applicable
Normal retirement age (c)	66 years and 5 months	66 years and 5 months	66 years and 4 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%	1.00%

(a) This rate refers to the growth for the years following the reporting year. For 2021, an update of the salary table was incorporated, consistent with the proposal that the Group intends to make to the Bank's employees representative trade unions, in the context of the ongoing salary negotiations.
(b) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).
(c) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age. For 2021, the retirement age is 66 years and 6 months, for 2022 it is 66 years and 7 months. For 2023, due to the evolution of the average life expectancy at 65 years in Portugal and, consequently, the reduction of the normal retirement age in RGSS, the estimate of the normal retirement age was reduced to 66 years and 4 months. For the projection of life expectancy's increment it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

The actuarial differences recorded at the end of the year 2021 were positive by 135 million Euros, before taxes (negative in 89 million Euros, before taxes, as at 31 December 2020) and include 167 million Euros of actuarial gains as a consequence of the increase in the discount rate from 1.05% as at 31 December 2020 to 1.35% as at 31 December 2021. The actuarial deviations recognised in 2021 also incorporate 25 million Euros of positive financial deviations related to the pension fund's return, in particular referring to the gap between the expected income and the effective income of the Pension Fund, whose positive return rate of 1.92% exceeded the expected annual rate of return considered in the actuarial assumptions (1.05% in the first half of 2021 and 1.45% in the second half). Finally, negative deviations of 58 million Euros were also recorded as a result of differences between expected and actual liabilities.

The main indicators of the Pension Fund over the last three financial years are as follows:

MAIN INDICATORS	31 Dec. 21	31 Dec. 20	31 Dec. 19
Liabilities with pensions	3,498	3,658	3,490
Minimum level of liabilities to cover*	3,445	3,596	3,431
Value of the Pension Fund	3,700	3,751	3,501
Coverage rate	105,8%	102,5%	100,3%
Coverage rate of the minimum level of liabilities*	107,4%	104,3%	102,0%
Return on Pension Fund	1,9%	5,8%	8,1%
Actuarial (gains) and losses	(135)	89	285

* According to the Bank of Portugal requirements (assuming the application of the minimum requirement to all Group companies)

As of 31 December 2021, the Group's responsibilities showed a 105.8% coverage level, being funded at a higher level than the minimum set by Banco de Portugal.

It should also be noted that in 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

Regarding the 2021 update of the Salary Tables and other pecuniary expression clauses of the Collective Labour Agreements under negotiation, the Bank received on 17 February 2021 a proposal from SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca and SBN – Sindicato dos Trabalhadores do Sector Financeiro de Portugal and on 30 March 2021 a proposal from Mais Sindicato do Sector Financeiro and SBC – Sindicato Bancários do Centro, for which the Bank has not formally presented any counter-offer to date.

Information on trends

Framework

The year 2021 was marked by the recovery of economic activity, with GDP growing by 4.9% year-on-year. The unemployment rate remained at low levels. There was also a recovery in terms of the external position and budgetary position, with a budget deficit of 4.3% of GDP expected in 2021.

Despite the crisis caused by the COVID-19 pandemic, Portuguese banks continued to improve asset quality, liquidity and capitalization levels and have more efficient cost structures.

At the European level, with a view to accelerating economic recovery, an extraordinary package of European funds (NextGeneration EU) was approved in July, totalling 750 billion euros, distributed between grants and loans, which will run between 2021 and 2023 and which will be financed through the issuance of European debt.

In February 2022, Russia invaded Ukraine. A further escalation of the Russia-Ukraine conflict would jeopardize Europe's economic recovery. High geopolitical risks are unequivocally negative for economic activity and generate an inflationary environment. The magnitude of the effects will depend on the duration and severity of the crisis.

Impact on the Group's activity

The current economic and social context presented, in 2021, a set of challenges for the development of the Bank's activity.

Notwithstanding the recent trend of maintaining interest rate levels at historically low values - in many cases, negative values - a growth in the Group's net interest income is projected in 2022. In Portugal, net interest income growth will continue to be progressively impacted by the reduced positive impact of TLTRO III, which should be offset by the expected growth in volumes, with special emphasis on new mortgage credit production. There is also some expectation regarding the ECB's reaction, should the inflationary environment persist.

In the international activity, with a special focus on the Polish operation, the rise in the reference rates, which took place at the end of 2021 and which should continue in 2022, together with the strong growth of new mortgage credit production, should be the main guideline for the growth of the net interest income of Bank Millennium, in 2022.

Commissioning levels have been subject, in recent years, to strong regulatory limitations, particularly in the Portuguese operation, creating a constraint on their contribution to the Group's profitability. However, there was a review of the pricing of commissions in some Portuguese banks, with implications in 2022. The Bank has promoted the transfer of Customer resources from on-Balance Sheet to off-Balance Sheet, offering more profitable alternatives of remuneration for savings of Customers. The Bank has also focused on the development and improvement of digital solutions to increase/improve the offer of services related to the financial markets. However, bank commissions should also have a relevant performance in view of the expected increase in the volumes of credit granted. An increase in commissions in the Group is expected for 2022, both in the activity in Portugal and in the international activity.

The optimization of efficiency levels and the consolidation of the Bank's position as one of the most efficient in the Euro Zone are priorities that will continue to shape the Bank's activity in the future. In the same context, the digitalization process that has been implemented, both in terms of the Group's operations and the services provided to Customers, will continue to be a priority in the Group's strategy.

The cost of risk, one of the most relevant indicators in the current context of the economic crisis caused by the pandemic, should progressively converge to the objective level of the Strategic Plan 2021-2024, 50 p.b.

Significantly reducing exposure to problem loans has been one of the Group's main priorities. However, with the end of the moratoriums, the pace of implementation of this reduction should moderate.

The implementation of public and private support measures, with special emphasis on credit moratoriums, had as main objectives to protect Customers from the economic impacts caused by the pandemic and the financial sector in the face of a possible increase in exposure to NPE. Taking into account the duration of the support granted, until the end of December 2021, there was a migration of some of these loans to stage 3. The loans in arrears in stage 3 were situated at a level close to twice the NPE ratio at the end of December 2021. However, taking into account the rate of NPE reduction presented by the Group recently, as well as the projections of net inflows, it is expected that the new inflows will be offset by NPE sales and write-offs.

The Group's commercial activity volumes are expected to grow significantly in 2022, despite the expectation that growth will be lower than nominal GDP growth. It should be noted that the Strategic Plan aims to increase the stock of loans to individuals and the stock of loans to companies by 3 billion euros, in both cases, by the end of 2024.

MREL

On **December 14, 2021**, Banco Comercial Português, S.A. was 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"), with three different BCP Group resolution groups (in addition to the BCP resolution group, the resolution groups corresponding to (i) Bank Millennium, S.A. and its subsidiaries and (ii) Banco Internacional de Moçambique S.A. and its subsidiaries). The MREL requirements to be met by BCP, on a consolidated basis (taking as reference BCP's resolution group, which is composed of the Bank, 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), is of:

- 23.79% 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 27.29%); and
- 7.23% of the leverage ratio exposure measure ("LRE").

The Bank's compliance with these requirements must be ensured by 1 January 2024, with an interim target set at 1 January 2022, by which BCP must comply with a requirement of:

- 18.17% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirements of 21.42%); and
- 7.23% 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 consistent with its ongoing funding plan, and based on the information available to date, the compliance with the respective MREL requirements established for January 1, 2022, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE, are already ensured, considering the senior preferred debt and subordinated debt (Tier 2) issues carried out in 2021.

In November 2021, the Bank Millennium Group received a joint decision of the Single Resolution Board and the Bank Guarantee Fund, obliging the Bank to meet the minimum requirements for own funds and eligible liabilities (MREL). Pursuant to this decision, the Group is required to meet the minimum MREL requirement of 21.41% of the total risk exposure amount ("TREA") and the MREL requirement of 5.91%, calculated as a percentage of the total exposure measure ("LRE"), by December 31, 2023.

The decision also sets out a gradual path towards reaching the minimum requirements. Their level will be updated annually.

In connection with the above decision, in January 2022, the Supervisory Board of the Bank approved the Eurobond Issue Program with a total nominal value of no more than 3 billion euros.

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

Regarding mortgage loans indexed to Swiss francs (CHF) granted by Bank Millennium, there are risks related to verdicts issued by Polish courts in lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans, as well as risks related with the possible application of a sector-wide solution, i.e. a solution applied to all contracts (Swiss Franc-denominated/indexed mortgage loans) in the Polish financial sector. The Polish Financial Supervisory Authority suggested a possible sector-wide solution in December 2020, which has, since then, been under consideration by Polish banks.

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract.

On 11 May, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions, including the National Bank of Poland, the Polish Financial Supervision Authority, the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - instalments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance.

Notwithstanding the above, there are a number of questions addressed by Polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing an abusive contractual clause with a dispositive law provision;

- the limitation period of consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid;

- the possibility of declaration by the Court of abusive nature of only part of a contractual provision.

With the scope of settlements between Bank Millennium and borrower following the loan agreement being declared invalid is also connected the legal issue related with the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans.

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

In the view of Bank Millennium’s Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) the favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; and e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

Based on current information, some of the above mentioned aspects are not likely to be fully clarified and/or achieved.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank has taken any decision regarding the implementation of such a program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

Bank Millennium conducted a survey among its customers, in cooperation with an external reputed company, regarding the willingness to accept settlement in the terms of the sector solution put forward by the Chairman of KNF. 49% of clients enquired were preliminarily interested in benefiting from the proposal, while 25% were not able to clearly express their opinion and 26% would not take such offer.

According to current calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the then existing portfolio would be converted) with a pre-tax impact between PLN 4,390 million (Euros 957.70 million) to PLN 4,848 million (Euros 1,057.61 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of the Pillar 2 buffer.

Due to the complexity and uncertainty regarding the final verdict of these lawsuits, as well as the possible implementation of the solution suggested by the Chairman of KNF, as well as the uncertainty of the awaited Supreme Court or European Court of Justice decisions, it is difficult to accurately estimate the potential impacts of such outcomes and their influence on the date of publication of the Group's financial statements.

Resolution Fund

According to a statement issued by the Resolution Fund on 2 November 2021, the final judgment of the Arbitration Court constituted within the International Chamber of Commerce of Paris was favourable to the Resolution Fund regarding the transitional regime of the introduction of IFRS 9. The value of the dispute at the time of the judgment amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco had the Arbitration Court's judgment not been in its favour.

According to Novo Banco's statement disclosed on 3 November 2021, *"Novo Banco is reviewing"* the Arbitration Court's decision.

In accordance with Novo Banco's 1st Half 2021 report, *"In the financial year of 2020, the caption reserves registered in the responsibility of the Resolution Fund amounting to Euros 598.312 thousand relating to the Contingent Capital Agreement. The amount is accounted for under other reserves and it results at each balance sheet date of the incurred losses and of the regulatory ratios in force at the moment of its determination. In June 2021, regarding the year 2020, the amount of Euros 317.013 thousand was paid. The difference results from divergences between Novo Banco and the Resolution Fund regarding (i) the provision for discontinued operations in Spain, (ii) valuation of participation units and (iii) interest rate risk hedge accounting policy, leading to a limitation on immediate access to this amount, which despite being recorded as receivables, the bank deducted at 30 June 2021 the amount of 277.442 thousand from the calculation of regulatory capital. Novo Banco considers the amount of 277.442 thousand as due under the Contingent Capitalization Mechanism and the legal and contractual mechanisms at its disposal are being triggered in order to ensure their receipt. Additionally, it was also deducted the amount of variable remuneration to the Executive Board of Directors related to the year-end of 2019 and 2020 (Euros 3.857 thousand)"*.

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which if the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, the State may become Novo Banco's shareholder. According to the Resolution Fund's 2020 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake.

Novo Banco informed on 15 December 2021, through announcement to CMVM, a capital increase arising from the conversion of conversion rights relating to 2015 fiscal year, which were issued under the special regime applicable to deferred tax assets [4]. This capital increase of Novo Banco was done with the incorporation of reserves in the amount of Euros 154,907,314 through the issuance of 154,907,314 new shares representing 1.56% of its share capital and which were attributed to the Portuguese State in accordance with the mentioned regime. With this capital increase and as per agreement between the Resolution Fund and the shareholder Lone Star in the context of the sale of the 75% share capital of Novo Banco, only the Resolution Fund will be diluted. According to Novo Banco's website, the new shareholding structure is: Nani Holdings S.G.P.S, S.A 75%, Fundo de Resolução 2.44% and Direção-Geral do Tesouro e Finanças 1.56%.

On 30 September 2021, Novo Banco was held by Lone Star and Resolution Fund, corresponding, respectively, to 75% and 25% of the share capital. Following the above-mentioned capital increase, the State now holds 1.56%, Lone Star does not see its position diluted (75%) and the Resolution Fund sees its position reduced.

Regarding the tax credits relating to the periods of 2015 (whose conversion rights were exercised), 2016 and 2017, it was estimated that the State will hold, according to the 2020 Annual Report of the Resolution Fund, a number of ordinary shares representing a cumulative percentage of 5.69% of the share capital of Novo Banco, with the consequent dilution of the stake held by the Resolution Fund. The direct effect of this dilution is estimated at 1.4 p.p., plus the indirect effects described below.

Also, according to the 2020 Resolution Fund's Annual Report, *"the processes of conversion of deferred tax assets into tax credits are in progress, with reference to the periods of 2018, 2019 and 2020. The effect of this additional dilution may correspond to 10.6 p.p., in addition to the aggregate reduction of 5.7 p.p. already mentioned. In view of the above, and although an agreement was signed on 31 May 2021 clarifying the necessary procedures for the shareholding held by Nani Holdings in Novo Banco not to be reduced due to the capital increase resulting from the conversion of the conversion rights held by the State, at the current date the conditions are not yet met for a decision to be taken regarding the exercise of the option right, nor is there available information to reliably estimate the financial effect arising from the contractual liability assumed by the Resolution Fund, in the context of the sale transaction of Novo Banco, in October 2017, to ensure the maintenance of Lone Star's percentage interest in Novo Banco"*.On 3 May 2021, the Resolution Fund announced that the audit report conducted by the Court of Auditors ("Tribunal de Contas") - following the request of the Portuguese parliament of October 2020 to the operations and management of Novo Banco that were at the origin and led to the need to transfer funds from the Resolution Fund to Novo Banco - was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.~

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As published by Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans signed with the State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014.

According to Novo Banco's 2021 earnings press release, the amount of compensation to be requested by Novo Banco with reference to 2021 is Euros 209.2 million, took into account the losses incurred in the assets covered by the CCA, as well as the minimum capital condition applicable at the end of the same year under the CCA.

Non-financial information

The BCP Group pursues dynamic strategies adapted to the new challenges imposed by the several interested parties with which it establishes relations. The main objective of the adopted sustainability policies, which foster a culture of Social Responsibility, has been to positively influence the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which it operates. and with the preservation of natural resources, the climate and the environment.

Within this context, it is possible to divide the Bank's intervention into three major areas of intervention:

- Environment – implementation of measures that foster a fair and inclusive transition into a zero-carbon economic development model, including the incorporation of the environmental component in the Bank’s risk models and in the offer of products and services;
- Social – involvement with both the external and the internal communities;
- Corporate Governance - integration of the principles of sustainability in the Bank’s decision-making processes.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the economic and social development of the countries in which it operates.

Throughout the Bank's Sustainability journey, several external commitments have been made, of which the following stand out:

- Adherence to the 10 Principles of the United Nations Global Compact and recognition of the importance of the Sustainable Development Goals (SDGs) and the United Nations 2030 Agenda;
- “Letter of Commitment for Sustainable Financing in Portugal”, an aspirational document produced within the scope of the “Reflection Group for Sustainable Financing in Portugal” promoted by the Ministries of the Environment, Finance and Economy, which seek to highlight the importance of integrating environmental risks, social and governance in decision-making and risk management in the financial sector;
- “Commitment to Lisbon European Green Capital”, promoted by CML, which brings together more than 200 entities with a presence in the city, including companies, schools and institutions, in a commitment to climate action and towards sustainability that fosters a collective dynamic that allows fulfilling the targets defined by the Paris Agreement and accelerating the path towards carbon neutrality;
- “CEO's Guide to Human Rights”, an initiative of the World Business Council for Sustainable Development (WBCSD) and the Business Council for Sustainable Development (BCSD Portugal). The Guide incorporates reference policies and practices and aims to contribute to the implementation and promotion of human rights in organizations and their value chains;
- “Statement from Business Leaders for Renewed Global Cooperation” of the United Nations Global Compact, an international declaration that aims to demonstrate the commitment to ethical leadership, based on good governance practices, materialized through values, strategy, policies, operations and relations of proximity and involvement with all Stakeholders;
- “Women’s Empowerment Principles” from the United Nations Global Compact, an important international platform for the promotion of gender equality that demonstrates our long-term vision and the will to integrate – and promote – a collective dynamic based on cooperation and trust.

The orientation of the BCP Group's activities in these matters is reflected in Corporate Policies and Principles applicable to the various areas of activity and business (available at https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Pages/cod_internos. aspx) and is implemented in the Sustainability Master Plan (SMP), through which we intend to respond to the expectations, ambitions and needs of the Bank's Stakeholders and contribute to sustainable development.

The SMP 2019/2021, a multi-annual plan structured around selected dimensions to respond to the themes contained in the Bank's materiality matrix and under which we have successfully implemented a large number of initiatives and concrete actions, contemplated the following lines of action:

Dimension	Line of action
Governance Model of Sustainability and Corporate Policies	Implement a governance model for the Sustainability Area that allows for multidisciplinary and transversal action across the organization, including, whenever justified, international operations
	Review and update the Group's corporate policies
	Review evaluation and compensation policies
Training on Sustainability	e-Learning Course on Sustainability (and Sustainable Finance)
Brand and reputation management	Strengthen Millennium bcp's positioning in the sustainability indexes
	Adhere to sustainability principles and commitments
	Define BCP's positioning in relation to the SDGs
	Integrate sustainability into corporate events
	Strengthen the communication and dissemination of Microcredit
	Improve sustainability reporting and communication
Risk management, ethics and conduct	Foster a culture of compliance and rigorous risk management
	Ensure integration of environmental and social risks in the risk analysis process
Information security and data protection	Ensure management and information of Employees
Service quality and customer satisfaction	Optimize satisfaction levels
	Foster a culture of continuous improvement
	Creating a Customer Charter
Responsible supplier management	Formalize compliance with social and environmental requirements in the relationship with Suppliers
Innovation	Foster a culture of innovation
Sustainable financing policies and regulation	Monitor the development of the European Commission's Sustainable Finance Action Plan
Transparency of information provided to customers about	Integrate sustainability aspects of proposed investments into communication with Clients
Risk management	Integrate ESG risks into risk management procedures
	Sensitize Company Customers, from sectors of activity with greater exposure to risks and environmental regulations, to the issue of climate change
	Identify and classify Corporate Customers with greater social and environmental risks
Offering inclusive and sustainable products	Promote and launch products and services that respect social responsibility principles and respond to new environmental challenges
	Develop an offer of “ESG” products that promote the transition of the economy to a sustainable model
Accessibilities	Improve the implementation of differentiated hours for customer service
	Improve digital accessibility for customers
Talent attraction and retention	Supporting the adoption of healthy lifestyles
	Reinforce the mechanisms of proximity between Employees and top management
	Promoting work-family balance
Volunteering	Develop and approve a Volunteering Policy
	Develop volunteer program
Conscious Business Project	Promote a more conscious, sustainable, flexible and innovative organization
Human rights	Analyze and communicate position on human rights risk management
financial literacy	Financial Literacy Program
	Implement social and/or environmental awareness actions across the Group

Community investment	Develop campaigns in partnership with NGOs / IPSSs in the context of sustainable development
	Strengthen association with the Millennium bcp Foundation
	Reinforce and systematize partnerships with entities that encourage and develop Entrepreneurship among local communities
	Develop social responsibility actions
	Measure community impact
Climate change, energy efficiency and alternative energies	Contribute to limiting global warming to 2°C (Paris Agreement)
Environmental performance	Minimize environmental impact of operations

The implementation of the SMP has made it possible to improve the Bank's performance with regard to the main sustainability axes, in particular:

Economic / Governance	Social	Environmental
total number of customers 6,812 thousand. vs. 6,667 thousand. in 2020 % of payments to local suppliers 92.3% vs. 92.2% in 2020	Total number of employees 16,020 vs. 17,335 in 2020 Training (Hours) 726,400 vs. 685,847 in 2020	27,057 tCO_2 emitted vs. 31,018 in 2020 45,883 MWh of electricity consumed vs. 59,214 in 2020

In order to promote transparency in communication with our Stakeholders, assess the evolution of our performance and communicate this assessment carried out by recognized entities, we respond to several specialized indices:

Scope	Index	2021 Performance		2020 performance
BCP Group	MSCI	A	=	A
BCP Group	DJSI	64%	↓	69%
BCP Group	Carbon Disclosure Project	B	↓	THE-
BCP Group	Bloomberg Gender-Equality Index	81%	↑	78%
BCP Group	Vigeo Eiris	49% (88% disclosure)	↑	47% (86%)
BCP Group	Gaia Rating	78%	↑	76%

In 2021, the BCP Group remained in 'The Sustainability Yearbook', a reference publication in the area of Sustainability published by Standard & Poor's based on information collected in the responses given to the 'Dow Jones Sustainability Indices' (DJSI).

In the new Strategic Plan Cycle – Excelling 24 -, Millennium bcp will continue to seek to explore business opportunities related to sustainability, as well as manage the physical and transition risks of its portfolio to assert itself as a reference in the market. Millennium will innovate in its own products with a green and social rating aimed at all business segments.

Detailed information and indicators on the BCP Group's Sustainability performance are available, in an aggregated view and by geography, in the 2021 Sustainability Report, at https://ind.millenniumbcp.pt/pt/Institucional/ sustentabilidade/Pages/ annual_reports.aspx.

Correspondence table between the Management Report and Decree-Law 89/2017

DL no. 89/207 of July 28	Chapter/Section	Pages
Article 3 (Referred to No. 2 of Article 508-G of the CSC) The non-financial statement must contain enough information for an understanding of the evolution, performance, position and impact of its activities, referring, at a minimum, to environmental, social and worker-related issues, equality between women and men, the non-discrimination, respect for human rights, combating corruption and attempted bribery, including:		
a) Brief description of the company's business model	RS 21 | Value creation	13
	RS 21 | Introduction > Governance Model	18
	R&C 21 | Business model	37-41
b) Description of the policies followed by the company in relation to these matters, including the due diligence processes applied **c) Results of these policies**	**ENVIRONMENTAL:**	
	RS 21 | Introduction > Appointments	21-23
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Environmental responsibility	120-141
	RS 21 |Task Force on Climate-related Financial Disclosures (TCFD)	142-146
	SOCIAL AND RELATED TO WORKERS:	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Economic Responsibility > Employees	45-58
	RS 21 | Social Responsibility > Benefits to Employees	109-114
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	RS 21 | Introduction > Appointments	21-23
	RS 21 | Economic Responsibility	37-41
	RS 21 | Economic Responsibility > Employees	45-58
	HUMAN RIGHTS:	
	RS 21 | Introduction > Appointments	21-23
	RS 21 | Social Responsibility > Human Rights	116-117
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	RS 21 | Economic Responsibility > Ethics and Professional Conduct	58-65
d) Main risks associated with these issues, linked to the company's activities, including, where relevant and proportionate, its business relationships, its products or services likely to have negative impacts in these areas and the way in which those risks are managed by the company	**ENVIRONMENTAL:**	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | TCFD	142-146
	SOCIAL AND RELATED TO WORKERS:	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Economic Responsibility > Employees	45-58
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	RS 21 | Economic Responsibility > Employees	45-58
	HUMAN RIGHTS:	
	RS 21 | Social Responsibility > Human Rights	116-117
	UNGP Table - UN Guiding Principles Reporting Framework	166-168
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	RS 21 | Introduction > Social and Environmental Risk management	24-25
	RS 21 | Economic Responsibility > Ethics and Professional Conduct	58-65

e) Key performance indicators relevant to your specific activity	**ENVIRONMENTAL:**	
	RS 21 | Environmental Responsibility	120-141
	RS 21 | TCFD	142-146
	SOCIAL AND RELATED TO WORKERS:	
	RS 21 | Economic Responsibility > Employees	45-58
	RS 21 | Social Responsibility > Benefits to Employees	109-114
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	RS 21 | Economic Responsibility > Employees	45-58
	HUMAN RIGHTS:	
	RS 21 | Social Responsibility > Human Rights	116-117
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	RS 21 | Economic Responsibility > Ethics and Professional Conduct	58-65
Article 4 (Referred to Article 245- No. 1 r) and No. 2 of the CVM) Description of the diversity policy applied by the company in relation to its management and supervisory bodies, namely, in terms of age, sex, qualifications and professional background, the objectives of this diversity policy, the way in which it was applied and the results in the period of reference.	RS 21 | Economic Responsibility > Employees	45-47
	Corporate Governance Report 2021 | Diversity Policy of Governing Bodies Corporate Governance Report 2021 | Appointments and Remuneration Committee	755 761

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	2021	2020 (restated)
Interest and similar income	1,709,124	1,805,760
Interest expense and similar charges	(120,523)	(274,095)
NET INTEREST INCOME	1,588,601	1,531,665
Dividends from equity instruments	938	4,775
Net fees and commissions income	727,723	676,556
Net gains / (losses) from financial operations at fair value through profit or loss	(247)	(17,336)
Net gains / (losses) from foreign exchange	17,494	88,319
Net gains / (losses) from hedge accounting operations	4,286	(2,322)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(3,717)	(28,081)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	68,722	100,063
Other operating income / (losses)	(128,905)	(158,261)
TOTAL OPERATING INCOME	2,274,895	2,195,378
Staff costs	654,270	624,780
Other administrative costs	324,172	329,823
Amortisations and depreciations	137,156	135,800
TOTAL OPERATING EXPENSES	1,115,598	1,090,403
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,159,297	1,104,975
Impairment of financial assets at amortised cost	(352,833)	(513,406)
Impairment of financial assets at fair value through other comprehensive income	(4,626)	(10,360)
Impairment of other assets	(60,882)	(79,290)
Other provisions	(642,726)	(238,292)
NET OPERATING INCOME	98,230	263,627
Share of profit of associates under the equity method	56,937	67,695
Gains / (losses) arising from sales of subsidiaries and other assets	2,570	(6,387)
NET INCOME BEFORE INCOME TAXES	157,737	324,935
Income taxes		
Current	(81,353)	(108,520)
Deferred	(122,273)	(23,570)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(45,889)	192,845
Income arising from discontinued or discontinuing operations	70,881	15,520
NET INCOME AFTER INCOME TAXES	24,992	208,365
Net income for the year attributable to:		
Bank's Shareholders	138,082	183,012
Non-controlling interests	(113,090)	25,353
NET INCOME FOR THE YEAR	24,992	208,365
Earnings per share (in Euros)		
Basic	0.007	0.010
Diluted	0.007	0.010

The balances for 2020 were restated under the changes in accounting policies and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as detailed in note 59.

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	2021	2020 (restated)
ASSETS		
Cash and deposits at Central Banks	7,796,299	5,303,864
Loans and advances to credit institutions repayable on demand	361,786	262,395
Financial assets at amortised cost		
Loans and advances to credit institutions	453,213	1,015,087
Loans and advances to customers	54,972,401	52,022,357
Debt securities	8,205,196	6,234,545
Financial assets at fair value through profit or loss		
Financial assets held for trading	931,485	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	990,938	1,315,467
Financial assets at fair value through other comprehensive income	12,890,988	12,140,392
Hedging derivatives	109,059	91,249
Investments in associated companies	462,338	434,959
Non-current assets held for sale	780,514	1,026,481
Investment property	2,870	7,909
Other tangible assets	600,721	640,825
Goodwill and intangible assets	256,213	245,954
Current tax assets	17,283	11,676
Deferred tax assets	2,688,216	2,633,790
Other assets	1,385,292	1,296,812
TOTAL ASSETS	92,904,812	85,714,963
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	8,896,074	8,898,759
Resources from customers	69,560,227	63,000,829
Non subordinated debt securities issued	2,188,363	1,388,849
Subordinated debt	1,394,780	1,405,172
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	231,241	278,851
Financial liabilities at fair value through profit or loss	1,581,778	1,599,405
Hedging derivatives	377,206	285,766
Provisions	458,744	345,341
Current tax liabilities	20,427	14,827
Deferred tax liabilities	16,932	7,242
Other liabilities	1,116,983	1,103,652
TOTAL LIABILITIES	85,842,755	78,328,693
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	259,528	254,464
Treasury shares	—	(40)
Reserves and retained earnings	580,304	642,397
Net income for the year attributable to Bank's Shareholders	138,082	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,385	6,221,304
Non-controlling interests	942,672	1,164,966
TOTAL EQUITY	7,062,057	7,386,270
TOTAL LIABILITIES AND EQUITY	92,904,812	85,714,963

The balances for the year 2020 were restated under the changes occurred in accounting policies described in note 59.

Alternative performance measures

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

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

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

Euro million

	31 Dec. 21	31 Dec. 20 restated	31 Dec. 19
Loans to customers (net) (1)	56,360	53,975	52,275
Balance sheet customer funds (2)	71,175	64,764	62,607
(1) / (2)	**79.2%**	**83.3%**	**83.5%**

2) Return on average assets (ROA)

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

Euro million

	2021	2020 restated	2019
Net income (1)	138	183	302
Non-controlling interests (2)	(113)	25	99
Average total assets (3)	90,484	84,829	79,590
[(1) + (2), annualised] / (3)	**0.0%**	**0.2%**	**0.5%**

3) Return on average equity (ROE)

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

Euro million

	2021	2020 restated	2019
Net income (1)	138	183	302
Average equity (2)	5,847	5,840	5,970
[(1), annualised] / (2)	**2.4%**	**3.1%**	**5.1%**

4) Cost to income

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

Euro million

	2021	2020 restated	2019
Operating costs (1)	1,116	1,090	1,166
of which: specific items (2)	91	46	66
Net operating revenues (3)*	2,334	2,257	2,336
[(1) - (2)] / (3)	**43.9%**	**46.3%**	**47.1%**

* Excludes the specific items, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary (1 million euros in 2019 and an immaterial amount in 2020 and 2021).

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

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

Euro million

	2021	2020 restated	2019
Loans to customers at amortised cost, before impairment (1)	58,137	55,668	54,352
Loan impairment charges (net of recoveries) (2)	349	510	390
[(2), annualised] / (1)	**60**	**92**	**72**

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

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

Euro million

	31 Dec. 21	31 Dec. 20 restated	31 Dec. 19
Non-Performing Exposures (1)	2,752	3,295	4,206
Loans to customers (gross) (2)	58,231	56,048	54,724
(1) / (2)	**4.7%**	**5.9%**	**7.7%**

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

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

Euro million

	31 Dec. 21	31 Dec. 20 restated	31 Dec. 19
Non-Performing Exposures (1)	2,752	3,295	4,206
Loans impairments (balance sheet) (2)	1,871	2,073	2,449
(2) / (1)	**68.0%**	**62.9%**	**58.2%**

Application of Results

Taking into consideration:

A. The provisions of the law and of the articles of association concerning the legal reserve;

B. The dividends policy of Banco Comercial Português (BCP);

C. The alteration introduced in the Work Collective Agreement, published on 29 March 2014 on the no Bulletin of Work and Employment nr. 12 which enabled the Employees of Group Banco Comercial Português in Portugal, in the period of time comprised between June 2014 and June 2017, to accept a temporary reduction in their remuneration. This reduction was done with the purpose of rendering the Bank's recovery process feasible and contribute for the compliance with the requirements imposed to the Bank to be able to benefit from State Aid;

D. That the said alteration to the Work Collective Agreement presumed that the Board of Directors, in the years following the end of the State aid, if there were earnings for such, would present to the General Meeting of Shareholders a proposal for the distribution of earnings to Employees that, at the end of the years, would enable the delivery of an accumulated global amount, at least, equal to the total amount which the Employees did not receive during the period while the temporary reduction in their remuneration was in effect;

E. That BCP completed the payment of the State aid, plus respective interests, in February 2017 and the General Meetings of Shareholders held on 22 May 2019 and on 20 May 2020 approved the allocation of a portion of the earnings of the financial years to be distributed to the Employees;

F. That, according to the financial statements to be submitted to the approval of the Shareholders, in the 2021 financial year Banco Comercial Português recorded consolidated net earnings amounting to € 138,082,212.58 and individual net earnings amounting to €90,060,487.24;

G. That the approval of any compensation for the Employees against the income statement, as well as the estimation of the respective amount, pertains exclusively to the General Meeting of Shareholders,

H. That the Dividends Policy approved by this General Meeting of Shareholders on 20 May 2021 sets as its Guidelines:

   a) The promotion of conditions for the sustainable observance of the capital ratios at any moment applicable to the Bank, as well as the remaining applicable legal requirements, including the limitations that are applicable at any moment, resulting from the calculation of the maximum amount to be distributed;

   b) The retention of own funds that enable to promote coherence with the Risk Appetite Statement (RAS) and with the results of the internal capital adequacy assessment process (ICAAP);

   c) The safeguard of an appropriate safety margin on the values established by the regulator within the scope of its assessment and evaluation on the adequacy of strategies, processes, capital and liquidity that are appropriate to the risks to which the Bank is or might be exposed to (SREP);

I. That, reiterating its intention to comply with the Bank's dividends policy, the Board of Directors cannot fail to consider the potential impacts and uncertainties associated with the current pandemic situation and geopolitical international crisis and respective impacts on the economy in general, that advise extreme caution in the proposal for the appropriation of income, caution also recommended by the Supervisory Authorities, The Board of Directors

Proposes:

I

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) of the Companies Code, and article 54 of the Bank's articles of association, we propose the following application of year-end results amounting to € 90,060,487.24, euros:

a) For the reinforcement of legal reserve, € 9,006,048.73;

b) For attribution of dividends, € 13,602,590.96

c) For distribution to the employees € 5,692,000.00;

d) € 61,759,847.55, that is, the remaining, to Retained Earnings.

II

Considering that the global amount € 13,602,590.96 foreseen in number one as dividends was estimated based on a unit dividend per share issued (in the case, € 0.0009 per share) and the fact that it is not possible to make an accurate determination the number of own shares in the portfolio on the date the dividends are paid, we do hereby propose, in case of approval of the proposed allocation of dividends, the adoption of a resolution setting forth the following:

a) The payment to each share of the unit dividend of € 0.0009, the rational supporting the proposal;

b) The non-payment, placing it in Retained Earnings, of the unit quantitative corresponding to the shares that, on the first day of the dividend payment period, belong to the Company.

III

We do hereby propose that, pursuant to the approval regarding the distribution of the global amount of € 5,692,000.00 foreseen in number one of paragraph c), it is resolved that the determination of the specific amount to attribute to each employee be established by the Executive Committee and paid together with the remuneration corresponding to June 2022.

THE BOARD OF DIRECTORS

Lisbon, 28 March 2022

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

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

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

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

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

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

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

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

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

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

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

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income, from financial assets held for trading and, until 2017, from financial assets available for sale.

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 2017).

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

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

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

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

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

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

Other net operating income – net gains from insurance activity (only until 2019), other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

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

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

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

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

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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

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

Accounts and Notes to the Consolidated Accounts

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FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

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Non-controlling interests	44	(113,090)	25,353
NET INCOME FOR THE YEAR		24,992	208,365
Earnings per share (in Euros)			
Basic	17	0.007	0.010
Diluted	17	0.007	0.010

The balances for 2020 were restated under the changes in accounting policies and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as detailed in note 59.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	2021				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	(45,889)	70,881	24,992	138,082	(113,090)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	(235,067)	—	(235,067)	(129,584)	(105,483)
Reclassification of (gains) / losses to profit or loss (note 5)	(68,722)	—	(68,722)	(67,312)	(1,410)
Cash flows hedging					
Gains / (losses) for the year	(402,269)	—	(402,269)	(365,881)	(36,388)
Other comprehensive income from investments in associates and others	(2,723)	—	(2,723)	(2,717)	(6)
Exchange differences arising on consolidation	111,698	(2,129)	109,569	78,410	31,159
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,040)	—	(1,040)	(1,040)	—
Fiscal impact	185,425	—	185,425	158,263	27,162
	(412,698)	(2,129)	(414,827)	(329,861)	(84,966)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	1,073	85	1,158	1,231	(73)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(348)	—	(348)	(348)	—
Actuarial gains / (losses) for the year					
BCP Group Pension Fund (note 50)	135,285	—	135,285	135,285	—
Pension Funds of foreign subsidiaries and associated companies	(697)	—	(697)	(1,123)	426
Fiscal impact	(7,287)	—	(7,287)	(7,256)	(31)
	128,026	85	128,111	127,789	322
Other comprehensive income / (loss) for the year	(284,672)	(2,044)	(286,716)	(202,072)	(84,644)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(330,561)	68,837	(261,724)	(63,990)	(197,734)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

	2020 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	192,845	15,520	208,365	183,012	25,353
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	245,538	(2)	245,536	212,166	33,370
Reclassification of (gains) / losses to profit or loss (note 5)	(100,063)	—	(100,063)	(85,423)	(14,640)
Cash flows hedging					
Gains / (losses) for the year	110,583	—	110,583	112,157	(1,574)
Other comprehensive income from investments in associates and others	13,452	—	13,452	13,480	(28)
Exchange differences arising on consolidation	(256,819)	332	(256,487)	(145,504)	(110,983)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,202)	—	(1,202)	(1,202)	—
Fiscal impact	(76,487)	—	(76,487)	(73,238)	(3,249)
	(64,998)	330	(64,668)	32,436	(97,104)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	(9,879)	(186)	(10,065)	(9,794)	(271)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	461	—	461	461	—
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(88,645)	—	(88,645)	(88,645)	—
Pension Funds of foreign subsidiaries and associated companies	(2,063)	(1,547)	(3,610)	(3,436)	(174)
Fiscal impact	24,918	91	25,009	24,909	100
	(75,208)	(1,642)	(76,850)	(76,505)	(345)
Other comprehensive income / (loss) for the year	(140,206)	(1,312)	(141,518)	(44,069)	(97,449)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	52,639	14,208	66,847	138,943	(72,096)

The balances for 2020 were restated under the changes in accounting policies and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as detailed in note 59.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Notes	2021	2020 (restated)
ASSETS			
Cash and deposits at Central Banks	18	7,796,299	5,303,864
Loans and advances to credit institutions repayable on demand	19	361,786	262,395
Financial assets at amortised cost			
Loans and advances to credit institutions	20	453,213	1,015,087
Loans and advances to customers	21	54,972,401	52,022,357
Debt securities	22	8,205,196	6,234,545
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	931,485	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	23	990,938	1,315,467
Financial assets at fair value through other comprehensive income	23	12,890,988	12,140,392
Hedging derivatives	24	109,059	91,249
Investments in associated companies	25	462,338	434,959
Non-current assets held for sale	26	780,514	1,026,481
Investment property	27	2,870	7,909
Other tangible assets	28	600,721	640,825
Goodwill and intangible assets	29	256,213	245,954
Current tax assets		17,283	11,676
Deferred tax assets	30	2,688,216	2,633,790
Other assets	31	1,385,292	1,296,812
TOTAL ASSETS		92,904,812	85,714,963
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	8,896,074	8,898,759
Resources from customers	33	69,560,227	63,000,829
Non subordinated debt securities issued	34	2,188,363	1,388,849
Subordinated debt	35	1,394,780	1,405,172
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	231,241	278,851
Financial liabilities at fair value through profit or loss	37	1,581,778	1,599,405
Hedging derivatives	24	377,206	285,766
Provisions	38	458,744	345,341
Current tax liabilities		20,427	14,827
Deferred tax liabilities	30	16,932	7,242
Other liabilities	39	1,116,983	1,103,652
TOTAL LIABILITIES		85,842,755	78,328,693
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	259,528	254,464
Treasury shares	42	—	(40)
Reserves and retained earnings	43	580,304	642,397
Net income for the year attributable to Bank's Shareholders		138,082	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,119,385	6,221,304
Non-controlling interests	44	942,672	1,164,966
TOTAL EQUITY		7,062,057	7,386,270
TOTAL LIABILITIES AND EQUITY		92,904,812	85,714,963

The balances for the year 2020 were restated under the changes occurred in accounting policies described in note 59.

CHIEF ACCOUNTANT — THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	2021	2020 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,610,633	1,541,781
Commissions received	925,786	877,504
Fees received from services rendered	110,095	70,625
Interests paid	(182,934)	(248,487)
Commissions paid	(145,957)	(157,022)
Recoveries on loans previously written off	22,938	22,680
Net earned insurance premiums	20,975	16,386
Claims incurred of insurance activity	(7,827)	(6,053)
Payments (cash) to suppliers and employees (*)	(1,250,979)	(1,229,338)
Income taxes (paid) / received	(61,834)	(89,589)
	1,040,896	798,487
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	204,997	169,528
Deposits held with purpose of monetary control	190,049	(291,669)
Loans and advances to customers receivable / (granted)	(4,192,195)	(4,080,970)
Short term trading securities	45,161	(175,522)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(42,783)	(12,437)
Deposits from credit institutions with agreed maturity date	94,089	2,560,161
Loans and advances to customers repayable on demand	6,589,819	7,077,726
Deposits from customers with agreed maturity date	481,649	(2,992,767)
	4,411,682	3,052,537
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control (**)	4,809	20
Acquisition of investments in subsidiaries	(2,252)	–
Dividends received	16,651	11,891
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	199,303	183,763
Sale of financial assets at fair value through other comprehensive income and at amortised cost	6,552,698	19,346,529
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(58,763,208)	(39,893,571)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	49,315,510	17,992,857
Acquisition of tangible and intangible assets	(80,464)	(78,739)
Sale of tangible and intangible assets	13,614	11,276
Decrease / (increase) in other sundry assets	44,657	348,594
	(2,698,682)	(2,077,380)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	300,000	–
Reimbursement of subordinated debt	(305,368)	(165,017)
Issuance of debt securities	998,439	–
Reimbursement of debt securities	(246,018)	(271,849)
Issuance of commercial paper and other securities	105,708	22,694
Reimbursement of commercial paper and other securities	(26,074)	(239,116)
Dividends paid to non-controlling interests	(17,516)	(22,974)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(37,000)	(37,000)
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	(2,914)	73,443
	769,257	(639,819)
Exchange differences effect on cash and equivalents	109,569	(256,487)
Net changes in cash and equivalents	2,591,826	78,851
Cash (note 18)	579,997	636,048
Deposits at Central Banks (note 18)	4,723,867	4,530,503
Loans and advances to credit institutions repayable on demand (note 19)	262,395	320,857
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,566,259	5,487,408
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 END OF THE YEAR	8,158,085	5,566,259

(*) In 2021, this balance includes the amount of Euros 581,000 (2020: Euros 2,077,000) related to short-term lease contracts and the amount of Euros 2,564,000 (2020: Euros 2,054,000) related to lease contracts of low value assets.

(**) As Banco Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. are now considered discontinued operations, the respective amounts, net of intra-group operations, were incorporated into cash flows arising from investing operations.

(***) In 2021, this balance includes the amount of Euros 58,206,000 (2020: Euros 59,161,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non- - controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the year	–	–	–	–	–	–	183,012	183,012	25,353	208,365
Other comprehensive income	–	–	–	–	–	(44,069)	–	(44,069)	(97,449)	(141,518)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(44,069)	183,012	138,943	(72,096)	66,847
Results application										
Legal reserve	–	–	–	13,929	–	(13,929)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	302,003	(302,003)	–	–	–
Interests of perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	(37,000)	–	(37,000)	–	(37,000)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	(96)	–	(96)	–	(96)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Dividends (a)	–	–	–	–	–	–	–	–	(22,974)	(22,974)
Treasury shares	–	–	–	–	62	–	–	62	–	62
Other reserves	–	–	–	–	–	(335)	–	(335)	(408)	(743)
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 year	–	–	–	–	–	–	138,082	138,082	(113,090)	24,992
Other comprehensive income	–	–	–	–	–	(202,072)	–	(202,072)	(84,644)	(286,716)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(202,072)	138,082	(63,990)	(197,734)	(261,724)
Results application										
Legal reserve (note 41)	–	–	–	5,064	–	(5,064)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	183,012	(183,012)	–	–	–
Interests of perpetual subordinated bonds (Additional Tier 1)	–	–		–	–	(37,000)	–	(37,000)	–	(37,000)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(1,906)	(1,906)
Sale and loss of control of subsidiaries	–	–	–	–	–	–	–	–	(4,556)	(4,556)
Dividends (a)	–	–	–	–	–	–	–	–	(17,516)	(17,516)
Treasury shares (note 42)	–	–	–	–	40	–	–	40	–	40
Other reserves (note 43)	–	–	–	–	–	(969)	–	(969)	(582)	(1,551)
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

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these 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 years ended on 31 December 2021 and 2020.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). 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 consolidated financial statements and the accompanying notes were approved on 28 March 2022 by the Bank's Board of Directors and are presented in thousands of euros, rounded to the nearest thousand.

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

The consolidated financial statements for the year ended on 31 December 2021 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU that are effective on that date.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2021. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

However, according to the described in note 48, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of the subsidiary Banque Privée BCP (Suisse) S.A. and, in accordance with the provisions of IFRS 5, this operation was considered as discontinuing in June 2021. The sale has been completed on 2 November 2021. Thus, with reference to 31 December 2020, the total assets and liabilities of this subsidiary are reflected in the consolidated balance sheet in the respective lines, while the income and expenses for the financial years ended on 31 December 2021 and 2020 are presented in a single line denominated "Income arising from discontinued and discontinuing operations". The financial statement for 2020, that have been incorporated in this caption is detailed in note 59.

Additionally, as referred in note 48, 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., now holding a minority stake of 22%. In accordance with the provisions of IFRS 5, this operation was considered as discontinuing in December 2021 and the impact on results is presented in a separate line of the income statement denominated "Income/(loss) arising from discontinued or discontinuing operations". The 2020 financial statement of Seguradora Internacional de Moçambique, S.A. that has been incorporated are detailed in note 59. As regards the entity's assets and liabilities, they are no longer included in the consolidated balance sheet in the respective lines, and the entity is now consolidated under the equity method.

To ensure the comparability of information, the Group has made the appropriate adjustments to the comparable data in the 2020's consolidated income statement for the two entities, as detailed in note 59.

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

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

To ensure comparability, the Group has made appropriate adjustments to the comparable data in 2020's consolidated balance sheet and in the consolidated income statement, as detailed in note 59.

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

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are 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 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". The exchange rates used by the Group are detailed in note 54.

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

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

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

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

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

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

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

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

The classification is made taking into consideration the following aspects:

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

C1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

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

Classification

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

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

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

a) “Financial assets held for trading”

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

C1.2. Reclassification between categories of financial assets

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

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

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

C1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition criteria

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

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

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

- change in qualitative features, namely:

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

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

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

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

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

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

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

C1.5.2. Classification of financial instruments by stages

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

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

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

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

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

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

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

a) Delay over 90 days of material payment:

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

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

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

b) Signs of low probability of payment:

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

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

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

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

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

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

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

4. The individual analysis includes the following procedures:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) "Financial liabilities held for trading"

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

C2.1.2. Financial guarantees

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

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

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

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

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

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

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

C5. Embedded Derivatives

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

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

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

D. Securitization operations

D1. Traditional securitizations

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

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

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

As at 31 December 2021, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4).

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

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

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

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

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when the intention is to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale 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 consolidated statement of cash flows.

Impact from the lessor's perspective

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

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

Subleases

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

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

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

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

Impact of the pandemic caused by COVID-19 virus

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

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

I. Recognition of income from services and commissions

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

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

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

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

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

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

K. Fiduciary activities

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

L. Other tangible assets

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

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

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

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

M. Investment property

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

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

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

N. Intangible assets

N1. Research and development expenditure

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

N2. Software

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

O. Cash and cash equivalents

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

P. Offsetting

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

Q. Foreign currency transactions

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

R. Employee benefits

R1. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

R3. Defined contribution plan

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

As at 31 December 2021, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

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

R4. Variable remuneration paid to employees

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

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

R5. Share-based compensation plan

As at 31 December 2021, 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, approved for the financial year of 2021 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

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

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

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

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

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

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

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

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

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

S. Income taxes

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

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

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

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

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

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

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

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity, or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

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

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

T. Segmental reporting

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

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

Portugal activity:

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

The "Other" segment (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola. It should be noted that, following the agreement signed for the sale of the operation in Switzerland, concluded on 2 November 2021, the subsidiary's current net income for the years 2021 and 2020, as well as 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 Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the consolidated financial statements, considering the context of uncertainty that results from the impact of COVID-19 in the current economic scope. The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group's reported results and related disclosure.

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

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

Y1. Entities included in the consolidation perimeter

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

Y2. Goodwill impairment

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

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

Y3. Income taxes

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

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

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

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

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

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

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

In the calculation of 2020’s taxable income and in the estimation of 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 was not exercised.

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

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

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

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

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

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

Y5. Pension and other employees' benefits

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

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

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

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

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

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

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

Loss given default:

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

Y6.3. Fair value of derivative financial instruments

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

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

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

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

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

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

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

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(5,911)	277
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	27,399	31,803
Loans and advances to customers	1,411,595	1,448,219
Debt securities	131,080	113,654
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	1,482	10,721
Financial assets not held for trading mandatorily at fair value through profit or loss	12,181	15,817
Financial assets designated at fair value through profit or loss	—	569
Interest on financial assets at fair value through other comprehensive income	74,020	120,257
Interest on hedging derivatives	53,023	60,526
Interest on other assets	4,255	3,917
	1,709,124	1,805,760
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	74,549	33,137
Resources from customers	(89,781)	(186,216)
Non subordinated debt securities issued	(19,929)	(16,014)
Subordinated debt	(57,663)	(70,154)
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	163	(771)
Financial liabilities at fair value through profit or loss		
Resources from customers	(1,542)	(3,058)
Non subordinated debt securities issued	(1,228)	(1,937)
Interest on hedging derivatives	(17,321)	(20,558)
Interest on leasing	(5,500)	(6,022)
Interest on other liabilities	(2,271)	(2,502)
	(120,523)	(274,095)
	1,588,601	1,531,665

The balance Interest on loans and advances to credit institutions repayable on demand has accounted for, in 2021, negative interest of Euros 6,737,000 (2020: Euros 1,017,000) 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 18,008,000 (2020: Euros 29,766,000) 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 58,881,000 (2020: Euros 69,030,000) related to interest income arising from customers classified in stage 3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 25,935,000 (2020: Euros 34,335,000), as referred in note 21 and Euros 47,000 (2020: Euros 54,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 2,669,000 and Euros 5,356,000, respectively (2020: Euros 3,563,000 and Euros 7,077,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

According to note 32, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded in 2021 a negative cost of Euros 81,266,000 (2020: a negative cost of Euros 40,057,000) associated with the TLTRO III operation.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Dividends from financial assets held for trading	6	4
Dividends from financial assets through other comprehensive income	932	4,771
	938	4,775

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

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Fees and commissions received		
Banking services provided	442,638	400,874
Management and maintenance of accounts	149,847	135,508
Bancassurance	119,395	122,017
Securities operations	67,192	69,915
Guarantees granted	44,171	47,467
Commitments to third parties	5,307	4,463
Fiduciary and trust activities	—	36
Other commissions	46,714	43,330
	875,264	823,610
Fees and commissions paid		
Banking services provided by third parties	(112,001)	(111,589)
Securities operations	(8,514)	(7,891)
Guarantees received	(1,954)	(3,548)
Other commissions	(25,072)	(24,026)
	(147,541)	(147,054)
	727,723	676,556

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	198,287	44,305
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(6,478)	(62,528)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(192,056)	887
	(247)	(17,336)
Net gains / (losses) from foreign exchange	17,494	88,319
Net gains / (losses) from hedge accounting	4,286	(2,322)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(3,717)	(28,081)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	68,722	100,063
	86,538	140,643

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

(Thousands of euros)

	2021	2020 (restated)
Net gains / (losses) from financial assets held for trading		
Gains		
Debt securities portfolio	14,990	16,948
Equity instruments	2	696
Derivative financial instruments	320,154	387,414
Other operations	1,498	1,837
	336,644	406,895
Losses		
Debt securities portfolio	(14,604)	(9,650)
Equity instruments	(628)	(2,275)
Derivative financial instruments	(122,133)	(349,652)
Other operations	(992)	(1,013)
	(138,357)	(362,590)
	198,287	44,305
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	37,639	28,791
Debt securities portfolio	20,269	7,365
Equity instruments	1,642	30,101
	59,550	66,257
Losses		
Loans and advances to customers	(28,897)	(38,421)
Debt securities portfolio	(37,131)	(90,364)
	(66,028)	(128,785)
	(6,478)	(62,528)

(continues)

(continuation)

(Thousands of euros)

	2021	2020 (restated)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	176	747
Debt securities issued		
Certificates and structured securities issued	—	68,289
Other debt securities issued	3,697	612
	3,873	69,648
Losses		
Debt securities portfolio	—	(874)
Resources from customers	—	(114)
Debt securities issued		
Certificates and structured securities issued	(193,488)	(66,977)
Other debt securities issued	(2,441)	(796)
	(195,929)	(68,761)
	(192,056)	887

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

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

(Thousands of euros)

	2021	2020 (restated)
Net gains / (losses) from foreign exchange		
Gains	1,796,161	2,099,728
Losses	(1,778,667)	(2,011,409)
	17,494	88,319
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	250,207	24,458
Hedged items	10,684	67,547
	260,891	92,005
Losses		
Hedging derivatives	(105,124)	(82,137)
Hedged items	(151,481)	(12,190)
	(256,605)	(94,327)
	4,286	(2,322)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	828	6,102
Debt securities issued	638	3,470
Others	300	267
	1,766	9,839
Losses		
Credit sales	(4,384)	(34,335)
Debt securities issued	(151)	(2,622)
Others	(948)	(963)
	(5,483)	(37,920)
	(3,717)	(28,081)

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

(Thousands of euros)

	2021	2020 (restated)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Debt securities portfolio		
Gains	73,225	135,055
Losses	(4,503)	(34,992)
	68,722	100,063

The balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Debt securities portfolio - Gains includes the amount of Euros 38,895,000 (2020: Euros 88,835,000) related to gains resulting from the sale of Portuguese Treasury bonds.

The balance Net gains / (losses) from hedge accounting includes a net gain of Euros 4,748,000 (2020: Euros 5,266,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	2021	2020 (restated)
Operating income		
Gains on leasing operations	5,764	3,489
Income from services provided	29,290	24,328
Rents	3,679	3,675
Sales of cheques and others	9,838	9,291
Other operating income	61,831	31,763
	110,402	72,546
Operating costs		
Donations and contributions	(4,576)	(4,510)
Contribution over the banking sector	(39,286)	(35,416)
Contributions for Resolution Funds	(27,615)	(28,207)
Contribution for the Single Resolution Fund	(20,886)	(19,394)
Contributions to Deposit Guarantee Fund	(15,398)	(24,585)
Tax for the Polish banking sector	(68,520)	(62,630)
Taxes	(15,585)	(18,070)
Losses on financial leasing operations	(84)	(371)
Other operating costs	(47,357)	(37,624)
	(239,307)	(230,807)
	(128,905)	(158,261)

The balance Contribution over the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contributions for Resolution Funds includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution’s risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contributions for Resolution Funds also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

The balance Contribution to the Single Resolution Fund (‘SRF’) corresponds to the Bank’s annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the “SRM Regulation”). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

The Group delivered, in 2021, the amount of Euros 20,886,000 to the Single Resolution Fund (2020: Euros 19,394,000). The total value of the contribution attributable to the Group amounted to Euros 24,563,000 (2020: Euros 22,808,000) and the Group opted to constitute an irrevocable commitment, through the constitution of a bailment for this purpose, in the amount of Euros 3,677,000 (2020: Euros 3,414,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. As at 31 December 2021, the total amount of irrevocable commitments constituted is Euros 20,953,000 (31 December 2020: Euros 17,276,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Remunerations	455,246	484,818
Mandatory social security charges		
Post-employment benefits (note 50)		
Service cost	(14,466)	(15,235)
Net interest cost / (income) in the liability coverage balance	4,428	6,299
Cost with early retirement programs	36,583	11,799
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(586)	(426)
	25,959	2,437
Other mandatory social security charges	73,183	108,625
	99,142	111,062
Voluntary social security charges	11,195	11,994
Other staff costs	88,687	16,906
	654,270	624,780

In 2021, there was no distribution of profits to Bank's employees. In 2020, the balance Remunerations included the amount of Euros 5,281,000 related to the distribution of profits to Bank's employees.

In 2021, the Group accounted for in Other staff costs, the amount of Euros 84,152,000, corresponding to restructuring costs, within the scope of the staff reduction process carried out in 2021 (note 38). This amount includes Euros 36,583,000 related with the impact in post-employment liabilities arising from early retirement programs and terminations by mutual agreement, carried out under the context of this process (note 50).

The balance Other staff costs includes severance payments in the amount of Euros 4,219,000 (2020: Euros 19,992,000), of which the highest amounts to Euros 886,000 (2020: Euros 504,000).

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2021	2020
Portugal		
Top Management	882	963
Intermediary Management	1,508	1,596
Specific/Technical functions	2,976	3,059
Other functions	1,398	1,535
	6,764	7,153
Abroad	9,809	10,775
	16,573	17,928

Remunerations

In compliance with the provisions of Article 47 of Banco de Portugal Notice no. 3/2020, quantitative information is disclosed regarding the remuneration paid to different categories of members of governing bodies and categories of employees provided for in Article 115 C no. 2 of the RGICS, as well as the information provided for in Article 450 g) to i) of Regulation (EU) 2019/876 of the European Parliament and of the Council.

A. BCP Board of Directors

The fixed remuneration and social charges paid to members of the Board of Directors of Banco Comercial Português, S.A. are analysed as follows:

(Thousands of euros)

	Board of Directors			
	Executive Committee		Non-executive directors	
	2021	2020	2021	2020
Fixed remuneration	3,055	3,055	1,915	1,910
Variable remuneration				
Pecuniary	246	—	—	—
Shares	172	—	—	—
Deferred	138	129	—	—
Supplementary retirement pension	611	611	138	138
Post-employment benefits	(1)	4	—	—
Other mandatory social security charges	733	733	457	455
	4,954	4,532	2,510	2,503
Number of beneficiaries	6	6	11	11

Considering that the remuneration of members of the Executive Committee and Directors, with an exclusivity contract, intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank, ensuring that the effective payable amount corresponds to the one approved by the Remuneration and Welfare Board.

In 2021, the amount of remuneration paid to the Board of Directors includes Euros 141,000 (2020: Euros 142,000), of which Euros 108,000 (2020: Euros 108,000) were paid to the Executive Committee, that were supported by subsidiaries or companies whose governing bodies represent the Group's interests.

In 2021, it was assigned variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2020, as described in accounting policies 1 R4 and 1 R5.

In 2021, the 2019 deferred variable remuneration paid to the Executive Committee relates to the 2018 financial year and it includes the amount of Euros 89,000 (2020: Euros 89,000) and 347,432 BCP shares in the amount of Euros 49,000 (2020: Euros 40,000).

In 2021, the deferred variable remuneration attributed to the Executive Committee related to 2020, is Euros 164,000 in cash and 807,882 BCP shares.

In 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounted to Euros 1,232,000. By CRP's deliberation, the payment was postponed to the year in which the payment of dividends to shareholders is resumed.

During 2021 and 2020, no severance payments were paid to members of the Board of Directors.

B. *Key Function Holders (KFH)*

In 2021, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	2021					
	Retail	Corporate	Private Banking	Control functions	Others	Total
Fixed remuneration	1,188	2,873	450	2,100	4,513	11,124
Variable remuneration						
Pecuniary	28	46	6	57	119	256
Shares	20	27	4	29	73	153
Deferred	31	34	6	15	93	179
Post-employment benefits	(76)	(20)	13	(78)	(214)	(375)
Other mandatory social security charges	292	741	109	530	1,116	2,788
	1,483	3,701	588	2,653	5,700	14,125
Number of beneficiaries	8	16	2	22	37	85

As described in accounting policies 1.R4 and 1.R5, during 2021, the 85 Key Function Holders were awarded variable remuneration arising from the application of the Remuneration Policies for Employees, approved for the financial year 2020, which will be deferred over a period of 5 years, in the amount of Euros 229,000.

In 2021, deferred variable remuneration was paid to KFH deferred from 2020 and 2019, corresponding in cash to Euros 42,000 and shares in the amount of Euros 137,000.

In 2021, severance payments were paid to 3 KFH in the amount of Euros 1,327,000 of which the highest amounts to Euros 886,000.

In 2020, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	2020					
	Retail	Corporate	Private Banking	Control functions	Others	Total
Fixed remuneration	1,280	3,078	450	1,958	4,433	11,199
Variable remuneration						
Pecuniary	66	88	13	81	254	502
Shares	28	31	5	28	91	183
Deferred	17	18	3	6	49	93
Post-employment benefits	(63)	(21)	13	(64)	(171)	(306)
Other mandatory social security charges	317	676	109	489	1,109	2,700
	1,645	3,870	593	2,498	5,765	14,371
Number of beneficiaries	9	19	2	23	38	91

As described in accounting policies 1 R4 and 1 R5, during 2020, the 91 Key Function Holders were awarded variable remuneration resulting from the application of the Remuneration Policies for Employees, approved for the financial year 2019, which will be deferred over a period of 5 years, in the amount of Euros 646,000.

In 2020, variable remunerations were paid in shares to KFH, deferred from 2019, in the amount of Euros 93,000.

In 2020, severance payments were paid to 6 KFH in the amount of Euros 1,992,000 of which the highest amounts to Euros 504,000.

In 2021 and 2020, the remunerations and social security charges supported with the Group's Key Function Holders, discriminated by Key management members and by members whose professional activities have significant impact in the risk profile of the Bank (Other KFH), are as follows:

(Thousands of euros)

	Key Function Holders					
	Key management members		Other KFH		Total	
	2021	2020	2021	2020	2021	2020
Fixed remuneration	7,431	7,786	3,693	3,413	11,124	11,199
Variable remuneration						
Pecuniary	170	366	86	136	256	502
Shares	111	144	42	39	153	183
Deferred	169	86	10	7	179	93
Post-employment benefits	(202)	(154)	(173)	(152)	(375)	(306)
Other mandatory social security charges	1,840	1,866	948	834	2,788	2,700
	9,519	10,094	4,606	4,277	14,125	14,371
Number of beneficiaries	51	53	34	38	85	91

During 2021, deferred variable remuneration for the year 2020 was paid in cash to Key management members, Euros 39,000, as well as shares from the years 2020 and 2019 corresponding to Euros 130,000, and it was paid to other KFH, deferred from 2020, the value of Euros 3,000 in cash and shares from the years 2020 and 2019 corresponding to Euros 7,000.

In 2020, the variable remuneration deferred paid refers to shares from 2019.

In 2021, with reference to the financial year of 2020, Key management members were awarded variable remuneration deferred over 5 years in the amount of Euros 212,000, and to other KFH it was awarded the amount of Euros 17,000.

In 2020, with reference to the financial year of 2019, Key management members were awarded variable remuneration deferred over 5 years in the amount of Euros 547,000, and to other KFH it was awarded the amount of Euros 89,000.

In 2021 and 2020, the Group does not have key function holders with remunerations exceeding Euros 1 million.

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Water, electricity and fuel	12,611	13,968
Credit cards and mortgage	8,035	8,231
Communications	21,544	25,840
Maintenance and related services	14,965	16,276
Legal expenses	4,535	2,996
Travel, hotel and representation costs	2,754	3,518
Advisory services	27,101	22,185
Training costs	1,239	1,321
Information technology services	43,631	45,028
Consumables	6,450	8,505
Outsourcing and independent labour	77,451	74,858
Advertising	24,345	23,048
Rents and leases	20,139	24,901
Insurance	4,875	4,679
Transportation	8,207	8,855
Other specialised services	27,591	26,207
Other supplies and services	18,699	19,407
	324,172	329,823

The balance Rents and leases includes the amount of Euros 581,000 (2020: Euros 2,077,000) related to short-term lease contracts and the amount of Euros 2,564,000 (2020: Euros 2,504,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

The balance Other specialised services includes fees for services rendered by the Statutory Auditor of the Group, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, is analysed as follows:

(Thousands of euros)

	2021	2020
Auditing services		
Legal certification	2,947	2,880
Other assurance services	1,269	1,124
Other services	594	129
	4,810	4,133

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Amortisations of intangible assets (note 29):		
Software	34,173	28,847
Other intangible assets	4,011	3,236
	38,184	32,083
Depreciations of other tangible assets (note 28):		
Properties	14,945	15,840
Equipment		
Computers	16,606	17,582
Security equipment	864	983
Installations	2,726	2,699
Machinery	1,294	1,166
Furniture	2,781	2,906
Motor vehicles	4,353	4,502
Other equipment	1,497	1,461
Right-of-use		
Real estate	53,799	56,360
Vehicles and equipment	107	218
	98,972	103,717
	137,156	135,800

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the year	911	1
Reversals for the year	(27)	(65)
	884	(64)
Loans and advances to customers (note 21)		
Charge for the year	861,212	1,102,851
Reversals for the year	(487,084)	(576,588)
Recoveries of loans and interest charged-off	(22,938)	(22,680)
	351,190	503,583
Debt securities (note 22)		
Associated to credit operations		
Charge for the year	244	6,292
Reversals for the year	(2,533)	–
	(2,289)	6,292
Not associated to credit operations		
Charge for the year	4,874	4,075
Reversals for the year	(1,826)	(480)
	3,048	3,595
	759	9,887
	352,833	513,406

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

The detail of this balance is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	4,784	11,485
Reversals for the year	(158)	(1,125)
	4,626	10,360

12. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Impairment of investments in associated companies (note 25)		
Charge for the year	–	4,735
Impairment of non-current assets held for sale (note 26)		
Charge for the year	56,863	77,769
Reversals for the year	(3,683)	(11,059)
	53,180	66,710
Impairment of goodwill of subsidiaries (note 29)		
Charge for the year	347	180
Impairment of other assets (note 31)		
Charge for the year	16,618	17,184
Reversals for the year	(9,263)	(9,519)
	7,355	7,665
	60,882	79,290

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the year	44,414	43,204
Reversals for the year	(36,278)	(39,986)
	8,136	3,218
Other provisions for liabilities and charges (note 38)		
Charge for the year	651,156	238,181
Reversals for the year	(16,566)	(3,107)
	634,590	235,074
	642,726	238,292

The balance Other provisions for liabilities and charges - Charge for the year refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 57.

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)

	2021	2020 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current year	2,629	7,300
Appropriation relating to the previous year	(1,621)	(27)
Annulment of the gains arising from properties sold to Group entities	—	6,067
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(2,388)	(3,943)
	(1,380)	9,397
Banque BCP, S.A.S.	3,979	2,529
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	38,218	44,344
SIBS, S.G.P.S, S.A.	11,396	5,156
Unicre - Instituição Financeira de Crédito, S.A.	5,028	6,218
Other companies	(304)	51
	58,317	58,298
	56,937	67,695

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

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

This balance is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Gains/(Losses) arising on sale of investments	200	(3)
Gains /(Losses) arising on sale of other assets	2,370	(6,384)
	2,570	(6,387)

The balance Other assets includes gains arising from the sale of assets held by the Group and classified as non-current assets held for sale, which corresponds to a gain of Euros 4,719,000 (2020: loss of Euros 3,458,000).

16. Income arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020 (restated)
Banque Privée BCP (Suisse) S.A.		
Net income before taxes	1,424	8,291
Taxes on net income	(223)	(1,202)
Gains arising on disposal of 100% investment held	51,093	—
	52,294	7,089
Seguradora Internacional de Moçambique, S.A.		
Net income before taxes	9,303	11,783
Taxes on net income	(2,515)	(3,352)
Gains arising on disposal of investment held (70%)	23,736	—
Tax on gains arising on disposal	(11,937)	—
	18,587	8,431
	70,881	15,520

According to the described in note 48, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued or discontinuing operations". The disposal was completed at the beginning of November 2021 and generated a consolidated gain of Euros 51,093,000.

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

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

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

The financial statements of Banque Privée BCP (Suisse) S.A. and of Seguradora Internacional de Moçambique, S.A. that have been incorporated in this balance, are detailed in note 59.

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2021	2020 (restated)
Continuing operations		
Net income after income taxes from continuing operations	(45,889)	192,845
Non-controlling interests	113,633	(24,680)
Appropriated net income	67,744	168,165
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(37,000)	(37,000)
Adjusted net income	30,744	131,165
Discontinued or discontinuing operations (note 16)		
Net income	70,881	15,520
Non-controlling interests	(543)	(673)
Appropriated net income	70,338	14,847
Adjusted net income	101,082	146,012
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.002	0.009
from discontinued or discontinuing operations	0.005	0.001
	0.007	0.010
Diluted earnings per share (Euros):		
from continuing operations	0.002	0.009
from discontinued or discontinuing operations	0.005	0.001
	0.007	0.010

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 as at 31 December 2021 and 2020, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Cash	601,772	579,997
Central Banks		
Bank of Portugal	6,418,682	4,296,161
Central Banks abroad	775,845	427,706
	7,796,299	5,303,864

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

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Credit institutions in Portugal	24,301	10,288
Credit institutions abroad	278,860	182,976
Amounts due for collection	58,625	69,131
	361,786	262,395

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Loans and advances to Central Banks abroad	101,620	291,669
Loans and advances to credit institutions in Portugal		
Loans	18,240	30,942
Term deposits to collateralise CIRS and IRS operations (*)	—	2,850
Other	15	811
	18,255	34,603
Loans and advances to credit institutions abroad		
Term deposits	176,642	383,874
Loans	—	95
Term deposits to collateralise CIRS and IRS operations (*)	137,385	276,722
Other	20,498	28,426
	334,525	689,117
	454,400	1,015,389
Overdue loans - Over 90 days	—	2
	454,400	1,015,391
Impairment	(1,187)	(304)
	453,213	1,015,087

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

This balance analysed by the period to maturity, before impairment, is as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	428,202	987,553
3 to 6 months	9,723	10,734
6 to 12 months	7,164	3,317
1 to 5 years	9,311	13,787
	454,400	1,015,391

The changes occurred in impairment of Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	304	368
Transfers	(1)	—
Impairment charge for the year (note 10)	911	1
Reversals for the year (note 10)	(27)	(65)
Balance at the end of the year	1,187	304

21. Loans and advances to customers

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

(Thousands of euros)

	2021	2020 (restated)
Mortgage loans	28,544,360	26,729,157
Loans	18,298,171	17,113,707
Finance leases	4,155,758	3,921,747
Factoring operations	2,725,080	2,566,220
Current account credits	817,440	1,255,304
Overdrafts	1,073,654	885,449
Discounted bills	143,109	189,259
	55,757,572	52,660,843
Overdue loans - less than 90 days	127,928	118,767
Overdue loans - Over 90 days	936,185	1,279,269
	56,821,685	54,058,879
Loans impairment	(1,849,284)	(2,036,522)
	54,972,401	52,022,357

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

(Thousands of euros)

	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 balance Loans and advances to customers, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020 (restated)				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	532,580	1	532,581	(1,939)	530,642
Asset-backed loans	30,291,474	607,836	30,899,310	(969,019)	29,930,291
Other guaranteed loans	5,527,794	149,256	5,677,050	(250,277)	5,426,773
Unsecured loans	7,317,673	405,931	7,723,604	(487,609)	7,235,995
Foreign loans	2,503,355	125,743	2,629,098	(127,900)	2,501,198
Factoring operations	2,566,220	22,587	2,588,807	(53,145)	2,535,662
Finance leases	3,921,747	86,682	4,008,429	(146,633)	3,861,796
	52,660,843	1,398,036	54,058,879	(2,036,522)	52,022,357

As at 31 December 2021, the balance Loans and advances to customers includes the amount of Euros 11,896,688,000 (31 December 2020: Euros 11,692,831,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

As part of the liquidity risk management, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 51, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 40.

As at 31 December 2021, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 152,056,000 (31 December 2020: Euros 79,993,000), as referred in note 51 a). The amount of impairment recognised for these contracts amounts to Euros 3,140,000 (31 December 2020: Euros 526,000).

The conclusion of business between the Company and holders of qualifying holdings or individuals or legal entities related to them in accordance with the provisions of article 33.°, n.° 3 of Notice 3/2020 of Bank of Portugal, regardless of the amount, is always subject of consideration and deliberation by the Board of Directors, after obtaining a prior opinion from the Audit Committee, and by proposal of the Executive Committee, which in turn deliberates under proposal from the Credit Committee, after obtaining an analysis and opinion from the Compliance Office, which pronounces regarding the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other conditions that may apply to them, and the Risk Office, which evaluates and issues an opinion on the risks inherent to the operation.

As at 31 December 2021, the balance Finance leases includes the amount of Euros 6,938,000 (31 December 2020: Euros 8,087,000) relative to sublease operations, as referred in accounting policy 1 H.

The analysis of the outstanding amount of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2021	2020
Individuals		
Home	48,249	51,474
Consumer	31,359	31,597
Others	83,744	89,029
	163,352	172,100
Companies		
Equipment	1,889,697	1,760,496
Real estate	2,102,709	1,989,151
	3,992,406	3,749,647
	4,155,758	3,921,747

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

(Thousands of euros)

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

The analysis of loans and advances to customers, as at 31 December 2020, by sector of activity, is as follows:

(Thousands of euros)

	2020 (restated)					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,801	10,745	411,546	(10,026)	401,520	0.76%
Fisheries	32,684	37	32,721	(471)	32,250	0.06%
Mining	67,358	3,183	70,541	(2,347)	68,194	0.13%
Food, beverage and tobacco	802,531	11,533	814,064	(25,204)	788,860	1.51%
Textiles	464,250	11,553	475,803	(25,476)	450,327	0.88%
Wood and cork	254,338	7,064	261,402	(10,152)	251,250	0.48%
Paper, printing and publishing	188,993	1,290	190,283	(14,802)	175,481	0.35%
Chemicals	757,863	26,590	784,453	(36,147)	748,306	1.45%
Machinery, equipment and basic metallurgical	1,353,637	37,250	1,390,887	(52,218)	1,338,669	2.57%
Electricity and gas	315,464	218	315,682	(1,899)	313,783	0.58%
Water	229,535	590	230,125	(17,167)	212,958	0.43%
Construction	1,688,915	89,560	1,778,475	(139,292)	1,639,183	3.29%
Retail business	1,698,861	35,419	1,734,280	(50,156)	1,684,124	3.21%
Wholesale business	2,123,122	52,981	2,176,103	(99,976)	2,076,127	4.03%
Restaurants and hotels	1,367,548	41,264	1,408,812	(72,474)	1,336,338	2.61%
Transports	1,188,061	29,432	1,217,493	(46,022)	1,171,471	2.25%
Post offices	20,311	338	20,649	(490)	20,159	0.04%
Telecommunications	485,910	4,710	490,620	(20,206)	470,414	0.91%
Services						
Financial intermediation	1,643,196	86,865	1,730,061	(192,376)	1,537,685	3.20%
Real estate activities	1,829,513	18,684	1,848,197	(85,187)	1,763,010	3.42%
Consulting, scientific and technical activities	937,548	36,415	973,963	(81,482)	892,481	1.80%
Administrative and support services activities	599,543	13,112	612,655	(72,693)	539,962	1.13%
Public sector	994,296	1	994,297	(3,643)	990,654	1.84%
Education	142,028	1,718	143,746	(7,016)	136,730	0.27%
Health and collective service activities	365,092	1,215	366,307	(9,643)	356,664	0.68%
Artistic, sports and recreational activities	365,929	11,030	376,959	(102,056)	274,903	0.70%
Other services	226,772	243,426	470,198	(180,430)	289,768	0.87%
Consumer loans	5,075,357	336,475	5,411,832	(368,720)	5,043,112	10.01%
Mortgage credit	26,189,158	173,835	26,362,993	(188,524)	26,174,469	48.77%
Other domestic activities	1,020	620	1,640	(21,211)	(19,571)	0.00%
Other international activities	851,209	110,883	962,092	(99,016)	863,076	1.78%
	52,660,843	1,398,036	54,058,879	(2,036,522)	52,022,357	100%

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

(Thousands of euros)

	2021					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	105,704	161,400	177,832	444,936	6,142	451,078
Fisheries	5,753	14,677	17,609	38,039	1,148	39,187
Mining	16,303	58,651	12,857	87,811	1,943	89,754
Food, beverage and tobacco	359,259	332,183	114,786	806,228	8,326	814,554
Textiles	137,952	277,945	112,113	528,010	9,436	537,446
Wood and cork	99,291	131,284	43,810	274,385	5,520	279,905
Paper, printing and publishing	75,064	74,969	39,462	189,495	605	190,100
Chemicals	267,511	412,437	161,506	841,454	25,028	866,482
Machinery, equipment and basic metallurgical	521,463	759,272	287,587	1,568,322	30,550	1,598,872
Electricity and gas	48,354	66,317	122,366	237,037	837	237,874
Water	31,754	57,684	133,772	223,210	352	223,562
Construction	510,600	742,757	461,784	1,715,141	36,691	1,751,832
Retail business	668,955	756,484	347,088	1,772,527	27,490	1,800,017
Wholesale business	914,425	1,082,909	321,990	2,319,324	34,827	2,354,151
Restaurants and hotels	88,460	512,541	1,068,079	1,669,080	16,810	1,685,890
Transports	292,026	692,834	365,070	1,349,930	13,804	1,363,734
Post offices	11,885	5,976	834	18,695	208	18,903
Telecommunications	87,200	273,315	76,582	437,097	1,773	438,870
Services					–	
Financial intermediation	213,955	401,976	1,270,402	1,886,333	65,780	1,952,113
Real estate activities	316,696	819,454	732,474	1,868,624	11,680	1,880,304
Consulting, scientific and technical activities	174,787	312,648	391,861	879,296	5,301	884,597
Administrative and support services activities	146,087	272,501	169,940	588,528	6,725	595,253
Public sector	78,613	349,831	474,993	903,437	–	903,437
Education	29,090	50,130	71,932	151,152	1,002	152,154
Health and collective service activities	67,409	166,250	168,081	401,740	1,306	403,046
Artistic, sports and recreational activities	48,141	54,849	244,670	347,660	42,689	390,349
Other services	75,324	83,111	70,566	229,001	242,691	471,692
Consumer loans	1,772,975	2,675,033	1,151,123	5,599,131	305,938	5,905,069
Mortgage credit	483,741	2,017,730	25,419,482	27,920,953	151,456	28,072,409
Other domestic activities	250	402	428	1,080	707	1,787
Other international activities	215,105	98,822	145,989	459,916	7,348	467,264
	7,864,132	13,716,372	34,177,068	55,757,572	1,064,113	56,821,685

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020 (restated)					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	102,280	102,792	195,729	400,801	10,745	411,546
Fisheries	3,750	5,678	23,256	32,684	37	32,721
Mining	24,192	23,571	19,595	67,358	3,183	70,541
Food, beverage and tobacco	383,195	221,961	197,375	802,531	11,533	814,064
Textiles	129,444	162,194	172,612	464,250	11,553	475,803
Wood and cork	101,500	89,136	63,702	254,338	7,064	261,402
Paper, printing and publishing	69,584	56,740	62,669	188,993	1,290	190,283
Chemicals	236,584	300,728	220,551	757,863	26,590	784,453
Machinery, equipment and basic metallurgical	466,527	458,216	428,894	1,353,637	37,250	1,390,887
Electricity and gas	56,373	142,510	116,581	315,464	218	315,682
Water	35,318	29,729	164,488	229,535	590	230,125
Construction	478,578	553,152	657,185	1,688,915	89,560	1,778,475
Retail business	658,271	466,276	574,314	1,698,861	35,419	1,734,280
Wholesale business	848,179	710,687	564,256	2,123,122	52,981	2,176,103
Restaurants and hotels	92,367	333,227	941,954	1,367,548	41,264	1,408,812
Transports	282,494	473,937	431,630	1,188,061	29,432	1,217,493
Post offices	13,600	3,939	2,772	20,311	338	20,649
Telecommunications	92,905	287,971	105,034	485,910	4,710	490,620
Services						
Financial intermediation	222,365	419,815	1,001,016	1,643,196	86,865	1,730,061
Real estate activities	296,627	689,530	843,356	1,829,513	18,684	1,848,197
Consulting, scientific and technical activities	174,517	254,820	508,211	937,548	36,415	973,963
Administrative and support services activities	165,749	240,197	193,597	599,543	13,112	612,655
Public sector	126,479	466,052	401,765	994,296	1	994,297
Education	27,503	30,729	83,796	142,028	1,718	143,746
Health and collective service activities	110,963	97,641	156,488	365,092	1,215	366,307
Artistic, sports and recreational activities	36,481	49,020	280,428	365,929	11,030	376,959
Other services	89,985	58,903	77,884	226,772	243,426	470,198
Consumer loans	1,421,642	2,510,015	1,143,700	5,075,357	336,475	5,411,832
Mortgage credit	507,696	1,896,305	23,785,157	26,189,158	173,835	26,362,993
Other domestic activities	147	397	476	1,020	620	1,640
Other international activities	610,448	149,392	91,369	851,209	110,883	962,092
	7,865,743	11,285,260	33,509,840	52,660,843	1,398,036	54,058,879

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2021, is as follows:

(Thousands of euros)

	2021					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	24,756	28,028	582,640	635,424	–	635,424
Asset-backed loans	1,638,995	3,843,990	26,942,261	32,425,246	528,636	32,953,882
Other guaranteed loans	811,185	3,992,200	1,378,860	6,182,245	99,957	6,282,202
Unsecured loans	2,480,837	3,515,890	1,426,789	7,423,516	347,056	7,770,572
Foreign loans	129,608	377,963	1,702,732	2,210,303	8,497	2,218,800
Factoring operations	2,217,684	507,242	154	2,725,080	11,304	2,736,384
Finance leases	561,067	1,451,059	2,143,632	4,155,758	68,663	4,224,421
	7,864,132	13,716,372	34,177,068	55,757,572	1,064,113	56,821,685

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020 (restated)					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	78,126	46,137	408,317	532,580	1	532,581
Asset-backed loans	1,568,727	3,714,927	25,007,820	30,291,474	607,836	30,899,310
Other guaranteed loans	925,200	1,974,560	2,628,034	5,527,794	149,256	5,677,050
Unsecured loans	2,174,203	3,258,860	1,884,610	7,317,673	405,931	7,723,604
Foreign loans	588,707	363,724	1,550,924	2,503,355	125,743	2,629,098
Factoring operations	1,991,345	574,372	503	2,566,220	22,587	2,588,807
Finance leases	539,435	1,352,680	2,029,632	3,921,747	86,682	4,008,429
	7,865,743	11,285,260	33,509,840	52,660,843	1,398,036	54,058,879

The item total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2021	2020 (restated)
Total credit	61,242,738	58,561,359
Stage 1		
Gross amount	49,420,935	46,907,124
Impairment	(209,484)	(171,091)
	49,211,451	46,736,033
Stage 2		
Gross amount	8,733,104	8,016,640
Impairment	(285,290)	(240,207)
	8,447,814	7,776,433
Stage 3		
Gross amount	3,088,699	3,637,595
Impairment	(1,439,493)	(1,704,124)
	1,649,206	1,933,471
Adjustment to the gross value (*)	–	(98,458)
	59,308,471	56,347,479

(*) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

The total credit portfolio includes loans and advances to customers in the amount of Euros 56,821,685,000 (31 December 2020: Euros 54,058,879,000) and guarantees granted and commitments to third parties (note 45) in the amount of Euros 4,421,053,000 (31 December 2020: Euros 4,404,022,000).

The items of Impairment were determined in accordance with the accounting policy described in note 1 C1.5, including the provision for Guarantees and other commitments to third parties, associated with guarantees granted (note 38), in the amount of Euros 84,993,000 (31 December 2020: Euros 78,900,000).

The analysis of the exposure covered by collaterals associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the collaterals' fair value, is as follows:

(Thousands of euros)

	2021	2020
Stage 1		
Securities and other financial assets	1,253,189	1,433,956
Residential real estate	23,489,794	21,495,826
Other real estate	3,182,387	3,374,091
Other guarantees	6,961,806	6,235,972
	34,887,176	32,539,845
Stage 2		
Securities and other financial assets	268,388	243,411
Residential real estate	2,645,791	2,484,267
Other real estate	1,551,993	1,207,376
Other guarantees	1,715,619	1,464,912
	6,181,791	5,399,966
Stage 3		
Securities and other financial assets	71,291	117,829
Residential real estate	540,907	667,030
Other real estate	578,807	566,166
Other guarantees	404,485	405,359
	1,595,490	1,756,384
	42,664,457	39,696,195

The balance Other guarantees include first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 7 or better; personal guarantees, when the guarantors are classified with internal risk grade 7 or better. This balance also includes pledges, assets subject to financial leasing operations and personal guarantees, among others.

Considering the policy of risk management of the Group (note 54), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

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

(Thousands of euros)

	2021			2020		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	12,408	(2,838)	9,570	20,927	(4,045)	16,882
Fisheries	3,705	(1,568)	2,137	123	(41)	82
Mining	10,360	(275)	10,085	2,149	(337)	1,812
Food, beverage and tobacco	26,556	(7,468)	19,088	26,403	(8,238)	18,165
Textiles	14,877	(4,336)	10,541	16,297	(6,333)	9,964
Wood and cork	7,030	(1,034)	5,996	6,732	(1,412)	5,320
Paper, printing and publishing	6,911	(1,825)	5,086	16,006	(12,296)	3,710
Chemicals	27,056	(8,744)	18,312	21,960	(8,843)	13,117
Machinery, equipment and basic metallurgical	79,015	(16,826)	62,189	60,584	(12,710)	47,874
Electricity and gas	603	(113)	490	396	(31)	365
Water	14,812	(9,673)	5,139	49,711	(13,689)	36,022
Construction	183,645	(74,672)	108,973	237,988	(83,589)	154,399
Retail business	42,916	(13,218)	29,698	46,592	(16,983)	29,609
Wholesale business	86,149	(14,276)	71,873	91,949	(18,459)	73,490
Restaurants and hotels	130,031	(17,508)	112,523	76,538	(13,968)	62,570
Transports	9,945	(2,001)	7,944	13,327	(3,109)	10,218
Post offices	149	(56)	93	198	(97)	101
Telecommunications	28,566	(5,225)	23,341	15,406	(11,071)	4,335
Services						
Financial intermediation	144,402	(76,108)	68,294	156,677	(85,960)	70,717
Real estate activities	96,019	(15,212)	80,807	125,807	(44,921)	80,886
Consulting, scientific and technical activities	205,449	(33,369)	172,080	264,177	(63,332)	200,845
Administrative and support services activities	72,439	(45,569)	26,870	86,532	(59,016)	27,516
Public sector	58,940	(307)	58,633	50,120	(1,113)	49,007
Education	20,357	(10,415)	9,942	19,825	(4,775)	15,050
Health and collective service activities	29,690	(7,853)	21,837	25,388	(4,970)	20,418
Artistic, sports and recreational activities	166,973	(91,547)	75,426	152,110	(73,126)	78,984
Other services	249,210	(176,099)	73,111	255,108	(176,808)	78,300
Consumer loans	273,902	(93,134)	180,768	274,548	(82,768)	191,780
Mortgage credit	555,922	(55,970)	499,952	518,666	(54,732)	463,934
Other domestic activities	48	(26)	22	23	(1)	22
Other international activities	5,910	(5,169)	741	32,677	(26,061)	6,616
	2,563,995	(792,434)	1,771,561	2,664,944	(892,834)	1,772,110

The variation occurred in "Construction" and "Restaurants and hotels" sectors refers, mainly, to changes in one client's activity code.

The breakdown of the restructured loans as at 31 December 2021, by restructuring measure, is as follows:

(Thousands of euros)

	2021					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	39,767	614,627	76,723	691,350	(149,925)	541,425
Introduction of the grace period for capital and / or interest	6,303	459,222	352,001	811,223	(352,912)	458,311
Interest rate reduction	4,949	248,877	11,085	259,962	(130,692)	129,270
Payment plan change	9,826	287,763	7,813	295,576	(28,135)	267,441
Debt relief	289	1,630	5,692	7,322	(5,055)	2,267
Debt-asset swaps	7	441	1,270	1,711	(1,318)	393
Other restructured loans	10,263	425,088	71,763	496,851	(124,397)	372,454
	71,404	2,037,648	526,347	2,563,995	(792,434)	1,771,561

The breakdown of the restructured loans as at 31 December 2020, by restructuring measure, is as follows:

(Thousands of euros)

	2020					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	42,480	516,649	84,849	601,498	(132,947)	468,551
Introduction of the grace period for capital and / or interest	5,896	523,953	361,783	885,736	(432,888)	452,848
Interest rate reduction	5,442	289,493	16,990	306,483	(121,153)	185,330
Payment plan change	7,030	153,126	16,064	169,190	(26,245)	142,945
Debt relief	312	3,016	6,821	9,837	(5,657)	4,180
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	14,778	512,373	127,553	639,926	(154,981)	484,945
	75,953	2,024,642	640,302	2,664,944	(892,834)	1,772,110

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non-Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2021, the amount calculated is Euros 1,236,979,000 (31 December 2020: Euros 1,766,328,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non-Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent: more than 100 euros (retail) or more than 500 euros (non-retail); and more than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

As at 31 December 2021, the NPE amounts to Euros 2,752,439,000 (31 December 2020: Euros 3,295,271,000).

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	2,036,522	2,417,022
Charge for the year in net income interest (note 2)	25,935	34,335
Transfers resulting from changes in the Group's structure	(375)	(8)
Other transfers	4,778	7,097
Impairment charge for the year (note 10)	861,212	1,102,851
Reversals for the year (note 10)	(487,084)	(576,588)
Loans charged-off		
Write-offs	(372,710)	(263,409)
Credit assignments	(227,470)	(635,724)
Exchange rate differences	8,476	(49,054)
Balance at the end of the year	1,849,284	2,036,522

As at 31 December 2020, the balance Transfers included the amount of Euros 14,885,000 related to provisions for guarantees and other commitments, which were transferred to Loans impairment due to the fact that the guarantees granted were converted into loans and advances to customers.

This balance also included in 2020, the transfer of Loans impairments to impairment of other assets, in the amount of Euros 16,858,000 (note 31).

According to note 38, regarding the proceedings related to foreign currency-indexed mortgage loans, Bank Millennium wrote-off the amount of Euros 636,309,000 from the gross carrying amount of loans portfolio (31 December 2020: Euros 194,012,000), of which Euros 443,296,000 were written-off in 2021.

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	2021	2020 (restated)
Agriculture and forestry	1,729	443
Fisheries	9	—
Mining	12	111
Food, beverage and tobacco	2,009	9,078
Textiles	1,207	3,877
Wood and cork	294	241
Paper, printing and publishing	1,701	229
Chemicals	1,403	1,295
Machinery, equipment and basic metallurgical	7,404	3,718
Electricity and gas	59	23
Water	166	214
Construction	9,697	20,214
Retail business	5,118	6,321
Wholesale business	15,373	8,868
Restaurants and hotels	27,445	16,784
Transports	9,168	4,748
Post offices	131	94
Telecommunications	321	564
Services		
Financial intermediation	36,474	7,125
Real estate activities	41,988	36,580
Consulting, scientific and technical activities	5,782	20,796
Administrative and support services activities	18,147	4,810
Public sector	1	—
Education	213	122
Health and collective service activities	194	611
Artistic, sports and recreational activities	429	(3,356)
Other services	606	63,213
Consumer loans	54,376	47,297
Mortgage credit	3,583	4,572
Other domestic activities	23,658	200
Other international activities	104,013	4,617
	372,710	263,409

According with the accounting policy described in note 1 C1.3, the Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

The analysis of Write-offs, by type of credit, is as follows:

(Thousands of euros)

	2021	2020 (restated)
Asset-backed loans	15,793	6,011
Other guaranteed loans	3,946	71,337
Unsecured loans	225,410	151,114
Foreign loans	103,452	—
Factoring operations	3,300	677
Finance leases	20,809	34,270
	372,710	263,409

The analysis of recovered loans and interest occurred during 2021 and 2020, by sector of activity, is as follows:

(Thousands of euros)

	2021	2020
Agriculture and forestry	159	274
Mining	97	26
Food, beverage and tobacco	95	51
Textiles	245	36
Wood and cork	26	6
Paper, printing and publishing	2	–
Chemicals	673	435
Machinery, equipment and basic metallurgical	1,216	50
Electricity and gas	12	–
Water	9	1
Construction	1,591	2,322
Retail business	1,016	647
Wholesale business	811	529
Restaurants and hotels	121	175
Transports	137	451
Post offices	2	13
Telecommunications	5	4
Services		
Financial intermediation	143	1,096
Real estate activities	146	63
Consulting, scientific and technical activities	37	1,372
Administrative and support services activities	931	23
Education	2	35
Health and collective service activities	1	1
Artistic, sports and recreational activities	6	12
Other services	75	212
Consumer loans	13,185	14,519
Mortgage credit	832	278
Other domestic activities	1,198	14
Other international activities	165	35
	22,938	22,680

The analysis of recovered loans and interest occurred during 2021 and 2020, by type of credit, is as follows:

(Thousands of euros)

	2021	2020
Asset-backed loans	818	322
Other guaranteed loans	1,547	4,020
Unsecured loans	18,089	16,781
Foreign loans	1,210	919
Factoring operations	22	44
Finance leases	1,252	594
	22,938	22,680

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1 D.

Traditional securitizations

Securitization transactions engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1.B. As at 31 December 2021, the SPE's credit portfolio associated with this operation amounts to Euros 215,259,000 (31 December 2020: Euros 242,670,000) and bonds issued with different subordination levels amount to Euros 161,267,000 (this amount excludes bonds hold by the Group in the amount of Euros 72,580,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 395,657,000 as at 31 December 2021 (31 December 2020: Euros 547,549,000). The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 189,182,000 and the registered cost in 2021 amounts to Euros 2,922,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and, as at 31 December 2021, the operation amounts to Euros 627,053,000 (31 December 2020: Euros 731,733,000). The fair value of the relative CDS is recorded as a positive amount of Euros 63,246,000 and their registered cost in 2021 amounts to Euros 964,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The total of mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). In both structures, the correspondent product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Bank under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1.C1.3.

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2021	2020
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	197,723	214,421
Commercial paper	1,074,715	1,334,236
Foreign issuers		
Bonds	—	30,398
Commercial paper	42,920	28,160
	1,315,358	1,607,215
Overdue securities - over 90 days	40	1,761
	1,315,398	1,608,976
Impairment	(7,059)	(11,021)
	1,308,339	1,597,955
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,781,480	3,758,016
Foreign issuers	2,438,017	378,285
Bonds issued by other entities		
Portuguese issuers	59,816	178,405
Foreign issuers	33,706	100,833
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	592,581	226,383
	6,905,600	4,641,922
Impairment	(8,743)	(5,332)
	6,896,857	4,636,590
	8,205,196	6,234,545

(*) Includes the amount of Euros 17,349,000 (31 December 2020: Euros 28,794,000) related to adjustments resulting from the application of fair value hedge accounting.

In 2020, under the terms of IFRS 9, the Bank took the decision to establish, the balance Debt securities held not associated with credit operations - Bonds issued by Portuguese public issuers, a portfolio of securities whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 December 2021 amounts to Euros 3,511,350,000 (31 December 2020: Euros 3,544,918,000).

The balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 39,519,000 (31 December 2020: Euros 139,085,000) related to public sector companies.

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2021 is as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	5,542	192,181	–	197,723
Commercial paper	794,596	280,119	–	–	40	1,074,755
Foreign issuers						
Commercial paper	6,426	36,494	–	–	–	42,920
	801,022	316,613	5,542	192,181	40	1,315,398
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	99,898	883,952	2,797,630	–	3,781,480
Foreign issuers	4,659	40,048	288,741	2,104,569	–	2,438,017
Other entities						
Portuguese issuers	–	–	13,691	46,125	–	59,816
Foreign issuers	–	–	–	33,706	–	33,706
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	143,081	449,500	–	–	–	592,581
	147,740	589,446	1,186,384	4,982,030	–	6,905,600
	948,762	906,059	1,191,926	5,174,211	40	8,220,998

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	7,069	207,352	–	214,421
Commercial paper	970,522	362,714	1,000	–	1,761	1,335,997
Foreign issuers						
Bonds	–	10,222	–	20,176	–	30,398
Commercial paper	19,532	8,628	–	–	–	28,160
	990,054	381,564	8,069	227,528	1,761	1,608,976
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	873,998	2,884,018	–	3,758,016
Foreign issuers	6,950	52,927	231,061	87,347	–	378,285
Other entities						
Portuguese issuers	25,628	–	113,351	39,426	–	178,405
Foreign issuers	–	–	59,595	41,238	–	100,833
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	136,266	90,117	–	–	–	226,383
	168,844	143,044	1,278,005	3,052,029	–	4,641,922
	1,158,898	524,608	1,286,074	3,279,557	1,761	6,250,898

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

(Thousands of euros)

	2021	2020
Debt securities held associated with credit operations		
Agriculture and forestry	4,733	4,877
Mining	13,736	27,646
Food, beverage and tobacco	63,815	85,174
Textiles	57,140	61,725
Wood and cork	12,103	6,438
Paper, printing and publishing	7,184	9,295
Chemicals	77,930	105,146
Machinery, equipment and basic metallurgical	48,453	54,108
Electricity and gas	172,325	198,291
Water	8,891	12,417
Construction	13,876	16,650
Retail business	13,601	48,377
Wholesale business	62,450	70,625
Restaurants and hotels	4,119	9,394
Transports	37,731	62,811
Telecommunications	6,559	5,572
Services		
Financial intermediation	54,300	88,292
Real estate activities	40,150	28,139
Consulting, scientific and technical activities	541,187	616,512
Administrative and support services activities	10,706	10,754
Artistic, sports and recreational activities	9,868	12,455
Other services	4,562	5,055
Other international activities	42,920	58,202
	1,308,339	1,597,955
Debt securities held not associated with credit operations		
Chemicals	–	25,578
Electricity and Gas	6,573	3,589
Water	39,478	39,394
Retailing	–	5,566
Transports (*)	–	99,504
Services		
Financial intermediation	626,287	317,847
Consulting, scientific and technical activities	13,511	13,483
	685,849	504,961
Government and Public securities	6,211,008	4,131,629
	6,896,857	4,636,590
	8,205,196	6,234,545

(*) Corresponds to securities from public sector companies

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

(Thousands of euros)

	2021	2020
Debt securities held associated with credit operations		
Balance on 1 January	11,021	12,431
Charge for the year in net income interest (note 2)	47	54
Transfers	—	(7,756)
Charge for the year (note 10)	244	6,292
Reversals for the year (note 10)	(2,533)	—
Loans charged-off	(1,721)	—
Exchange rate differences	1	—
Balance at the end of the year	7,059	11,021
Debt securities held not associated with credit operations		
Balance on 1 January	5,332	2,100
Transfers resulting from changes in the Group's structure (Seguradora Internacional de Moçambique, S.A.)	(15)	14
Other transfers	(13)	(57)
Charge for the year (note 10)	4,874	4,075
Reversals for the year (note 10)	(1,826)	(480)
Exchange rate differences	391	(320)
Balance at the end of the year	8,743	5,332

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

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

(Thousands of euros)

	2021	2020
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	452,105	486,276
Equity instruments	48,879	1,318
Trading derivatives	430,501	543,607
	931,485	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	79,189	354,309
Debt instruments	881,556	917,132
Equity instruments	30,193	44,026
	990,938	1,315,467
Financial assets at fair value through other comprehensive income		
Debt instruments	12,856,165	12,107,431
Equity instruments	34,823	32,961
	12,890,988	12,140,392
	14,813,411	14,487,060

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

(Thousands of euros)

	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
Level 1	499,147	–	12,463,415	12,962,562
Level 2	169,181	–	303,629	472,810
Level 3	263,157	911,749	123,944	1,298,850

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

The portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balances Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of Euros 87,000 (31 December 2020: Euros 96,000).

The balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities - Portuguese issuers includes the amount of Euros 165,967,000 (31 December 2020: Euros 318,856,000) related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	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	101	–	3,602,910	3,603,011
Foreign issuers	59,078	–	6,893,507	6,952,585
Bonds issued by other entities				
Portuguese issuers	6,539	16,778	900,019	923,336
Foreign issuers	42,609	–	654,981	697,590
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	377,949	–	6,014	383,963
Foreign issuers	–	–	50,000	50,000
Shares of foreign companies (a)	–	17,952	–	17,952
Investment fund units (b)	–	882,402	–	882,402
	486,276	917,132	12,107,431	13,510,839
Equity instruments				
Shares				
Portuguese companies	438	–	16,522	16,960
Foreign companies	54	44,026	16,437	60,517
Investment fund units	–	–	2	2
Other securities	826	–	–	826
	1,318	44,026	32,961	78,305
Trading derivatives	543,607	–	–	543,607
	1,031,201	961,158	12,140,392	14,132,751
Level 1	481,107	–	11,764,197	12,245,304
Level 2	258,821	–	215,818	474,639
Level 3	291,273	961,158	160,377	1,412,808

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

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

On balance sheet, the changes occurred during the 2021 and 2020, for impairment of financial assets at fair value through other comprehensive, are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	1,097	1,177
Transfers to fair value changes (note 43)	(4,626)	(10,360)
Impairment through profit and loss (note 11)	4,784	11,485
Reversals through profit and loss (note 11)	(158)	(1,125)
Exchange rate differences	(5)	(80)
Balance at the end of the year	1,092	1,097

As at 31 December 2021, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 18,496,000 and is recognised against Fair value reserves (31 December 2020: Euros 13,823,000).

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

(Thousands of euros)

	2021			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	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 for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,498,321	13,982	90,607	3,602,910
Foreign issuers	6,809,372	1,558	82,577	6,893,507
Bonds issued by other entities				
Portuguese issuers	860,370	20,130	19,519	900,019
Foreign issuers	626,990	15,179	12,812	654,981
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,010	–	4	6,014
Foreign issuers	49,927	–	73	50,000
	11,850,990	50,849	205,592	12,107,431
Equity instruments				
Shares				
Portuguese companies	43,407	–	(26,885)	16,522
Foreign companies	27,919	–	(11,482)	16,437
Investment fund units	1	–	1	2
	71,327	–	(38,366)	32,961
	11,922,317	50,849	167,226	12,140,392

(a) Include interest accrued and accumulated impairment for 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 profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive, net of impairment, as at 31 December 2021, by valuation levels, is analysed as follows:

(Thousands of euros)

	2021			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,690,781	118,312	–	3,809,093
Foreign issuers	6,745,963	–	9,135	6,755,098
Bonds issued by other entities				
Portuguese issuers	609,859	58,480	92,665	761,004
Foreign issuers	936,559	76,254	–	1,012,813
Treasury bills and other Government bonds				
Portuguese issuers	426,169	–	–	426,169
Foreign issuers	502,524	50,670	7,633	560,827
Shares of foreign companies	–	–	35,185	35,185
Investment fund units	–	–	829,637	829,637
	12,911,855	303,716	974,255	14,189,826
Equity instruments				
Shares				
Portuguese companies	1,964	–	15,311	17,275
Foreign companies	32	–	47,741	47,773
Other securities	48,711	–	136	48,847
	50,707	–	63,188	113,895
Trading derivatives	–	169,094	261,407	430,501
	12,962,562	472,810	1,298,850	14,734,222

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, net of impairment, as at 31 December 2020, by valuation levels, is analysed as follows:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,519,244	83,767	–	3,603,011
Foreign issuers	6,944,659	–	7,926	6,952,585
Bonds issued by other entities				
Portuguese issuers	738,576	82,151	102,609	923,336
Foreign issuers	654,754	–	42,836	697,590
Treasury bills and other Government bonds				
Portuguese issuers	383,963	–	–	383,963
Foreign issuers	–	50,000	–	50,000
Shares of foreign companies	–	–	17,952	17,952
Investment fund units	–	–	882,402	882,402
	12,241,196	215,918	1,053,725	13,510,839
Equity instruments				
Shares				
Portuguese companies	3,476	–	13,484	16,960
Foreign companies	54	–	60,463	60,517
Investment fund units	–	–	2	2
Other securities	357	–	469	826
	3,887	–	74,418	78,305
Trading derivatives	221	258,721	284,665	543,607
	12,245,304	474,639	1,412,808	14,132,751

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance Debt instruments - Investment fund units classified as level 3 includes units in restructuring funds (note 47) in the amount of Euros 786,801,000 (31 December 2020: Euros 827,976,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

In 2021, the instruments classified as level 3 have associated net losses not performed in the amount of Euros 16,209,000 (2020: losses Euros 16,895,000) recorded in Other comprehensive income. The amount of impairment created for these securities amounts to Euros 1,092,000 (2020: Euros 1,097,000).

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

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	—	32,301	1,370,717	2,406,075	—	3,809,093
Foreign issuers	—	1,067,698	4,285,163	1,402,237	—	6,755,098
Bonds issued by other entities						
Portuguese issuers	40,017	203	588,298	132,486	—	761,004
Foreign issuers	—	—	389,622	623,191	—	1,012,813
Treasury bills and other Government bonds						
Portuguese issuers	270,511	155,658	—	—	—	426,169
Foreign issuers	20,411	540,416	—	—	—	560,827
Shares of foreign companies	—	—	—	—	35,185	35,185
Investment fund units	—	—	284,865	539,067	5,705	829,637
	330,939	1,796,276	6,918,665	5,103,056	40,890	14,189,826
Equity instruments						
Companies' shares						
Portuguese companies	—	—	—	—	17,275	17,275
Foreign companies	—	—	—	—	47,773	47,773
Other securities	—	—	—	—	48,847	48,847
	—	—	—	—	113,895	113,895
	330,939	1,796,276	6,918,665	5,103,056	154,785	14,303,721

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	—	19,395	497,250	3,086,366	—	3,603,011
Foreign issuers	4,258	253,699	5,161,999	1,532,629	—	6,952,585
Bonds issued by other entities						
Portuguese issuers	54,305	35,736	416,845	416,450	—	923,336
Foreign issuers	44,345	59,434	178,215	415,596	—	697,590
Treasury bills and other Government bonds						
Portuguese issuers	166,330	217,633	—	—	—	383,963
Foreign issuers	15,775	34,225	—	—	—	50,000
Shares of foreign companies	—	—	—	—	17,952	17,952
Investment fund units	1,160	—	127,236	747,692	6,314	882,402
	286,173	620,122	6,381,545	6,198,733	24,266	13,510,839
Equity instruments						
Companies' shares						
Portuguese companies	—	—	—	—	16,960	16,960
Foreign companies	—	—	—	—	60,517	60,517
Investment fund units	—	—	—	—	2	2
Other securities	—	—	—	—	826	826
	—	—	—	—	78,305	78,305
	286,173	620,122	6,381,545	6,198,733	102,571	13,589,144

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)

	2021	2020
Public sector	—	25
Unsecured loans	74,248	347,188
	74,248	347,213
Overdue loans - less than 90 days	1,626	2,133
Overdue loans - Over 90 days	3,315	4,963
	79,189	354,309

The balance Loans to customers at fair value correspond essentially to consumer loans. This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	6,083	45,479
3 months to 1 year	30,028	152,197
1 to 5 years	38,137	149,533
Over 5 years	—	4
Undetermined	4,941	7,096
	79,189	354,309

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

(Thousands of euros)

	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 47.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,639	—	—	1,639
Mining	—	10	—	10
Paper, printing and publishing	54,207	2	—	54,209
Chemicals	—	4	—	4
Machinery, equipment and basic metallurgical	4,062	448	—	4,510
Electricity and gas	16,239	—	—	16,239
Water	7,136	—	—	7,136
Construction	17,730	5	18,865	36,600
Retail business	—	2	—	2
Wholesale business	53,355	—	—	53,355
Restaurants and hotels	—	871	—	871
Transports	222,982	—	—	222,982
Telecommunications	—	2,771	—	2,771
Services				
Financial intermediation (*)	777,184	75,167	842,279	1,694,630
Real estate activities	—	—	15,528	15,528
Consulting, scientific and technical activities	446,502	138	—	446,640
Administrative and support services activities	10,370	9,404	—	19,774
Public sector	42,836	—	469	43,305
Artistic, sports and recreational activities	16,683	—	—	16,683
Other services	1	6,607	6,089	12,697
	1,670,926	95,429	883,230	2,649,585
Government and Public securities	10,939,559	—	—	10,939,559
	12,610,485	95,429	883,230	13,589,144

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 47.

The analysis of trading derivatives, by maturity, as at 31 December 2021, is as follows:

(Thousands of euros)

	2021					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	87,262	–	87,262	–	–
Interest rate swaps	139,913	144,247	4,304,339	4,588,499	153,276	195,144
Interest rate options (purchase)	–	115,915	207,387	323,302	1,334	–
Interest rate options (sale)	–	32,498	207,387	239,885	–	1,345
	139,913	379,922	4,719,113	5,238,948	154,610	196,489
Stock Exchange transactions:						
Interest rate futures	–	–	51,800	51,800	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	247,215	207,726	24,403	479,344	4,707	2,186
Currency swaps	2,264,298	176,260	30,391	2,470,949	10,197	20,159
	2,511,513	383,986	54,794	2,950,293	14,904	22,345
Shares/indexes derivatives:						
OTC Market:						
Shares/indexes swaps	16,670	19,560	606,000	642,230	2,191	2,284
Shares/indexes options (sale)	168,901	–	19,902	188,803	–	–
	185,571	19,560	625,902	831,033	2,191	2,284
Stock exchange transactions:						
Shares futures	–	–	890,922	890,922		
Shares/indexes options (purchase)	15,831	32,697	124,239	172,767	6,328	–
Shares/indexes options (sale)	619	1,192	2,037	3,848	–	133
	16,450	33,889	1,017,198	1,067,537	6,328	133
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	268,745	268,745	252,468	–
Other credit derivatives (sale)	–	–	85,164	85,164	–	–
	–	–	353,909	353,909	252,468	–
Total derivatives traded in:						
OTC Market	2,836,997	783,468	5,753,718	9,374,183	424,173	221,118
Stock Exchange	16,450	33,889	1,068,999	1,119,338	6,328	133
Embedded derivatives					–	6,365
	2,853,447	817,357	6,822,717	10,493,521	430,501	227,616

The analysis of trading derivatives, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	175,427	–	175,427	29	–
Interest rate swaps	480,392	1,272,413	4,862,575	6,615,380	225,530	235,325
Interest rate options (purchase)	2,959	92,213	201,003	296,175	28	–
Interest rate options (sale)	–	8,796	200,939	209,735	–	58
	483,351	1,548,849	5,264,517	7,296,717	225,587	235,383
Stock Exchange transactions:						
Interest rate futures	6,375	–	1,360,300	1,366,675	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	273,786	312,557	48,039	634,382	10,202	6,078
Currency swaps	2,110,964	405,011	23,614	2,539,589	22,341	18,096
	2,384,750	717,568	71,653	3,173,971	32,543	24,174
Shares/indexes derivatives:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	299,859	–	18,401	318,260	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	448,722	204,134	699,216	1,352,072	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Shares/indexes options (purchase)	90,378	157,188	107,114	354,680	4,467	–
Shares/indexes options (sale)	11,096	17,040	8,541	36,677	–	101
	101,474	174,228	783,393	1,059,095	4,467	101
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,730	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,730	–
Total derivatives traded in:						
OTC Market	3,398,346	2,470,551	6,311,106	12,180,003	539,140	260,119
Stock Exchange	107,849	174,228	2,143,694	2,425,771	4,467	101
Embedded derivatives					–	4,426
	3,506,195	2,644,779	8,454,800	14,605,774	543,607	264,646

24. Hedging derivatives

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

(Thousands of euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Swaps	109,059	377,206	91,249	285,766

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2021, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 12,521,000 (31 December 2020: positive amount of Euros 1,732,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 806,000 (31 December 2020: negative amount of Euros 2,042,000).

During 2021, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 68,038,000 (31 December 2020: positive amount of Euros 72,606,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2021, is as follows:

(Thousands of euros)

	2021					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	342,503	1,076,631	14,045,852	15,464,986	74,261	28,509
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	171,466	175,863	–	347,329	12,043	121
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	–	174,524	15,607,245	15,781,769	19,617	283,335
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	210,017	160,365	1,321,143	1,691,525	3,138	65,008
Hedging derivatives related to net investment in foreign entities						
OTC Market						
Currency and interest rate swap	153,427	–	–	153,427	–	233
Total derivatives traded by						
OTC Market	877,413	1,587,383	30,974,240	33,439,036	109,059	377,206

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Stock Exchange transactions						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	274,584	–	–	274,584	–	6,385
Currency and interest rate swap (CIRS)	442,564	610,622	2,225,527	3,278,713	4,779	143,465
	717,148	610,622	2,225,527	3,553,297	4,779	149,850
Hedging derivatives related to net investment in foreign entities						
OTC Market						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange transactions	–	–	197,400	197,400	–	–

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Portuguese credit institutions	40,581	40,114
Foreign credit institutions	165,393	139,095
Other Portuguese companies	308,937	287,285
Other foreign companies	25,695	21,024
	540,606	487,518
Impairment	(78,268)	(52,559)
	462,338	434,959

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

(Thousands of euros)

	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.	7,137	547	—	7,684
Unicre - Instituição Financeira de Crédito, S.A.	33,146	7,435	—	40,581
Webspectator Corporation	—	18,011	(18,011)	—
Others	349	—	—	349
	459,869	80,737	(78,268)	462,338

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

During 2021, the Group sold its participation in Cold River's Homestead, S.A.

As referred in note 48, the Group formalized the sale of shares representing 70% of the share capital of Seguradora Internacional de Moçambique, S.A., maintaining approximately 22% of its share capital starting to be considered as an associated company.

The balance Investments in associated companies, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Ownership on equity	Goodwill	Impairment of investments in associated companies	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	228,956	—	—	228,956
Banco Millennium Atlântico, S.A.	53,257	43,255	(29,991)	66,521
Banque BCP, S.A.S.	42,583	—	—	42,583
Cold River's Homestead, S.A.	19,087	—	(4,557)	14,530
SIBS, S.G.P.S, S.A.	38,881	—	—	38,881
Unicre - Instituição Financeira de Crédito, S.A.	32,679	7,435	—	40,114
Webspectator Corporation	86	18,011	(18,011)	86
Others	3,288	—	—	3,288
	418,817	68,701	(52,559)	434,959

The Group's companies included in the consolidation perimeter are presented in note 60, as well as the main indicators of the most relevant ones.

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

(Thousands of euros)

	2021	2020
Balance on 1 January	52,559	60,773
Transfers from Other provisions (Banco Millennium Atlântico, S.A.) (note 38)	22,300	—
Sale Cold River's Homestead, S.A.	(4,557)	—
Impairment charge for the year (note 12)	—	4,735
Exchange rate differences	7,966	(12,949)
Balance at the end of the year	78,268	52,559

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

(Thousands of euros)

	2021	2020
Ownership held by BCP on equity of the associated company as at 1 January	66,521	93,044
Application of IAS 29 for the year:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 43)	3,332	(7,676)
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 14)	(2,388)	(3,944)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	3,593	(6,476)
Transfers from Other provisions (note 38)	(22,300)	—
Impairment of investments in associated companies	—	(3,826)
Appropriation of the net income of the associated companies (note 14)	2,629	7,300
Appropriation of the net income of previous years (note 14)	(1,621)	(27)
Annulment of the gains arising from properties sold to Group entities (note 14)	—	6,067
Other comprehensive income attributable to BCP	68	(114)
Exchange differences		
Effect on BMA's equity	13,962	(23,436)
Goodwill associated with investment in BMA	4,373	(7,881)
Impairment of investments in associated companies (note 43)	(7,966)	12,950
Annulment of the gains arising from the sale of properties to Group entities	—	540
Investment held at the end of the year	60,203	66,521

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2021	2020
Net profit for the year	11,563	32,107
Comprehensive income	299	(501)
Total comprehensive income attributable to Shareholders of the associated company	11,862	31,606
Application of IAS 29 (*)	(10,504)	(17,346)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	1,358	14,260
Attributable to the BCP Group	309	3,242
Balance sheet		
Financial assets	2,398,934	1,918,456
Non-financial assets	313,203	299,883
Financial liabilities	(2,449,107)	(1,951,208)
Non-financial liabilities	33,362	(36,886)
Attributable to Shareholders of the associated companies	296,392	230,245
Application of IAS 29 (*)	66,504	62,351
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	362,896	292,596
Attributable to the BCP Group	82,503	66,521
Goodwill of the merge	37,957	29,991
Impairment of investments in associated companies	(60,257)	(29,991)
Attributable to the BCP Group adjusted of consolidation items	60,203	66,521

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to be applied on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

(Thousands of euros)

	2021	2020
Ownership held by BCP on equity of the associated company as at 1 January	228,956	174,348
Appropriation of the net income of the associated company (note 14) (*)	38,218	44,344
Other comprehensive income attributable to BCP	(5,728)	10,264
Investment held at the end of the year	261,446	228,956

(*) Includes adjustments according to BCP GAAP.

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2021	2020
Net profit for the year	69,900	81,248
Comprehensive income	(11,690)	20,947
Total comprehensive income attributable to Shareholders of the associated company	58,210	102,195
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	8,096	9,250
Attributable to Shareholders of the associated company adjusted to BCP GAAP	66,306	111,445
Attributable to the BCP Group	32,490	54,608
Balance sheet		
Financial assets	10,263,904	10,928,566
Non-financial assets	429,543	424,353
Financial liabilities	(9,810,182)	(10,466,340)
Non-financial liabilities	(62,344)	(124,020)
Total equity	820,921	762,559
Attributable to non-controlling interests	11,718	11,567
Attributable to Shareholders of the associated companies	809,203	750,992
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*))	355,263	347,167
Attributable to Shareholders of the associated company adjusted to BCP GAAP	1,164,466	1,098,159
Attributable to the BCP Group	570,588	538,098
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	261,446	228,956

(*) VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., being accounted as investment in an associate under the equity method.

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 entered into force on 1 January 2018, the insurance companies can choose for the temporary exemption until 31 December 2022.

The Group chose for the temporary exemption until 31 December 2022, following the approach of Millenniumbcp Ageas, and as far it fulfils the requirements to be accomplish with the temporary exemption until 31 December 2022 which are:

- The entity didn't adopt previously the IFRS 9;
- The liabilities measured according IFRS 4 are significant;
- The weight of IFRS4 liabilities in total liabilities of entity is more than 90%;
- Non-related activities with insurance activity isn't significant.

This exception and based on paragraph 20P b) and 20Oa) of IFRS 4, allows the Group to apply IFRS 9 in its consolidated accounts and to have Millenniumbcp Ageas not applying IFRS 9 in its individual accounts (which are integrated into the consolidated accounts using the equity method).

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 31 December 2021, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a positive amount of Euros 646,000 (2020: positive amount of Euros 461,000).

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2021			2020		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	630,082	(127,218)	502,864	848,277	(146,372)	701,905
Assets belong to investments funds and real estate companies	279,071	(50,481)	228,590	309,547	(52,465)	257,082
Assets for own use (closed branches)	22,800	(5,939)	16,861	26,122	(6,654)	19,468
Equipment and other	24,421	(7,076)	17,345	38,131	(10,158)	27,973
Other assets	14,854	—	14,854	20,053	—	20,053
	971,228	(190,714)	780,514	1,242,130	(215,649)	1,026,481

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

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 54.

The Group has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. 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 Group 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.

This balance includes properties for which the Group has already entered into sales contracts in the amount of Euros 62,181,000 (31 December 2020: Euros 27,367,000, of which Euros 167,000 were related to properties held by investment funds). The impairment associated with all contracts entered into is Euros 14,651,000 (31 December 2020: Euros 10,140,000, of which Euros 52,000 were related to properties held by investment funds) and was calculated considering the value of the respective contracts.

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

(Thousands of euros)

	2021	2020
Balance on 1 January	215,649	263,891
Transfers	(2,135)	779
Charge for the year (note 12)	56,863	78,355
Reversals for the year (note 12)	(3,684)	(11,645)
Amounts charged-off	(77,610)	(113,941)
Exchange rate differences	1,631	(1,790)
Balance at the end of the year	190,714	215,649

27. Investment property

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

The rents received related to these assets amounted to Euros 277,000 (31 December 2020: Euros 391,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 73,000 (31 December 2020: Euros 188,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	7,909	13,291
Transfers from / (to) non-current assets held for sale	—	(1,225)
Revaluations	(1,108)	115
Disposals	(3,931)	(4,272)
Balance at the end of the year	2,870	7,909

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Real estate	708,803	725,639
Equipment		
Computer equipment	337,457	330,853
Security equipment	67,542	69,812
Interior installations	148,532	144,693
Machinery	49,455	49,452
Furniture	84,923	84,962
Motor vehicles	29,703	29,448
Other equipment	30,711	30,886
Right of use		
Real estate	352,346	334,608
Vehicles and equipment	505	929
Work in progress	20,656	18,021
Other tangible assets	38	248
	1,830,671	1,819,551
Accumulated depreciation		
Relative to the current year (note 9)	(98,972)	(103,717)
Relative to the previous years	(1,130,978)	(1,075,009)
	(1,229,950)	(1,178,726)
	600,721	640,825

The balance Real Estate includes the amount of Euros 113,850,000 (31 December 2020: Euros 118,532,000) related to real estate held by the Group's real estate investment funds.

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

The changes occurred in Other tangible assets during 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

The changes occurred in Other tangible assets during 2020 are analysed as follows:

(Thousands of euros)

	2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	762,085	2,442	(18,257)	2,415	(23,046)	725,639
Equipment:						
Computer equipment	330,524	11,871	(7,096)	5,331	(9,777)	330,853
Security equipment	71,268	294	(686)	–	(1,064)	69,812
Interior installations	145,298	929	(1,449)	2,767	(2,852)	144,693
Machinery	48,466	706	(465)	2,803	(2,058)	49,452
Furniture	85,951	898	(747)	195	(1,335)	84,962
Motor vehicles	31,820	3,036	(2,978)	–	(2,430)	29,448
Other equipment	32,072	9	(386)	1,255	(2,064)	30,886
Right of use						
Real estate	329,604	26,418	(10,127)	118	(11,405)	334,608
Vehicles and equipment	958	1	–	–	(30)	929
Work in progress	20,833	14,032	(37)	(14,938)	(1,869)	18,021
Other tangible assets	296	17	(1)	–	(64)	248
	1,859,175	60,653	(42,229)	(54)	(57,994)	1,819,551
Accumulated depreciation						
Real estate	(434,959)	(16,103)	10,719	78	8,953	(431,312)
Equipment:						
Computer equipment	(287,185)	(17,642)	6,468	(51)	6,996	(291,414)
Security equipment	(66,236)	(983)	686	–	871	(65,662)
Interior installations	(129,157)	(2,708)	1,275	–	1,726	(128,864)
Machinery	(41,233)	(1,238)	303	(781)	1,616	(41,333)
Furniture	(76,517)	(2,936)	676	774	841	(77,162)
Motor vehicles	(16,616)	(4,644)	2,575	(8)	1,478	(17,215)
Other equipment	(24,001)	(1,478)	359	(10)	1,544	(23,586)
Right of use						
Real estate	(53,428)	(56,761)	5,812	(14)	2,916	(101,475)
Vehicles and equipment	(365)	(320)	–	–	17	(668)
Other tangible assets	(36)	–	1	–	–	(35)
	(1,129,733)	(104,813)	28,874	(12)	26,958	(1,178,726)
	729,442	(44,160)	(13,355)	(66)	(31,036)	640,825

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	104,843	105,385
Euro Bank, S.A. (Poland)	41,913	42,130
Others	12,675	14,260
	159,431	161,775
Impairment		
Others	(11,931)	(13,573)
	147,500	148,202
Intangible assets		
Software	234,192	201,918
Other intangible assets	70,823	67,777
	305,015	269,695
Accumulated amortisation		
Charge for the year (note 9)	(38,184)	(32,083)
Charge for the previous years	(158,118)	(139,860)
	(196,302)	(171,943)
	108,713	97,752
	256,213	245,954

According to the accounting policy described in note 1 B, the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2021, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

During 2021, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor to the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved at the end of 2021 by the Executive Committee up to 2026. After that date, a perpetuity was considered based on the average long-term expected adjusted rate of return for this activity in the Polish market. Additionally, the market performance of Bank Millennium, S.A. in the Polish capital market was taken into consideration and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded that there is no need for impairment charges related to the goodwill of this participation.

The above-mentioned business plan of Bank Millennium, S.A. comprises a five-year period, from 2022 to 2026, considering, along this period, an estimated compound annual growth rate of 7.0% (6.2% in 2020) for Total Assets and of 19.6% (8.4% in 2020) for Total Equity, while considering a ROE evolution from -8.0% by the end of 2022 to 17.6% by the end of 2026 and 12.5% in perpetuity vs. an estimated evolution of 2.9% by the end of 2021 to 9.2% by the end of 2025 and 11.0% in perpetuity considered in 2020. The exchange rate EUR/PLN considered was 4.5839 as at December 2021 (4.5603 as at 31 December 2020). It is worth mentioning that the economic activity in Poland has recovered to pre-pandemic levels during 2021, which was already visible in Bank Millennium, S.A., whose credit production in 2021 surpassed 2019 levels.

The Cost of Equity considered was 11.000% for the period 2022 to 2026 and in perpetuity, whereas 2020 exercise considered a Cost of Equity of 8.875% for the period 2021 to 2025 and in perpetuity, and, in both years, a discretionary factor was considered to accommodate the uncertainty regarding the legal risk associated with the mortgage loan portfolio in foreign currency to the PLN. The annual growth rate in perpetuity (g) was 2.88% (2.37% in 2020).

Together with the business plans, other main assumptions considered for the impairment test were:

	2021	2020	2019
Discount rate	11 %	8.875 %	8.565 %
Growth rate (g)	2.88 %	2.37 %	2.8 %
RoE steady state	12.5 %	11 %	10.5 %

Given the degree of uncertainty of these assumptions, and in order to validate whether the recoverable amount of goodwill resulting from the consolidation of Bank Millennium, S.A., corresponding to the higher of its value in use or its fair value less costs to sell, equals to or exceeds the registered goodwill, the Group performs a sensitivity analysis using reasonable changes in the key assumptions whose volatility are perceived to possibly have a greater impact in determining the present value of the estimated cash flows. Below, in a simplified way, is shown the increase/decrease amount of the estimated value for 100% of Bank Millennium, S.A., that results from a reasonable variation (+/- 50 basis points) of each of the key assumptions considered as at 31 December 2021.

Sensitivity analysis for main assumptions

(million euros)

	Impact increase of 50 bps	Impact decrease of 50 bps
Discount rate	(178)	203
Growth rate (g)	44	(39)
RoE steady state	106	(106)

Based on this analysis, the Group also concluded that there is no need for impairment charges related to the goodwill of this participation.

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

(Thousands of euros)

	2021					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	161,775	347	(3,558)	–	867	159,431
Goodwill 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 depreciation						
Software	(115,427)	(34,173)	15,543	57	(2,360)	(136,360)
Other intangible assets	(56,516)	(4,011)	341	(57)	301	(59,942)
	(171,943)	(38,184)	15,884	–	(2,059)	(196,302)
	97,752	11,597	(2,073)	(80)	1,517	108,713
	245,954	11,597	(3,642)	(80)	2,384	256,213

The changes occurred in Goodwill and intangible assets during 2020 are analysed as follows:

(Thousands of euros)

	2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
Goodwill impairment	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
Software	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
Software	(108,690)	(29,100)	14,951	221	7,191	(115,427)
Other intangible assets	(56,992)	(3,236)	–	(221)	3,933	(56,516)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

30. Income tax

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

(Thousands of euros)

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	835,619	–	835,619	836,909	–	836,909
	1,818,796	–	1,818,796	1,820,086	–	1,820,086
Deferred taxes depending on the future profits						
Impairment losses (b)	601,925	(50,303)	551,622	723,864	(50,303)	673,561
Tax losses carried forward	187,475	–	187,475	176,885	–	176,885
Employee benefits	55,274	(6,918)	48,356	55,268	(542)	54,726
Financial assets at fair value through other comprehensive income	125,907	(104,865)	21,042	38,000	(189,359)	(151,359)
Derivatives	–	(4,923)	(4,923)	–	(4,451)	(4,451)
Intangible assets	1,639	–	1,639	49	–	49
Other tangible assets	8,835	(4,037)	4,798	10,992	(4,081)	6,911
Others	123,468	(80,989)	42,479	113,238	(63,098)	50,140
	1,104,523	(252,035)	852,488	1,118,296	(311,834)	806,462
Total deferred taxes	2,923,319	(252,035)	2,671,284	2,938,382	(311,834)	2,626,548
Offset between deferred tax assets and deferred tax liabilities	(235,103)	235,103	–	(304,592)	304,592	–
Net deferred taxes	2,688,216	(16,932)	2,671,284	2,633,790	(7,242)	2,626,548

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2021 and 2020 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 31 December 2021, the balance deferred tax assets amounts to Euros 2,688,216,000, of which Euros 2,503,077,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 684,312,000 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 429,133,000 related to impairment losses; and

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

Special regime applicable to deferred tax assets

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

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

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

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,569,265,000 (31 December 2020: Euros 1,471,614,000).

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

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

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

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

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

	2021	2020
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 2021 and 2020.

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 term for tax losses carried forward in Poland and in Mozambique it is 5 years.

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

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

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

(Thousands of euros)

Expiry date	2021	2020
2021-2026	25,052	29,043
2030	104,000	104,000
2033	58,423	43,842
	187,475	176,885

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

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

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

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

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

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

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

In the calculation of the taxable income for the year 2020 and in the estimation of taxable income by reference to 31 December 2021 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

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

Analysis of the recoverability of deferred tax assets

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

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

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

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

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

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

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

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

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

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

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

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

The projections prepared within the framework of the budget process for 2022 incorporate the priorities arising from the Strategic Plan 2021-2024. This new strategic plan essentially maintained the priorities established in the previous plan, adapting them to the macroeconomic, competitive and legal/regulatory framework resulting from the pandemic and incorporating responses to the current challenges faced by the Bank. The pandemic and the economic crisis conditioned banking activity and had an impact on credit portfolios and other assets, with an immediate impact on profitability. This way, projections assume, alongside the projected economic recovery, a convergence towards the medium/long-term metrics and trends consistent with the commercial positioning and the coveted capture of efficiency gains, established in the revision of the strategic plan approved by the corporate bodies, emphasizing the following:

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

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

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

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

The conclusion of the analysis of the recoverability of the deferred tax assets recognized as at 31 December 2021 is that the total recognized deferred tax assets are recoverable.

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	2021	2020
2024-2025	107,429	111,985
2026	42,666	40,214
2027-2029	162,683	161,685
2030 and following	486,237	288,855
	799,015	602,739

The increase verified in the period of 2030 and following is mainly due to the liquidations of subsidiaries that took place in 2021.

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

(Thousands of euros)

	2021			
	Net income for the year	Reserves	Exchange differences	Discontinued operations (b)
Deferred taxes Deferred taxes not depending on the future profits				
Employee benefits	(1,288)	(2)	—	—
Deferred taxes depending on the future profits				
Impairment losses	(121,002)	—	(937)	—
Tax losses carried forward (a) (c)	15,567	3,353	3,607	(11,937)
Employee benefits	4,774	(10,218)	(283)	(643)
Financial assets at fair value through other comprehensive income	—	184,667	(12,286)	20
Derivatives	—	—	(472)	—
Intangible assets	(382)		1,972	—
Other tangible assets	(174)		(1,939)	—
Others	(19,768)	332	11,802	(27)
	(120,985)	178,134	1,464	(12,587)
	(122,273)	178,132	1,464	(12,587)
Current taxes				
Current year	(81,689)	6	—	(3,233)
Correction of previous years	336	—	—	
	(81,353)	6	—	(3,233)
	(203,626)	178,138	1,464	(15,820)

(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 BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A.

(c) The amount accounted for in Discontinuing operations corresponds to the current taxes that would have affected, autonomously, the gain arising from the sale of Seguradora Internacional de Moçambique, S.A.

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020 (restated)			
	Net income for the year	Reserves	Exchange differences	Discontinuing operations (b)
Deferred taxes Deferred taxes not depending on the future profits				
Employee benefits	—	(2)	—	—
	—	(2)	—	—
Deferred taxes depending on the future profits				
Impairment losses	(91,910)	—	(7,048)	—
Tax losses carried forward (a)	42,207	18,198	(3,815)	—
Employee benefits	4,019	3,076	466	57
Financial assets at fair value through other comprehensive income	—	(73,369)	2,734	—
Derivatives	—	—	1,189	—
Intangible assets	631	—	32	—
Other tangible assets	(14)	—	(103)	—
Others	21,497	(10)	(1,109)	243
	(23,570)	(52,105)	(7,654)	300
	(23,570)	(52,107)	(7,654)	300
Current taxes				
Current year	(105,053)	442	—	(4,763)
Correction of previous years	(3,467)	—	—	—
	(108,520)	442	—	(4,763)
	(132,090)	(51,665)	(7,654)	(4,463)

(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 BCP (Suisse), S.A. and 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)

	2021	2020 (restated)
Net income / (loss) before income taxes	157,737	324,935
Current tax rate (%)	31.5%	31.5%
Expected tax	(49,687)	(102,355)
Non-deductible impairment and provisions (a)	(100,417)	(23,966)
Mandatory contributions to the banking sector (b)	(30,400)	(30,183)
Results of companies accounted by the equity method	17,935	21,324
Tax benefits	16,128	12,963
Interests on other equity instruments (c)	11,655	11,655
Effect of the tax rate difference	(36,017)	(12,802)
Effect of recognition/derecognition net of deferred taxes	(23,400)	(3,010)
Non-deductible costs and other corrections	(2,988)	(3,832)
Correction of previous years	(5,410)	(787)
Autonomous tax	(1,025)	(1,097)
Total	(203,626)	(132,090)
Effective rate (%)	129.1%	40.7%

(a) In 2021 includes the negative amount of Euros 85,956,000 (2020: negative Euros 17,051,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by the Polish subsidiary.

(b) Refers to mandatory contributions to the banking 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.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Deposit account applications	396,638	324,501
Associated companies	162	425
Subsidies receivables	15,656	9,750
Prepaid expenses	23,157	24,186
Debtors for futures and options transactions	138,688	281,991
Insurance activity	—	5,355
Debtors		
Residents		
Prosecution cases / agreements with the Bank	13,037	14,023
SIBS	3,490	4,832
Receivables from real estate, transfers of assets and other securities	109,509	105,003
Others	23,569	18,579
Non-residents	51,909	96,346
Dividends to receive	—	4,672
Interest and other amounts receivable	69,354	64,320
Amounts receivable on trading activity	32,303	498
Gold and other precious metals	3,851	3,743
Other recoverable tax	11,696	16,393
Artistic patrimony	28,818	28,817
Capital supplementary contributions	165	165
Reinsurance technical provision	—	21,071
Obligations with post-employment benefits (note 50)	202,366	93,041
Capital supplies	244,991	239,735
Amounts due for collection	81,082	74,119
Amounts due from customers	29,020	21,278
Sundry assets	166,030	109,311
	1,645,491	1,562,154
Impairment of other assets	(260,199)	(265,342)
	1,385,292	1,296,812

As referred in note 47, as at 31 December 2021, the item Capital supplies includes the amount of Euros 237,671,000 (31 December 2020: Euros 232,421,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

The balance Deposit account applications includes the amount of Euros 348,559,000 (31 December 2020: Euros 286,315,000) on the Clearing houses / Clearing derivatives.

The balance Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is registered in the income statement.

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

(Thousands of euros)

	2021	2020
Balance on 1 January	265,342	247,916
Transfers resulting from changes in the Group's structure (SIM - Seguradora Internacional de Moçambique)	(375)	(117)
Other transfers	536	15,464
Charge for the year (note 12)	16,618	17,183
Reversals for the year (note 12)	(9,263)	(9,518)
Amounts charged-off	(12,717)	(5,381)
Exchange rate differences	58	(205)
Balance at the end of the year	260,199	265,342

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	–	8,028,747	8,028,747	–	7,510,013	7,510,013
Central Banks abroad	–	82,155	82,155	–	94,713	94,713
	–	8,110,902	8,110,902	–	7,604,726	7,604,726
Resources from credit institutions in Portugal						
Sight deposits	96,654	–	96,654	97,151	–	97,151
Term Deposits	–	64,217	64,217	–	313,560	313,560
CIRS and IRS operations collateralised by deposits (*)	–	1,620	1,620	–	120	120
Other resources	–	1	1	–	229	229
	96,654	65,838	162,492	97,151	313,909	411,060
Resources from credit institutions abroad						
Sight deposits	108,247	–	108,247	110,625	–	110,625
Term Deposits	–	89,053	89,053	–	216,818	216,818
Loans obtained	–	399,678	399,678	–	467,353	467,353
CIRS and IRS operations collateralised by deposits (*)	19,998	–	19,998	25,211	–	25,211
Sales operations with repurchase agreement	–	–	–	–	54,507	54,507
Other resources	–	5,704	5,704	–	8,459	8,459
	128,245	494,435	622,680	135,836	747,137	882,973
	224,899	8,671,175	8,896,074	232,987	8,665,772	8,898,759

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically, for the period between 24 June 2020, the date of disbursement of financing funds in progress at 31 December 2020, and 23 June 2021, the Group considers that, with a high degree of probability, it will fulfil the conditions required for application to the financing an interest rate corresponding to the average Deposity Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. As at 31 December 2021, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000).

The balance Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	316,096	622,107
3 to 6 months	21,173	162,304
6 to 12 months	54,863	100,178
1 to 5 periods	8,503,029	7,954,170
Over 5 years	913	60,000
	8,896,074	8,898,759

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	48,771,241	176,561	48,947,802	42,712,179	382,188	43,094,367
Term deposits	—	14,241,514	14,241,514	—	14,186,698	14,186,698
Saving accounts	—	5,912,193	5,912,193	—	5,278,672	5,278,672
Treasury bills and other assets sold under repurchase agreement	—	28,718	28,718	—	15,890	15,890
Cheques and orders to pay	369,802	—	369,802	364,994	—	364,994
Other	—	60,198	60,198	—	60,208	60,208
	49,141,043	20,419,184	69,560,227	43,077,173	19,923,656	63,000,829

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

This balance is analysed, by remaining period until the next operation renewal date, as follows:

(Thousands of euros)

	2021	2020
Deposits repayable on demand	48,947,802	43,094,367
Term deposits and saving accounts		
Up to 3 months	10,785,617	10,044,353
3 to 6 months	5,999,221	5,743,715
6 to 12 months	2,784,000	3,175,837
1 to 5 years	584,717	501,248
Over 5 years	152	217
	20,153,707	19,465,370
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	28,718	15,890
Cheques and orders to pay		
Up to 3 months	369,802	364,994
Other		
Up to 3 months	198	208
Over 5 years	60,000	60,000
	60,198	60,208
	69,560,227	63,000,829

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Bonds	10,606	126,953
Covered bonds	999,333	997,765
Medium term notes (MTNs)	1,017,285	91,811
Securitisations	149,637	167,801
	2,176,861	1,384,330
Accruals	11,502	4,519
	2,188,363	1,388,849

As described in note 48, Banco Comercial Português, S.A. proceed with two issues, one of senior preferred debt securities and the second of social senior preferred debt securities, under its Euro Note Programme.

The first issue occurred in February 2021, in the amount of Euros 500 million, has a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

The second issue occurred in October 2021, in the amount of Euros 500 million, has a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00%.

The characteristics of the bonds issued by the Group, as at 31 December 2021 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português					
BCP Cln Brisa Feb 2023 Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	2,000
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0,75%	1,000,000	999,333
Bcp Rend Min Cb Multi Set Iii19 Eur Smtn Sr 36	March, 2019	March, 2022	Indexed to portfolio of 3 shares	3,000	3,000
Bcp Euro Sectores Retorno Garantido Iv Smtn 37	May, 2019	May, 2022	Indexed to portfolio of 3 indexes	3,960	3,960
Bcp Ações Euro Zona Ret Min V19 Smtn 39	May, 2019	May, 2022	Indexed to portfolio of 3 shares	2,480	2,480
Bcp Rend Min Euro Setores Vi Smtn Sr 41	June, 2019	June, 2022	Indexed to portfolio of 3 indexes	3,150	3,150
Bcp Eur Cabaz Ações Ret MinVii 19 Eur Smtn Sr 43	July, 2019	August, 2022	Indexed to portfolio of 3 shares	2,220	2,214
Bcp Cabaz Ações America Ret Min Out22 Smtn 45	October, 2019	October, 2022	Indexed to portfolio of 3 shares	1,610	1,610
Bcp Cabaz Ações Euro Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to portfolio of 3 shares	6,210	6,140
Bcp 6NC5 Senior Preferred NG - mtn 856	February, 2021	February, 2027	Fixed rate 1.125%year until Feb-26 /after Euribor 3M + Variable rate 1.55%	500,000	498,495
Bcp 1.75% 6.5Nc5.5 Social Senior Preferred Notes - mtn 857	October, 2021	April, 2028	Fixed rate 1.75% per year until Apr-27/after + Euribor 3M+ 2%	500,000	495,936
BCP Finance Bank					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	300	300
Magellan Mortgages n.º 3					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	159,170	147,691
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	821	762
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,276	1,184
Bank Millennium					
Millennium Leasing - G13	May, 2019	May, 2022	Wibor 3m + 80 bp	8,606	8,606
					2,176,861
Accrual					11,502
					2,188,363

This balance as at 31 December 2021, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	—	8,606	—	2,000	—	10,606
Covered bonds	—	999,333	—	—	—	999,333
MTNs	3,000	9,590	9,964	300	994,431	1,017,285
Securitisations	—	—	—	—	149,637	149,637
	3,000	1,017,529	9,964	2,300	1,144,068	2,176,861

This balance as at 31 December 2020, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	29,683	27,137	59,438	10,695	—	126,953
Covered bonds	—	—	—	997,765	—	997,765
MTNs	36,377	32,520	—	22,914	—	91,811
Securitisations	—	—	—	—	167,801	167,801
	66,060	59,657	59,438	1,031,374	167,801	1,384,330

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Bonds		
Non-Perpetual	1,376,582	1,385,218
Accruals	18,198	19,954
	1,394,780	1,405,172

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	Wibor 6M 1.79% + 2.30%	152,708	152,708	60,310
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	181,069	181,069	71,510
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,376,582	1,181,820
Accruals					18,198	—
					1,394,780	1,181,820

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5 year mid swaps rate prevailing at that time plus the Spread.

As described in note 48, BCP proceed in 2021 with the issue of subordinated notes under its Euro Note Programme that are expected to be eligible as Tier 2 own funds.

The issue will be in the aggregate amount of Euros 300 million, with a tenor of 10.5 years and the option of early redemption by the Bank at any time during the six months between year 5 and year 5.5, a fixed annual interest rate of 4% during the first 5.5 years (corresponding to a spread of 4.065% (the "Spread") over the 5-6 year mid-swap rate). From year 5.5 to maturity the interest rate will be determined on the basis of the then applicable 5-year mid-swap rate plus the Spread.

As at 31 December 2020, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	5,573
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	3,241
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	2,158
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	449,688	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% + 2.30%	153,499	153,499	59,160
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	182,006	182,005	70,147
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,268	87,866	4,517
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	–
					1,385,218	894,796
Accruals					19,954	–
					1,405,172	894,796

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	–	114,000
3 to 6 months	–	99,100
Up to 1 year	–	87,866
Over 5 years	1,376,582	1,084,252
	1,376,582	1,385,218
Accruals	18,198	19,954
	1,394,780	1,405,172

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Short selling securities	3,625	14,205
Trading derivatives (note 23)		
Swaps	217,587	253,983
Options	1,478	159
Embedded derivatives	6,365	4,426
Forwards	2,186	6,078
	227,616	264,646
	231,241	278,851
Level 1	–	218
Level 2	221,040	257,275
Level 3	10,201	21,358

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance Financial liabilities held for trading includes, as at 31 December 2021, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1C.5. in the amount of Euros 6,365,000 (31 December 2020: Euros 4,426,000). This note should be analysed together with note 23.

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

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Deposits from customers	–	258,528
Certificates	961,730	678,860
Debt securities at fair value through profit and loss		
Medium term notes (MTNs)	620,048	662,016
Accruals	–	1
	620,048	662,017
	1,581,778	1,599,405

As at 31 December 2021, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
Millennium Cabaz 3 Ações-Smtn Sr13	June, 2018	June, 2023	Indexed to portfolio of 3 shares	83,394	82,767
Bcp Tit Div Millenn Cabaz 3Acoes-Smtn Sr20	September, 2018	September, 2023	Indexed to portfolio of 3 shares	28,707	28,458
Bcp Tit Divida MillennCabaz 3 Ações-Smtn 25	December, 2018	December, 2023	Indexed to portfolio of 3 shares	94,908	95,611
Bcp Rend Ações Europ Cupão Min Autoc Smtn Sr 32	February, 2019	February, 2022	Indexed to portfolio of 3 shares	8,040	8,167
Bcp Cabaz 3 Ações Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to portfolio of 3 shares	73,620	73,476
Bcp Ações Europa Rend Min Aut Iii19 Smtn 34	March, 2019	March, 2022	Indexed to portfolio of 3 shares	5,630	5,614
Bcp Tit Div Mill Cabaz 3 Ações 8Abr24 Smtn Sr 35	April, 2019	April, 2024	Indexed to portfolio of 3 shares	67,285	66,961
Bcp Tit Div Mill Cabaz 4 Ações Smtn Sr 38	June, 2019	June, 2024	Indexed to portfolio of 4 shares	84,000	85,198
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 42	July, 2019	July, 2024	Indexed to portfolio of 5 shares	77,531	77,763
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 44	December, 2019	December, 2024	Indexed to portfolio of 5 shares	96,555	96,033
					620,048

As at 31 December 2021, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Certificates	—	—	—	—	961,730	961,730
Debt securities at fair value through profit and loss						
MTNs	13,781	—	—	606,267	—	620,048
	13,781	—	—	606,267	961,730	1,581,778

As at 31 December 2020, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	96,517	158,123	2,660	1,228	—	258,528
Certificates	—	—	—	—	678,860	678,860
Debt securities at fair value through profit and loss						
MTNs	1,933	4,879	7,790	647,414	—	662,016
	98,450	163,002	10,450	648,642	678,860	1,599,404

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2021	2020 (restated)
Provision for guarantees and other commitments (note 21)	110,649	103,830
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	–	5,774
Life insurance	–	2,020
For participation in profit and loss	–	104
Other technical provisions	–	25,922
Other provisions for liabilities and charges	348,095	207,691
	458,744	345,341

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

(Thousands of euros)

	2021	2020
Balance on 1 January	103,830	116,560
Other transfers (note 21)	(1,651)	(14,885)
Charge for the year (note 13)	44,414	43,204
Reversals for the year (note 13)	(36,278)	(39,986)
Exchange rate differences	334	(1,063)
Balance at the end of the year	110,649	103,830

As at 31 December 2020, the balance Other transfers included the amount of Euros 14,885,000 corresponding to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

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

(Thousands of euros)

	2021	2020 (restated)
Balance on 1 January	207,691	140,777
Transfers resulting from changes in the Group's structure	(30)	(50)
Transfers to Impairment of investments in associates (Banco Millennium Atlântico, S.A.) (note 25)	(22,300)	–
Other transfers	4,596	41
Charge of the year for restructuring costs (note 7)	84,152	–
Charge for the year (note 13)	651,156	238,181
Reversals for the year (note 13)	(16,566)	(3,107)
Amounts charged-off	(135,506)	(19,750)
Allocation to loan's portfolio (note 21)	(443,296)	(147,245)
Exchange rate differences	18,198	(1,156)
Balance at the end of the year	348,095	207,691

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

This balance includes provisions for lawsuits, frauds and tax contingencies. As at 31 December 2021, the provisions constituted to cover tax contingencies totalled Euros 37,524,000 (31 December 2020: Euros 62,720,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

As at 31 December 2020 this balance also included provisions for contingencies in the sale of Millennium Bank (Greece) in the amount of Euros 23,507,000. During the first semester of 2021, a final indemnity agreement was reached regarding a compensation payable to Piraeus Bank, S.A. (Greece), resulting in a payment of Euros 9,045,000 (including expenses), with the remaining amount of Euros 14,462,000 being reverted in results.

There are provisions for liabilities and charges recorded for ongoing sale processes of corporate restructuring funds.

In 2021, the Bank's Board of Directors approved in April the employee reduction plan. The decision was taken based on a thorough analysis of needs and existing capacity, considering the specifics of the Bank, the changes in behaviour and needs of customers, the impact of new technologies on business models and processes, as well as the developments that are expected for the Bank.

The implementation of this plan started in mid-June 2021, having been contacted throughout the 3rd quarter all employees covered by the program, which included early retirements and terminations. For diverse reasons, the effective departure of some Employees was agreed for dates during the first half of 2022.

In view of the initiatives that had already been developed on 30 June 2021, the Bank considered that the requirements defined in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of restructuring costs in its accounts for the first half of 2021 were met. Thus, during the first semester of 2021, was recorded in personnel costs, a provision for restructuring costs in the amount of Euros 81,373,000, which was reinforced in December in the amount of Euros 2,779,000, which makes a total of Euros 84,152,000 in 2021 (note 7). As at 31 December 2021, the balance of the provision for restructuring costs amounts to Euros 4,692,000 (Euros 84,152,000 reflected in balance Charge of the year for restructuring cost and Euros 79,460,000 in balance Amounts charged-off), of which Euros 2,297,000 refer to agreements already concluded with some employees whose effective departures will occur during the first half of 2022 and Euros 2,395,000 refer to future costs with the health protection of former Employees, who left the Bank as part of the employees reduction process developed in 2021.

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

As at 31 December 2021, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,817,504,000 (31 December 2020: Euros 3,047,083,000).

As described in note 57, as at 31 December 2021, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 727,026,000 (PLN 3,332,614,000), of which Euros 636,309,000 (PLN 2,916,778,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 90,716,000 (PLN 415,835,000) are presented under Provisions.

With reference to 31 December 2020, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amounted to Euros 210,522,000 (PLN 960,046,000), of which Euros 16,510,000 (PLN 75,291,000) were accounted for in Provisions and Euros 194,012,000 (PLN 884,755,000) were deducted to the gross amount of the loan portfolio in CHF (note 21). As described in note 59, this amount includes Euros 51,691,000 (PLN 435,755,000) resulting from the changes occurred in accounting policies from IAS 37 to IFRS 9. Under this scope, the Balance on 1 January 2020 was restated in Euros 50,160,000 (PLN 213,271,000).

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Interests and other amounts payable	148,522	142,747
Operations to be settled - foreign, transfers and deposits	134,996	94,594
Credit insurance received and to accrued	72,075	79,322
Holidays, subsidies and other remuneration payable	51,841	54,645
Transactions on securities to be settled	39,979	51,158
Public sector	35,460	32,292
Creditors		
Rents to pay	211,345	238,868
Deposit account and other applications	58,390	38,701
Suppliers	39,350	31,718
From factoring operations	32,113	40,045
For futures and options transactions	14,356	6,852
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	6,389	14,481
Associated companies	106	98
For direct insurance and reinsurance operations	—	12,636
Other creditors		
Residents	27,107	30,691
Non-residents	60,394	55,953
Deferred income	9,543	8,593
Other administrative costs payable	4,133	4,438
Other sundry liabilities	170,884	165,820
	1,116,983	1,103,652

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 4,143,000 (31 December 2020: Euros 4,153,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Group has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	2021	2020
Until 1 year	22,250	25,305
1 to 5 years	82,181	92,175
Over 5 years	114,296	130,552
	218,727	248,032
Accrued costs recognised in Net interest income	(7,382)	(9,164)
	211,345	238,868

40. Share capital, Preference shares and Other equity instruments

As at 31 December 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.

As at 31 December 2021, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2021, the Other equity instruments amounts to Euros 400,000,000 and corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

As at 31 December 2021, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,525,940,191	29.95%	29.95%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	404,590,600	2.68%	2.68%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	8,188,500,849	54.18%	54.18%

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

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

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2020 financial year approved at the General Shareholders' Meeting held on 20 May 2021, the Bank increased its legal reserves in the amount of Euros 5,064,000. Thus, as at 31 December 2021 the Legal Reserves amount to Euros 259,528,000 (31 December 2020: Euros 254,464,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

42. Treasury shares

This balance is analysed as follows:

	2020		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	40	323,738	0.12

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

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

As at 31 December 2021, regarding treasury shares owned by associated companies of the BCP Group, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. owns 142,601,002 BCP shares in the amount Euros 20,078,000 (31 December 2020: Euros 17,568,000), according to note 51.

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	8,696	205,592
Equity instruments	(30,242)	(38,366)
Of associated companies and other changes	39,968	42,685
Cash-flow hedge	(100,394)	265,487
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	245	593
	(81,727)	475,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(12,426)	(60,662)
Equity instruments	6,055	6,581
Cash-flow hedge	26,330	(83,698)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(77)	(186)
	19,882	(137,965)
	(61,845)	338,026
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(76,542)	(70,614)
BIM - Banco International de Moçambique, S.A.	(162,561)	(229,851)
Banco Millennium Atlântico, S.A.	(155,310)	(172,450)
Others	2,311	2,403
	(392,102)	(470,512)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	36,571	37,611
Others	(3,965)	(3,965)
	32,606	33,646
Other reserves and retained earnings	1,001,645	741,237
	580,304	642,397

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

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C.

During 2021, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2021					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	90,611	(49,191)	37,417	920	(38,377)	41,380
Others	114,981	(176,982)	54,546	3,706	(28,935)	(32,684)
	205,592	(226,173)	91,963	4,626	(67,312)	8,696
Equity instruments	(38,366)	1,231	—	—	6,893	(30,242)
Associated companies and others						
Millenniumbcp Ageas	36,560	(6,232)	—	—	—	30,328
Others	6,125	3,515	—	—	—	9,640
	42,685	(2,717)	—	—	—	39,968
	209,911	(227,659)	91,963	4,626	(60,419)	18,422

The changes occurred, during 2020, in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2020					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	39,110	26,390	79,604	1,824	(56,317)	90,611
Others	39,739	109,522	(13,710)	8,536	(29,106)	114,981
	78,849	135,912	65,894	10,360	(85,423)	205,592
Equity instruments	(33,913)	(9,794)	—	—	5,341	(38,366)
Associated companies and others						
Millenniumbcp Ageas	26,268	10,292	—	—	—	36,560
Others	2,937	3,188	—	—	—	6,125
	29,205	13,480	—	—	—	42,685
	74,141	139,598	65,894	10,360	(80,082)	209,911

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Fair value changes		
Debt instruments	(77,625)	29,268
Equity instruments	2,993	3,066
Cash-flow hedge	(41,248)	(4,860)
Other	4	10
	(115,876)	27,484
Deferred taxes		
Debt instruments	14,704	(5,543)
Equity instruments	(568)	(588)
Cash-flow hedge	7,837	923
	21,973	(5,208)
	(93,903)	22,276
Exchange differences arising on consolidation	(181,738)	(212,897)
Actuarial losses (net of taxes)	435	59
Other reserves and retained earnings	1,217,878	1,355,528
	942,672	1,164,966

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2021	2020	2021	2020
Continuing operations				
Bank Millennium Group	729,040	994,741	(145,672)	2,554
BIM - Banco International de Moçambique Group	186,578	136,514	31,837	22,262
Other subsidiaries	27,054	30,635	202	(136)
	942,672	1,161,890	(113,633)	24,680
Discontinued or discontinuing operations				
BIM - Banco International de Moçambique Group (*)	—	3,076	543	673
	942,672	1,164,966	(113,090)	25,353

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

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium Group		BIM - Banco International de Moçambique Group	
	2021	2020 (restated)	2021	2020
Net profit for the year	(291,927)	5,119	95,566	66,823
Net profit for the year attributable to the shareholders	(146,255)	2,565	63,729	44,561
Net profit for the year attributable to non-controlling interests	(145,672)	2,554	31,837	22,262
Other comprehensive income attributable to the shareholders	(120,143)	(57,098)	67,178	(79,451)
Other comprehensive income attributable to non-controlling interests	(119,663)	(56,871)	34,215	(39,668)
Total comprehensive income	(531,733)	(108,850)	196,959	(52,296)
Balance sheet				
Financial assets	22,101,264	20,869,151	2,339,401	1,854,623
Non-financial assets	568,059	472,161	187,306	179,755
Financial liabilities	(20,581,439)	(18,819,580)	(1,900,844)	(1,529,173)
Non-financial liabilities	(626,847)	(528,228)	(66,959)	(93,270)
Equity	1,461,037	1,993,504	558,904	411,935
Equity attributed to the shareholders	731,997	998,763	372,708	274,701
Equity attributed to the non-controlling interests	729,040	994,741	186,196	137,234
Cash flows arising from:				
operating activities	608,072	(688,025)	90,046	49,472
investing activities	(121,421)	446,415	57,945	(13,170)
financing activities	(97,068)	(233,436)	(85,563)	(23,464)
Net increase / (decrease) in cash and equivalents	389,583	(475,046)	62,428	12,838
Dividends paid during the year:				
attributed to the shareholders	–	–	31,744	44,965
attributed to the non-controlling interests	–	–	15,859	22,463
	–	–	47,603	67,428

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Guarantees granted		
Guarantees	3,957,973	3,958,676
Stand-by letter of credit	58,536	56,990
Open documentary credits	268,399	251,221
Bails and indemnities	136,145	137,135
	4,421,053	4,404,022
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	8,760	–
Irrevocable credit lines	4,762,539	4,955,454
Securities subscription	70,017	75,362
Other irrevocable commitments	125,112	117,175
Revocable commitments		
Revocable credit lines	5,437,681	5,327,914
Bank overdraft facilities	1,063,309	982,992
Other revocable commitments	133,354	170,206
	11,600,772	11,629,103
Guarantees received	29,361,511	27,133,779
Commitments from third parties	13,567,068	12,947,778
Securities and other items held for safekeeping	80,154,791	78,055,537
Securities and other items held under custody by the Securities Depository Authority	92,350,151	83,866,357
Other off-balance sheet accounts	129,608,603	125,337,843

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short-term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk are limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1.C. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

46. Assets under management and custody

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2021	2020
Banco Comercial Português, S.A. (*)	3,866,341	2,901,172
Banque Privée BCP (Suisse) S.A.	—	1,422,503
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	763,075	809,501
Millennium TFI S.A.	1,143,117	1,001,679
	5,772,533	6,134,855

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The assets under management and custody are analysed as follows:

(Thousands of euros)

	2021	2020
Assets under deposit	74,410,897	70,143,736
Wealth management	3,866,341	3,325,516
Investment funds	1,906,192	2,809,339
	80,183,430	76,278,591

47. 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 2021 and 2020, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 31 December 2021 and 2020, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2021, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2021			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary 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.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2021, corresponds to the NAV estimated with reference to that date.

The following aspects should also be mentioned, among others: (i) for 3 funds the latest Audit Reports available (for 2 funds with reference to 31 December 2021 and for 1 fund with reference to 30 June 2021) do not include neither reserves or emphasis; (ii) for 2 funds whose latest Limited Audit Reports available (with reference to 30 June 2021) and the latest Audit Reports available (with reference to 31 December 2020) do not include reserves but includes an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund); (iii) for 2 funds the latest Audit Reports available (with reference to 31 December 2020) do not include reserves but includes an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund); (iv) the funds are subject to supervision by the competent authorities.

As a result of updating the estimates of the NAV as at 31 December 2021, the Group recognised a negative impact of Euros 34,791,000 under the balance Gains/(losses) in financial operations at fair value through profit or loss.

There is currently ongoing a sale process of funds/assets managed by ECS Capital (FLIT-PTREL, FRT and three assets/property of FR). Following the receipt of two binding proposals, in October, negotiations are currently underway with the selected investor regarding the final terms of the potential transaction and respective contractual documentation, with no decision being taken by the Bank at this date as to its conclusion. In parallel, the Discovery Fund is being sold, and no binding proposals have been received to the date.

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2020			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

The supplementary capital contributions were initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2020, corresponds to the estimated NAV with reference to that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of COVID-19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2020 and to 30 June 2020 and the latest Audit reports available with reference to 31 December 2019 for 2 funds, which include an emphasis related to COVID-19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Group has no intention to sell these assets for a lower value than the respective NAV.

As a result of updating the estimates of the NAV as at 31 December 2020, the Group recognised a negative impact of Euros 72,370,000 under the balance Gains/(losses) in financial operations at fair value through profit or loss.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2021			2020		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	278,385	13,615	292,000	277,351	14,649
Fundo Reestruturação Empresarial FCR	51,212	46,486	4,726	55,115	50,028	5,087
FLIT-PTREL	244,337	244,337	—	242,889	242,889	—
Fundo Recuperação FCR	206,805	188,771	18,034	206,805	188,262	18,543
Fundo Aquarius FCR	134,801	120,162	14,639	142,627	127,138	15,489
Discovery Real Estate Fund	158,991	158,991	—	158,214	158,214	—
Fundo Vega FCR	49,616	46,968	2,648	49,616	46,601	3,015
	1,137,762	1,084,100	53,662	1,147,266	1,090,483	56,783

In 31 December 2021, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 15,248,000 and Euros 1,107,000, respectively (31 December 2020: Euros 16,696,000 and Euros 1,884,000, respectively).

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment, in relation to entities controlled by these funds:

(Thousands of euros)

Items	2021	2020
Loans and advances to customers	110,786	146,252
Guarantees granted and irrevocable credit lines	41,244	40,792
Gross exposure	152,030	187,044
Impairment	(22,445)	(55,227)
Net exposure	129,585	131,817

48. Relevant events occurred during 2021

Partnership for the insurance market in Mozambique and the sale of a shareholding in Seguradora Internacional Moçambique, S.A.

As at 31 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) ("BIM") formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA ("Fidelidade"), 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 ("SIM"), 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.

Issue of subordinated notes

On 10 November 2021, Banco Comercial Português, S.A. ("BCP") set the terms of a new issue of subordinated notes (the "Notes") under its Euro Note Programme. The Notes are expected to be eligible as Tier 2 own funds.

The issue will be in the aggregate amount of Euros 300 million, with a tenor of 10.5 years and the option of early redemption by the Bank at any time during the six months between year 5 and year 5.5, a fixed annual interest rate of 4% during the first 5.5 years (corresponding to a spread of 4.065% (the "Spread") over the 5-6 year mid-swap rate). From year 5.5 to maturity the interest rate will be determined on the basis of the then applicable 5-year mid-swap rate plus the Spread.

The Notes were placed with a very diversified group of European institutional investors.

The issue is part of BCP's strategy of continuing optimization of its capital structure, reinforcement of own funds and MREL (Minimum Requirements for Own Funds and Eligible Liabilities) eligible liabilities, as well as regularly accessing the international capital markets.

Completion of the sale of Banque Privée BCP (Suisse) SA

Banco Comercial Português, S.A. ("BCP") entered on 29 June 2021 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").

On 2 November 2021, the sale of the entire share capital of Banque Privée to Union Bancaire Privée, UBP SA has been completed after obtaining the non-opposition by the competent local supervisory authorities and the satisfaction of the remaining relevant conditions.

The amount received for the sale of Banque Privée's share capital is CHF 113,210,965 reflecting the distribution of dividends and the share capital reduction that have occurred in the meantime. Considering this amount, the transaction has a (positive) impact on the consolidated results for the current year, on a pro forma basis as at 30 September 2021, of approximately Euros 46 million and a positive impact on the consolidated CET1 ratio of 15 basis points and on total capital of 17 basis points, confirming the amounts previously announced. The final price is still subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA.

The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

Inaugural issue of social senior preferred notes

As at 29 September 2021, Banco Comercial Português, SA (“Millennium bcp” or “Bank”) has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer.

The issue, in the amount of Euros 500 million, will have a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00% ("Issue").

This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context.

The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base.

The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, recognition of Millennium bcp's commitments in terms of sustainable financing.

Notification by Banco de Portugal of its MREL requirements

Banco Comercial Português, S.A. ("BCP" or the "Bank") informs that it has been notified by Banco de Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board.

MREL requirements aim to ensure that banks are provided with sufficient own funds and eligible liabilities to guarantee their capacity to absorb losses and recapitalise in adverse scenarios, thus ensuring the continuity of their activity.

The resolution strategy applied continues to be that of a multiple point of entry ("MPE"), with three different BCP Group resolution groups (in addition to the BCP resolution group, the resolution groups corresponding to (i) Bank Millennium, S.A. and its subsidiaries and (ii) Banco Internacional de Moçambique S.A. and its subsidiaries).

The MREL requirements to be met by BCP, on a consolidated basis (taking as reference BCP’s resolution group, which is composed of the Bank, 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:

a. 23.79% 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 27.29%); and

b. 7.23% of the leverage ratio exposure measure ("LRE").

The Bank's compliance with these requirements must be ensured by 1 January 2024, with an interim target set at 1 January 2022, by which BCP must comply with a requirement of:

a. 18.17% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirements of 21.42%); and

b. 7.23% 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 consistent with its ongoing funding plan, and based on the information available to date, the compliance with the respective MREL requirements established for January 1, 2022, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE, are already ensured, considering the senior preferred debt and subordinated debt (Tier 2) issues carried out in 2021.

2021 EU-Wide Stress Test Results

Banco Comercial Português, S.A. ("BCP") was subject to the 2021 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Bank of Portugal, the European Central Bank (ECB), and the European Systemic Risk Board (ESRB).

BCP notes the announcements made today by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise, comprising 50 banks that together represent around 70% of total banking assets in the European Union.

The 2021 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist competent authorities in assessing BCP ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). The stress test has been carried out applying a static balance sheet assumption as of December 2020, and therefore does not take into account future business strategies and management actions and do not represent a forecast of BCP profits.

Detailed information on the results of BCP in the stress test is available on the EBA website (www.wba.europa.eu). Considering the results of BCP, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 406 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average reduction of 485 b.p. in the universe of 50 banks submitted to this exercise);

- the application of the base scenario resulted in an increase of 163 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an increase of 78 b.p. in the universe of 50 banks submitted to this exercise).

Upgrade of deposits ratings by Moody’s to Baa2/Prime-2

Moody’s rating agency upgraded in one-notch BCP's deposits ratings from Baa3/Prime-3 to Baa2/Prime-2, driven by the higher rating uplift for the deposits, stemming from the upgrade of Portugal’s sovereign bond rating. This upgrade and the affirmation of the senior unsecured debt ratings of Ba1 reflect the reaffirmation of BCP’ BCA (Baseline Credit Assessment) and Adjusted BCA, Moody's Advanced LGF (Loss Given Failure) analysis and unchanged moderate government support assumptions for BCP.

The outlook on BCP's 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.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. held as at 20 May 2021, the Annual General Shareholders' Meeting, by exclusively electronic means, with the participation of Shareholders holding 64.88% of the respective share capital, with the following deliberations:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2020 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the Dividend Policy;

Item Five – Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Six – Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;

Item Seven – Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;

Item Eight – Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External in the triennial 2021/2023;

Item Nine – Approval of the renewal of the authorisation granted by Article 5 (1) of the Bank's Articles of Association;

Item Ten – Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Amendments of terms of the Covered Bonds

On 23 March 2021, Banco Comercial Português, S.A. changed the conditions of the Covered Bonds with the ISIN PTBIPGOE0061, having changed the maturity date from 18 May 2021 to 18 October 2024 and the extended maturity date from 18 May 2022 to 18 October 2025. Regarding the Covered Bonds with the ISIN PTBCSFOE0024, the maturity date was changed from 29 July 2021 to 29 October 2025 and the extended maturity date from 29 July 2022 to 29 October 2026.

Issue of senior preferred debt securities

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

49. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks, it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -1% (ECB deposit rate - 50 bp) as at 31 December 2021 and 2020.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2021	2020	2021	2020	2021	2020	2021	2020
EUR	0.26%	0.53%	2.27%	1.84%	0.38%	0.17%	-0.21%	-0.17%
AOA	23.15%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.42%	0.29%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.88%	0.59%
CHF	n.a.	n.a.	2.47%	2.20%	n.a.	n.a.	-0.32%	-0.37%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.19%	2.35%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.20%	-0.12%
GBP	n.a.	n.a.	n.a.	3.19%	n.a.	n.a.	0.47%	0.22%
HKD	n.a.	n.a.	0.80%	0.43%	n.a.	n.a.	0.02%	0.07%
MOP	n.a.	n.a.	1.19%	0.37%	n.a.	n.a.	0.28%	0.43%
MZN	14.78%	11.36%	17.96%	11.48%	n.a.	n.a.	11.25%	6.39%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.33%	0.79%
PLN	2.11%	-0.13%	7.24%	4.51%	3.71%	0.10%	2.43%	0.10%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	0.29%
USD	0.60%	0.68%	2.70%	1.40%	0.41%	0.58%	-0.11%	0.05%
ZAR	7.24%	6.77%	n.a.	9.55%	n.a.	n.a.	3.11%	1.79%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2021		2020	
	EUR	PLN	EUR	PLN
Placed in the institutional market				
Subordinated	4.80%	–	5.53%	0.14%
Senior	2.33%	–	1.57%	–
Covered bonds	-0.08%	–	-0.03%	–
Placed in retail				
Subordinated	–	–	1.9%	–
Senior and collateralised	0.12%	3.63%	-0.10%	0.84%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 11,616,000 (31 December 2020: a positive amount of Euros 20,513,000) and includes a payable amount of Euros 6,365,000 (31 December 2020: a payable amount of Euros 4,426,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	2021				2020			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.59%	0.11 %	0.19 %	1.99 %	-0.55%	0.33%	0.09%	0.04%
7 days	-0.59%	0.14 %	0.21 %	1.99 %	-0.54%	0.34%	0.09%	0.04%
1 month	-0.56%	0.14 %	0.25 %	2.13 %	-0.54%	0.31%	0.11%	0.10%
2 months	-0.56%	0.16 %	0.32 %	2.28 %	-0.53%	0.30%	0.11%	0.10%
3 months	-0.56%	0.21 %	0.38 %	2.44 %	-0.52%	0.30%	0.12%	0.11%
6 months	-0.54%	0.33 %	0.56 %	2.74 %	-0.49%	0.32%	0.15%	0.15%
9 months	-0.51%	0.47 %	0.76 %	2.89 %	-0.47%	0.34%	0.17%	0.15%
1 year	-0.49%	0.52 %	0.89 %	3.71 %	-0.52%	0.19%	0.18%	0.14%
2 years	-0.3%	0.92 %	1.2 %	3.93 %	-0.52%	0.20%	0.03%	0.21%
3 years	-0.15%	1.15 %	1.3 %	3.88 %	-0.51%	0.24%	0.09%	0.32%
5 years	0.02%	1.34 %	1.29 %	3.74 %	-0.46%	0.43%	0.19%	0.61%
7 years	0.13%	1.45 %	1.24 %	3.63 %	-0.38%	0.65%	0.28%	0.83%
10 years	0.3%	1.56 %	1.21 %	3.54 %	-0.27%	0.92%	0.40%	1.09%
15 years	0.49%	1.68 %	1.18 %	3.74 %	-0.07%	1.18%	0.52%	1.47%
20 years	0.55%	1.74 %	1.15 %	3.86 %	0.01%	1.31%	0.57%	1.57%
30 years	0.48%	1.72 %	1.1 %	3.86 %	-0.03%	1.40%	0.57%	1.57%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2021:

(Thousands of euros)

	2021				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	7,796,299	7,796,299	7,796,299
Loans and advances to credit institutions repayable on demand	–	–	361,786	361,786	361,786
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	453,213	453,213	411,867
Loans and advances to customers (i)	–	–	54,972,401	54,972,401	54,310,839
Debt securities	–	–	8,205,196	8,205,196	8,245,752
Financial assets at fair value through profit or loss					
Financial assets held for trading	931,485	–	–	931,485	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	990,938	–	–	990,938	990,938
Financial assets at fair value through other comprehensive income	–	12,890,988	–	12,890,988	12,890,988
Hedging derivatives (ii)	109,059	–	–	109,059	109,059
	2,031,482	12,890,988	71,788,895	86,711,365	86,049,013
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,896,074	8,896,074	8,897,337
Resources from customers (i)	–	–	69,560,227	69,560,227	69,553,730
Non subordinated debt securities issued (i)	–	–	2,188,363	2,188,363	2,199,979
Subordinated debt (i)	–	–	1,394,780	1,394,780	1,486,659
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	231,241	–	–	231,241	231,241
Financial liabilities designated at fair value through profit or loss	1,581,778	–	–	1,581,778	1,581,778
Hedging derivatives (ii)	377,206	–	–	377,206	377,206
	2,190,225	–	82,039,444	84,229,669	84,327,930

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2020:

(Thousands of euros)

	2020 (restated)				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	5,303,864	5,303,864	5,303,864
Loans and advances to credit institutions repayable on demand	–	–	262,395	262,395	262,395
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	1,015,087	1,015,087	1,006,561
Loans and advances to customers (i)	–	–	52,022,357	52,022,357	51,616,636
Debt securities	–	–	6,234,545	6,234,545	6,320,581
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,031,201	–	–	1,031,201	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	–	–	1,315,467	1,315,467
Financial assets at fair value through other comprehensive income	–	12,140,392	–	12,140,392	12,140,392
Hedging derivatives (ii)	91,249	–	–	91,249	91,249
	2,437,917	12,140,392	64,838,248	79,416,557	79,088,346
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,898,759	8,898,759	8,899,871
Resources from customers (i)	–	–	63,000,829	63,000,829	63,008,920
Non subordinated debt securities issued (i)	–	–	1,388,849	1,388,849	1,409,362
Subordinated debt (i)	–	–	1,405,172	1,405,172	1,419,565
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	278,851	–	–	278,851	278,851
Financial liabilities designated at fair value through profit or loss	1,599,405	–	–	1,599,405	1,599,405
Hedging derivatives (ii)	285,766	–	–	285,766	285,766
	2,164,022	–	74,693,609	76,857,631	76,901,740

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;

ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;

iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;

ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;

ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);

iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/ other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2021:

(Thousands of euros)

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	7,796,299	—	—	7,796,299
Loans and advances to credit institutions repayable on demand	361,786	—	—	361,786
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	411,867	411,867
Loans and advances to customers	—	—	54,310,839	54,310,839
Debt securities	1,768,269	761,886	5,715,597	8,245,752
Financial assets at fair value through profit or loss				
Financial assets held for trading	499,147	169,181	263,157	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	990,938	990,938
Financial assets at fair value through other comprehensive income	12,463,415	303,629	123,944	12,890,988
Hedging derivatives	—	109,059	—	109,059
	22,888,916	1,343,755	61,816,342	86,049,013
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	8,897,337	8,897,337
Resources from customers	—	—	69,553,730	69,553,730
Non subordinated debt securities issued	—	—	2,199,979	2,199,979
Subordinated debt	—	—	1,486,659	1,486,659
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	221,040	10,201	231,241
Financial liabilities designated at fair value through profit or loss	961,730	—	620,048	1,581,778
Hedging derivatives	—	377,206	—	377,206
	961,730	598,246	82,767,954	84,327,930

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2020:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,303,864	–	–	5,303,864
Loans and advances to credit institutions repayable on demand	262,395	–	–	262,395
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	1,006,561	1,006,561
Loans and advances to customers	–	–	51,616,636	51,616,636
Debt securities	3,852,938	475,237	1,992,406	6,320,581
Financial assets at fair value through profit or loss				
Financial assets held for trading	481,107	258,821	291,273	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,315,467	1,315,467
Financial assets at fair value through other comprehensive income	11,764,197	215,818	160,377	12,140,392
Hedging derivatives	–	91,249	–	91,249
	21,664,501	1,041,125	56,382,720	79,088,346
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	8,899,871	8,899,871
Resources from customers	–	–	63,008,920	63,008,920
Non subordinated debt securities issued	–	–	1,409,362	1,409,362
Subordinated debt	–	–	1,419,565	1,419,565
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	218	257,275	21,358	278,851
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	285,766	–	285,766
	679,078	543,041	75,679,621	76,901,740

For financial assets classified at level 3 recorded in the balance sheet at fair value, the changes occurred during 2021 is presented as follows:

(Thousands of euros)

	2021			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	291,273	1,315,467	160,377	7,153
Gains / (losses) recognised in profit or loss				
Results on financial operations	(9,319)	(8,185)	—	12
Net interest income	—	12,137	—	—
Transfers between levels	1,278	—	(42,615)	(2,763)
Purchases / (Sales, repayments or amortisations)	(20,076)	(326,667)	3,650	2,174
Gains / (losses) recognised in reserves	—	—	(99)	—
Exchange differences	—	(1,770)	2,653	—
Accruals of interest	1	(44)	(22)	—
Balance as at 31 December	263,157	990,938	123,944	6,576

(*) Do not include short sales in the amount of Euros 3,625,000 (note 36).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the changes occurred during 2020 is presented as follows:

(Thousands of euros)

	2020			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	307,962	1,405,513	108,571	15,350
Gains / (losses) recognised in profit or loss				
Results on financial operations	(1,493)	(72,884)	—	(10,362)
Net interest income	—	15,690	—	—
Transfers between levels	151	—	7,073	2,763
Purchases / (Sales, repayments or amortisations)	(15,347)	(5,766)	52,391	(598)
Gains / (losses) recognised in reserves	—	—	(7,155)	—
Exchange differences	—	(27,086)	(844)	—
Accruals of interest	—	—	341	—
Balance as at 31 December	291,273	1,315,467	160,377	7,153

(*) Do not include short sales in the amount of Euros 14,205,000 (note 36).

50. Post-employment benefits and other long-term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 R.

As at 31 December 2021 and 2020, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2021	2020
Pensioners	17,177	17,011
Former Attendees Acquired Rights	3,539	3,282
Employees	6,407	7,138
	27,123	27,431

In accordance with the accounting policy described in note 1 R, the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

(Thousands of euros)

	2021	2020
Actual amount of the past services		
Pensioners	2,454,361	2,432,628
Former attendees acquired rights	255,662	246,981
Employees	787,599	977,918
	3,497,622	3,657,527
Pension fund value	(3,699,988)	(3,750,567)
Net (assets) / liabilities in balance sheet (note 31)	(202,366)	(93,040)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,528,224	3,663,509

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2021 amounts to Euros 260,168,000 (31 December 2020: Euros 285,422,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

In 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements Group, to conclude the full revision of the respective clauses, negotiations which are still ongoing.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2021	2020
Balance as at 1 January	3,657,527	3,490,341
Service cost	(14,466)	(15,235)
Interest cost / (income)	43,034	49,847
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	57,564	30,841
Related to changes in assumptions	(167,476)	197,943
Payments	(122,563)	(115,901)
Early retirement programmes and terminations by mutual agreement	36,583	11,799
Contributions of employees	7,451	7,892
Transfer from / (to) other plans	(32)	—
Balance at the end of the year	3,497,622	3,657,527

As at 31 December 2021, the pensions paid by the Fund, including the Additional Complement, amounts to Euros 122,563,000 (31 December 2020: Euros 115,901,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 311,161,000 as at 31 December 2021 (31 December 2020: Euros 335,401,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2021 amounts to Euros 40,811,000 (31 December 2020: Euros 41,018,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;

ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

During 2021 and 2020, the changes occurred in the plan's assets value is analysed as follows:

(Thousands of euros)

	2021	2020
Balance as at 1 January	3,750,567	3,500,869
Contributions to the Fund	—	173,594
Employees' contributions	7,451	7,892
Actuarial gains / (losses)	25,374	140,139
Payments	(122,563)	(115,901)
Expected return on plan assets	38,606	43,548
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	586	426
Others	(33)	—
Balance at the end of the year	3,699,988	3,750,567

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2021			2020		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	397,322	1,098	398,420	420,572	105,095	525,667
Bonds and other fixed income securities	1,377,330	4,820	1,382,150	1,934,823	4,608	1,939,431
Participations units in investment funds	—	1,186,146	1,186,146	—	398,740	398,740
Participation units in real estate funds	—	304,736	304,736	—	261,574	261,574
Properties	—	239,838	239,838	—	239,844	239,844
Loans and advances to credit institutions and others	—	188,698	188,698	—	385,311	385,311
	1,774,652	1,925,336	3,699,988	2,355,395	1,395,172	3,750,567

The balance Shares includes, in 31 December 2020, an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation amounts to Euros 103,642,000. The Fund sold this participation to Achmea in December 2021.

The balance Properties includes buildings booked in the Fund's financial statements and used by the Group's companies which, as at 31 December 2021 amounts to Euros 239,838,000 (31 December 2020: Euros 239,844,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2021	2020
Shares	4,140	—
Loans and advances to credit institutions and others	170,115	413,238
Bonds and other fixed income securities	15,386	12,230
	185,501	425,468

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2021	2020
Balance as at 1 January	(93,040)	(10,528)
Recognised in the income statement:		
Service cost	(14,466)	(15,235)
Interest cost / (income) net of the balance liabilities coverage	4,428	6,299
Cost with early retirement programs (note 7)	36,583	11,799
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(586)	(426)
	25,959	2,437
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(25,374)	(140,139)
Difference between expected and effective obligations	57,564	30,841
Arising from changes in actuarial assumptions	(167,475)	197,943
	(135,285)	88,645
Contributions to the fund	–	(173,594)
Balance at the end of the year	(202,366)	(93,040)

The estimated contributions to be made in 2022, by the employees, for the Defined Benefit Plan amount to Euros 6,728,000.

In accordance with IAS 19, during 2021 and 2020, the Group registered costs with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2021	2020
Current service cost	(14,466)	(15,235)
Net interest cost in the liability coverage balance	4,428	6,299
Cost with early retirement programs (note 7)	36,583	11,799
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(586)	(426)
(Income) / Cost of the year	25,959	2,437

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

Assumptions used in the liabilities assessment

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2021	2020
Salary growth rate (c)	0.75%	0.75 %
Pension's growth rate (c)	0.50%	0.50%
Discount rate / Projected Fund's rate of return	1.35%	1.05%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 6 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

   For 2021, the retirement age is 66 years and 6 months, for 2022 it is 66 years and 7 months. For 2023, due to the evolution of the average life expectancy at 65 years in Portugal and, consequently, the reduction of the normal retirement age in RGSS, the estimate of the normal retirement age was reduced to 66 years and 4 months.

   For the projection of life expectancy’s increment it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

c) This rate refers to the growth for the years following the reporting year. For the reporting year, an update of the salary table was incorporated, consistent with the proposal that the Group intends to make to the Bank's employees representative trade unions, in the context of the ongoing salary negotiations.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 31 December 2021, the Group used a discount rate of 1.35% (31 December 2020: 1.05%).

The Actuarial losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2021		2020	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		57,564		30,841
Changes on the assumptions:				
Discount rate		(167,475)		197,943
Deviation between expected income and income from funds	1.92%	(25,374)	5.77%	(140,139)
		(135,285)		88,645

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2021		2020	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	135,482	(127,790)	152,812	(143,761)
Pension's increase rate	(143,548)	151,248	(158,701)	167,405
Salary growth rate	(32,795)	35,922	(40,905)	44,341

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2021		2020	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	128,401	(127,687)	138,611	(137,599)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 R3, in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in 2021 and 2020, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs in 2021 the amount of Euros 268,000 (2020: Euros 218,000) related to this contribution.

51. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 60 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies and also in accordance with Article no. 33 of Notice 3/2020 of the Bank of Portugal, are considered related parties as well, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2021	2020
Assets		
Financial assets at amortised cost		
Loans and advances to customers	148,916	79,467
Debt securities	79,673	137,685
Financial assets at fair value through profit or loss		
Financial assets held for trading	2,881	5,243
Financial assets at fair value through other comprehensive income	136,849	134,527
Others	48	53
	368,367	356,975
Liabilities		
Resources from customers	319,137	307,631
	319,137	307,631

Loans and advances to customers are net of impairment in the amount of Euros 3,140,000 (31 December 2020: Euros 526,000) and for Debt securities the amount of Euros 347,000 (31 December 2020: Euros 193,000).

The transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2021	2020
Income		
Interest and similar income	9,979	11,903
Commissions	5,358	8,812
	15,337	20,715
Costs		
Interest and similar expenses	—	2
Commissions	122	85
	122	87

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2021	2020
Guarantees granted	48,060	44,173
Revocable credit lines	143,225	66,248
Irrevocable credit lines	150,000	151,000
	341,285	261,421

In 2021, the Group accounted for provisions for Guarantees granted the amount of Euros 86,000 (2020: Euros 48,000), for Revocable credit lines the amount of Euros 184,000 (2020: Euros 37,000) and for Irrevocable credit lines the amount of Euros 26,000 (em 2020: Euros 22,000).

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	2	3	7,272	5,540
Executive Committee (*)	65	78	1,628	937
Closely related people	230	259	2,210	1,575
Controlled entities	–	–	45	31
Key management members				
Key management members	6,114	6,921	9,996	8,856
Closely related people	1,146	838	5,224	4,306
Controlled entities	2	8	2,232	2,298
	7,559	8,107	28,607	23,543

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9 of RGICSF, no credits were granted during 2021 and 2020.

In 2021 and 2020, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions income	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	–	–	46	37
Executive Committee	–	–	9	8
Closely related people	3	–	6	4
Key management members				
Key management members	23	26	62	47
Closely related people	9	12	38	38
Controlled entities	–	–	8	9
	35	38	169	143

In 2021 and 2020, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	4	111	1	–
Closely related people	1	–	–	–
Key management members				
Key management members	6	9	4	1
Closely related people	1	1	1	1
Controlled entities	–	–	2	2
	12	121	8	4

The revocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	91	47	–	–
Executive Committee (*)	175	162	–	–
Closely related people	55	39	–	–
Key management members				
Key management members	878	799	–	–
Closely related people	210	226	23	–
Controlled entities	27	22	–	–
	1,436	1,295	23	–

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The shareholder and bondholder position of members of the Board of Directors, key management members and people closely related to the previous categories, as well as the movements occurred during 2021, are as follows:

Shareholders/Bondholders	Security	Number of securities 2021	2020	Acquisitions	Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS							
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria da Mota Lopes (1)	BCP Shares	2,184	2,184				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	426,957	268,687	279,135 (a)	120,865	25/6/2021	0.1422
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (i)	1	1				
	Bonds (ii)	1	0	1		17/11/2021	100,000
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha(4)	BCP Shares	333,829	209,611	222,608 (a)	98,390	25/6/2021	0.1422
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (3)	BCP Shares	396,914	221,325	219,478 (a)	43,889	25/6/2021	0.1422
Miguel de Campos Pereira de Bragança	BCP Shares	763,422	602,626	280,613 (a)	119,817	25/6/2021	0.1422
Miguel Maya Dias Pinheiro (5)	BCP Shares	800,692	621,467	320,034 (a)	140,809	25/6/2021	0.1422
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,525,388				
	Bonds (i)	2	2				
	Bonds (ii)	2	0	2		11/11/2021	100,000
Rui Manuel da Silva Teixeira (2)	BCP Shares	376,663	244,199	237,387 (a)	104,923	25/6/2021	0.1422
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000				
Valter Rui Dias de Barros	BCP Shares	0	0				
Wan Sin Long	BCP Shares	0	0				
Xiao Xu Gu	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	101,557	101,557				
Alexandre Manuel Casimiro de Almeida	BCP Shares	55,865	31,878	23,987 (b)		25/6/2021	0.1422
Américo João Pinto Carola (9)	BCP Shares	61,269	25,459	35,810 (c)		25/6/2021	0.1422
Ana Isabel dos Santos de Pina Cabral (1)	BCP Shares	96,648	70,507	45,227 (b)	19,086	25/6/2021	0.1422
Ana Maria Jordão F. Torres Marques Tavares (8)	BCP Shares	161,758	134,652	42,620 (b)	15,514	25/6/2021	0.1422
André Cardoso Meneses Navarro	BCP Shares		290,091		206,944	10/5/2021	0.1383
		106,697		23,550 (c)		25/6/2021	0.1422
António Augusto Amaral de Medeiros	BCP Shares	100,077	55,139	44,938 (c)		25/6/2021	0.1422
António Ferreira Pinto Júnior	BCP Shares	33,187	33,187				
António José Lindeiro Cordeiro	BCP Shares	32,631	16,314	25,656 (b)	9,339	25/6/2021	0.1422
António Luís Duarte Bandeira (7)	BCP Shares	239,209	210,905	49,744 (b)	21,440	25/6/2021	0.1422
António Ricardo Fery Salgueiro Antunes	BCP Shares	15,035	6,035	14,778 (b)	5,778	25/6/2021	0.1422
António Vítor Martins Monteiro (16)	BCP Shares	3,872	3,872				
Artur Frederico Silva Luna Pais	BCP Shares	396,760	365,663	31,097 (c)		25/6/2021	0.1422
Belmira Abreu Cabral	BCP Shares	57,285	37,841	30,863 (b)	11,419	25/6/2021	0.1422
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	25,999	15,015	18,125 (b)	7,141	25/6/2021	0.1422

The paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with in the category "People closely related to the previous categories".

(i) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(ii) - BCP *Tier 2 Subordinated Callable Notes*

(a) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation deferred in 2019 and awarded in 2021.

(b) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

(c) - identifies share increment through 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

Shareholders/Bondholders	Security	Number of securities 2021	2020	Acquisitions		Disposals	Date	Unit price Euros
Chi Wai Leung (Timothy)	BCP Shares	9,852	0	9,852	(c)		25/6/2021	0.1422
Constantino Alves Mousinho	BCP Shares	40,664	40,664					
Fernando Maria Cardoso Rodrigues Bicho	BCP Shares	237	237					
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	85,467	57,309	49,661	(b)	21,503	25/6/2021	0.1422
Francisco António Caspa Monteiro (10)	BCP Shares	137,027	87,283	49,744	(c)		25/6/2021	0.1422
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	78,390	53,591	40,923	(b)	16,124	25/6/2021	0.1422
Hugo Miguel Martins Resende	BCP Shares	92,696	65,527	45,357	(b)	18,188	25/6/2021	0.1422
João Brás Jorge	BCP Shares	91,709	91,709					
João Manuel Rodrigues Tomé Cunha Martins	BCP Shares	0	0					
João Manuel Taveira Pinto Santos Paiva	BCP Shares	103,739	58,429	45,310	(c)		25/6/2021	0.1422
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares		47,495	38,003	(c)		25/6/2021	0.1422
		38,003				47,495	15/7/2021	0.13
Jorge Manuel Machado de Sousa Góis	BCP Shares	73,203	39,316	33,887	(c)		25/6/2021	0.1422
Jorge Manuel Nobre Carreteiro	BCP Shares	27,648	14,701	20,357	(b)	7,410	25/6/2021	0.1422
Jorge Octávio Neto dos Santos	BCP Shares	471,191	471,191					
José Artur Gouveia Coelho Caetano	BCP Shares	0	0					
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	30,321	12,807	(b)	5,187	25/6/2021	0.1422
José Gonçalo Prior Regalado (12)	BCP Shares	83,836	42,438	41,398	(c)		25/6/2021	0.1422
José Guilherme Potier Raposo Pulido Valente	BCP Shares	208,437	186,063	40,096	(b)	17,722	25/6/2021	0.1422
José Laurindo Reino da Costa (15)	BCP Shares	751,100	751,100					
José Maria Gonçalves Pereira Brandão de Brito	BCP Shares	23,878	13,158	15,696	(b)	4,976	25/6/2021	0.1422
Luis Miguel Manso Correia dos Santos	BCP Shares	125,615	82,903	53,390	(b)	10,678	25/6/2021	0.1422
Maria de Fátima Coelho Dias	BCP Shares	0	0					
Maria de Los Angeles Sanchez Sanchez	BCP Shares	19,191	8,192	18,486	(b)	7,487	25/6/2021	0.1422
Maria Helena Soledade Nunes Henriques	BCP Shares	199,132	188,015	18,621	(b)	7,504	25/6/2021	0.1422
Maria Manuela de Araújo Mesquita Reis (11)	BCP Shares	152,857	132,646	31,779	(b)	11,568	25/6/2021	0.1422
Maria Rita Sítima Fonseca Lourenço	BCP Shares	112,778	79,222	33,556	(c)		25/6/2021	0.1422
Mário António Pinho Gaspar Neves	BCP Shares	73,963	56,522	29,214	(b)	11,773	25/6/2021	0.1422
Mário Madeira Robalo Fernandes	BCP Shares	79,512	43,702	35,810	(c)		25/6/2021	0.1422
Moisés Jorge	BCP Shares	0	0					
Nelson Luís Vieira Teixeira	BCP Shares	59,343	32,840	45,227	(b)	18,724	25/6/2021	0.1422
Nuno Alexandre Ferreira Pereira Alves (14)	BCP Shares	101,156	59,982	41,174	(c)		25/6/2021	0.1422
Nuno Maria Lagoa Ribeiro de Almeida	BCP Shares	2,560	2,560					
Nuno Miguel Nobre Botelho	BCP Shares		33,366	30,630	(c)		25/6/2021	0.1422
		33,366				30,630	25/6/2021	0.1425
Pedro José Mora de Paiva Beija	BCP Shares	107,673	57,929	49,744	(c)		25/6/2021	0.1422
Pedro Manuel Francisco da Silva Dias (13)	BCP Shares	50,473	27,583	22,890	(c)		25/6/2021	0.1422
Pedro Manuel Macedo Vilas Boas	BCP Shares	79,512	43,702	35,810	(c)		25/6/2021	0.1422
Pedro Manuel Rendas Duarte Turras	BCP Shares	61,176	41,596	32,151	(b)	12,571	25/6/2021	0.1422
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	71,205	37,108	34,097	(c)		25/6/2021	0.1422

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(b) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

(c) - identifies share increment through 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

Shareholders/Bondholders	Security	Number of securities 2021	2020	Acquisitions		Disposals	Date	Unit price Euros
Ricardo Potes Valadares	BCP Shares		32,102	33,093	(c)		25/6/2021	0.1422
		33,093				32,102	2/9/2021	0.1324
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	68,163	41,204	45,310	(b)	18,351	25/6/2021	0.1422
Rui Emanuel Agapito Silva	BCP Shares	60,219	33,078	45,310	(b)	18,169	25/6/2021	0.1422
Rui Fernando da Silva Teixeira	BCP Shares	145,098	113,674	31,424	(c)		25/6/2021	0.1422
Rui Manuel Pereira Pedro	BCP Shares	252,786	203,538	49,248	(c)		25/6/2021	0.1422
Rui Miguel Alves Costa	BCP Shares	217,920	194,493	23,427	(c)		25/6/2021	0.1422
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	60,954	32,151	49,661	(b)	20,858	25/6/2021	0.1422
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	70,740	39,316	31,424	(c)		25/6/2021	0.1422
Vânia Alexandra Machado Marques Correia	BCP Shares	66,426	39,316	33,887	(b)	6,777	25/6/2021	0.1422
PEOPLE CLOSELY RELATED TO THE PREVIOUS CATEGORIES								
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184					
Maria Helena Espassandim Catão (2)	BCP Shares	576	576					
Ricardo Gil Monteiro Lopes de Campos (3)	BCP Shares	(d)	(d)					
Anne Marie Bensliman Silva Pessanha (4)	BCP Shares	139	139					
José Pedro Maya Dias Pinheiro (5)	BCP Shares	10,656	10,656					
Isabel Susana Rodrigues Marques Alves Geraldes Pires (5)	BCP Shares	2,048	2,048					
Cristina Dias Pinheiro (5)	BCP Shares	2,100	2,100					
José Manuel de Vasconcelos Mendes Ferreira (1)	BCP Shares	1,616	1,616					
Ana Margarida Rebelo A.M. Soares Bandeira (7)	BCP Shares	2,976	2,976					
António da Silva Bandeira (7)	BCP Shares	20,000	20,000					
Álvaro Manuel Correia Marques Tavares (8)	BCP Shares	25,118	25,118					
Francisco Jordão Torres Marques Tavares (8)	BCP Shares	1,016	1,016					
Maria Avelina V C L J Teixeira Diniz (8)	BCP Shares	16,770	16,770					
Ana Isabel Salgueiro Antunes (9)	BCP Shares	29	29					
Ricardo Miranda Monteiro (10)	BCP Shares	1,639	1,639					
Rita Miranda Monteiro (10)	BCP Shares	1,639	1,639					
José Francisco Conceição Monteiro (10)	BCP Shares	18,002	18,002					
Luís Filipe da Silva Reis (11)	BCP Shares	280,000	280,000					
Américo Simões Regalado (12)	BCP Shares	880	880					
Filomena Maria Brito Francisco Dias (13)	BCP Shares	4,290	4,290					
António Henrique Leite Pereira Alves (14)	BCP Shares	73,926	73,926					
Maria Raquel Sousa Candeias Reino da Costa (15)	BCP Shares	10,000	10,000					
Isabel Maria Vaz Leite Pinto Martins Monteiro (16)	BCP Shares	3,104	3,104					

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(b) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

(c) - identifies share increment through 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

(d) - joint ownership of the account in which the Member of Governing Bodies is not the 1st holder, with the 1st holder holding 96,240 shares.

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

(Thousands of euros)

	2021	2020
Assets		
Loans and advances to credit institutions repayable on demand	2,130	2,364
Financial assets at amortised cost		
Loans and advances to credit institutions	18,290	82,475
Loans and advances to customers	63,681	64,253
Financial assets at fair value through profit or loss		
Financial assets held for trading	35	53,553
Other assets	12,542	12,958
	96,678	215,603
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	46,158	94,040
Resources from customers	342,674	423,256
Non subordinated debt securities issued	15,140	17,855
Subordinated debt	—	213,368
Financial liabilities held for trading	96,536	43,224
Other liabilities	51	25
	500,559	791,768

As at 31 December 2021, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2020: 142,601,002 shares) in the amount of Euros 20,078,000 (31 December 2020: Euros 17,568,000).

In 2021 and 2020, the transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	2021	2020
Income		
Interest and similar income	3,409	5,953
Commissions	58,859	58,045
Profits from financial operations	718	10,647
Other operating income	1,020	1,044
	64,006	75,689
Costs		
Interest and similar expenses	5,294	19,878
Commissions	38	27
Other administrative costs	139	408
Losses from financial operations	1,234	10,563
Other operating losses	625	186
	7,330	31,062

The guarantees granted and revocable and irrevocable credit lines by the Group over associated companies are as follows:

(Thousands of euros)

	2021	2020
Guarantees granted	7,363	8,193
Revocable credit lines	335,367	327,733
Irrevocable credit lines	600	600
	343,330	336,526

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

(Thousands of euros)

	2021	2020
Life insurance		
Saving products	32,101	34,427
Mortgage and consumer loans	19,333	17,714
Others	30	30
	51,464	52,171
Non-Life insurance		
Accidents and health	20,144	19,207
Motor	4,078	4,097
Multi-Risk Housing	7,392	6,923
Others	1,549	1,486
	33,163	31,713
	84,627	83,884

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

(Thousands of euros)

	2021	2020
Funds receivable for payment of life insurance commissions	12,525	12,857
Funds receivable for payment of non-life insurance commissions	8,482	8,187
	21,007	21,044

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;

- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

(Thousands of euros)

	2021	2020
Assets		
Financial assets held for trading	711	—
Liabilities		
Resources from customers	173,377	417,950
Non subordinated debt securities issued	29,144	20,630
Financial liabilities held for trading	—	1,772
	202,521	440,352

In 2021 and 2020, there were no transactions related to other financial instruments between the Group and the Pension Fund.

In 2021 and 2020, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	2021	2020
Income		
Commissions	2,268	1,374
Expenses		
Interest expense and similar charges	1,114	462
Other administrative costs	14,231	14,270
	15,345	14,732

The balance Other administrative costs corresponds to rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 31 December 2021 and 2020, the guarantees granted by the Group to the Pension Fund amount to Euros 5,000.

52. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Marketing Division for Corporate, Business and Institutional since the end of 2021), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation. It should be noted that the results generated by the subsidiary in Switzerland in the current period, as well as in the same period of the previous year, are recorded in a single line as results of discontinued or discontinuing operations, since the date on which the sale agreement was announced on 29 June 2021, which was later completed in early November 2021.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;

- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and

- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP (classified as discontinued operations at the end of the first half of 2021, following the agreement signed for the sale of Banque Privée BCP, which was effectively concluded in early November), a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

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

Business segments activity

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

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 December 2021 and 31 December 2020 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 December 2021. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

Following the agreement 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 and the historical information has been restated in order to ensure its comparability, as required by IFRS 5. Banque Privée BCP (Suisse) S.A. ceased to be part of the BCP Group on 2 November 2021, the date on which the sale of this subsidiary was completed. In this context, the capital gain arising from the sale of the operation was also recorded as income of discontinued or discontinued operations. It should also be noted that on 29 December 2021, BIM – Banco Internacional de Moçambique, S.A. also formalized the sale to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, S.A., with BIM maintaining approximately 22% of its share capital. The contribution of this subsidiary to the net income of the Foreign Business segment is also presented as income of discontinued or discontinued operations for the periods corresponding to the years 2021 and 2020, as required by IFRS 5. The presentation of assets and liabilities of Banque Privée BCP (Suisse) S.A. and Seguradora Internacional de Moçambique, S.A. referring to previous periods remained unchanged when compared to the criteria considered in the preparation of the consolidated financial statements previously disclosed.

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 December 2021, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	2021						
	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	452,695	845,017	1,297,712	265,743	8,616	137,053	1,709,124
Interest expense and similar charges	(4,727)	(90,820)	(95,547)	(6,312)	(1,117)	(17,547)	(120,523)
Net interest income	447,968	754,197	1,202,165	259,431	7,499	119,506	1,588,601
Commissions and other income	462,357	326,399	788,756	165,373	36,517	(4,042)	986,604
Commissions and other costs	(52,274)	(171,744)	(224,018)	(20,248)	(3,188)	(139,394)	(386,848)
Net commissions and other income (2)	410,083	154,655	564,738	145,125	33,329	(143,436)	599,756
Net gains arising from trading activity (3)	18,449	10,968	29,417	286	1,391	55,444	86,538
Share of profit of associates under the equity method	—	(1,380)	(1,380)	—	—	58,317	56,937
Gains/(losses) arising from the sale of subsidiaries and other assets	—	402	402	4	—	2,164	2,570
Net operating revenue	876,500	918,842	1,795,342	404,846	42,219	91,995	2,334,402
Operating expenses	462,162	421,815	883,977	121,064	19,879	90,678	1,115,598
Impairment for credit and financial assets (4)	(75,370)	(77,311)	(152,681)	(150,831)	3,005	(56,952)	(357,459)
Other impairments and provisions (5)	(69)	(545,071)	(545,140)	—	—	(158,468)	(703,608)
Net income before income tax	338,899	(125,355)	213,544	132,951	25,345	(214,103)	157,737
Income tax	(105,825)	(94,592)	(200,417)	(41,615)	(7,643)	46,049	(203,626)
Net income after income tax from continuing operations	233,074	(219,947)	13,127	91,336	17,702	(168,054)	(45,889)
Income arising from discontinued operations	—	18,587	18,587	—	52,294	—	70,881
Net income for the year	233,074	(201,360)	31,714	91,336	69,996	(168,054)	24,992
Non-controlling interests (6)	—	113,291	113,291	—	—	(201)	113,090
Net income for the year attributable to Bank's Shareholders	233,074	(88,069)	145,005	91,336	69,996	(168,255)	138,082

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

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, 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)

	2021						
	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	12,164,325	1,563,611	13,727,936	1,589,469	2,779,056	(9,485,163)	8,611,298
Loans and advances to customers (1)	25,010,925	17,780,147	42,791,072	12,077,141	344,222	1,147,494	56,359,929
Financial assets (2)	1,222,529	5,089,223	6,311,752	—	5,022	15,423,364	21,740,138
Other assets	69,403	928,378	997,781	7,933	1,741	5,185,992	6,193,447
Total Assets	38,467,182	25,361,359	63,828,541	13,674,543	3,130,041	12,271,687	92,904,812
Resources from credit institutions (3)	362,803	149,167	511,970	3,107,835	—	5,276,269	8,896,074
Resources from customers (4)	35,416,593	21,847,825	57,264,418	9,287,187	2,555,177	453,445	69,560,227
Debt securities issued (5)	1,396,658	8,632	1,405,290	1,418	165,410	2,198,023	3,770,141
Other financial liabilities (6)	—	501,480	501,480	—	—	1,501,747	2,003,227
Other liabilities (7)	46,338	693,806	740,144	61,480	1,041	810,421	1,613,086
Total Liabilities	37,222,392	23,200,910	60,423,302	12,457,920	2,721,628	10,239,905	85,842,755
Total Equity	1,244,790	2,160,449	3,405,239	1,216,623	408,413	2,031,782	7,062,057
Total Liabilities and Equity	38,467,182	25,361,359	63,828,541	13,674,543	3,130,041	12,271,687	92,904,812
Number of employees	3,897	9,575	13,472	541	144	1,711	15,868

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

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

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

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

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

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

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

As at 31 December 2020, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	2020 (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	504,181	902,672	1,406,853	295,471	19,379	84,057	1,805,760
Interest expense and similar charges	(14,218)	(179,665)	(193,883)	(41,161)	(4,192)	(34,859)	(274,095)
Net interest income	489,963	723,007	1,212,970	254,310	15,187	49,198	1,531,665
Commissions and other income	414,250	278,149	692,399	159,113	29,030	20,389	900,931
Commissions and other costs	(42,312)	(174,909)	(217,221)	(22,916)	(2,226)	(135,498)	(377,861)
Net commissions and other income (2)	371,938	103,240	475,178	136,197	26,804	(115,109)	523,070
Net gains arising from trading activity (3)	19,249	79,240	98,489	295	123	41,736	140,643
Share of profit of associates under the equity method	—	9,397	9,397	—	—	58,298	67,695
Gains/(losses) arising from the sale of subsidiaries and other assets	8	1,415	1,423	5	—	(7,815)	(6,387)
Net operating revenue	881,158	916,299	1,797,457	390,807	42,114	26,308	2,256,686
Operating expenses	475,732	439,022	914,754	122,476	21,543	31,630	1,090,403
Impairment for credit and financial assets (4)	(98,885)	(155,995)	(254,880)	(266,975)	(2,774)	863	(523,766)
Other impairments and provisions (5)	(43)	(212,587)	(212,630)	—	—	(104,952)	(317,582)
Net income before income tax	306,498	108,695	415,193	1,356	17,797	(109,411)	324,935
Income tax	(93,414)	(51,798)	(145,212)	562	(5,120)	17,680	(132,090)
Net income after income tax from continuing operations	213,084	56,897	269,981	1,918	12,677	(91,731)	192,845
Income arising from discontinued operations	—	8,431	8,431	—	7,089	—	15,520
Net income for the year	213,084	65,328	278,412	1,918	19,766	(91,731)	208,365
Non-controlling interests (6)		(25,489)	(25,489)			136	(25,353)
Net income for the year attributable to Bank's Shareholders	213,084	39,839	252,923	1,918	19,766	(91,595)	183,012

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

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, 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 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	2020 (restated)						
	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	10,506,127	1,208,961	11,715,088	1,445,196	2,995,837	(9,574,775)	6,581,346
Loans and advances to customers (1)	23,493,301	16,635,790	40,129,091	11,989,542	629,549	1,226,439	53,974,621
Financial assets (2)	720,892	4,876,098	5,596,990	—	68,726	13,194,874	18,860,590
Other assets	52,027	721,363	773,390	5,958	12,472	5,506,586	6,298,406
Total Assets	34,772,347	23,442,212	58,214,559	13,440,696	3,706,584	10,353,124	85,714,963
Resources from credit institutions (3)	426,640	304,873	731,513	3,520,818	2	4,646,426	8,898,759
Resources from customers (4)	31,763,585	19,397,541	51,161,126	8,603,654	3,116,443	378,134	63,259,357
Debt securities issued (5)	1,316,912	122,483	1,439,395	1,430	93,592	1,195,309	2,729,726
Other financial liabilities (6)	—	536,722	536,722	—	218	1,432,849	1,969,789
Other liabilities (7)	45,055	634,300	679,355	68,905	17,280	705,522	1,471,062
Total Liabilities	33,552,192	20,995,919	54,548,111	12,194,807	3,227,535	8,358,240	78,328,693
Total Equity	1,220,155	2,446,293	3,666,448	1,245,889	479,049	1,994,884	7,386,270
Total Liabilities and Equity	34,772,347	23,442,212	58,214,559	13,440,696	3,706,584	10,353,124	85,714,963
Number of employees	4,447	10,236	14,683	583	232	1,837	17,335

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

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

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

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

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

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

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

As at 31 December 2021, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	2021								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	452,695	265,743	5,522	137,053	861,013	622,950	222,067	3,094	1,709,124
Interest expense and similar charges	(4,727)	(6,312)	(1,117)	(17,547)	(29,703)	(28,264)	(62,585)	29	(120,523)
Net interest income	447,968	259,431	4,405	119,506	831,310	594,686	159,482	3,123	1,588,601
Commissions and other income	462,357	165,373	36,483	(4,042)	660,171	285,350	41,049	34	986,604
Commissions and other costs	(52,274)	(20,248)	(2,064)	(139,394)	(213,980)	(164,680)	(7,064)	(1,124)	(386,848)
Net commissions and other income (2)	410,083	145,125	34,419	(143,436)	446,191	120,670	33,985	(1,090)	599,756
Net gains arising from trading activity (3)	18,449	286	1,388	55,444	75,567	(5,978)	16,947	2	86,538
Share of profit of associates under the equity method	—	—	—	58,317	58,317	—	—	(1,380)	56,937
Gains/(losses) arising from the sale of subsidiaries and other assets	—	4	—	2,164	2,168	398	4	—	2,570
Net operating revenue	876,500	404,846	40,212	91,995	1,413,553	709,776	210,418	655	2,334,402
Operating expenses	462,162	121,064	18,955	90,678	692,859	330,231	91,584	924	1,115,598
Impairment for credit and financial assets (4)	(75,370)	(150,831)	3,005	(56,952)	(280,148)	(71,417)	(5,894)	—	(357,459)
Other impairments and provisions (5)	(69)	—	—	(158,468)	(158,537)	(527,521)	(8,050)	(9,500)	(703,608)
Net income before income tax	338,899	132,951	24,262	(214,103)	282,009	(219,393)	104,890	(9,769)	157,737
Income tax	(105,825)	(41,615)	(7,643)	46,049	(109,034)	(72,534)	(22,048)	(10)	(203,626)
Net income after income tax from continuing operations	233,074	91,336	16,619	(168,054)	172,975	(291,927)	82,842	(9,779)	(45,889)
Income arising from discontinued operations	—	—	—	—	—	—	18,587	52,294	70,881
Net income for the year	233,074	91,336	16,619	(168,054)	172,975	(291,927)	101,429	42,515	24,992
Non-controlling interests (6)	—	—	—	(201)	(201)	145,672	(32,381)	—	113,090
Net income for the year attributable to Bank's Shareholders	233,074	91,336	16,619	(168,255)	172,774	(146,255)	69,048	42,515	138,082

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

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, 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)

	2021								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	12,164,325	1,589,469	2,456,868	(9,485,163)	6,725,499	861,770	701,807	322,222	8,611,298
Loans and advances to customers [(1)]	25,010,925	12,077,141	344,222	1,147,494	38,579,782	17,206,345	573,802	–	56,359,929
Financial assets [(2)]	1,222,529	–	–	15,423,364	16,645,893	4,033,150	1,056,108	4,987	21,740,138
Other assets	69,403	7,933	1,660	5,185,992	5,264,988	568,058	194,990	165,411	6,193,447
Total Assets	38,467,182	13,674,543	2,802,750	12,271,687	67,216,162	22,669,323	2,526,707	492,620	92,904,812
Resources from other credit institutions [(3)]	362,803	3,107,835	–	5,276,269	8,746,907	117,674	6,672	24,821	8,896,074
Resources from customers [(4)]	35,416,593	9,287,187	2,555,177	453,445	47,712,402	19,953,653	1,894,172	–	69,560,227
Debt securities issued [(5)]	1,396,658	1,418	165,410	2,198,023	3,761,509	8,632	–	–	3,770,141
Other financial liabilities [(6)]	–	–	–	1,501,747	1,501,747	501,480	–	–	2,003,227
Other liabilities [(7)]	46,338	61,480	1,021	810,421	919,260	626,847	66,959	20	1,613,086
Total Liabilities	37,222,392	12,457,920	2,721,608	10,239,905	62,641,825	21,208,286	1,967,803	24,841	85,842,755
Total Equity	1,244,790	1,216,623	81,142	2,031,782	4,574,337	1,461,037	558,904	467,779	7,062,057
Total Liabilities and Equity	38,467,182	13,674,543	2,802,750	12,271,687	67,216,162	22,669,323	2,526,707	492,620	92,904,812
Number of employees	3,897	541	140	1,711	6,289	7,079	2,496	4	15,868

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

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

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

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

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

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

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

As at 31 December 2020, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	2020 (restated)								
	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	504,181	295,471	16,218	84,057	899,927	701,487	201,186	3,160	1,805,760
Interest expense and similar charges	(14,218)	(41,161)	(4,192)	(34,859)	(94,430)	(121,949)	(57,632)	(84)	(274,095)
Net interest income	489,963	254,310	12,026	49,198	805,497	579,538	143,554	3,076	1,531,665
Commissions and other income	414,250	159,113	28,988	20,389	622,740	242,242	35,908	41	900,931
Commissions and other costs	(42,312)	(22,916)	(1,660)	(135,498)	(202,386)	(168,655)	(6,254)	(566)	(377,861)
Net commissions and other income (2)	371,938	136,197	27,328	(115,109)	420,354	73,587	29,654	(525)	523,070
Net gains arising from trading activity (3)	19,249	295	201	41,736	61,481	65,145	14,096	(79)	140,643
Share of profit of associates under the equity method	—	—	—	58,298	58,298	—	—	9,397	67,695
Gains/(losses) arising from the sale of subsidiaries and other assets	8	5	—	(7,815)	(7,802)	1,329	86	—	(6,387)
Net operating revenue	881,158	390,807	39,555	26,308	1,337,828	719,599	187,390	11,869	2,256,686
Operating expenses	475,732	122,476	20,493	31,630	650,331	352,416	86,607	1,049	1,090,403
Impairment for credit and financial assets (4)	(98,885)	(266,975)	(2,810)	863	(367,807)	(125,399)	(30,596)	36	(523,766)
Other impairments and provisions (5)	(43)	—	—	(104,952)	(104,995)	(194,458)	(1,502)	(16,627)	(317,582)
Net income before income tax	306,498	1,356	16,252	(109,411)	214,695	47,326	68,685	(5,771)	324,935
Income tax	(93,414)	562	(5,119)	17,680	(80,291)	(42,206)	(9,619)	26	(132,090)
Net income after income tax from continuing operations	213,084	1,918	11,133	(91,731)	134,404	5,120	59,066	(5,745)	192,845
Income arising from discontinued operations	—	—	—	—	—	—	8,431	7,089	15,520
Net income for the year	213,084	1,918	11,133	(91,731)	134,404	5,120	67,497	1,344	208,365
Non-controlling interests (6)	—	—	—	136	136	(2,554)	(22,935)	—	(25,353)
Net income for the year attributable to Bank's Shareholders	213,084	1,918	11,133	(91,595)	134,540	2,566	44,562	1,344	183,012

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

2) Includes net fees and commissions income, other operating income/(loss), net gains from insurance activity and dividends from equity instruments.

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

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, 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 2020, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	2020 (restated)								
	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	10,506,127	1,445,196	2,368,614	(9,574,775)	4,745,162	471,914	737,012	627,258	6,581,346
Loans and advances to customers (1)	23,493,301	11,989,542	275,817	1,226,439	36,985,099	16,147,916	487,874	353,732	53,974,621
Financial assets (2)	720,892	—	—	13,194,874	13,915,766	4,249,321	626,811	68,692	18,860,590
Other assets	52,027	5,958	1,292	5,506,586	5,565,863	472,161	182,682	77,700	6,298,406
Total Assets	34,772,347	13,440,696	2,645,723	10,353,124	61,211,890	21,341,312	2,034,379	1,127,382	85,714,963
Resources from other credit institutions (3)	426,640	3,520,818	—	4,646,426	8,593,884	286,432	5,574	12,869	8,898,759
Resources from customers (4)	31,763,585	8,603,654	2,475,887	378,134	43,221,260	17,873,943	1,523,599	640,555	63,259,357
Debt securities issued (5)	1,316,912	1,430	93,592	1,195,309	2,607,243	122,483	—	—	2,729,726
Other financial liabilities (6)	—	—	—	1,432,849	1,432,849	536,722	—	218	1,969,789
Other liabilities (7)	45,055	68,905	1,084	705,522	820,566	528,229	93,271	28,996	1,471,062
Total Liabilities	33,552,192	12,194,807	2,570,563	8,358,240	56,675,802	19,347,809	1,622,444	682,638	78,328,693
Total Equity	1,220,155	1,245,889	75,160	1,994,884	4,536,088	1,993,503	411,935	444,744	7,386,270
Total Liabilities and Equity	34,772,347	13,440,696	2,645,723	10,353,124	61,211,890	21,341,312	2,034,379	1,127,382	85,714,963
Number of employees	4,447	583	146	1,837	7,013	7,645	2,591	86	17,335

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

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

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

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

5) Includes non-subordinated debt securities at 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)

	2021	2020 (restated)
Net contribution		
Retail banking in Portugal	233,074	213,084
Companies, Corporate and Investment banking	91,336	1,918
Private Banking	16,619	11,133
Foreign business (continuing operations)	(218,864)	58,441
Non-controlling interests (1)	113,291	(25,489)
	235,456	259,087
Income arising from discontinued or discontinuing operations	70,881	15,520
	306,337	274,607
Amounts not allocated to segments		
Net interest income of the bond portfolio	29,504	(8,980)
Net interest income - TLTRO	81,266	46,424
Foreign exchange activity	28,539	43,029
Gains / (losses) arising from sales of subsidiaries and other assets	2,164	(7,815)
Equity accounted earnings	58,317	58,298
Impairment and other provisions (2)	(215,421)	(104,089)
Operational costs (3)	(90,678)	(31,629)
Gains on sale of Portuguese public debt	39,430	57,548
Mandatory contributions	(77,222)	(70,042)
Loans sale	(3,407)	(28,234)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(33,774)	(71,183)
Taxes (5)	46,048	17,680
Non-controlling interests	(201)	136
Others (6)	(32,820)	7,262
Total not allocated to segments	(168,255)	(91,595)
Consolidated net income	138,082	183,012

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 the full year of 2021 and 2020.

4) Includes gains/(losses) from corporate restructuring funds.

5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.

6) Includes other operations not allocated to business segments, namely the financing of non-interest bearing assets and strategic financial investments assets and strategic financial participations.

53. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV/CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings and insufficient coverage for non-performing exposures. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non-performing exposures, are also deducted, due to SREP (*Supervisory Review and Evaluation Process*) recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax assets already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2021 Minimum Capital Requirements

		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	8.83%	4.50%	1.27%	3.06%	9.27%	4.50%	1.27%	3.50%
T1	10.75%	6.00%	1.69%	3.06%	11.19%	6.00%	1.69%	3.50%
Total	13.31%	8.00%	2.25%	3.06%	13.75%	8.00%	2.25%	3.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	2021	2020
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	—	(40)
Reserves and retained earnings	993,093	1,067,595
Minority interests eligible to CET1	451,550	688,322
Regulatory adjustments to CET1	(802,487)	(840,058)
	5,383,627	5,657,290
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	109,266	136,700
	5,892,893	6,193,990
Tier 2		
Subordinated debt	1,050,000	765,490
Minority interests eligible to Tier 2	277,007	311,573
Other	3,751	(58,800)
	1,330,758	1,018,263
Total own funds	7,223,651	7,212,253
RWA - Risk weighted assets		
Credit risk	39,814,393	40,003,475
Market risk	1,947,366	2,322,058
Operational risk	4,123,409	4,014,374
CVA	51,426	73,141
	45,936,594	46,413,048
Capital ratios		
CET1	11.7%	12.2%
Tier 1	12.8%	13.3%
Tier 2	2.9%	2.2%
	15.7%	15.5%

The 2020 and 2021 amounts include the accumulated net income.

54. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks (e.g. credit, market, operational) or non-financial risks (e.g. legal and compliance, reputational) to which the Group's business is subject to.

Main types ok risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

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

Interest rate – Interest rate risk is related with the probability of occurrence of negative impacts on results and/or capital, arising from adverse movements in the interest rates in the Banking Book, either by maturity or repricing mismatches, interest repricing terms or early unscheduled return of principal on interest rate sensitive asset and liabilities.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

ICT risk - IT and communications systems' risk is related with the probability of occurrence of negative impacts on results and/or capital, arising from inadaptability of the IT systems to the new business needs, to its incapacity of preventing cyber-attacks, to ensure data integrity and business continuity in case of failures as well as unadjusted IT development strategy.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund's assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT's structure and the Bank's strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behaviour or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Reputational risk – Reputational risks refers to the current or prospective risk to earnings or capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors or regulators due to actions of any BCP Group entity or its employees.

Risk of foreign currency loans conversion in Poland – This risk is related to eventual losses for the Group due to approval of law or jurisprudence regarding rules of conversion into zlotys of loans originally based in foreign currency.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2021	2020 (restated)
Central Governments or Central Banks	24,942,714	19,727,771
Regional Governments or Local Authorities	1,243,453	1,262,288
Administrative and non-profit Organisations	462,481	300,668
Multilateral Development Banks	18,790	40,029
Other Credit Institutions	2,777,375	3,134,714
Retail and Corporate customers	71,911,594	69,148,394
Other items (*)	8,562,386	9,269,479
	109,918,793	102,883,343

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with Article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected considers the following methodological notes.

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and before decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

	External ratings			
Internal risk grade	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2021 and 2020 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through Circular Letter CC/2018/00000062, in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2021, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1.C1.1.2, analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2021				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	449,287	5,113	–	–	454,400
Loans and advances to customers (note 21)	46,113,653	7,964,052	2,686,267	57,713	56,821,685
Debt instruments (note 22)	8,094,290	122,257	4,451	–	8,220,998
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,856,165	–	1,092	–	12,857,257
Guarantees and other commitments (note 45) (**)	13,483,726	1,922,031	412,179	–	15,817,936
Total	80,997,121	10,013,453	3,103,989	57,713	94,172,276

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(Thousands of euros)

	2021				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	128	1,059	–	–	1,187
Loans and advances to customers (note 21)	207,328	288,642	1,336,612	16,702	1,849,284
Debt instruments (note 22)	13,187	2,517	98	–	15,802
Guarantees and other commitments (note 38)	12,848	13,033	84,768	–	110,649
Total	233,491	305,251	1,421,478	16,702	1,976,922

(Thousands of euros)

	2021				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	449,159	4,054	–	–	453,213
Loans and advances to customers (note 21)	45,906,325	7,675,410	1,349,655	41,011	54,972,401
Debt instruments (note 22)	8,081,103	119,740	4,353	–	8,205,196
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,856,165	–	–	–	12,856,165
Guarantees and other commitments (note 45) (**)	13,470,878	1,908,998	327,411	–	15,707,287
Total	80,763,630	9,708,202	1,681,419	41,011	92,194,262

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

As at 31 December 2020, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1.C1.1.2, analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2020 (restated)					
	Gross exposure					
Category	Stage 1	Stage 2	Stage 3	POCI	Others [1]	Total
Financial assets at amortised cost						
Loans and advances to credit institutions (note 20)	1,014,782	607	2	–	–	1,015,391
Loans and advances to customers (note 21)	43,702,669	7,179,503	3,188,808	86,357	(98,458)	54,058,879
Debt instruments (note 22)	6,110,703	124,389	15,806	–	–	6,250,898
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,107,432	–	1,097	–	–	12,108,529
Guarantees and other commitments (note 45) (**)	13,406,121	1,992,253	442,214	–	–	15,840,588
Total	76,341,707	9,296,752	3,647,927	86,357	(98,458)	89,274,285

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

(Thousands of euros)

	2020 (restated)				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	239	64	1	–	304
Loans and advances to customers (note 21)	169,103	247,252	1,607,223	12,944	2,036,522
Debt instruments (note 22)	9,627	802	5,924	–	16,353
Guarantees and other commitments (note 38)	12,360	10,365	81,105	–	103,830
Total	191,329	258,483	1,694,253	12,944	2,157,009

(Thousands of euros)

	2020 (restated)					
	Net exposure					
Category	Stage 1	Stage 2	Stage 3	POCI	Others [1]	Total
Financial assets at amortised cost						
Loans and advances to credit institutions (note 20)	1,014,543	543	1	–	–	1,015,087
Loans and advances to customers (note 21)	43,533,566	6,932,251	1,581,585	73,413	(98,458)	52,022,357
Debt instruments (note 22)	6,101,076	123,587	9,882	–	–	6,234,545
Debt instruments at fair value through other comprehensive income (note 23) (*)	12,107,432	–	1,097	–	–	12,108,529
Guarantees and other commitments (note 45) (**)	13,393,761	1,981,888	361,109	–	–	15,736,758
Total	76,150,378	9,038,269	1,953,674	73,413	(98,458)	87,117,276

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2021	2020
Financial assets held for trading (note 23)		
Debt instruments	452,105	486,276
Derivatives	468,642	603,644
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	881,556	917,132
Hedging derivatives (note 24)	147,570	158,418
Total	1,949,873	2,165,470

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;

- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2021, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2021					
	Financial assets at amortised cost - Loans and advances to customers - Gross amount					
	Stage 1	Stage 2	Stage 3	POCI	Others (1)	Total
Gross amount as at 1 January	43,702,669	7,179,503	3,188,808	86,357	(98,458)	54,058,879
Changes in gross book value:						
Transfers from stage 1 to stage 2	(2,234,691)	2,234,691	—	—	—	—
Transfers from stage 1 to stage 3	(228,197)	—	228,197	—	—	—
Transfers from stage 2 to stage 1	1,691,534	(1,691,534)	—	—	—	—
Transfers from stage 2 to stage 3	—	(339,863)	339,863	—	—	—
Transfers from stage 3 to stage 1	30,124	—	(30,124)	—	—	—
Transfers from stage 3 to stage 2	—	121,048	(121,048)	—	—	—
Write-offs	(3,261)	(2,370)	(362,075)	(5,004)	—	(372,710)
Net balance of new financial assets and derecognised financial assets and other variations	3,509,575	462,577	(557,354)	(23,640)	98,458	3,489,616
Transfers resulting from changes in the Group's structure (Banque Privée BCP (Suisse))	(354,100)	—	—	—	—	(354,100)
Gross amount at the end of the year	46,113,653	7,964,052	2,686,267	57,713	—	56,821,685

(1) Adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

During 2021, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2021				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	169,103	247,252	1,607,223	12,944	2,036,522
Change in impairment losses:					
Transfer to Stage 1	56,037	(48,127)	(7,908)	(2)	–
Transfer to Stage 2	(14,166)	35,066	(20,900)	–	–
Transfer to Stage 3	(4,097)	(27,345)	31,505	(63)	–
Changes occurred due to changes in credit risk	(17,162)	29,604	188,368	5,165	205,975
Write-offs	(3,261)	(2,370)	(362,075)	(5,004)	(372,710)
Changes due to new financial assets and derecognised financial assets and other variations	21,242	54,562	(99,601)	3,662	(20,135)
Transfers resulting from changes in the Group's structure (Banque Privée BCP (Suisse))	(368)	–	–	–	(368)
Impairment losses at the end of the year	207,328	288,642	1,336,612	16,702	1,849,284

During 2020, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2020 (restated)					
	Financial assets at amortised cost - Loans and advances to customers - Gross amount					
	Stage 1	Stage 2	Stage 3	POCI	Others (1)	Total
Gross amount as at 1 January	40,864,110	7,220,484	4,058,116	122,141	–	52,264,851
Changes in gross book value:						
Transfers from stage 1 to stage 2	(1,572,866)	1,572,866	–	–	–	–
Transfers from stage 1 to stage 3	(233,821)	–	233,821	–	–	–
Transfers from stage 2 to stage 1	1,812,445	(1,812,445)	–	–	–	–
Transfers from stage 2 to stage 3	–	(493,640)	493,640	–	–	–
Transfers from stage 3 to stage 1	44,494	–	(44,494)	–	–	–
Transfers from stage 3 to stage 2	–	161,272	(161,272)	–	–	–
Write-offs	(2,055)	(5,936)	(255,651)	(293)	–	(263,935)
Net balance of new financial assets and derecognised financial assets and other variations	2,790,362	536,902	(1,135,352)	(35,491)	(98,458)	2,057,963
Gross amount at the end of the year	43,702,669	7,179,503	3,188,808	86,357	(98,458)	54,058,879

(1) Adjustment to the balances of 2020 made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

During 2020, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,766	190,878	2,117,756	13,622	2,417,022
Change in impairment losses:					
Transfer to Stage 1	48,668	(32,331)	(16,333)	(4)	—
Transfer to Stage 2	(7,706)	27,165	(19,459)	—	—
Transfer to Stage 3	(3,063)	(27,404)	30,769	(303)	(1)
Changes occurred due to changes in credit risk	(14,031)	53,595	335,250	3,342	378,156
Write-offs	(2,055)	(5,936)	(255,651)	(293)	(263,935)
Changes due to new financial assets and derecognised financial assets and other variations	52,524	41,285	(585,109)	(3,420)	(494,720)
Impairment losses at the end of the period	169,103	247,252	1,607,223	12,944	2,036,522

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2021**	**2020**
Amortised cost before changes	612,501	399,379
Impairment losses before changes	(87,268)	(66,421)
Net amortised cost before changes	525,233	332,958
Net gain/loss arising on changes	(7,949)	(14,076)
Net amortised cost after changes	517,284	318,882

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	**2021**	**2020**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	61,103	60,793

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2021									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	25,386,281	2,305,851	126,323	66,432	2,498,606	296,980	171,593	468,573	13,320	28,366,780
Individuals-Other	7,631,117	820,962	94,862	40,061	955,885	251,607	340,511	592,118	42,163	9,221,283
Financial Companies	2,946,812	333,975	71	13	334,059	116,539	61,091	177,630	–	3,458,501
Non-financial companies - Corporate	7,994,250	920,647	436	409	921,492	209,359	365,953	575,312	–	9,491,054
Non-financial companies - SME-Corporate	9,848,761	2,914,636	8,506	2,360	2,925,502	719,045	142,057	861,102	850	13,636,215
Non-financial companies -SME-Retail	6,469,104	2,021,279	18,127	12,285	2,051,691	329,395	98,615	428,010	1,380	8,950,185
Non-financial companies -Other	570,736	54,092	–	–	54,092	152	–	152	–	624,980
Other loans	7,293,895	272,126	–	–	272,126	–	–	–	–	7,566,021
Total	68,140,956	9,643,568	248,325	121,560	10,013,453	1,923,077	1,179,820	3,102,897	57,713	81,315,019
Impairment										
Individuals-Mortgage	13,417	11,246	1,991	3,946	17,183	48,326	67,393	115,719	3,159	149,478
Individuals-Other	44,802	24,514	13,555	9,521	47,590	104,129	231,996	336,125	13,530	442,047
Financial Companies	4,990	6,966	4	3	6,973	67,871	42,746	110,617	–	122,580
Non-financial companies - Corporate	30,910	23,366	11	95	23,472	86,950	247,397	334,347	–	388,729
Non-financial companies - SME-Corporate	81,639	118,121	788	589	119,498	260,886	68,570	329,456	–	530,593
Non-financial companies -SME-Retail	47,538	82,720	2,356	2,543	87,619	143,756	51,382	195,138	13	330,308
Non-financial companies -Other	297	136	–	–	136	76	–	76	–	509
Other loans	9,898	2,780	–	–	2,780	–	–	–	–	12,678
Total	233,491	269,849	18,705	16,697	305,251	711,994	709,484	1,421,478	16,702	1,976,922
Net exposure										
Individuals-Mortgage	25,372,864	2,294,605	124,332	62,486	2,481,423	248,654	104,200	352,854	10,161	28,217,302
Individuals-Other	7,586,315	796,448	81,307	30,540	908,295	147,478	108,515	255,993	28,633	8,779,236
Financial Companies	2,941,822	327,009	67	10	327,086	48,668	18,345	67,013	–	3,335,921
Non-financial companies - Corporate	7,963,340	897,281	425	314	898,020	122,409	118,556	240,965	–	9,102,325
Non-financial companies - SME-Corporate	9,767,122	2,796,515	7,718	1,771	2,806,004	458,159	73,487	531,646	850	13,105,622
Non-financial companies -SME-Retail	6,421,566	1,938,559	15,771	9,742	1,964,072	185,639	47,233	232,872	1,367	8,619,877
Non-financial companies -Other	570,439	53,956	–	–	53,956	76	–	76	–	624,471
Other loans	7,283,997	269,346	–	–	269,346	–	–	–	–	7,553,343
Total	67,907,465	9,373,719	229,620	104,863	9,708,202	1,211,083	470,336	1,681,419	41,011	79,338,097
% of impairment coverage										
Individuals-Mortgage	0.05%	0.49%	1.58%	5.94%	0.69%	16.27%	39.27%	24.70%	23.72%	0.53%
Individuals-Other	0.59%	2.99%	14.29%	23.77%	4.98%	41.39%	68.13%	56.77%	32.09%	4.79%
Financial Companies	0.17%	2.09%	5.63%	23.08%	2.09%	58.24%	69.97%	62.27%	0.00%	3.54%
Non-financial companies - Corporate	0.39%	2.54%	2.52%	23.23%	2.55%	41.53%	67.60%	58.12%	0.00%	4.10%
Non-financial companies - SME-Corporate	0.83%	4.05%	9.26%	24.96%	4.08%	36.28%	48.27%	38.26%	0.00%	3.89%
Non-financial companies -SME-Retail	0.73%	4.09%	13.00%	20.70%	4.27%	43.64%	52.10%	45.59%	0.94%	3.69%
Non-financial companies -Other	0.05%	0.25%	0.00%	0.00%	0.25%	50.00%	0.00%	50.00%	0.00%	0.08%
Other loans	0.14%	1.02%	0.00%	0.00%	1.02%	0.00%	0.00%	0.00%	0.00%	0.17%
Total	0.34%	2.80%	7.53%	13.74%	3.05%	37.02%	60.13%	45.81%	28.94%	2.43%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2020 (restated)										
		Stage 2				Stage 3					
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Others (1)	Total
Gross Exposure											
Individuals-Mortgage	23,196,850	2,257,027	94,230	49,833	2,401,090	245,446	238,996	484,442	14,805	(98,458)	25,998,729
Individuals-Other	7,705,016	723,194	84,846	37,072	845,112	304,008	382,718	686,726	71,552	–	9,308,406
Financial Companies	2,968,646	456,900	37	1	456,938	145,907	90,861	236,768	–	–	3,662,352
Non-financial companies - Corporate	8,801,863	1,152,447	2,307	47	1,154,801	204,045	547,859	751,904	–	–	10,708,568
Non-financial companies - SME-Corporate	10,547,907	2,694,779	5,149	1,187	2,701,115	816,135	244,154	1,060,289	–	–	14,309,311
Non-financial companies - SME-Retail	5,459,793	1,418,540	14,916	3,672	1,437,128	269,042	156,306	425,348	–	–	7,322,269
Non-financial companies - Other	402,483	75,951	–	–	75,951	147	1,205	1,352	–	–	479,786
Other loans	5,151,717	224,617	–	–	224,617	–	1	1	–	–	5,376,335
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	(98,458)	77,165,756
Impairment											
Individuals-Mortgage	11,987	21,711	3,168	4,981	29,860	27,429	67,084	94,513	1,395	–	137,755
Individuals-Other	50,297	25,555	14,224	9,213	48,992	124,521	216,529	341,050	11,549	–	451,888
Financial Companies	3,505	6,447	4	–	6,451	124,059	66,087	190,146	–	–	200,102
Non-financial companies - Corporate	31,598	27,546	124	–	27,670	98,921	353,691	452,612	–	–	511,880
Non-financial companies - SME-Corporate	58,352	95,452	602	239	96,293	274,732	141,442	416,174	–	–	570,819
Non-financial companies - SME-Retail	29,785	42,368	2,132	972	45,472	120,207	79,296	199,503	–	–	274,760
Non-financial companies - Other	277	61	–	–	61	74	180	254	–	–	592
Other loans	5,528	3,684	–	–	3,684	–	1	1	–	–	9,213
Total	191,329	222,824	20,254	15,405	258,483	769,943	924,310	1,694,253	12,944	–	2,157,009
Net exposure											
Individuals-Mortgage	23,184,863	2,235,316	91,062	44,852	2,371,230	218,017	171,912	389,929	13,410	(98,458)	25,860,974
Individuals-Other	7,654,719	697,639	70,622	27,859	796,120	179,487	166,189	345,676	60,003	–	8,856,518
Financial Companies	2,965,141	450,453	33	1	450,487	21,848	24,774	46,622	–	–	3,462,250
Non-financial companies - Corporate	8,770,265	1,124,901	2,183	47	1,127,131	105,124	194,168	299,292	–	–	10,196,688
Non-financial companies - SME-Corporate	10,489,555	2,599,327	4,547	948	2,604,822	541,403	102,712	644,115	–	–	13,738,492
Non-financial companies - SME-Retail	5,430,008	1,376,172	12,784	2,700	1,391,656	148,835	77,010	225,845	–	–	7,047,509
Non-financial companies - Other	402,206	75,890	–	–	75,890	73	1,025	1,098	–	–	479,194
Other loans	5,146,189	220,933	–	–	220,933	–	–	–	–	–	5,367,122
Total	64,042,946	8,780,631	181,231	76,407	9,038,269	1,214,787	737,790	1,952,577	73,413	(98,458)	75,008,747
% of impairment coverage											
Individuals-Mortgage	0.05%	0.96%	3.36%	10.00%	1.24%	11.18%	28.07%	19.51%	9.42%	0.00%	0.53%
Individuals-Other	0.65%	3.53%	16.76%	24.85%	5.80%	40.96%	56.58%	49.66%	16.14%	0.00%	4.84%
Financial Companies	0.12%	1.41%	10.81%	0.00%	1.41%	85.03%	72.73%	80.31%	0.00%	0.00%	5.46%
Non-financial companies - Corporate	0.36%	2.39%	5.37%	0.00%	2.40%	48.48%	64.56%	60.20%	0.00%	0.00%	4.77%
Non-financial companies - SME-Corporate	0.55%	3.54%	11.69%	20.13%	3.56%	33.66%	57.93%	39.25%	0.00%	0.00%	3.92%
Non-financial companies - SME-Retail	0.55%	2.99%	14.29%	26.47%	3.16%	44.68%	50.73%	46.90%	0.00%	0.00%	3.89%
Non-financial companies - Other	0.07%	0.08%	0.00%	0.00%	0.08%	50.34%	14.94%	18.79%	0.00%	0.00%	0.12%
Other loans	0.11%	1.64%	0.00%	0.00%	1.64%	0.00%	100.00%	100.00%	0.00%	0.00%	0.17%
Total	0.30%	2.47%	10.05%	16.78%	2.78%	38.79%	55.61%	46.46%	14.99%	0.00%	2.79%

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2021									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	33,017,398	3,126,813	221,185	106,493	3,454,491	548,587	512,104	1,060,691	55,483	37,588,063
Non-financial companies - Trade	5,498,200	868,334	4,967	3,001	876,302	91,994	57,333	149,327	99	6,523,928
Non-financial companies - Construction	1,862,344	860,822	3,450	1,790	866,062	375,867	35,275	411,142	41	3,139,589
Non-financial companies - Manufacturing industries	5,586,843	998,335	8,412	2,987	1,009,734	171,010	119,504	290,514	92	6,887,183
Non-financial companies -Other activities	1,665,202	452,573	618	581	453,772	174,343	85,674	260,017	19	2,379,010
Non-financial companies - Other services	10,270,262	2,730,590	9,622	6,695	2,746,907	444,737	308,839	753,576	1,979	13,772,724
Other Services /Other activities	10,240,707	606,101	71	13	606,185	116,539	61,091	177,630	–	11,024,522
Total	68,140,956	9,643,568	248,325	121,560	10,013,453	1,923,077	1,179,820	3,102,897	57,713	81,315,019
Impairment										
Loans to individuals	58,219	35,760	15,546	13,467	64,773	152,455	299,389	451,844	16,689	591,525
Non-financial companies - Trade	29,433	28,996	529	534	30,059	33,035	37,220	70,255	–	129,747
Non-financial companies - Construction	11,855	14,740	634	389	15,763	127,891	22,655	150,546	–	178,164
Non-financial companies - Manufacturing industries	33,038	30,564	473	725	31,762	49,030	53,649	102,679	12	167,491
Non-financial companies -Other activities	9,548	17,393	123	120	17,636	87,138	41,142	128,280	–	155,464
Non-financial companies - Other services	76,510	132,650	1,396	1,459	135,505	194,574	212,683	407,257	1	619,273
Other Services /Other activities	14,888	9,746	4	3	9,753	67,871	42,746	110,617	–	135,258
Total	233,491	269,849	18,705	16,697	305,251	711,994	709,484	1,421,478	16,702	1,976,922
Net exposure										
Loans to individuals	32,959,179	3,091,053	205,639	93,026	3,389,718	396,132	212,715	608,847	38,794	36,996,538
Non-financial companies - Trade	5,468,767	839,338	4,438	2,467	846,243	58,959	20,113	79,072	99	6,394,181
Non-financial companies - Construction	1,850,489	846,082	2,816	1,401	850,299	247,976	12,620	260,596	41	2,961,425
Non-financial companies - Manufacturing industries	5,553,805	967,771	7,939	2,262	977,972	121,980	65,855	187,835	80	6,719,692
Non-financial companies -Other activities	1,655,654	435,180	495	461	436,136	87,205	44,532	131,737	19	2,223,546
Non-financial companies - Other services	10,193,752	2,597,940	8,226	5,236	2,611,402	250,163	96,156	346,319	1,978	13,153,451
Other Services /Other activities	10,225,819	596,355	67	10	596,432	48,668	18,345	67,013	–	10,889,264
Total	67,907,465	9,373,719	229,620	104,863	9,708,202	1,211,083	470,336	1,681,419	41,011	79,338,097
% of impairment coverage										
Loans to individuals	0.18%	1.14%	7.03%	12.65%	1.88%	27.79%	58.46%	42.60%	30.08%	1.57%
Non-financial companies - Trade	0.54%	3.34%	10.65%	17.79%	3.43%	35.91%	64.92%	47.05%	0.00%	1.99%
Non-financial companies - Construction	0.64%	1.71%	18.38%	21.73%	1.82%	34.03%	64.22%	36.62%	0.00%	5.67%
Non-financial companies - Manufacturing industries	0.59%	3.06%	5.62%	24.27%	3.15%	28.67%	44.89%	35.34%	13.04%	2.43%
Non-financial companies -Other activities	0.57%	3.84%	19.90%	20.65%	3.89%	49.98%	48.02%	49.34%	0.00%	6.53%
Non-financial companies - Other services	0.74%	4.86%	14.51%	21.79%	4.93%	43.75%	68.87%	54.04%	0.05%	4.50%
Other Services /Other activities	0.15%	1.61%	5.63%	23.08%	1.61%	58.24%	69.97%	62.27%	0.00%	1.23%
Total	0.34%	2.80%	7.53%	13.74%	3.05%	37.02%	60.13%	45.81%	28.94%	2.43%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2020 (restated)										
		Stage 2				Stage 3					
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Others (1)	Total
Gross Exposure											
Loans to individuals	30,901,866	2,980,221	179,076	86,905	3,246,202	549,454	621,714	1,171,168	86,357	(98,458)	35,307,135
Non-financial companies - Trade	5,106,487	945,505	5,049	1,044	951,598	117,856	87,538	205,394	–	–	6,263,479
Non-financial companies - Construction	2,035,530	742,594	2,774	267	745,635	401,024	90,589	491,613	–	–	3,272,778
Non-financial companies - Manufacturing industries	5,415,350	975,671	5,469	1,188	982,328	161,262	150,996	312,258	–	–	6,709,936
Non-financial companies - Other activities	1,655,621	453,003	313	39	453,355	162,499	78,834	241,333	–	–	2,350,309
Non-financial companies - Other services	10,999,058	2,224,944	8,767	2,368	2,236,079	446,728	541,567	988,295	–	–	14,223,432
Other Services /Other activities	8,120,363	681,517	37	1	681,555	145,907	90,862	236,769	–	–	9,038,687
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	(98,458)	77,165,756
Impairment											
Loans to individuals	62,284	47,266	17,392	14,194	78,852	151,950	283,613	435,563	12,944	–	589,643
Non-financial companies - Trade	23,456	27,608	501	241	28,350	42,532	54,330	96,862	–	–	148,668
Non-financial companies - Construction	11,815	16,784	571	96	17,451	115,730	45,112	160,842	–	–	190,108
Non-financial companies - Manufacturing industries	26,116	28,349	488	251	29,088	58,793	66,177	124,970	–	–	180,174
Non-financial companies - Other activities	6,917	13,648	94	14	13,756	84,627	36,758	121,385	–	–	142,058
Non-financial companies - Other services	51,708	79,038	1,204	609	80,851	192,252	372,232	564,484	–	–	697,043
Other Services /Other activities	9,033	10,131	4	–	10,135	124,059	66,088	190,147	–	–	209,315
Total	191,329	222,824	20,254	15,405	258,483	769,943	924,310	1,694,253	12,944	–	2,157,009
Net exposure											
Loans to individuals	30,839,582	2,932,955	161,684	72,711	3,167,350	397,504	338,101	735,605	73,413	(98,458)	34,717,492
Non-financial companies - Trade	5,083,031	917,897	4,548	803	923,248	75,324	33,208	108,532	–	–	6,114,811
Non-financial companies - Construction	2,023,715	725,810	2,203	171	728,184	285,294	45,477	330,771	–	–	3,082,670
Non-financial companies - Manufacturing industries	5,389,234	947,322	4,981	937	953,240	102,469	84,819	187,288	–	–	6,529,762
Non-financial companies - Other activities	1,648,704	439,355	219	25	439,599	77,872	42,076	119,948	–	–	2,208,251
Non-financial companies - Other services	10,947,350	2,145,906	7,563	1,759	2,155,228	254,476	169,335	423,811	–	–	13,526,389
Other Services /Other activities	8,111,330	671,386	33	1	671,420	21,848	24,774	46,622	–	–	8,829,372
Total	64,042,946	8,780,631	181,231	76,407	9,038,269	1,214,787	737,790	1,952,577	73,413	(98,458)	75,008,747
% of impairment coverage											
Loans to individuals	0.20%	1.59%	9.71%	16.33%	2.43%	27.65%	45.62%	37.19%	14.99%	0.00%	1.67%
Non-financial companies - Trade	0.46%	2.92%	9.92%	23.08%	2.98%	36.09%	62.06%	47.16%	0.00%	0.00%	2.33%
Non-financial companies - Construction	0.58%	2.26%	20.58%	35.96%	2.34%	28.86%	49.80%	32.72%	0.00%	0.00%	5.76%
Non-financial companies - Manufacturing industries	0.48%	2.91%	8.92%	21.13%	2.96%	36.46%	43.83%	40.02%	0.00%	0.00%	2.62%
Non-financial companies - Other activities	0.42%	3.01%	30.03%	35.90%	3.03%	52.08%	46.63%	50.30%	0.00%	0.00%	6.00%
Non-financial companies - Other services	0.47%	3.55%	13.73%	25.72%	3.62%	43.04%	68.73%	57.12%	0.00%	0.00%	4.97%
Other Services /Other activities	0.11%	1.49%	10.81%	0.00%	1.49%	85.03%	72.73%	80.31%	0.00%	0.00%	2.31%
Total	0.30%	2.47%	10.05%	16.78%	2.78%	38.79%	55.61%	46.46%	14.99%	0.00%	2.79%

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2021									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	47,338,893	8,493,201	146,320	67,733	8,707,254	1,547,559	728,443	2,276,002	5,300	58,327,449
Poland	19,103,628	769,723	99,516	51,793	921,032	365,537	361,411	726,948	52,413	20,804,021
Mozambique	1,698,435	380,644	2,489	2,034	385,167	9,981	89,966	99,947	–	2,183,549
Total	68,140,956	9,643,568	248,325	121,560	10,013,453	1,923,077	1,179,820	3,102,897	57,713	81,315,019
Impairment										
Portugal	147,634	236,865	4,407	4,193	245,465	581,622	418,597	1,000,219	–	1,393,318
Poland	79,484	29,130	13,962	12,071	55,163	127,416	248,916	376,332	16,702	527,681
Mozambique	6,373	3,854	336	433	4,623	2,956	41,971	44,927	–	55,923
Total	233,491	269,849	18,705	16,697	305,251	711,994	709,484	1,421,478	16,702	1,976,922
Net exposure										
Portugal	47,191,259	8,256,336	141,913	63,540	8,461,789	965,937	309,846	1,275,783	5,300	56,934,131
Poland	19,024,144	740,593	85,554	39,722	865,869	238,121	112,495	350,616	35,711	20,276,340
Mozambique	1,692,062	376,790	2,153	1,601	380,544	7,025	47,995	55,020	–	2,127,626
Total	67,907,465	9,373,719	229,620	104,863	9,708,202	1,211,083	470,336	1,681,419	41,011	79,338,097
% of impairment coverage										
Portugal	0.31%	2.79%	3.01%	6.19%	2.82%	37.58%	57.46%	43.95%	0.00%	2.39%
Poland	0.42%	3.78%	14.03%	23.31%	5.99%	34.86%	68.87%	51.77%	31.87%	2.54%
Mozambique	0.38%	1.01%	13.50%	21.29%	1.20%	29.62%	46.65%	44.95%	0.00%	2.56%
Total	0.34%	2.80%	7.53%	13.74%	3.05%	37.02%	60.13%	45.81%	28.94%	2.43%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2020 (restated)										
		Stage 2				Stage 3					
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Others (1)	Total
Gross Exposure											
Portugal	44,618,624	7,707,417	112,588	41,646	7,861,651	1,612,021	1,192,577	2,804,598	–	–	55,284,873
Poland	17,783,876	895,734	87,765	49,036	1,032,535	354,957	390,278	745,235	86,357	(98,458)	19,549,545
Mozambique	1,293,747	400,304	1,132	1,130	402,566	17,752	79,245	96,997	–	–	1,793,310
Switzerland	538,028	–	–	–	–	–	–	–	–	–	538,028
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	(98,458)	77,165,756
Impairment											
Portugal	99,092	180,910	4,209	1,946	187,065	626,580	670,115	1,296,695	–	–	1,582,852
Poland	87,204	37,152	15,869	13,255	66,276	140,106	225,096	365,202	12,944	–	531,626
Mozambique	4,665	4,762	176	204	5,142	3,257	29,099	32,356	–	–	42,163
Switzerland	368	–	–	–	–	–	–	–	–	–	368
Total	191,329	222,824	20,254	15,405	258,483	769,943	924,310	1,694,253	12,944	–	2,157,009
Net exposure											
Portugal	44,519,532	7,526,507	108,379	39,700	7,674,586	985,441	522,462	1,507,903	–	–	53,702,021
Poland	17,696,672	858,582	71,896	35,781	966,259	214,851	165,182	380,033	73,413	(98,458)	19,017,919
Mozambique	1,289,082	395,542	956	926	397,424	14,495	50,146	64,641	–	–	1,751,147
Switzerland	537,660	–	–	–	–	–	–	–	–	–	537,660
Total	64,042,946	8,780,631	181,231	76,407	9,038,269	1,214,787	737,790	1,952,577	73,413	(98,458)	75,008,747
% of impairment coverage											
Portugal	0.22%	2.35%	3.74%	4.67%	2.38%	38.87%	56.19%	46.23%	0.00%	0.00%	2.86%
Poland	0.49%	4.15%	18.08%	27.03%	6.42%	39.47%	57.68%	49.00%	14.99%	0.00%	2.71%
Mozambique	0.36%	1.19%	15.55%	18.05%	1.28%	18.35%	36.72%	33.36%	0.00%	0.00%	2.35%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%
Total	0.30%	2.47%	10.05%	16.78%	2.78%	38.79%	55.61%	46.46%	14.99%	0.00%	2.79%

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

As at 31 December 2021, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2021							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	39,316,700	9,478,965	3,269,930	2,149	1,149,874	53,217,618	215,151	53,002,467
stage 2	1,425,095	1,793,024	3,757,450	280,696	491,548	7,747,813	287,907	7,459,906
stage 3	—	—	—	2,590,604	694	2,591,298	1,291,836	1,299,462
POCI	3,001	2,535	1,096	51,081	—	57,713	16,702	41,011
	40,744,796	11,274,524	7,028,476	2,924,530	1,642,116	63,614,442	1,811,596	61,802,846
Debt instruments at fair value through other comprehensive income (*)								
stage 1	12,356,156	198,383	20,027	—	220,790	12,795,356	—	12,795,356
stage 3	—	—	—	—	1,092	1,092	1,092	—
	12,356,156	198,383	20,027	—	221,882	12,796,448	1,092	12,795,356
Guarantees and other commitments (**)								
stage 1	8,285,718	3,514,586	1,178,486	192	245,921	13,224,903	11,967	13,212,936
stage 2	194,724	501,109	890,723	42,849	251,068	1,880,473	12,721	1,867,752
stage 3	—	—	—	411,652	—	411,652	84,715	326,937
	8,480,442	4,015,695	2,069,209	454,693	496,989	15,517,028	109,403	15,407,625
Total	61,581,394	15,488,602	9,117,712	3,379,223	2,360,987	91,927,918	1,922,091	90,005,827

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments (note 45).

As at 31 December 2020, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2020 (restated)							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	35,163,115	9,748,672	3,228,850	2,355	1,026,840	49,169,832	174,692	48,995,140
stage 2	1,136,115	1,765,025	3,268,355	310,673	526,804	7,006,972	243,730	6,763,242
stage 3	—	—	—	3,115,272	1,876	3,117,148	1,582,024	1,535,124
POCI	2,570	2,883	1,728	79,175	1	86,357	12,944	73,413
Others (1)	—	—	—	—	—	(98,458)	—	(98,458)
	36,301,800	11,516,580	6,498,933	3,507,475	1,555,521	59,281,851	2,013,390	57,268,461
Debt instruments at fair value through other comprehensive income (*)								
stage 1	11,866,921	104,997	—	—	77,587	12,049,505	—	12,049,505
stage 3	—	—	—	—	1,097	1,097	—	1,097
	11,866,921	104,997	—	—	78,684	12,050,602	—	12,050,602
Guarantees and other commitments (**)								
stage 1	8,072,817	3,604,506	1,201,615	40	353,690	13,232,668	11,604	13,221,064
stage 2	372,803	562,311	676,210	56,905	218,985	1,887,214	9,611	1,877,603
stage 3	—	—	—	432,685	—	432,685	79,873	352,812
	8,445,620	4,166,817	1,877,825	489,630	572,675	15,552,567	101,088	15,451,479
Total	56,614,341	15,788,394	8,376,758	3,997,105	2,206,880	86,885,020	2,114,478	84,770,542

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").
(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.
(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments (note 45).

The financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2021					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	46,604	28,320,176	28,366,780	14,081	135,397	149,478
Individuals - Other	30,802	9,190,481	9,221,283	18,753	423,294	442,047
Financial Companies	171,875	3,286,626	3,458,501	110,524	12,056	122,580
Non-financial companies - Corporate	520,987	8,970,067	9,491,054	325,523	63,206	388,729
Non-financial companies - SME - Corporate	650,958	12,985,257	13,636,215	290,432	240,161	530,593
Non-financial companies -SME - Retail	248,059	8,702,126	8,950,185	127,132	203,176	330,308
Non-financial companies - Other	152	624,828	624,980	76	433	509
Other loans	—	7,566,021	7,566,021	—	12,678	12,678
Total	1,669,437	79,645,582	81,315,019	886,521	1,090,401	1,976,922

(Thousands of euros)

	2020 (restated)						
	Gross Exposure				Impairment losses		
Segment	Individual	Collective	Others (1)	Total	Individual	Collective	Total
Individuals - Mortgage	27,029	26,070,158	(98,458)	25,998,729	9,168	130,216	139,384
Individuals - Other	114,561	9,193,845	—	9,308,406	34,298	415,960	450,258
Financial Companies	223,808	3,438,544	—	3,662,352	189,757	10,231	199,988
Non-financial companies - Corporate	726,992	9,981,576	—	10,708,568	444,566	66,599	511,165
Non-financial companies - SME - Corporate	842,456	13,466,855	—	14,309,311	373,935	187,640	561,575
Non-financial companies -SME - Retail	211,864	7,110,405	—	7,322,269	119,019	165,815	284,834
Non-financial companies - Other	1,313	478,473	—	479,786	226	366	592
Other loans	—	5,376,335	—	5,376,335	—	9,213	9,213
Total	2,148,023	75,116,191	(98,458)	77,165,756	1,170,969	986,040	2,157,009

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers").

(Thousands of euros)

	2021					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	77,406	37,510,657	37,588,063	32,834	558,691	591,525
Non-financial companies - Trade	62,335	6,461,593	6,523,928	39,934	89,813	129,747
Non-financial companies - Construction	295,885	2,843,704	3,139,589	129,735	48,429	178,164
Non financial companies - Manufacturing industry	204,562	6,682,621	6,887,183	81,987	85,504	167,491
Non-financial companies - Other activities	234,767	2,144,243	2,379,010	120,809	34,655	155,464
Non-financial companies - Other services	622,607	13,150,117	13,772,724	370,698	248,575	619,273
Other Services /Other activities	171,875	10,852,647	11,024,522	110,524	24,734	135,258
Total	1,669,437	79,645,582	81,315,019	886,521	1,090,401	1,976,922

(Thousands of euros)

	2020 (restated)						
	Gross Exposure				Impairment losses		
Sector of activity	Individual	Collective	Others (1)	Total	Individual	Collective	Total
Loans to individuals	141,590	35,264,003	(98,458)	35,307,135	43,466	546,176	589,642
Non-financial companies - Trade	116,516	6,146,963	—	6,263,479	63,083	82,783	145,866
Non-financial companies - Construction	365,367	2,907,411	—	3,272,778	137,254	51,336	188,590
Non-financial companies - Manufacturing industry	212,034	6,497,902	—	6,709,936	96,352	79,596	175,948
Non-financial companies - Other activities	211,532	2,138,777	—	2,350,309	115,615	25,427	141,042
Non-financial companies - Other services	877,176	13,346,256	—	14,223,432	525,442	181,278	706,720
Other Services /Other activities	223,808	8,814,879	—	9,038,687	189,757	19,444	209,201
Total	2,148,023	75,116,191	(98,458)	77,165,756	1,170,969	986,040	2,157,009

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

(Thousands of euros)

	2021					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	1,419,193	56,908,256	58,327,449	791,108	602,210	1,393,318
Poland	168,126	20,635,895	20,804,021	57,127	470,554	527,681
Mozambique	82,118	2,101,431	2,183,549	38,286	17,637	55,923
Total	1,669,437	79,645,582	81,315,019	886,521	1,090,401	1,976,922

(Thousands of euros)

	2020 (restated)						
	Gross Exposure				Impairment losses		
Geography	Individual	Collective	Others (1)	Total	Individual	Collective	Total
Portugal	1,855,583	53,429,290	—	55,284,873	1,062,714	520,138	1,582,852
Poland	218,477	19,429,526	(98,458)	19,549,545	79,616	452,010	531,626
Mozambique	73,963	1,719,347	—	1,793,310	28,639	13,524	42,163
Switzerland	—	538,028	—	538,028	—	368	368
Total	2,148,023	75,116,191	(98,458)	77,165,756	1,170,969	986,040	2,157,009

(1) Adjustment made in Bank Millennium regarding mortgage loans linked to Swiss francs (transfer from the liability item "Provisions" to the asset item "Loans and advances to customers”).

The columns Gross exposure and Collective impairment losses include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 31 December 2021, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2021					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2011 and previous						
Number of operations	16,443	27,013	312,064	707,279	493	1,063,292
Value (Euros '000)	988,051	3,546,686	11,518,139	1,202,309	96,963	17,352,148
Impairment constituted (Euros '000)	74,609	59,229	112,005	25,236	824	271,903
2012						
Number of operations	1,184	3,463	11,387	103,094	184	119,312
Value (Euros '000)	80,315	213,802	401,586	144,851	10,158	850,712
Impairment constituted (Euros '000)	3,837	5,324	4,751	4,355	35	18,302
2013						
Number of operations	1,641	4,653	11,229	107,983	33	125,539
Value (Euros '000)	81,722	576,793	442,501	136,479	8,762	1,246,257
Impairment constituted (Euros '000)	4,471	8,084	5,580	5,122	5,108	28,365
2014						
Number of operations	1,641	6,271	9,805	116,968	95	134,780
Value (Euros '000)	105,894	645,718	422,736	166,061	190,746	1,531,155
Impairment constituted (Euros '000)	3,970	20,745	4,348	7,486	2,191	38,740
2015						
Number of operations	2,289	8,314	12,051	161,566	135	184,355
Value (Euros '000)	118,689	964,423	598,334	241,761	42,217	1,965,424
Impairment constituted (Euros '000)	2,824	28,579	3,728	16,198	19,417	70,746
2016						
Number of operations	2,669	11,649	13,803	182,204	76	210,401
Value (Euros '000)	163,829	1,478,862	722,220	354,356	4,193	2,723,460
Impairment constituted (Euros '000)	6,010	38,956	3,929	28,921	200	78,016
2017						
Number of operations	3,601	16,424	22,504	206,982	135	249,646
Value (Euros '000)	277,439	1,670,775	1,398,081	429,457	18,044	3,793,796
Impairment constituted (Euros '000)	5,095	23,129	4,472	35,979	680	69,355
2018						
Number of operations	6,750	28,128	29,336	361,525	252	425,991
Value (Euros '000)	765,450	2,700,168	2,109,180	893,124	334,778	6,802,700
Impairment constituted (Euros '000)	10,003	53,212	4,375	66,397	1,688	135,675
2019						
Number of operations	10,349	35,279	33,145	703,461	255	782,489
Value (Euros '000)	916,637	2,723,462	2,540,307	1,582,002	181,729	7,944,137
Impairment constituted (Euros '000)	9,757	69,372	2,964	95,816	2,883	180,792
2020						
Number of operations	11,226	42,426	39,282	450,557	362	543,853
Value (Euros '000)	1,671,233	5,360,650	3,082,954	1,138,368	268,429	11,521,634
Impairment constituted (Euros '000)	19,037	87,662	4,534	44,968	2,008	158,209
2021						
Number of operations	14,097	107,313	56,969	994,034	5,019	1,177,432
Value (Euros '000)	1,729,149	6,506,623	5,006,493	2,353,761	513,072	16,109,098
Impairment constituted (Euros '000)	17,888	88,776	7,652	35,963	2,954	153,233
Total						
Number of operations	71,890	290,933	551,575	4,095,653	7,039	5,017,090
Value (Euros '000)	6,898,408	26,387,962	28,242,531	8,642,529	1,669,091	71,840,521
Impairment constituted (Euros '000)	157,501	483,068	158,338	366,441	37,988	1,203,336

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2020, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2020 (restated)					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2010 and previous						
Number of operations	16,767	26,597	324,767	673,562	634	1,042,327
Value (Euros '000)	1,068,622	3,793,513	12,886,339	1,140,256	73,823	18,962,553
Impairment constituted (Euros '000)	71,273	90,991	119,375	26,259	675	308,573
2011						
Number of operations	1,510	3,980	14,140	106,248	16	125,894
Value (Euros '000)	69,455	241,433	561,325	172,819	3,959	1,048,991
Impairment constituted (Euros '000)	7,017	8,549	4,680	4,201	39	24,486
2012						
Number of operations	1,381	4,320	12,335	112,410	200	130,646
Value (Euros '000)	89,788	239,830	450,555	157,067	11,746	948,986
Impairment constituted (Euros '000)	3,752	7,302	5,856	5,302	12	22,224
2013						
Number of operations	1,934	5,636	12,332	122,150	33	142,085
Value (Euros '000)	95,288	725,594	500,758	168,380	9,832	1,499,852
Impairment constituted (Euros '000)	5,138	30,095	6,748	7,398	4,296	53,675
2014						
Number of operations	2,008	7,479	10,727	141,894	115	162,223
Value (Euros '000)	114,841	772,668	478,551	197,259	230,082	1,793,401
Impairment constituted (Euros '000)	5,008	44,559	5,149	11,017	432	66,165
2015						
Number of operations	2,848	10,829	13,168	193,971	179	220,995
Value (Euros '000)	150,370	1,151,841	670,555	316,507	59,311	2,348,584
Impairment constituted (Euros '000)	5,471	47,097	4,426	21,971	8,464	87,429
2016						
Number of operations	3,472	16,227	15,000	235,919	162	270,780
Value (Euros '000)	221,374	1,717,428	803,036	479,839	36,189	3,257,866
Impairment constituted (Euros '000)	11,849	104,871	4,572	35,178	1,816	158,286
2017						
Number of operations	4,472	21,166	24,438	247,818	193	298,087
Value (Euros '000)	364,260	2,057,156	1,563,829	587,943	88,347	4,661,535
Impairment constituted (Euros '000)	6,993	38,347	5,401	39,675	1,234	91,650
2018						
Number of operations	8,189	35,046	31,732	444,697	328	519,992
Value (Euros '000)	1,005,812	3,279,224	2,352,367	1,191,363	436,245	8,265,011
Impairment constituted (Euros '000)	11,726	49,171	5,364	63,291	4,480	134,032
2019						
Number of operations	11,730	40,469	35,600	870,741	368	958,908
Value (Euros '000)	1,289,453	3,536,024	2,827,566	2,068,071	262,031	9,983,145
Impairment constituted (Euros '000)	14,178	104,468	3,206	79,571	1,869	203,292
2020						
Number of operations	16,363	112,733	41,298	806,233	3,758	980,385
Value (Euros '000)	2,199,757	8,758,730	3,311,281	1,864,062	533,921	16,667,751
Impairment constituted (Euros '000)	21,343	112,625	9,788	45,319	1,926	191,001
Total						
Number of operations	70,674	284,482	535,537	3,955,643	5,986	4,852,322
Value (Euros '000)	6,669,020	26,273,441	26,406,162	8,343,566	1,745,486	69,437,675
Impairment constituted (Euros '000)	163,748	638,075	174,565	339,182	25,243	1,340,813

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

The following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2021					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0.5 M€						
Number	6,479	10,273	9,346	74,677	476,204	321
Value (Euros '000)	868,524	238,345	1,412,766	1,495,825	60,342,081	17,349
>= 0.5 M€ and < 1 M€						
Number	763	63	1,231	249	5,567	6
Value (Euros '000)	522,827	40,591	858,038	170,352	3,594,194	3,534
>= 1 M€ and < 5 M€						
Number	550	57	1,092	207	883	1
Value (Euros '000)	1,125,581	105,005	2,173,966	388,273	1,337,278	1,474
>= 5 M€ and < 10 M€						
Number	100	3	119	20	10	—
Value (Euros '000)	696,758	16,515	844,212	134,534	63,256	—
>= 10 M€ and < 20 M€						
Number	44	3	51	15	1	—
Value (Euros '000)	595,828	40,128	687,338	224,766	11,047	—
>= 20 M€ and < 50 M€						
Number	33	—	35	1	—	—
Value (Euros '000)	958,264	—	1,032,578	49,281	—	—
>= 50 M€						
Number	4	—	13	3	—	—
Value (Euros '000)	260,929	—	1,108,030	827,069	—	—
Total Number	7,973	10,399	11,887	75,172	482,665	328
Total Value (Euros '000)	5,028,711	440,584	8,116,928	3,290,100	65,347,856	22,357

(*) Includes, namely, securities, deposits and fixed assets pledges.

The following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2020 (restated)					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0.5 M€						
Number	6,762	10,127	9,465	71,863	463,587	387
Value (Euros '000)	873,961	227,216	1,424,019	1,376,171	54,153,587	20,789
>= 0.5 M€ and < 1 M€						
Number	760	64	1,237	266	4,804	4
Value (Euros '000)	530,701	41,638	866,580	181,600	3,114,012	2,442
>= 1 M€ and < 5 M€						
Number	570	69	1,071	206	723	1
Value (Euros '000)	1,193,643	126,066	2,092,151	390,196	1,061,433	2,080
>= 5 M€ and < 10 M€						
Number	99	4	120	19	8	—
Value (Euros '000)	678,577	30,555	821,700	127,934	55,714	—
>= 10 M€ and < 20 M€						
Number	49	1	56	13	—	—
Value (Euros '000)	658,968	14,194	768,953	197,908	—	—
>= 20 M€ and < 50 M€						
Number	31	1	30	1	—	—
Value (Euros '000)	918,836	24,631	923,056	42,758	—	—
>= 50 M€						
Number	5	—	10	2	—	—
Value (Euros '000)	292,767	—	907,585	680,699	—	—
Total Number	8,276	10,266	11,989	72,370	469,122	392
Total Value (Euros '000)	5,147,453	464,300	7,804,044	2,997,266	58,384,746	25,311

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2021, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2021				
Segment/Ratio	**Number of properties**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment**
Construction and CRE					
Without associated collateral	n.a.	1,424,035	445,746	95,216	74,207
<60%	27,798	970,377	222,871	48,352	27,275
>=60% and <80%	2,954	463,338	132,369	15,611	11,035
>=80% and <100%	1,139	151,733	32,023	55,414	34,538
>=100%	1,006	84,817	111,936	70,487	40,012
Companies - Other Activities					
Without associated collateral	n.a.	9,980,670	1,899,978	695,583	695,418
<60%	49,685	1,371,462	575,090	139,700	59,772
>=60% and <80%	16,637	811,111	334,522	164,667	68,698
>=80% and <100%	12,242	649,604	390,780	133,205	89,029
>=100%	3,266	625,990	519,368	160,142	142,482
Mortgage loans					
Without associated collateral	n.a.	79,901	6,680	12,708	10,594
<60%	372,586	12,771,509	1,124,487	230,446	82,434
>=60% and <80%	132,538	8,118,509	845,140	131,474	32,559
>=80% and <100%	53,980	3,584,503	436,402	85,040	21,262
>=100%	10,056	470,774	84,150	60,405	26,797

As at 31 December 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2020 (restated)				
Segment/Ratio	**Number of properties**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment**
Construction and CRE					
Without associated collateral	n.a.	1,272,422	426,393	122,258	88,644
<60%	27,836	859,134	217,940	46,773	23,928
>=60% and <80%	3,080	566,565	91,076	71,928	36,582
>=80% and <100%	1,408	160,039	65,751	77,303	39,277
>=100%	1,732	96,042	99,475	74,344	52,918
Companies - Other Activities					
Without associated collateral	n.a.	9,686,949	1,875,855	952,298	849,364
<60%	50,841	1,249,753	451,102	172,191	66,132
>=60% and <80%	16,321	1,008,164	420,560	125,795	57,688
>=80% and <100%	10,832	627,244	138,133	137,458	73,071
>=100%	3,687	588,770	296,188	208,938	159,052
Mortgage loans					
Without associated collateral	n.a.	291,232	20,050	14,331	8,521
<60%	335,067	10,833,874	1,041,542	188,348	50,545
>=60% and <80%	138,360	7,614,029	818,931	168,626	43,604
>=80% and <100%	59,825	3,556,853	416,670	112,921	28,812
>=100%	18,274	1,044,089	108,604	128,969	54,576

As at 31 December 2021, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2021					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	282,174	216,292	213,809	213,809	495,983	430,101
Rural	20,195	14,745	3,097	3,097	23,292	17,842
Buildings in development						
Commercials	869	517	–	–	869	517
Mortgage loans	2,569	1,529	–	–	2,569	1,529
Constructed buildings						
Commercials	145,039	104,144	11,497	11,497	156,536	115,641
Mortgage loans	148,880	117,008	187	187	149,067	117,195
Other	48,772	48,629	–	–	48,772	48,629
	648,498	502,864	228,590	228,590	877,088	731,454

As at 31 December 2020, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2020					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	364,668	280,263	236,513	236,513	601,181	516,776
Rural	45,122	35,122	3,225	3,225	48,347	38,347
Buildings in development						
Mortgage loans	5,538	4,355	–	–	5,538	4,355
Other	47	47	–	–	47	47
Constructed buildings						
Commercials	219,242	172,188	13,166	13,166	232,408	185,354
Mortgage loans	258,399	201,337	1,542	1,542	259,941	202,879
Other	4,834	4,524	2,636	2,636	7,470	7,160
Other assets	4,069	4,069	–	–	4,069	4,069
	901,919	701,905	257,082	257,082	1,159,001	958,987

Analysis of the impact of the COVID-19 pandemic on IFRS 9 Risk staging, forborne and default classification and impairment

During 2021 the Bank maintained procedures to monitor the potential impacts of the COVID-19 pandemic crisis, following up on the measures already implemented during 2020.

More specifically regarding the implications on the IFRS staging, as well as the impairment calculation, the main procedures implemented by the Bank in Portugal are described below.

i. Specialized customer monitoring in the context of the pandemic COVID-19

Alongside the support to customers, making available and implementing swiftly the support measures approved, namely by the Government and the EBA, and embodied in the public and private moratoria and the COVID lines, the Bank adjusted its credit portfolio management and monitoring processes to the new reality arising from the pandemic, namely in what concerns the assessment of its potential impacts on the risk profile of the different portfolios/segments of exposure.

Therefore, in order to identify, assess and monitor the impact in terms of credit risk arising from the COVID-19 pandemic crisis in a comprehensive and transversal way, the Bank implemented a specific approach with the objective of identifying and closely monitoring the customers potentially most affected by the pandemic, anticipating possible difficulties in complying with their responsibilities and defining credit and performance strategies adjusted to the specificities of each specific customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk.

This approach involved a segmentation of customers according to a set of risk criteria approved (customer risk grade, activity sector, existence of warning signs, exposure size, etc.), its allocation to monitoring units/structures set up specifically for this purpose, which rely on the experience and knowledge of employees assigned to areas traditionally allocated to the credit risk management (Credit Division, Rating Division, Corporate Recovery Division and Retail Recovery Division), as follows:

- “Comité de Acompanhamento de Risco Empresas” (CARE): Monitors economic groups/companies with greater exposure to the Bank and/or with a risk profile considered more vulnerable in the context of the pandemic.

Regular monitoring with the intervention of the Credit Division and the Rating Division in coordination with the commercial area that follows the customers, involving the request of frequent and recurring information regarding the evolution of the business with the objective of monitoring as much as possible in a timely manner the evolution of its economic and financial situation.

The conclusions of this analysis are then presented to a monitoring committee specifically created for this purpose, which includes members of the Executive Committee and several areas of the Bank, which met throughout 2021 about twice a month.

- Task Force DCR: Monitoring of economic groups/corporate clients with exposures levels lower than CARE, having the support of the Credit Division and representatives of the commercial areas.

The credit strategies and proposed action measures for customers monitored by this area are analysed and agreed between branches/sales networks and the credit teams of the Credit Division.

- Task Force DRE: Monitoring of economic groups/corporate clients in a segment lower than CARE and Task Force DCR in terms of exposure with the Bank.

Considering the monitoring of a larger number of clients and of smaller size, the approach is more standardised.

For each of the clients analysed in these special structures, an action strategy is approved. The set of strategies is pre-defined, common to all three structures and its implementation is regularly monitored.

- DRR Model: Follows the retail segment as far as individuals and small-sized companies within this segment are concerned.

Given the number of customers involved, it is in this monitoring area that the approach is more standardised, with strategies for approaching customers, analysis, offer of solutions and their implementation being pre-defined and less customised.

The main guidelines of the approach followed in this front can be characterised as presented below:

1. Global and transversal: Is supported by an analysis of the entire credit portfolio of the Bank, being excluded from the special monitoring only customers with a risk profile not very vulnerable to the current environment or with exposures of a lower size. These customers continue to be monitored according to the regular credit monitoring procedures in place in the pre-pandemic period.

2. Specialised: The monitoring alternative approaches were defined taking into consideration the specificities of each segment, i.e. CARE and Task Force DCR, for large exposures; the support to commercial networks through the creation of a Task Force DRE for medium-sized corporate exposures; and the retail network, with the support of the marketing divisions and the Retail Recovery Division, for individuals and small businesses.

3. Segmented: Prioritisation of contacts with customers based on risk indications in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.

4. Prospective: Definition of predictive models, in order to anticipate potential future defaults, namely regarding portfolios under moratoria, avoiding a reactive approach.

5. Standardised: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).

6. Convenient and innovative: Making the restructuring journey simpler and more convenient for private and corporate customers, both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and housing credit.

Although originally conceived as a response to the need to closely monitor the impacts of the pandemic COVID-19, given its merits, it was decided to evolve this approach into a process that will continue in the future, no longer based on task force structures and applicable to all corporate clients without exception.

A critical component of the evolution of this process is the allocation of credit strategies among pre-established options to all customers, with review periods differentiated according to the strategies in question.

The evolution of the model contemplates the maintenance of the "Comité de Acompanhamento de Risco Empresas" (CARE) to monitor economic groups/corporate customers with larger exposure to the Bank and/or with a risk profile considered more vulnerable, while the monitoring of the remaining companies is based on the structures of the Rating Department and Credit Department.

ii. Macroeconomic scenarios update

In what concerns the customer portfolio subject to collective analysis, in what regards Portugal, the Bank updated the macroeconomic assumptions used in the impairment calculation in the end of December, based on the three scenarios (Central Scenario, Upside and Downside) prepared by the Bank's Economic Studies Department.

These scenarios, which are used in the Bank for different purposes other than the impairment calculation, took into account the existing projections of reputed entities.

The tables below present the assumptions assumed in December 2021 for Portugal of the central scenarios regarding some of the most critical variables regarding 2021 and 2022 used in the estimation of the collective impairment.

Update of main macroeconomic scenario assumptions (Base Scenario) - Portugal

	December 2020 Scenario		December 2021 Scenario		Difference	
Variable	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Unemployment rate	8.8%	8.12%	6.55%	5.96%	-2.25%	-2.16%
Nominal GDP annual evolution	5.16%	5.93%	7.12%	7.84%	1.96%	1.91%
Savings Rate	8.73%	6.5%	9.5%	6.8%	0.78%	0.3%
German 10 year Sovereign Debt Yield	-0.55%	-0.49%	-0.24%	-0.11%	0.31%	0.38%

Regarding Poland, an update of the macroeconomic assumptions was carried out in relation to those considered in December 2020, which corresponds into the terms presented in the table below in what concerns the projections for 2021 and 2022 foreseen in the central scenario.

Update of main macroeconomic scenario assumptions (Base Scenario) - Poland

	December 2020 Scenario		December 2021 Scenario		Difference	
Indicator	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Unemployment rate	7.10%	6.40%	5.60 %	5.20 %	-1.50%	-1.20%
Nominal GDP annual evolution	6.30%	7.70%	10.20 %	11.30 %	3.90%	3.60%
Consumption annual evolution	4.50%	5.00%	5.70 %	4.90 %	1.20%	-0.10%
Disposable Income	5.20%	7.80%	7.20 %	10.30 %	2.00%	2.50%
EUR/PLN exchange rate	4,35	4,30	4,58	4,42	0,23	0,12
CHF/PLN exchange rate	4,00	3,90	4,33	4,25	0,33	0,35

The following tables describe the weights assigned in Portugal and Poland to the different macroeconomic scenarios considered at the end of 2020 and 2021, which can be considered as conservative:

Weightings of the macroeconomic scenarios considered

	Weightings			
	Portugal		Poland	
Scenario	**Dec 2020**	**Dec 2021**	**Dec 2020**	**Dec 2021**
Central	60 %	60 %	60 %	60 %
Upside	10 %	10 %	15 %	20 %
Downside	30 %	30 %	25 %	20 %

Regarding Portugal, in order to assess the impact of a more unfavourable evolution of two variables particularly critical to the estimation of the collective impairment (GDP growth and unemployment rate), a simulation of an additional worsening of one percentage point in the evolution of these indicators was carried out, resulting in the impacts presented in the table below, based on the collective impairment of the portfolio in Portugal on 31 December 2021, which was Euros 516 million.

Variable	**Estimated impact (% variation)**
100 bp GDP growth aggravation	2,89%
100 bp unemployment rate growth aggravation	0,12%

iii. Impairment overlays

In order to incorporate an additional level of conservatism in the impairment values and meeting the guidelines issued by the Supervisors, namely regarding the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank defined and implemented a methodology of complementary identification of situations of significant increase in credit risk and evidence of impairment. This approach took into consideration several factors considered relevant for an assessment of the potential risk of customers' exposures in an exceptional context resulting from the COVID-19 pandemic, including data already observed in their behaviour and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force, with distinct approaches having been adopted for the calculation of the overlays of the corporate and individual segments. This methodology has been adjusted throughout the year 2021, with the inclusion of additional criteria, namely for customers operating in sectors considered by the Bank as higher risk and with a more adverse potential impact in the context of the COVID-19 pandemic and/or for customers who were covered by moratoria, as well as the inclusion of performing customers subject to individual impairment analysis.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact resulting from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment.

As a result of the implementation of this methodology, the Bank determined an impairment additional to the one resulting from the collective analysis model, therefore with characteristics of overlays, whose amount at 31 December 2021 amounts to approximately Euros 85 million in Portugal and Euros 12 million in Poland. In relation to the value of overlays recorded in Portugal at the end of June 2021, there is an increase of approximately Euros 32 million which includes performing customer exposures subject to individual impairment analysis. In relation to the value at the end of 2020, the increase was of Euro 58 million.

iv. Risk Grade freeze of clients rated by behavioural models

Assuming a conservative perspective, in Portugal, the Bank identified the customers in moratorium with internal risk rating awarded by behavioural models that at the end of December showed an improvement in the risk level in comparison with the one existing before the moratoria and, for these cases, assumed for purposes of staging criteria and impairment calculation the maintenance of that pre-moratoria risk rating.

This procedure did not imply a change in the internal risk rating attributed by the Bank. The impact of this procedure as of 31 December 2021 resulted in an additional impairment to that resulting from the collective analysis model of Euros 6,7 million and to around Euros 310 million of On-Balance exposure regarding transitions from Stage 1 to Stage 2.

v. Classification of exposures as forborne

Specifically, in what regards the classification of customers as forborne, within the guidelines issued by regulators and supervisors, operations within the scope of the state moratoria (Decree Law 10-J/2020 of 26 March) or the sector moratorium (protocol signed in the context of the APB-Portuguese Banking Association) could be not flagged as forborne. Even so, the Bank decided to adopt a conservative approach, classifying as forborne the operations that benefited from the above-mentioned moratoria and that on the day of joining the moratorium had more than 30 consecutive days of default above the materialities.

With respect to the flagging of restructuring due to financial difficulties for other operations or contractual amendments, the Bank continued to intensify internal procedures with a view to strict classification of new operations or modification of ongoing operations considered carried out due to the customers' financial difficulties.

Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis

The following tables characterize the transactions that, as at 31 December, 2021, were subject to legislative and non-legislative moratorium, as well as new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis, at Portugal and consolidated level.

As at 31 December 2021, the amounts included related with the moratoria in force are null.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective impairment, of loans and advances that have ever been subject to legislative and non-legislative moratorium, with reference as at 31 December 2021:

(Thousands of euros)

	Gross carrying amount							
		Performing			Non-performing			
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Gross carrying amount
Loans and advances subject to moratorium	10,939,554	9,990,621	696,426	3,145,093	948,933	603,174	834,070	333,500
of which: Households	5,212,656	4,968,993	258,573	1,038,745	243,663	145,907	183,807	148,835
of which: Collateralised by residential immovable property	4,533,171	4,384,126	228,269	915,413	149,045	97,934	134,940	77,684
of which: Non-financial corporations	5,632,584	4,952,474	436,068	2,046,523	680,110	436,937	625,105	184,663
of which: Small and Medium-sized Enterprises	5,085,424	4,503,348	372,415	1,847,727	582,076	379,997	564,032	160,075
of which: Collateralised by commercial immovable property	1,895,246	1,590,586	286,092	988,440	304,660	179,465	302,064	100,596

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						
		Performing			Non-performing		
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	553,384	149,636	30,170	116,166	403,748	292,759	341,535
of which: Households	82,892	23,826	1,263	15,128	59,066	28,719	32,192
of which: Collateralised by residential immovable property	27,624	8,881	650	5,337	18,743	11,215	15,451
of which: Non-financial corporations	443,230	123,257	28,399	98,551	319,973	244,161	284,634
of which: Small and Medium-sized Enterprises	380,880	115,080	26,813	92,831	265,800	202,059	258,473
of which: Collateralised by commercial immovable property	178,995	56,281	22,189	52,713	122,714	88,507	122,342

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

The analysis of the gross carrying amount and respective accumulated impairment, of loans and advances subject to the moratorium, with reference as at 31 December 2020 is as follows:

(Thousands of euros)

	Gross carrying amount							
		Performing			Non-performing			
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Gross carrying amount
Loans and advances subject to moratorium	10,969,087	10,233,034	510,421	2,483,570	736,053	535,689	717,040	213,455
of which: Households	5,822,652	5,679,342	147,365	876,525	143,310	76,153	134,193	86,363
of which: Collateralised by residential immovable property	4,924,904	4,818,864	128,548	754,898	106,040	58,234	100,887	55,480
of which: Non-financial corporations	5,049,253	4,477,236	361,706	1,560,830	572,017	438,812	562,121	127,092
of which: Small and Medium-sized Enterprises	4,445,032	3,911,667	331,782	1,371,912	533,365	420,600	526,524	126,708
of which: Collateralised by commercial immovable property	1,725,280	1,504,116	80,794	667,907	221,164	153,318	218,472	68,415

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						
		Performing			Non-performing		
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	445,552	135,033	30,211	98,702	310,519	255,281	305,628
of which: Households	57,828	32,816	1,109	16,505	25,012	12,092	23,048
of which: Collateralised by residential immovable property	25,822	12,911	676	7,045	12,911	6,977	12,555
of which: Non-financial corporations	365,772	99,895	28,701	79,974	265,877	223,562	262,950
of which: Small and Medium-sized Enterprises	338,843	90,014	26,492	72,747	248,829	213,729	246,973
of which: Collateralised by commercial immovable property	114,933	32,372	3,052	28,354	82,561	64,073	82,199

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

As at 31 December 2021, the analysis of the loans and advances which moratorium was offered and granted (includes moratorium already expired) is as follows:

(Thousands of euros)

	2021			
		Gross carrying amount		
	Number of obligors		Of which: legislative moratorium	Of which: expired
Loans and advances for which moratorium was offered	137,285	11,038,636		
Loans and advances subject to moratorium (granted)	137,051	10,939,554	8,808,798	10,939,554
of which: Households		5,212,656	3,336,291	5,212,656
of which: Collateralised by residential immovable property		4,533,171	3,271,082	4,533,171
of which: Non-financial corporations		5,632,584	5,378,193	5,632,584
of which: Small and Medium-sized Enterprises		5,085,424	4,978,548	5,085,424
of which: Collateralised by commercial immovable property		1,895,247	1,875,252	1,895,247

As at 31 December 2020, the analysis of the loans and advances which moratorium was offered and granted (includes moratorium already expired) is as follows:

(Thousands of euros)

	2020			
		Gross carrying amount		
	Number of obligors		Of which: legislative moratorium	Of which: expired
Loans and advances for which moratorium was offered	148,065	11,034,681		
Loans and advances subject to moratorium (granted)	147,756	10,969,087	8,224,930	2,154,960
of which: Households		5,822,651	3,452,952	1,620,622
of which: Collateralised by residential immovable property		4,924,905	3,385,794	1,198,596
of which: Non-financial corporations		5,049,253	4,674,796	532,804
of which: Small and Medium-sized Enterprises		4,445,032	4,261,385	333,685
of which: Collateralised by commercial immovable property		1,725,280	1,690,487	71,943

As at 31 December 2020, the analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratorium is as follows:

(Thousands of euros)

	2020			
	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	767,694	100,384	7,946,049	8,814,127
of which: Households	744,159	90,158	3,367,713	4,202,030
of which: Collateralised by residential immovable property	420,121	2,867	3,303,321	3,726,309
of which: Non-financial corporations	23,536	10,226	4,482,688	4,516,450
of which: Small and Medium-sized Enterprises	2,660	1,104	4,107,583	4,111,347
of which: Collateralised by commercial immovable property	14,282	807	1,638,248	1,653,337

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

As for loans granted under new public guarantee systems, the breakdown of exposure by segment is presented, as well as the number of associated guarantees and the indication of the portion classified as restructuring due to financial difficulties or classified as non-productive.

As at 31 December 2021, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	2021			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,835,674	1,215	2,186,423	18,500
of which: Households	15,381	–	13,572	52
of which: Collateralised by residential immovable property	275	–	248	–
of which: Non-financial corporations	2,819,709	1,215	2,172,353	18,447
of which: Small and Medium-sized Enterprises	2,531,939	1,215	2,048,765	16,172
of which: Collateralised by commercial immovable property	90,342	–	74,859	1,551

As at 31 December 2020, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	2020			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,375,930	18	1,931,615	6,858
of which: Households	14,128			–
of which: Collateralised by residential immovable property	260			–
of which: Non-financial corporations	2,359,139	18	1,916,959	6,858
of which: Small and Medium-sized Enterprises	2,186,603			5,854
of which: Collateralised by commercial immovable property	75,741			1,005

Credit concentration risk

The Group's policy relating to the identification, measurement, and evaluation of the concentration risk in credit risk is approved by the Bank's management body, applied to all Group entities, and is based on the following guidelines:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Exposures to Sovereigns;
2) Exposures to Institutions (Banks/financial institutions);
3) Single-name exposures (Large Corporate exposures);
4) Geographic concentration (country risk);
5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The metrics regarding the concentration of exposure to Sovereigns and geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique) and the respective Sovereigns.

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The limits in force as at 31 December 2021, for the exposure to Single-name, in terms of the Net Exposure weight over the Consolidated Own Funds, are the following:

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.6%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default;
(**) NPE = Non-performing exposures

As at 31 December 2021:

- There were no exposure excesses to Sovereigns, Institutions or countries;

- There were 5 Economic Groups with net exposure above the established Single-name limits for their respective risk grade. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31 December 2021, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. At this date, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office supported on a database on credit exposures (the *Risk Office Datamart*), monthly updated by the Group's systems, which feeds the risk management system of the Group.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division and by the Commercial Networks within the scope of credit analysis for large clients.

Market risk

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

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

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

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

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

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

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

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

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

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

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

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

(Thousands of euros)

	31 December 2021	Max of global risk in the period	Min of global risk in the period	31 December 2020
Generic Risk (VaR)	1,533	6,368	348	3,863
Interest Rate Risk	1,432	1,849	190	3,770
FX Risk	469	5,714	259	341
Equity Risk	274	380	187	318
Diversification effects	*(642)*	*(1,575)*	*(288)*	*(567)*
Specific Risk	35	33	167	19
Non-Linear Risk	—	—	2	—
Global Risk	1,568	6,401	517	3,882

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

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

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

	2021			
Currency	-200 bp (*)	- 100 bp (*)	+100 bp	+ 200 bp
CHF	(1,283)	(1,284)	2,949	5,802
EUR	(49,468)	(50,226)	103,583	200,789
PLN	(100,182)	(49,203)	47,484	93,306
USD	(32,171)	(16,049)	15,286	29,847
	(183,104)	(116,762)	169,302	329,744

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

	2020			
Currency	-200 bp (*)	- 100 bp (*)	+100 bp	+ 200 bp
CHF	(996)	2,997	4,227	8,362
EUR	(23,033)	829	6,466	138,375
PLN	18,171	18,434	(3,926)	(6,686)
USD	(21,289)	(18,414)	4,901	35,048
	(27,147)	3,846	11,668	175,099

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1.B, the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	2021	2020	2021	2020
AOA	632.4200	800.4060	747.0708	663.3585
BRL	6.3364	6.3542	6.3950	5.9636
CHF	1.0362	1.0812	1.0811	1.0699
MOP	9.1330	9.7706	9.1330	9.7706
MZN	72.9000	91.2250	77.9329	79.3506
PLN	4.5839	4.5603	4.5623	4.4571
USD	1.1373	1.2234	1.1833	1.1427

Foreign exchange and equity risk in the banking book

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

As at 31 December 2021, the Group's investments in convertible foreign currencies were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

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

The information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2021			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Bank Millennium, S.A.	PLN	696,325	696,325	151,907	151,907

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. This hedging relationship was considered effective during 2021 and 2020, as referred in the accounting policy 1.C4.

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

The evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's structural liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

The methodological aspects of the control of liquidity risk are a responsibility of the Risk Commission. This control includes the regular execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

The year ended on 31 December 2021 showed a very significant growth in the deposit bases of the Group's operations in Portugal and Poland, mainly supported by growth in the retail segment, continuing the trend that began to take shape soon after the outbreak of the COVID-19 crisis in March 2020.

After the ECB's decision to extend the use of the Targeted Longer-Term Refinancing Operation III (LTRO III, "T LTRO III" in the English abbreviation) to 55% of eligible loans, BCP reinforced its medium-long-term financing component in the first quarter of 2021 through an additional borrowing of Euros 600,000,000, in addition to the Euros 7,550,070,000 taken in June 2020, thus bringing the total gross amount taken in that instrument to Euros 8,150,070,000.

Within the scope of its Strategic Plan 2021-24, and in order to comply with the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities), BCP benefited from the favorable market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue in the amount of Euros 500,000,000, foreseen in that plan only for the third quarter of 2021.

At the end of the third quarter, BCP returned to the market under its Euro Note Program, placing an inaugural issue of Euros 500,000,000 by a Portuguese issuer of senior preferred social debt securities in the ESG (Environmental, Social and Governance) segment), focusing in this case on the social component. Thus, under the terms of its Green, Social and Sustainability Bond Framework, the net proceeds from the issuance are primarily intended for the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, constituting a demonstration of the commitment assumed by the Bank in supporting the economy, in particular in financing micro, small and medium-sized enterprises most affected by the recent pandemic context. The issuance has a term of 6.5 years, with an option for early repayment by the Bank at the end of 5.5 years, and involved a diverse set of European institutional investors, many of whom are committed to ESG investments.

Also, in line with the strategy of continuously optimizing its capital structure, strengthening its own funds and its base of eligible liabilities to meet the "MREL" requirements, the Bank issued in November subordinated debt in the amount of Euros 300,000,000, eligible as Tier 2 own funds, with a maximum term of 10.5 years and with the option of early repayment by the bank at any time in the six months following the end of the 5th year.

The liquidity generated by the operations described above, in addition to that resulting from the sustained reduction in the commercial gap in Portugal, mainly due to the growth in deposits from retail customers, continued to be applied to support the real economy and also, given its materiality, to reinforce by Euros 2,808,488,000 of the securities portfolio in Portugal and an increase of Euros 2,122,878,000 (to Euros 6,418,034,000) in reserves deposited with the Bank of Portugal.

Focused mainly on sovereign debt portfolios, placements in securities contributed to an increase of Euros 2,998,951,000 in the balance of eligible assets (after haircuts) available for discount at the ECB, to Euros 25,501,780,000. Taking in account that net funding with the ECB, in the same period, fell by Euros 1,552,291,000, to Euros 1,730,318,000, the discountable liquidity buffer with the ECB increased by Euros 4,551,242,000, to Euros 23,771,462,000.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

(Thousands of euros)

	2021	2020
European Central Bank	13,394,653	9,783,715
Other Central Banks	4,840,405	4,591,249
	18,235,058	14,374,964

As at 31 December 2021 the gross amount discounted with the European Central Bank amounts to Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000). The amount discounted with the Bank of Mozambique amounts to Euros 2,491,000 (31 December 2020: Euros 2,364,000). There are no discounted amounts with other central banks. The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2021	2020
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	13,394,653	9,783,715
Outside the pool of ECB monetary policy	12,107,127	12,719,114
	25,501,780	22,502,829
Net borrowing at the ECB (ii)	1,730,318	3,282,609
Liquidity buffer (iii)	23,771,462	19,220,220

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

ii) Includes as at 31 December 2021 the value of funding with ECB (deducted from the accrual of the T LTRO III), deducted from deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 6,759,794,000), plus the minimum cash reserves (Euros 461,365,000).

iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 31 December 2021, had a total estimated value for Portugal of Euros 2,300,000,000, arising from the sale of corporate bonds and commercial paper, securitization of a portfolio of consumer credit and issuance of retained covered bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk of medium to long-term instruments will remain at very low levels in the coming years. Excluding the LTRO III refinancing, the annual amount to be refinanced over the next five years will only reach Euros 1,000,000,000 in 2022, with the payment of a covered bond issue at that exact amount. Even in this case, the collateral released after repayment will be integrated into the ECB liquidity buffer without significant loss of liquidity.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 31 December 2021 of 81% (current version) and on 31 December 2020 this ratio was set at 85% (according to the current version of the Instruction as at 31 December 2020).

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 269% at the end of December 2021 (December 2020: 230%), equivalent to a surplus of Euros 15bn (December 2020: Euros 11bn) 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.

Net stable funding ratio

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable 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 31 December 2021 to stand at 150% (140% as at 31 December 2020).

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	2021 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the disclosing institution	13,191,342	823,391			78,258,679	23,261,035		
Equity instruments	—	—			118,531	—	118,531	—
Debt securities	823,391	823,391	845,678	845,678	22,096,853	17,308,428	22,138,610	17,356,665
of which: securitisations	—	—	—	—	34,786	—	29,868	—
of which:								
issued by general governments	783,707	783,707	806,921	806,921	16,851,146	16,354,304	16,897,147	16,402,346
issued by financial corporations	—	—	—	—	1,907,861	71,456	1,907,820	71,469
issued by non-financial corporations	39,446	39,446	38,498	38,498	2,625,931	636,971	2,626,498	637,128
Other assets	12,370,041	—			55,193,824	6,031,991		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.
(2) EHQLA (*Set as Extremely High Quality Liquid Assets*) e HQLA (*High Quality Liquid Assets*).

Collateral received and own debt securities issued

(Thousands of euros)

	2021 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the disclosing institution	—	—	43,721	4,649
Debt securities	—	—	4,649	4,649
of which:				
issued by general governments	—	—	4,649	4,649
Loans and advances other than loans on demand	—	—	25,026	—
Own covered bonds and asset-backed securities issued and not yet pledged			5,720,400	—
Total Collateral Received And Own Debt Securities Issued	13,191,342	823,391		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.
(2) EHQLA (*Set as Extremely High Quality Liquid Assets*) e HQLA (*High Quality Liquid Assets*).

Sources of encumbrance

(Thousands of euros)

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	10,144,913	12,690,418

The table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

At the end of 2021, and according to the EBA methodology, the total encumbered assets represents 14% of the Group's total balance sheet assets. The encumbered Loans to customers represents 92% of the total encumbered assets, while Debt securities represents 6%.

The encumbered assets are mostly related with the Portugal's activity funding operations, namely with the ECB, through the issuance of mortgage bonds and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers' portfolios, supporting securitisation programs and mortgage bonds issues, either placed outside of the Group or intended to reinforce the collateral pool with the ECB. Another part of the collateralisation of financing operations with the European Investment Bank, is mainly supported by sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 31 December 2021, the Other assets includes unencumbered assets in the amount of Euros 5,844,446,000 related to Loans on demand, the amount of Euros 55,282,197,000 related to Loans and advances other than loans on demand (of which encumbered assets in the amount of Euros 12,077,450,000) and the amount of Euros 7,003,187,000, mostly unencumbered and related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31 December 2021, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 10.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.9 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 16.6%, which is above the minimum of 14% currently required by rating agencies.

The Portuguese covered bond legislation affords covered bond holders a dual-recourse, firstly over the issuer, secondly over the cover pool that may also include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer's insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer's creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2021						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	7,796,299	–	–	–	–	–	7,796,299
Loans and advances to Credit Institutions							
Repayable on demand	361,786	–	–	–	–	–	361,786
Other loans and advances (a)	–	428,202	16,887	9,311	–	–	454,400
Loans and advances to customers (a)	–	–	7,864,132	13,716,372	34,177,068	1,064,113	56,821,685
Other financial assets (b)	–	337,022	1,826,304	6,956,802	5,103,056	590,227	14,813,411
	8,158,085	765,224	9,707,323	20,682,485	39,280,124	1,654,340	80,247,581
Liabilities							
Resources from Credit Institutions	–	316,096	76,036	8,503,029	913	–	8,896,074
Resources from costumers	48,947,802	11,184,335	8,783,221	584,717	60,152	–	69,560,227
Debt securities issued	–	14,502	1,027,493	2,300	1,144,068	–	2,188,363
Subordinated debt	–	18,198	–	–	1,376,582	–	1,394,780
	48,947,802	11,533,131	9,886,750	9,090,046	2,581,715	–	82,039,444

(a) Gross of impairment
(b) Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income.

Operational Risk

The operational risk management system is framed by the "3 Lines of Defence" Corporate Governance model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred. The Internal Audit function embodies the 3rd Line of Defence and supervises the appropriate fulfilment of the functions and activities of the remaining two lines of defence.

In 2021, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts.

It should also be noted that the last 5-years average of the ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

As at 31 December 2021, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2021			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	15,464,986	74,261	28,509	127,033
Foreign exchange risk				
Currency and interest rate swap	347,329	12,043	121	(29)
	15,812,315	86,304	28,630	127,004
Cash flows hedging				
Interest rate risk				
Interest rate swaps	15,781,769	19,617	283,335	(324,922)
Foreign exchange risk				
Currency and interest rate swap	1,691,525	3,138	65,008	(1,241)
	17,473,294	22,755	348,343	(326,163)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	153,427	—	233	(1,045)
Total	33,439,036	109,059	377,206	(200,204)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2020, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2020			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	6,403,553	5,396	97,342	(49,584)
Interest rate futures	197,400	—	—	647
Foreign exchange risk				
Currency and interest rate swap	436,079	34	26,365	70
	7,037,032	5,430	123,707	(48,867)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,777,323	69,275	10,020	121,896
Foreign exchange risk				
Currency swap	274,584	—	6,385	755
Currency and interest rate swap	3,278,713	4,779	143,465	148
	15,330,620	74,054	159,870	122,799
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	574,266	11,765	2,189	40,891
Total	22,941,918	91,249	285,766	114,823

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2021, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	Balance sheet item	2021 Hedged items Book value Assets	Book value Liabilities	Cumulative value of the adjustments Assets	Cumulative value of the adjustments Liabilities	Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	745,328	–	(1,678)	–	(8,237)	n.a.	n.a.
	(H)	4,133,227	–	(12,706)	–	(20,638)	n.a.	n.a.
	(C)	6,574,692	–	41,485	(2,013)	(117,932)	n.a.	n.a.
	(D)	–	10,000	–	93	140	n.a.	n.a.
	(E)	–	12,350	–	490	311	n.a.	n.a.
	(F)	–	497,998	–	(985)	979	n.a.	n.a.
	(G)	–	758,076	–	(4,530)	5,754	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	347,329	–	(66)	98	n.a.	n.a.
		11,453,247	1,625,753	27,101	(7,011)	(139,525)	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	15,781,551	–	–	–	324,922	(263,143)	131,353
Foreign exchange risk								
Currency and interest rate swap	(B)	1,691,525	–	–	–	1,241	(5,871)	(285)
		17,473,076	–	–	–	326,163	(269,014)	131,068
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	1,045	(1,045)	–
Total		28,926,323	1,625,753	27,101	(7,011)	187,683	(270,059)	131,068

(A) Fair value changes used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

(H) Debt securities held not associated with credit operations

As at 31 December 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

		2020						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Book value Assets	Book value Liabilities	Cumulative value of the adjustments Assets	Cumulative value of the adjustments Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	–	6,559	–	4,727	n.a.	n.a.
	(H)	1,672,825	–	28,794	–	25,080	n.a.	n.a.
	(C)	2,129,459	–	(47,320)	1,014	27,490	n.a.	n.a.
	(D)	–	10,000	–	233	(99)	n.a.	n.a.
	(E)	–	153,450	–	2,253	2,534	n.a.	n.a.
	(F)	–	2,542	–	42	12	n.a.	n.a.
	(G)	–	449,688	–	1,223	(8,197)	n.a.	n.a.
Interest rate futures	(H)	212,143	–	–	–	(911)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	436,080	–	34	(37)	n.a.	n.a.
		4,125,009	1,051,760	(11,967)	4,799	50,599	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,883,933	–	–	–	(121,896)	61,541	207,147
Foreign exchange risk								
Currency and interest rate swap	(B)	3,707,466	–	–	–	(903)	(3,855)	(394)
		15,591,399	–	–	–	(122,799)	57,686	206,753
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(40,891)	40,891	–
Total		19,716,408	1,051,760	(11,967)	4,799	(113,091)	98,577	206,753

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2021 and 2020, is as follows:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	2021	2020	2021	2020
Balance as at 1 January	(8,079)	(6,585)	56,371	15,480
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	(73,175)	(1,044)	–	–
Foreign exchange changes	42	445	–	–
Ineffectiveness of coverage recognised in results	107	2,029	–	–
Others	(1,556)	(2,924)	–	–
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	–	–	(1,045)	40,891
Balance at the end of the year	(82,661)	(8,079)	55,326	56,371

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2021:

(Thousands of euros)

	2021					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(12,590)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	69		n.a.	n.a.
		n.a.	(12,521)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(72,809)	(699)	(E)	68,038	–
Foreign exchange risk						
Currency and interest rate swap	(D)	(6,156)	(107)		–	–
		(78,965)	(806)		68,038	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(1,045)	–		–	–
Total		(80,010)	(13,327)		68,038	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

(F) Net gains/(losses) from foreign exchange

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2020:

(Thousands of euros)

	2020					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	1,963		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,732		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(1,934)	(13)	(E)	72,606	–
Foreign exchange risk						
Currency and interest rate swap	(D)	903	(2,029)		–	–
		(1,031)	(2,042)		72,606	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	40,891	–		–	–
Total		39,860	(310)		72,606	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

(F) Net gains/(losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 31 December 2021, by maturity:

(Thousands of euros)

	2021					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	342,503	1,076,631	14,045,852	15,464,986	74,261	28,509
Fixed interest rate (average)	1.54%	0.57%	0.25%	0.30%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	171,466	175,863	–	347,329	12,043	121
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	174,524	15,607,245	15,781,769	19,617	283,335
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	210,017	160,365	1,321,143	1,691,525	3,138	65,008
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	153,427	–	–	153,427	–	233
Total derivatives traded by OTC Market:	877,413	1,587,383	30,974,240	33,439,036	109,059	377,206

The table below shows the detail of hedging instruments, as at 31 December 2020, by maturity:

(Thousands of euros)

	2020					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Fixed interest rate (average)	1.68%	1.02%	0.47%	0.59%		
Stock Exchange:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	274,584	–	–	274,584	–	6,385
Currency and interest rate swap	442,564	610,622	2,225,527	3,278,713	4,779	143,465
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market:	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange:	–	–	197,400	197,400	–	–

55. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020,the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the Banco Internacional de Moçambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void. Considering the dependency of this claim in relation with the lawsuit brought by the Republic of Mozambique above mentioned, it is expected that the judgment sessions of the claim brought by BIM will only take place simultaneously or after the judgment sessions scheduled for the beginning of October 2023, relating to the lawsuit filed by the Republic of Mozambique.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. In July 2021, London Commercial Court decided that the various lawsuits brought by several creditors of MAM (including BCP) against the Republic of Mozambique, as guarantor, and MAM, as debtor, as well as the lawsuit brought by the Republic of Mozambique within the scope of the loan to Proindicus, must be judged through a unitary trial and scheduled the start of the respective trial sessions for 3 October 2023.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as at 31 December 2021, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 31 December 2021, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 372,708,000 (31 December 2020: Euros 274,701,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 162,561,000 (31 December 2020: negative amount of Euros 229,851,000). BIM's contribution to consolidated net income for 2021, attributable to the shareholders of the Bank, amounts to Euros 63,729,000 (2020: Euros 44,561,000).

On this date, 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 72,710,220,000 corresponding to Euros 997,397,000 (31 December 2020: MZN 51,844,427,000 corresponding to Euros 568,314,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 4,359,808,000 corresponding to Euros 59,805,000 (31 December 2020: MZN 5,284,366,000 corresponding to Euros 57,927,000).

As at 31 December 2021, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 20,380,268,000 corresponding to Euros 279,567,000 (31 December 2020: MZN 21,790,437,000 corresponding to Euros 238,871,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of 6,318,155,000 corresponding to Euros 86,904,000 (31 December 2020: MZN 5,936,661,000 corresponding to Euros 64,789,000). With reference to 31 December 2020, the Group also had an indirect exposure resulting from sovereign guarantees received in the amount of Euros 97,994,000 denominated in USD. The distribution by original currency of the operation is presented as follows:

(Thousands of euros)

	2021		2020		
Currency	Loans and advances to customers	Guarantees granted revocable and irrevocable commitments	Loans and advances to customers	Guarantees granted revocable and irrevocable commitments	Sovereign guarantees received
of which in USD	661	52,989	2	59,632	97,994
of which in EUR	—	1,511	—	161	—
of which in MZN	278,906	29,381	238,869	1,599	—
of which in ZAR	—	3,023	—	3,397	—
Total	279,567	86,904	238,871	64,789	97,994

56. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter, which is still pending.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested on 13 June 2019. By judgment of 26 September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the Bank of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the Bank in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the BCP in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The Bank considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the Bank requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation that the preparatory hearing will take place on 6 September 2021 and that the judgement hearing will be initiated at as of the pre-scheduled date of 8 September 2021.

On 6 September 2021, the preparatory session of the trial in the Competition, Regulation and Supervision Court took place. The trial, which takes place in Santarém, began on 6 October 2021.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 20 October 2021, requesting the Court to take a position on the matter before the beginning of the trial.

The trial is currently underway, with sessions scheduled until the end of February 2022. It is estimated that the sentence in first instance will be handed down in April 2022.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1. send information about the UOKIK's decision to the 78 clients mentioned;

2. place information about the decision and the text of the decision on its website and on Twitter;

3. pay a fine amounting to PLN 20.7 million (Euros 4.52 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by UOKIK, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. According to current estimates of the risk of losing this dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought by UOKIK, in which the President of UOKIK considers there were anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, a fine was imposed on Bank Millennium in the amount of PLN 12.2 million (Euros 2.66 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.29 million), the setting of which took into account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of the provisions in question.

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

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by the bank (on the basis of a concept, not specified in any regulations, of an average interbank market rate). Moreover, the client had no precise knowledge of where to look for said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

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

The decision is not final and binding. Bank Millennium appealed against the decision within the statutory term. Bank Millennium believes that the chances for it to win the case are positive.

4. As at 31 December 2021, Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729.6 million (Euros 159.17 million). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635.7 million (Euros 138.68 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, it should be noted that Bank Millennium participates as an intervener in four other proceedings regarding the interchange fee. Other banks are the defendants. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

On 5 April 2016, Bank Millennium was notified of a case brought by Europejska Fundacja Współpracy Polsko-Belgijskiej/ European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, with the worth of the dispute of PLN 521.9 million (Euros 113.86 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; Bank Millennium was notified of the lawsuit only on 4 April 2016. According to the plaintiff, the fundamentals for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the incorrect interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 54.54 million). On 5 September 2016 the Court of Appeal dismissed this claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

As at 31 December 2021, the total value of the other litigations in which the Group appeared as defendant stood at PLN 2,206 million (Euros 481.25 million) (excluding the class actions described in note 57. Provisions for legal risk related to foreign currency-indexed mortgage loans). In this group, the most important category are cases related with foreign currency-indexed mortgage loans portfolio and cases related to forward transactions (option cases).

5. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, who are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.76 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.76 million) to over PLN 5 million (Euros 1.09 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,608,042.92).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. Bank Millennium submitted a pleading with questions to witnesses in July 2020. By the court's decision of 9 September 2021, the court called the witnesses to testify in writing. Witnesses will have two months for this operation from the service of the summons. In this case, the date of the hearing can also be expected - approximately - in the first half of 2022. However, it should be noted that the above forecast is conditioned by the result of the assessment of the impact of the latest amendments to the Code of Civil Procedure on group proceedings. In the event of difficulties with resolving doubts that have arisen as to which composition of the courts should currently conduct these proceedings (one-person composition or, as before, three-person composition), it may be necessary to clarify this issue by the Supreme Court in the form of a resolution, which will mean that the date of the hearing should be expected even at the end of 2022.

As at 31 December 2021, there are also 327 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

6. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

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

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

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

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

Furthermore, the Ombudsman requires Bank Millennium to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

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

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

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

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

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

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

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

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

The expertise was carried out and the expert report submitted. There is a time limit for parties to complain or to request clarifications to the presented expert report.

8. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), which entailed, *inter alia*, namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information posted on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 19 of the Resolution Fund's annual report of 2020, *"Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Board of Directors, supported by legal advice of the attorneys for Novo Banco in these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

Also according to note 20 of the same source, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. (...) Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2020, two (sentences) have become final and unappealable (...) condemning Novo Banco, and in relation to which due compensation has been requested from the Resolution Fund, and the grounds for their enforceability are being analyzed".*

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion[(1)] that revealed significant uncertainties regarding adequacy in provisioning[(2)]:

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions[(1)(2)(3)];

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion[(2)];

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments[(2)]. According to the press in May 2021, the amount of this recapitalization could reach Euros 1,6 billion, while it is not clear if this will be financed through the Resolution Fund or the Portuguese State.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2020 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

In its 2020 annual report, the Resolution Fund states that "*Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the CCA*".

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 30 June 2021, amounted to approximately Euros 2 billion (book value, net of impairments), according to Novo Banco's 1st Half 2021 report.

(1) Exact value not disclosed by the European Commission for confidentiality reasons

(2) As referred to in the respective European Commission Decision

(3) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to a statement issued by the Resolution Fund on 2 November 2021, the final judgment of the Arbitration Court constituted within the International Chamber of Commerce of Paris was favourable to the Resolution Fund regarding the transitional regime of the introduction of IFRS 9. The value of the dispute at the time of the judgment amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco had the Arbitration Court's judgment not been in its favour.

According to Novo Banco's statement disclosed on 3 November 2021, *"Novo Banco is reviewing"* the Arbitration Court's decision.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that *"the Resolution Fund has also provided the Budget and Finance Committee of the Portuguese Parliament, in writing, with all the clarifications on its decision to deduct from the amount calculated under the CCA, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco"*.

In accordance with Novo Banco's 1st Half 2021 report, *"In the financial year of 2020, the caption reserves registered in the responsibility of the Resolution Fund amounting to Euros 598.312 thousand relating to the Contingent Capital Agreement. The amount is accounted for under other reserves and it results at each balance sheet date of the incurred losses and of the regulatory ratios in force at the moment of its determination. In June 2021, regarding the year 2020, the amount of Euros 317.013 thousand was paid. The difference results from divergences between Novo Banco and the Resolution Fund regarding (i) the provision for discontinued operations in Spain, (ii) valuation of participation units and (iii) interest rate risk hedge accounting policy, leading to a limitation on immediate access to this amount, which despite being recorded as receivables, the bank deducted at 30 June 2021 the amount of 277.442 thousand from the calculation of regulatory capital. Novo Banco considers the amount of 277.442 thousand as due under the Contingent Capitalization Mechanism and the legal and contractual mechanisms at its disposal are being triggered in order to ensure their receipt. Additionally, it was also deducted the amount of variable remuneration to the Executive Board of Directors related to the year-end of 2019 and 2020 (Euros 3.857 thousand)"*.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which if the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, the State may become Novo Banco's shareholder. According to the Resolution Fund's 2020 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake.

Novo Banco informed on 15 December 2021, through announcement to CMVM, a capital increase arising from the conversion of conversion rights relating to 2015 fiscal year, which were issued under the special regime applicable to deferred tax assets [4]. This capital increase of Novo Banco was done with the incorporation of reserves in the amount of Euros 154,907,314 through the issuance of 154,907,314 new shares representing 1.56% of its share capital and which were attributed to the Portuguese State in accordance with the mentioned regime. With this capital increase and as per agreement between the Resolution Fund and the shareholder Lone Star in the context of the sale of the 75% share capital of Novo Banco, only the Resolution Fund will be diluted. According to Novo Banco's website, the new shareholding structure is: Nani Holdings S.G.P.S, S.A 75%, Fundo de Resolução 2.44% and Direção-Geral do Tesouro e Finanças 1.56%.

On 30 September 2021, Novo Banco was held by Lone Star and Resolution Fund, corresponding, respectively, to 75% and 25% of the share capital. Following the above-mentioned capital increase, the State now holds 1.56%, Lone Star does not see its position diluted (75%) and the Resolution Fund sees its position reduced.

Regarding the tax credits relating to the periods of 2015 (whose conversion rights were exercised), 2016 and 2017, it was estimated that the State will hold, according to the 2020 Annual Report of the Resolution Fund, a number of ordinary shares representing a cumulative percentage of 5.69% of the share capital of Novo Banco, with the consequent dilution of the stake held by the Resolution Fund. The direct effect of this dilution is estimated at 1.4 p.p., plus the indirect effects described below.

Also, according to the 2020 Resolution Fund's Annual Report, *"the processes of conversion of deferred tax assets into tax credits are in progress, with reference to the periods of 2018, 2019 and 2020. The effect of this additional dilution may correspond to 10.6 p.p., in addition to the aggregate reduction of 5.7 p.p. already mentioned. In view of the above, and although an agreement was signed on 31 May 2021 clarifying the necessary procedures for the shareholding held by Nani Holdings in Novo Banco not to be reduced due to the capital increase resulting from the conversion of the conversion rights held by the State, at the current date the conditions are not yet met for a decision to be taken regarding the exercise of the option right, nor is there available information to reliably estimate the financial effect arising from the contractual liability assumed by the Resolution Fund, in the context of the sale transaction of Novo Banco, in October 2017, to ensure the maintenance of Lone Star's percentage interest in Novo Banco"*.

On 3 May 2021, the Resolution Fund announced that the audit report conducted by the Court of Auditors ("Tribunal de Contas") - following the request of the Portuguese parliament of October 2020 to the operations and management of Novo Banco that were at the origin and led to the need to transfer funds from the Resolution Fund to Novo Banco - was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

[4] Announcement "Novo Banco, S.A. informs on capital increase", published by Novo Banco, S.A. on 15 December 2021.

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).

According to Oitante's press release dated 21 July 2021, *"during 2021, Oitante has already returned to the process of early repayment of the initial debt of Euros 746 million, currently at Euros 143.5 million (-80.8%), (...). The Company intends to reach the end of this year with a substantial repayment"*.

The Resolution Fund's annual report of 2020 also states that *"considering the information provided by Oitante's Board of Directors, concerning the activity carried out in 2020, the guarantee provided by the Resolution Fund is not expected to be activated"*.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2020, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019 and Euros 850 million made available in 2020, as described above);

- Other funding granted in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13% (as defined in DGComp's agreement described above);

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 20 of the Resolution Fund's 2020 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks"*;

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions"*.

According to a statement issued by the Resolution Fund on 31 December 2021, the Euros 700 million loan to the Resolution Fund was provided by seven credit institutions (Caixa Geral de Depósitos, Banco Comercial Português, Banco BPI, Banco Santander Totta, Caixa Económica, Montepio Geral, Banco BIC Português and Caixa Central de Crédito Agrícola Mútuo).

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in a timely fashion.

On 31 December 2020, the Resolution Fund's own resources had a negative equity of Euros 7,315 million, as opposed to Euros 7,021 million at the end of 2019, according to the latest 2020 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely"*.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 22/2021, published on 15 December 2021, set the base rate for 2022 for the determination of periodic contributions to the Resolution Fund at 0.057% (0.06% in 2021).

During the financial year of 2021, the Group made regular contributions to the Resolution Fund in the amount of Euros 16,953 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2021, was Euros 39,286 thousand. These contributions were recognized as a cost in the financial year of 2021, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the financial year of 2021 was Euros 24,563 thousand, of which the Group delivered Euros 20,886 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its annual accounts).

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2020 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund"*.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

As published by Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans signed with the State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco under the Contingent Capitalization Agreement. The Resolution Fund paid Euros 317,012,629 associated to the 2020 financial accounts. This payment follows Novo Banco's request, on 7 April 2021, of Euros 598,311,568.

The Resolution Fund considered that an adjustment in the amount of Euros 169,298,939 is due to the amount requested by Novo Banco, and therefore the amount calculated by the Resolution Fund for payment to Novo Banco is Euros 429,012,629.

According to Novo Banco's 2021 earnings press release, the amount of compensation to be requested by Novo Banco with reference to 2021 is Euros 209.2 million, took into account the losses incurred in the assets covered by the CCA, as well as the minimum capital condition applicable at the end of the same year under the CCA.

According to a statement issued by the Resolution Fund on 23 December 2021, the procedure related to the payment to Novo Banco regarding the 2020 accounts has been concluded. From the analyses carried out by the Resolution Fund, it was concluded that the Resolution Fund owes Novo Banco the payment of Euros 112 million, which was pending further verification in June 2021. The payment was made on 23 December 2021, an amount that had already been provisioned, included in the total amount of the provision of (Euros 429,012,629).

According to Novo Banco's 9M21 earnings report, the total amount of Euros 277.4 million (discontinued operations in Spain, valuation of participation units and interest rate risk hedge) are due under the CCA, and the Bank is triggering the legal and contractual mechanisms at its disposal to ensure the receipt of these amounts.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP, to finance payments that are due under the aforementioned contingent capitalization mechanism, up to a maximum amount of Euros 475 million. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years, corresponding to the sovereign five-year funding cost, plus a margin of 15 b.p.

The budgetary amendment necessary to make the payment by the Resolution Fund was authorised by Order of the Minister of State and Finance dated 31 May 2021.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

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

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

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

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

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

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

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

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains employed on the date of payment of the remuneration corresponding to June 2020, up to a maximum global amount of Euros 5,281,000.

11. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction *pro rata* used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

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

1. Court claims and current provisions for legal risk

As at 31 December 2021, Bank Millennium had 11,070 loan agreements and, additionally, 913 loan agreements from former Euro Bank, S.A. (94% loan agreements before the court of first instance and 6% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 1,512.4 million (Euros 329.94 million) and CHF 121.3 million (Euros 117.07 million) [Bank Millennium portfolio: PLN 1,391.9 million (Euros 303.65 million) and CHF 119.0 million (Euros 114.85 million); former Euro Bank, S.A. portfolio: PLN 120.4 million (Euros 26.27 million) and CHF 2.3 million (Euros 2.22 million)].

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract and the obligation to reimburse, due to the alleged abusive nature of the indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to a group proceeding (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavourable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group members of this class action has been established and confirmed by the court. A decision on the admission of evidence will be taken by the court at a closed session. The next hearing will be scheduled *ex officio*.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,981 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank, S.A.), in 2020 the number increased by 3,007 (of which 267 relative to Euro Bank) while in 2021 the number increased by 6,149 (of which 417 relative to Euro Bank).

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks, particularly in first instance proceedings.

As far as Bank Millennium itself is concerned, until 31 of December 2021 only 245 cases were finally resolved (210 in claims submitted by clients against Bank Millennium and 35 in claims submitted by Bank Millennium against clients, i.e., debt collection cases). 60% of finalised individual lawsuits against Bank Millennium were favourable for the Bank, including remissions and settlements with plaintiffs. Unfavourable rulings (40%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium submits cassation appeals to the Supreme Court against unfavourable for Bank Millennium legally binding verdicts. On the other hand, the statistics of first instance court decisions have been much more unfavourable in recent periods and its number has also increased. In general, Bank Millennium submits appeals against 1st instance negative court rulings.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium on 31 December 2021 was PLN 4,382 million (Euros 955.95 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 962 million (Euros 209.86 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 4,020 million (Euros 876.98 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In 2021, Bank Millennium created PLN 2,086.0 million (Euros 457.22 million) provisions and PLN 219.2 million (Euros 48.05 million) for former Euro Bank, S.A. originated portfolio. The final level of provisions for the Bank Millennium portfolio at the end of December 2021 was at the level of PLN 3,078.9 million (Euros 671.68 million), and PLN 253.7 million (Euros 55.35 million) for former Euro Bank, S.A. originated portfolio.

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

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

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

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

(iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(iv) in the case of a loan agreement invalidity scenario, a new component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank Millennium's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(v) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank Millennium's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and/or early repayment (partial or total). As a result of these negotiations the number of active FX-indexed mortgage loans was materially reduced in 2021. As Bank Millennium is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

a. negotiations are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

b. as the effort was material in 2021, the probability of success is going down and at the same time, gradually most of the client base has had contact with Bank Millennium regarding potential negotiation of the conversion of the loans to PLN, so Bank Millennium is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale, S.A.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 56 million (Euros 12.22 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 40 million (Euros 8.73 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 32.5 million (Euros 7.09 million)

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX-indexed mortgage loans decreased by 8,449 (including 69 confirmed in court) in 2021 compared to over 57,800 active loans agreements at the end of 2020. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million (Euros 79.47 million) year to date and is presented mainly in "Net gains/(losses) from foreign exchange" in the income statement.

Finally, it should also be mentioned that Bank Millennium, as at 31 December 2021, had to maintain additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who rule on the application of the same rules.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether they wish to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of an express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

The CJEU's judgment applies only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., in which the CJEU said that:

i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

ii) the terms of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by that directive is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. Second, those provisions preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

iv) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

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

i) an abusive contractual clause (art. 3851 § 1 of the Civil Code of Poland), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

ii) if without the ineffective clause the loan agreement cannot be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such a trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

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

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract.

On 11 May, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions, including the National Bank of Poland, the Polish Financial Supervision Authority, the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - instalments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance.

Notwithstanding the above, there are a number of questions addressed by Polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing an abusive contractual clause with a dispositive law provision;

- the limitation period of consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid;

- the possibility of declaration by the Court of abusive nature of only part of a contractual provision.

With the scope of settlements between Bank Millennium and borrower following the loan agreement being declared invalid is also connected the legal issue related with the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans.

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

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) the favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; and e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

Based on current information, some of the above mentioned aspects are not likely to be fully clarified and/or achieved.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank has taken any decision regarding the implementation of such a program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

Bank Millennium conducted a survey among its customers, in cooperation with an external reputed company, regarding the willingness to accept settlement in the terms of the sector solution put forward by the Chairman of KNF. 49% of clients enquired were preliminarily interested in benefiting from the proposal, while 25% were not able to clearly express their opinion and 26% would not take such offer.

According to current calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the then existing portfolio would be converted) with a pre-tax impact between PLN 4,390 million (Euros 957.70 million) to PLN 4,848 million (Euros 1,057.61 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of the Pillar 2 buffer.

Due to the complexity and uncertainty regarding the final verdict of these lawsuits, as well as the possible implementation of the solution suggested by the Chairman of KNF, as well as the uncertainty of the awaited Supreme Court or European Court of Justice decisions, it is difficult to accurately estimate the potential impacts of such outcomes and their influence on the date of publication of the Group's financial statements.

58. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in the current financial year

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Group started on 1 January 2021:

Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In May 2020, IASB issued "COVID-19-Related Rent Concessions", which amended IFRS 16 — Leases. This amendment allows lessees, as a practical expedient, to have the option of not considering a rent concession that occurs as a direct consequence of the pandemic COVID-19 as a lease modification. In March 2021, IASB issued "COVID-19-Related Rent Concessions beyond 30 June 2021", which extended the availability of the practical expedient by one year.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendment to IFRS 4: Extension of the temporary exemption from applying IFRS 9 — Financial instruments

This amendment aims to extend the exemption date from applying IFRS 9 — Financial instruments from 1 January 2021 to 1 January 2023, in order to be aligned with the effective date of adoption of IFRS 17 — Insurance contracts.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform — Phase II

These amendments aim to answer to the effects on financial reporting of replacing the current reference interest rates with alternative reference rates, providing an accounting treatment that allows the phased distribution of changes in the value of financial instruments or lease contracts, mitigating the impact on profit or loss and avoiding consequences in terms of hedge accounting.

There were no material impacts on the application of these amendments in the Group's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future financial years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

IFRS 17 — Insurance contracts (applicable for years beginning on or after 1 January 2023)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance contracts.

This accounting standard, although endorsed by the European Union, was not adopted by the Group in 2021 as its application is not mandatory yet.

Amendment to IFRS 3: Reference to the conceptual framework (applicable for years beginning on or after 1 January 2022)

This amendment aims to update IFRS 3 so that it corresponds to the conceptual framework of 2018, not occurring significant changes in the requirements of this standard.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2021 as its application is not mandatory yet.

Amendment to IAS 16: Property, Plant and Equipment — Proceeds before intended use (applicable for years beginning on or after 1 January 2022)

This amendment prohibits an entity from deducting from the cost of a property, plant or equipment any proceeds arising from the sale of items produced while the entity prepares the asset to operate as intended, at the location and necessary conditions. The entity shall recognize any proceeds arising from those sales and the respective costs of production in the income statement.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2021 as its application is not mandatory yet.

Amendment to IAS 37: Onerous contracts — Cost of fulfilling a contract (applicable for years beginning on or after 1 January 2022)

This amendment aims to clarify what costs an entity should consider as related to the fulfilling of a contract when assessing whether a contract is onerous. It also specifies that the costs of fulfilling a contract correspond only to the costs directly related to it, which may take the form of incremental costs or of an allocation of other costs directly related to the fulfilling of the contract.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2021 as its application is not mandatory yet.

Improvements to international financial reporting standards (cycle 2018-2020) (applicable for years beginning on or after 1 January 2022)

These improvements comprise the clarification of some aspects related to: IFRS 1 — First-time adoption of International Financial Reporting Standards: allows a subsidiary that adopts IFRS for the first time to measure cumulative translation differences based on the amounts presented in the consolidated financial statements of its parent company, according to the transition date of the parent company to IFRS; IFRS 9 — Financial instruments: clarifies that, when assessing the derecognition of a financial liability, an entity should only consider fees paid or received between the entity and the lender, including fees paid or received by one on behalf of the other; IFRS 16 — Leases: amendment to illustrative example 13 presented in the standard, in order to avoid the emergence of doubts regarding the treatment of lease incentives; IAS 41 — Agriculture: removal of the requirement to exclude taxation cash flows when measuring the fair value of a biological asset, thus ensuring consistency with IFRS 13 — Fair value measurement.

These improvements, although endorsed by the European Union, were not adopted by the Group in 2021 as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Group:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for years beginning on or after 1 January 2023)

Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies, further explaining how an entity can identify a material accounting policy. On the other hand, Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendment to IAS 8: Definition of Accounting Estimates (applicable for years beginning on or after 1 January 2023)

This amendment emphasizes how companies should distinguish changes in accounting policies from changes in accounting estimates, which is relevant since changes in accounting estimates are applied prospectively, only to future transactions and other events, while changes in accounting policies are generally applied retrospectively, to past transactions and other events.

Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for years beginning on or after 1 January 2023)

This amendment requires companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendment will mostly apply to transactions such as leases and decommissioning obligations.

Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 — Comparative Information (applicable for years beginning on or after 1 January 2023)

This amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities by providing insurers with an option for the presentation of comparative information about financial assets, thus improving the usefulness of comparative information for users of financial statements.

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current — Deferral of effective date (applicable for years beginning on or after 1 January 2023)

On 23 January 2020, Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment, thus becoming applicable for years beginning on or after 1 January 2023.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (applicable for years beginning on or after 1 January 2016)

These amendments clarify a conflict between the requirements in IAS 28 and those in IFRS 10, being the aim of its implementation that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This way, these amendments define that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and, on the other hand, a partial gain or loss is recognized when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

59. Restatement of 2020 balances

A. Comparability of 2020 information

The balances for 2020 were restated under the changes in accounting policies, as described in point B. and in the classification of Banque Privée BCP (Suisse), S.A. and Seguradora Internacional de Moçambique, S.A. as discontinuing operations, as described in point C.

In order to ensure comparability, the Group has made the following adjustments to the comparable data in the Consolidated Balance Sheet, with reference to 31 December 2020:

(Thousands of euros)

	2020 as reported	Changes in accounting policies	2020 restated
ASSETS			
Cash and deposits at Central Banks	5,303,864	–	5,303,864
Loans and advances to credit institutions repayable on demand	262,395	–	262,395
Financial assets at amortised cost			
Loans and advances to credit institutions	1,015,087	–	1,015,087
Loans and advances to customers	52,120,815	98,458	52,022,357
Debt securities	6,234,545	–	6,234,545
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,031,201	–	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	–	1,315,467
Financial assets at fair value through other comprehensive income	12,140,392	–	12,140,392
Hedging derivatives	91,249	–	91,249
Investments in associated companies	434,959	–	434,959
Non-current assets held for sale	1,026,481	–	1,026,481
Investment property	7,909	–	7,909
Other tangible assets	640,825	–	640,825
Goodwill and intangible assets	245,954	–	245,954
Current tax assets	11,676	–	11,676
Deferred tax assets	2,633,790	–	2,633,790
Other assets	1,296,812	–	1,296,812
TOTAL ASSETS	85,813,421	98,458	85,714,963
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,898,759	–	8,898,759
Resources from customers	63,000,829	–	63,000,829
Non subordinated debt securities issued	1,388,849	–	1,388,849
Subordinated debt	1,405,172	–	1,405,172
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	278,851	–	278,851
Financial liabilities at fair value through profit or loss	1,599,405	–	1,599,405
Hedging derivatives	285,766	–	285,766
Provisions	443,799	98,458	345,341
Current tax liabilities	14,827	–	14,827
Deferred tax liabilities	7,242	–	7,242
Other liabilities	1,103,652	–	1,103,652
TOTAL LIABILITIES	78,427,151	98,458	78,328,693
EQUITY			
Share capital	4,725,000	–	4,725,000
Share premium	16,471	–	16,471
Other equity instruments	400,000	–	400,000
Legal and statutory reserves	254,464	–	254,464
Treasury shares	(40)	–	(40)
Reserves and retained earnings	642,397	–	642,397
Net income for the year attributable to Bank's Shareholders	183,012	–	183,012
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,221,304	–	6,221,304
Non-controlling interests	1,164,966	–	1,164,966
TOTAL EQUITY	7,386,270	–	7,386,270
TOTAL LIABILITIES AND EQUITY	85,813,421	98,458	85,714,963

The Group has made the following adjustments to the comparable data in the 2020 Consolidated Income Statement:

(Thousands of euros)

	2020 as reported	Changes in accounting policies	Discontinuing operations: Banque Privée	Discontinuing operations: Seguradora Internacional Moçambique	2020 restated
Interest and similar income	1,805,583	7,732	(4,078)	(3,477)	1,805,760
Interest expense and similar charges	(272,408)	—	181	(1,868)	(274,095)
NET INTEREST INCOME	1,533,175	7,732	(3,897)	(5,345)	1,531,665
Dividends from equity instruments	4,775	—	—	—	4,775
Net fees and commissions income	702,656	—	(26,787)	687	676,556
Net gains/(losses) from financial operations at fair value through profit or loss	(9,561)	(7,732)	—	(43)	(17,336)
Net gains/(losses) from foreign exchange	92,144	—	(3,186)	(639)	88,319
Net gains/(losses) from hedge accounting operations	(2,322)	—	—	—	(2,322)
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost	(27,551)	—	(530)	—	(28,081)
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	100,063	—	—	—	100,063
Net gains/(losses) from insurance activity	10,524	—	—	(10,524)	—
Other operating income / (losses)	(159,820)	—	505	1,054	(158,261)
TOTAL OPERATING INCOME	2,244,083	—	(33,895)	(14,810)	2,195,378
Staff costs	646,700	—	(18,911)	(3,009)	624,780
Other administrative costs	335,495	—	(5,352)	(320)	329,823
Amortisations and depreciations	137,149	—	(1,349)	—	135,800
TOTAL OPERATING EXPENSES	1,119,344	—	(25,612)	(3,329)	1,090,403
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,124,739	—	(8,283)	(11,481)	1,104,975
Impairment of financial assets at amortised cost	(513,412)	—	(8)	14	(513,406)
Impairment of financial assets at fair value through other comprehensive income	(10,360)	—	—	—	(10,360)
Impairment of other assets	(79,173)	—	—	(117)	(79,290)
Other provisions	(238,292)	—	—	—	(238,292)
NET OPERATING INCOME	283,502	—	(8,291)	(11,584)	263,627
Share of profit of associates under the equity method	67,695	—	—	—	67,695
Gains/(losses) arising from sales of subsidiaries and other assets	(6,188)	—	—	(199)	(6,387)
NET INCOME BEFORE INCOME TAXES	345,009	—	(8,291)	(11,783)	324,935
Income taxes					
Current	(113,317)	—	1,202	3,595	(108,520)
Deferred	(23,327)	—	—	(243)	(23,570)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	208,365	—	(7,089)	(8,431)	192,845
Income arising from discontinued or discontinuing operations	—	—	7,089	8,431	15,520
NET INCOME AFTER INCOME TAXES	208,365	—	—	—	208,365
Net income for the year attributable to:					
Bank's Shareholders	183,012	—	—	—	183,012
Non-controlling interests	25,353	—	—	—	25,353
NET INCOME FOR THE YEAR	208,365	—	—	—	208,365

B. Changes in accounting policies occurred in 2021

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

In order to ensure comparability, the Group has made the following adjustments to comparable data in the consolidated balance sheet:

(Thousands of euros)

	Loans and advances to customers	Provisions
Balance as at 31 December 2019	49,847,829	345,312
Changes in accounting policies	(50,160)	(50,160)
Balance as at 1 January 2020	49,797,669	295,152
Changes in accounting policies		
Allocation to loan's portfolio	(51,691)	(51,691)
Exchange rate differences	3,393	3,393
Variation of the year 2020	2,272,986	98,487
Balance as at 31 December 2020 restated	52,022,357	345,341

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

C. Discontinuing operations

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

The income statement of Seguradora Internacional de Moçambique, S.A. and other adjustments that have been incorporated in the balance Income arising from discontinued or discontinuing operations, as at 31 December 2020, are the followings:

(Thousands of euros)

	2020		
	Seguradora Internacional Moçambique	Adjustments	Total
Interest and similar income	5,069	(1,592)	3,477
Interest expense and similar charges	—	1,868	1,868
Net interest income	5,069	276	5,345
Net fees and commissions income	(687)	—	(687)
Net gains/(losses) from financial operations at fair value through profit or loss	43	—	43
Net gains/(losses) from foreign exchange	639	—	639
Net gains/(losses) from insurance activity	11,155	(631)	10,524
Other operating income/(losses)	1,483	(2,537)	(1,054)
Total operating income	17,702	(2,892)	14,810
Staff costs	3,287	(278)	3,009
Other administrative costs	1,739	(1,419)	320
Amortisations and depreciations	313	(313)	—
Total operating expenses	5,339	(2,010)	3,329
Net operating income before provisions and impairments	12,363	(882)	11,481
Impairment of financial assets at amortised cost	—	(14)	(14)
Impairment of other assets	117	—	117
Net operating income	12,480	(896)	11,584
Gains/(losses) arising from sales of subsidiaries and other assets	145	54	199
Net income before income taxes	12,625	(842)	11,783
Income taxes			
Current	(3,595)	—	(3,595)
Deferred	42	201	243
Net income for the year	9,072	(641)	8,431

According to the described in note 48, under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact in results presented in a separate line of the income statement named "Income/(loss) arising from discontinued or discontinuing operations". The disposal was completed on 2 November 2021.

The income statement of Banque Privée BCP (Suisse) S.A. and other adjustments that have been incorporated in the balance Income arising from discontinued or discontinuing operations, as at 31 December 2020, are the followings:

(Thousands of euros)

	2020		
	Banque Privée BCP	Adjustments	Total
Interest and similar income	4,005	73	4,078
Interest expense and similar charges	(108)	(73)	(181)
Net interest income	3,897	—	3,897
Net fees and commissions income	26,783	4	26,787
Net gains/(losses) from foreign exchange	3,186	—	3,186
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	530	—	530
Other operating income/(losses)	(463)	(42)	(505)
Total operating income	33,933	(38)	33,895
Staff costs	18,911	—	18,911
Other administrative costs	5,390	(38)	5,352
Amortisations and depreciations	1,349		1,349
Total operating expenses	25,650	(38)	25,612
Net operating income before provisions and impairments	8,283	—	8,283
Impairment of financial assets at amortised cost	8	—	8
Net income before income taxes	8,291	—	8,291
Current taxes	(1,202)	—	(1,202)
Net income for the year	7,089	—	7,089

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

As at 31 December 2021, 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 %
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BCP Capital - Sociedade de Capital de Risco, S.A. (in liquidation)	Oeiras	1,000,000	EUR	Venture capital	100 %	100 %	100 %
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP Finance Company	George Town	31,000,785	EUR	Financial	100 %	100 %	—
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
Millennium Bank Hipoteczny S.A.	Warsaw	40,000,000	PLN	Banking	100 %	50.1 %	—
Millennium bcp Bank & Trust (in voluntary liquidation)	George Town	340,000,000	USD	Banking	100 %	100 %	—
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	62,746,173	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	98.6 %	97.7 %	92.8 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Millennium Financial Services, Sp.z o.o.	Warsaw	5,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Warsaw	100,000	PLN	Marketing services	100 %	50.1 %	—

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
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 %	—
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 %	—

During 2021, the Group proceeded with the liquidation of "Setelote - Aldeamentos Turísticos S.A.", "BCP Investment B.V." and "Millennium bcp Imobiliária, S.A." and sold "Banque Privée BCP (Suisse), S.A.".

As at 31 December 2021, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B, were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	69,511,253	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	85,787,149	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	17,369,933,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco (in liquidation)	Oeiras	18,307,000	EUR	Venture capital fund	100 %	100 %	100 %
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

In 2021, the Group proceeded with the liquidation of "DP Invest – Fundo Especial de Investimento Imobiliário Fechado", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital" and "Fundo de Investimento Imobiliário Fechado Gestimo".

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 31 December 2021, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

					Group		Bank
Special Purpose Entities	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 31 December 2021, 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	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7 %	22.5 %	—
Banque BCP, S.A.S.	Paris	180,699,790	EUR	Banking	19 %	19 %	19 %
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35 %	35 %	—
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.5 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

In 2021, the Group sold its investments held in "Cold River's Homestead, S.A." and in "Science4you S.A."

Under the sale of 70% of share capital of Seguradora Internacional de Moçambique, S.A., the investments held by the company in Beiranave Estaleiros Navais Beira SARL and in Constellation, S.A., were excluded from the consolidation perimeter.

As at 31 December 2021, 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.	Oeiras	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49 %	49 %	—
Seguradora Internacional de Moçambique, S.A.	Maputo	295,000,000	EUR	Insurance	22 %	14.7 %	—

As described in note 48, the Group sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A., so the Group becoming to hold 22% of the entity's share capital. As described in accounting policy 1 B2, since it is evidenced the existence of significant influence by the Group, the company starts to be registered in the consolidated accounts by the equity method as Investments in associated companies (note 25).

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

	2021			2020		
Subsidiaries and associated companies	Total Assets	Total Equity	Net income for the year	Total Assets	Total Equity	Net income for the year
Banco ActivoBank, S.A.	2,786,258	194,491	13,536	2,226,751	153,542	11,961
Bank Millennium, S.A. (1)	22,669,323	1,461,037	(291,927)	21,341,311	1,993,504	5,119
BIM - Banco Internacional de Moçambique, S.A. (1)	2,526,707	558,904	95,566	2,034,378	411,935	66,823
BCP International B.V.	976,464	976,192	(361)	976,576	976,553	(2,611)
BCP Finance Bank, Ltd.	520,002	519,686	4,227	612,921	515,461	(3,487)
BCP África, S.G.P.S., Lda.	500,105	499,294	(26,955)	526,262	526,250	(71,439)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	177,258	177,244	10,353	173,695	173,690	6,799
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	9,228	7,722	2,531	8,843	7,932	3,492
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1)(2)	10,693,447	820,921	69,900	11,352,919	762,559	81,248
Banco Millennium Atlântico, S.A. (3)	2,712,137	296,392	11,563	2,186,378	223,583	23,505
Banque BCP, S.A.S.	4,477,971	236,548	20,447	4,454,861	215,146	12,792

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.

61. 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:

Ukraine War

In 2022 the Russian Federation invaded Ukraine, as widely reported by supranational institutions and the media. Although the Group´s direct exposure to those countries´ economies is immaterial, the level of uncertainty currently prevailing as to a potential escalation of the conflict means that significant indirect impacts in subsequent stages cannot be totally discarded. Such potential impacts, however, cannot be quantified or reliably projected at this stage.

Based on all the information available at the time, including that regarding the liquidity and capital situation, as well as the value of the assets, it is considered that the going concern principle underlying the preparation of the financial statements continues to apply.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) hereby informs that, under the context of the Supervisory Review and Evaluation Process (SREP), it has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 March 2022. In addition, BCP was previously informed by the Bank of Portugal on its capital buffer requirement as “other systemically important institution” (O-SII).

The ECB’s decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 March 2022:

	Minimum Capital Requirements							
		of which:				of which:		
BCP Consolidated	**Phased-in 2022**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	9.16%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.13%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	13.75%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.75%). BCP has one additional year (1 January 2023) to fulfill the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 30 November 2021.

Accounts and Notes to the Individual Accounts

SEPARATE INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Notes	2021	2020
Interest and similar income	2	855,235	893,687
Interest expense and similar charges	2	(47,442)	(99,268)
NET INTEREST INCOME		807,793	794,419
Dividends from equity instruments	3	18,311	15,818
Net fees and commissions income	4	489,610	465,392
Net gains / (losses) from financial operations at fair value through profit or loss	5	(49,849)	(55,438)
Net gains / (losses) from foreign exchange	5	30,890	55,415
Net gains / (losses) from hedge accounting operations	5	4,644	398
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(3,593)	(28,157)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	65,889	71,347
Other operating income / (losses)	6	(49,519)	(48,631)
TOTAL OPERATING INCOME		1,314,176	1,270,563
Staff costs	7	425,432	384,985
Other administrative costs	8	180,258	182,829
Amortisations and depreciations	9	81,639	77,805
TOTAL OPERATING EXPENSES		687,329	645,619
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		626,847	624,944
Impairment of financial assets at amortised cost	10	(272,894)	(354,213)
Impairment of financial assets at fair value through other comprehensive income	11	(4,392)	(10,362)
Impairment of other assets	12	(52,914)	(93,284)
Other provisions	13	(123,801)	(37,494)
NET OPERATING INCOME		172,846	129,591
Gains / (losses) arising from sales of subsidiaries and other assets	14	7,524	(485)
NET INCOME BEFORE INCOME TAXES		180,370	129,106
Income taxes			
Current	27	1,252	(6,763)
Deferred	27	(91,562)	(71,710)
NET INCOME FOR THE YEAR		90,060	50,633
Earnings per share (in Euros)			
Basic	15	0.004	0.001
Diluted	15	0.004	0.001

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Notes	2021	2020
NET INCOME FOR THE YEAR		90,060	50,633
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		(27,010)	181,442
Reclassification of (gains) / losses to profit or loss (note 5)		(65,889)	(71,347)
Cash flows hedging			
Gains / (losses) for the year		(329,347)	113,738
Fiscal impact		132,141	(70,663)
		(290,105)	153,170
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the year		(670)	(17,534)
Changes in credit risk of financial liabilities at fair value through profit or loss	39	(348)	461
Actuarial gains / (losses) for the year	45	133,259	(87,043)
Fiscal impact		(6,692)	26,744
		125,549	(77,372)
Other comprehensive income / (loss) for the year		(164,556)	75,798
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(74,496)	126,431

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Notes	2021	2020
ASSETS			
Cash and deposits at Central Banks	16	6,769,061	4,650,772
Loans and advances to credit institutions repayable on demand	17	196,967	101,809
Financial assets at amortised cost			
Loans and advances to credit institutions	18	50,184	350,896
Loans and advances to customers	19	36,917,137	35,029,071
Debt securities	20	7,181,596	5,577,875
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	894,911	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,188,309	1,277,826
Financial assets at fair value through other comprehensive income	21	8,480,521	8,085,669
Hedging derivatives	22	105,921	74,704
Investments in subsidiaries and associated companies	23	2,951,246	3,101,912
Non-current assets held for sale	24	522,957	754,163
Other tangible assets	25	334,500	366,851
Intangible assets	26	55,023	48,323
Current tax assets		9,918	6,163
Deferred tax assets	27	2,503,077	2,469,190
Other assets	28	1,165,614	1,124,952
TOTAL ASSETS		69,326,942	63,965,493
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	29	11,014,094	10,960,177
Resources from customers	30	45,608,375	41,380,458
Non subordinated debt securities issued	31	2,745,831	1,814,653
Subordinated debt	32	1,058,528	976,882
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	33	200,205	243,934
Financial liabilities at fair value through profit or loss	34	1,581,778	1,599,405
Hedging derivatives	22	242,900	121,559
Provisions	35	364,182	270,435
Current tax liabilities		1,853	1,927
Other liabilities	36	638,906	614,277
TOTAL LIABILITIES		63,456,652	57,983,707
EQUITY			
Share capital	37	4,725,000	4,725,000
Share premium	37	16,471	16,471
Other equity instruments	37	400,000	400,000
Legal and statutory reserves	38	259,528	254,464
Reserves and retained earnings	39	379,231	535,218
Net income for the year		90,060	50,633
TOTAL EQUITY		5,870,290	5,981,786
TOTAL LIABILITIES AND EQUITY		69,326,942	63,965,493

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	2021	2020
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	905,111	767,953
Commissions received	645,984	591,455
Fees received from services rendered	59,634	51,876
Interests paid	(116,971)	(70,253)
Commissions paid	(110,655)	(99,857)
Recoveries on loans previously written off	8,523	6,691
Payments (cash) to suppliers and employees (*)	(712,675)	(679,814)
Income taxes (paid) / received	(4,779)	(3,196)
	674,172	564,855
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	299,071	163,565
Loans and advances to customers receivable / (granted)	(2,016,961)	(2,437,725)
Short term trading securities	1,931	(339,302)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(47,810)	120,022
Deposits from credit institutions with agreed maturity date	185,993	2,642,320
Loans and advances to customers repayable on demand	4,220,829	4,196,744
Deposits from customers with agreed maturity date	(222,498)	(788,696)
	3,094,727	4,121,783
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	120,673	20
Acquisition of shares in subsidiaries and associated companies	515	(37,015)
Dividends received	18,391	11,560
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	46,916	14,880
Sale of financial assets at fair value through other comprehensive income and at amortised cost	5,233,300	15,098,916
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(9,638,033)	(19,426,303)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	2,179,064	1,131,974
Acquisition of tangible and intangible assets	(40,837)	(43,648)
Sale of tangible and intangible assets	1,504	5,414
Decrease / (increase) in other sundry assets	42,142	89,360
	(2,036,365)	(3,154,842)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	300,000	–
Reimbursement of subordinated debt	(213,100)	(161,285)
Issuance of debt securities	998,439	350,000
Reimbursement of debt securities	(112,685)	(107,485)
Issuance of commercial paper and other securities	105,708	22,694
Reimbursement of commercial paper and other securities	(26,074)	(239,116)
Dividends paid of perpetual subordinated bonds (Additional Tier 1)	(37,000)	(37,000)
Increase / (decrease) in other sundry liabilities (**)	139,797	(217,894)
	1,155,085	(390,086)
Net changes in cash and equivalents	2,213,447	576,855
Cash (note 16)	345,767	381,202
Deposits at Central Banks (note 16)	4,305,005	3,668,474
Loans and advances to credit institutions repayable on demand (note 17)	101,809	126,050
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,752,581	4,175,726
Cash (note 16)	340,871	345,767
Deposits at Central Banks (note 16)	6,428,190	4,305,005
Loans and advances to credit institutions repayable on demand (note 17)	196,967	101,809
CASH AND EQUIVALENTS AT THE END OF THE YEAR	6,966,028	4,752,581

(*) In 2021, this balance includes the amount of Euros 95,000 (2020: Euros 81,000) related to short-term lease contracts and the amount of Euros 1,937,000 (31 December 2020: Euros 1,853,000) related to lease contracts of low value assets.
(**) In 2021, this balance includes the amount of Euros 18,696,000 (2020: Euros 19,355,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	371,138	139,296	5,892,440
Net income for the year	—	—	—	—	—	50,633	50,633
Other comprehensive income	—	—	—	—	75,798	—	75,798
TOTAL COMPREHENSIVE INCOME	—	—	—	—	75,798	50,633	126,431
Results applications:							
Legal reserve (note 38)	—	—	—	13,929	(13,929)	—	—
Transfers for Reserves and retained earnings	—	—	—	—	139,296	(139,296)	—
Interests of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	(37,000)	—	(37,000)
Reversal of deferred tax assets related with expenses with the capital increase	—	—	—	—	(96)	—	(96)
Other reserves (note 39)	—	—	—	—	11	—	11
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	535,218	50,633	5,981,786
Net income for the year	—	—	—	—	—	90,060	90,060
Other comprehensive income	—	—	—	—	(164,556)	—	(164,556)
TOTAL COMPREHENSIVE INCOME	—	—	—	—	(164,556)	90,060	(74,496)
Results applications:							
Legal reserve (note 38)	—	—	—	5,064	(5,064)	—	—
Transfers for Reserves and retained earnings	—	—	—	—	50,633	(50,633)	—
Interests of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	(37,000)	—	(37,000)
BALANCE AS AT 31 DECEMBER 2021	4,725,000	16,471	400,000	259,528	379,231	90,060	5,870,290

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these separate financial statements reflect the results of the operations of the Bank for the years ended on 31 December 2021 and 2020.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Bank's separate financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), since 2016. 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 separate financial statements and the accompanying notes were approved on 28 March 2022 by the Bank's Board of Directors and are presented in thousands of euros, rounded to the nearest thousand.

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

The separate financial statements for the year ended on 31 December 2021 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU that are effective on that date.

These separate 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 Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2021. The accounting policies are consistent with those used in the preparation of the financial statements of the previous period.

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

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

B. Financial instruments (IFRS 9)

B1. Financial assets

B1.1. 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 Bank'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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank 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.

B1.1.1. 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 Bank 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 B1.5), 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 B3.

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

B1.1.2. 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 Bank 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 B1.5). 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 B3.

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.

B1.1.3. 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 Bank 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 Bank may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

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

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

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

B1.2. 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.

B1.3. Modification and derecognition of financial assets

General principles

i) The Bank 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 Bank 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 Bank 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 Bank shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Bank prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

B1.4. 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 B1.3) 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).

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

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

B1.5.1.1. 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).

B1.5.1.2. 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).

B1.5.1.3. 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).

B1.5.2. 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 Bank 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 B1.5.3) but are not impaired (note B1.5.4) 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.

B1.5.3. 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.

B1.5.4. 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.

B1.5.5. 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 Bank 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 Bank 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.

B1.5.6. 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 Bank'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 Bank 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 Bank 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 Bank expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank has the right to require payment or end the commitment or guarantee.

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

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

B2. Financial liabilities

B2.1. 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”.

B2.1.1. 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 Bank 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 Bank 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.

B2.1.2. 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 B1.5;
- 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".

B2.1.3. 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.

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

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

B3. 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 Bank 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.

B4. Hedge accounting

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

The Bank 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 Bank. A hedge relationship exists when:

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

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

B4.1. 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.

B4.2. 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.

B4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Bank 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.

B4.4. 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.

B5. 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 B1.1.3.

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.

C. Securitization operations

C1. Traditional securitizations

The Bank 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.

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

As at 31 December 2021, the Bank has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4).

C2. Synthetic securitizations

Currently, the Bank 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 Bank 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 Bank, in accordance with the CDS.

D. 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 Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the Bank and dividends are paid at the discretion of the Bank.

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

E. Securities borrowing and repurchase agreement transactions

E1. 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).

E2. Repurchase agreements

The Bank 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.

F. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in the Bank's financial statements at their historical cost less any impairment losses.

Subsidiaries are entities controlled by the Bank (including investment funds and securitization vehicles). The Bank controls an entity when it holds the power to designate 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 those results through the power it holds over the relevant activities of that entity (*de facto* control).

Investments in associates

Associates are those entities in which the Bank has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank 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 Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

The recoverable amount of the investments in subsidiaries and associates is assessed annually, with reference to the end of the year or whenever exists any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Merger of companies

The process of merging companies by incorporation corresponds to the incorporation of the assets and liabilities of a company (merged) into another company (acquirer). In the event that the Bank is the acquirer company and the merged company is controlled by the Bank, the merger is classified as a transaction between companies under common control, and the Bank uses the denominated 'predecessor approach' as a criterion for recording in its individual accounts, which consists of recording the assets and liabilities of the merged company at their book value as presented in the Bank's consolidated accounts. This criterion provides for intra-group balances and historical transactions between the two companies to be eliminated and the amounts regarding assets and liabilities to be adjusted accordingly. The net difference between the amount recorded by the Bank and the amounts of the assets and liabilities incorporated is recorded as a "Merger reserve".

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 Bank 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 Bank remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Bank 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.

G1. Non-operating real estate (INAE)

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

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).

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 Bank'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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank's financial statements, namely:

- in the 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 balance sheet:
  (i) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (ii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the 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 separate 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.

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.

I. Recognition of income from services and commissions

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

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

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

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

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

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

K. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Bank's 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 Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred, under the principle of accrual-based accounting.

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

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

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

M. Investment property

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

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

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

N. Intangible assets

N1. Research and development expenditure

The Bank does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

N2. Software

The Bank 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 Bank 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 Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Bank intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Bank, 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 Bank 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 Bank 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 Bank had assumed the responsibility, if certain conditions were verified in each year, of assigning retirement supplements to the Bank's employees hired up to 21 September 2006 (Complementary Plan). The Bank, 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 Bank's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Bank 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 Bank 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 Bank’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 Bank'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 Bank'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 Bank, 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 Bank 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 Bank, according to a specific contribution plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

R2. Revision of the salary tables for employees in service and pensions in payment

In 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

R3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Bank's employees are recognised as expenses when incurred.

As at 31 December 2021, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank'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 Bank and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

R4. Variable remuneration paid to employees

The remuneration policy for employees includes an annual variable remuneration system for employees not covered by commercial incentive systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

R5. Share-based compensation plan

As at 31 December 2021, 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, approved for the financial year of 2021 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

Key Function Holders include Key Management Members, which are the first line directors who report directly to the Board of Directors and the remaining employees whose professional activities have a significant impact on the Bank's risk profile.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered as Key Function Holders, the payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, with 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

Employees considered as Key Function Holders are not covered by Commercial Incentives Systems.

For the remaining Employees not covered by Commercial Incentive Systems, the payment of the variable remuneration amount awarded is fully paid in cash in the following year to which it relates.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Key Function Holders are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the people covered have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, *i.e.*, in 2022, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Key Function Holders, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Key Function Holders, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

S. Income taxes

The 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 Bank, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity, or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

The Bank complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred any material impact on the Bank's financial statements resulting from its application.

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2021 and 2020, RETGS application was maintained. In 2021, Millennium bcp Participações Sociais – Sociedade Unipessoal, Lda. and BCP África, SGPS, Lda., were included in the group of companies covered by this regime, being now covered by the general IRC regime.

T. Segmental reporting

The Bank adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Bank'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.

Since the separate financial statements are presented with the Group's report, in accordance with paragraph 4 of IFRS 8, the Bank is exempt of presenting information on an individual basis regarding segmental reporting.

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

Provisions are recognised when (i) the Bank 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 Bank 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 Bank; 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 Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank 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 or reinsurance intermediation services

Banco Comercial Português is an entity 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, this bank performs the sale of insurance contracts. As compensation for insurance intermediation services, it receives 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.

X. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the 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 Bank’s reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, under advice of the Executive Committee, the Bank’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 Bank’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.

X1. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes. 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 Bank considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

The regulatory decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. 13/2018, of 28 December, established the maximum limits for impairment losses and other value adjustments for specific credit risk deductible for the purposes of calculating taxable income under IRC in 2016, 2017 and 2018, respectively. These regulatory decrees establish that Bank of Portugal Notice no. 3/95 (Notice that was relevant for determining credit provisions in the financial statements presented in NCA) must be considered for the purposes of determining the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law no. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless of the option mentioned above, the application of the new regime will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;

- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

In the calculation of 2020’s taxable income and in the estimation of 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 was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019; tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80% when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2021, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

The taxable income or tax loss determined by the Bank 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.

X2. 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.

X3. 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 Bank 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.

X4. Financial instruments – IFRS 9

X4.1. 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 Bank 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 Bank 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 Bank 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.

X4.2. 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 Bank 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 Bank 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 Bank 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.

X4.3. 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.

X5. Impairment of investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiary and associated companies, regardless of the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiary and associated companies and their book value. Impairment losses identified are recognised against profit and loss, being subsequently reversed by profit and loss if there is a reduction in the estimated impairment loss in a subsequent period.

The recoverable amount is determined based on the highest between the value in use of the assets and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, which require the use of assumptions or judgments in establishing fair value estimates.

The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses recognized, with the consequent impact on the Bank’s consolidated income statement.

Y. Subsequent events

The Bank 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 financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(6,740)	(912)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	2,275	6,189
Loans and advances to customers	760,317	779,641
Debt instruments	28,191	36,101
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	(353)	2,100
Financial assets not held for trading mandatorily at fair value through profit or loss	2,511	3,138
Financial assets designated at fair value through profit or loss	—	569
Interest on financial assets at fair value through other comprehensive income	34,475	42,515
Interest on hedging derivatives	30,301	20,429
Interest on other assets	4,258	3,917
	855,235	893,687
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	54,273	20,690
Resources from customers	(13,386)	(29,794)
Non subordinated debt securities issued	(31,455)	(25,730)
Subordinated debt	(34,953)	(40,438)
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	163	(771)
Financial liabilities at fair value through profit or loss		
Resources from customers	(1,542)	(3,058)
Non subordinated debt securities issued	(1,228)	(1,937)
Interest on hedging derivatives	(14,198)	(12,644)
Interest on leasing	(2,868)	(3,111)
Interest on other liabilities	(2,248)	(2,475)
	(47,442)	(99,268)
	807,793	794,419

The balance Interest on loans and advances to credit institutions repayable on demand has accounted for, in 2021, negative interest of Euros 6,737,000 (2020: Euros 1,017,000) 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 32,972,000 (2020: Euros 27,923,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1.B3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 625,000 and Euros 823,000 respectively (2020: Euros 1,378,000 and Euros 1,542,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1.B3.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 34,955,000 (2020: Euros 41,700,000) related to interests income arising from customers classified in stage 3. The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 13,955,000 (2020: Euros 18,273,000), as referred in note 19 and Euros 47,000 (2020: Euros 54,000), as referred in note 20, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

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.

According to note 29, in the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions, it was recorded a negative cost of Euros 81,266,000 (2020: negative cost of Euros 40,057,000), associated with the TLTRO III operation.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Dividends from financial assets through other comprehensive income	231	4,030
Dividends from subsidiaries and associated companies	18,080	11,788
	18,311	15,818

The balances Dividends from financial assets through other comprehensive income, as of December 2021 and 2020, include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2021, the amounts of Euros 6,079,000, Euros 3,200,000 and Euros 6,799,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A., the company Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., respectively. The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2020, the amounts of Euros 5,922,000, and Euros 1,102,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A. and the company Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Fees and commissions received		
From guarantees	37,138	39,466
From commitments	5,307	4,463
From banking services	277,252	248,330
From bancassurance	84,263	83,360
From securities operations	61,708	64,003
From management and maintenance of accounts	120,488	112,007
From other commissions	18,289	17,023
	604,445	568,652
Fees and commissions paid		
From guarantees received	(3,405)	(5,101)
From banking services provided by third parties	(86,172)	(81,390)
From securities operations	(7,800)	(7,020)
From other commissions	(17,458)	(9,749)
	(114,835)	(103,260)
	489,610	465,392

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Net gains / (losses) from financial operations at fair value through profit or loss Net gains / (losses) from financial assets held for trading	198,607	32,596
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(56,400)	(88,921)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(192,056)	887
	(49,849)	(55,438)
Net gains / (losses) from foreign exchange	30,890	55,415
Net gains / (losses) from hedge accounting	4,644	398
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(3,593)	(28,157)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	65,889	71,347
	47,981	43,565

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	2021	2020
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	13,133	7,795
Equity instruments	2	696
Derivative financial instruments	250,850	351,058
Other operations	1,498	1,836
	265,483	361,385
Losses		
Debt securities portfolio	(11,381)	(5,974)
Equity instruments	(628)	(199)
Derivative financial instruments	(54,048)	(321,781)
Other operations	(819)	(835)
	(66,876)	(328,789)
	198,607	32,596
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	4,682	9,448
Losses		
Debt securities portfolio	(61,082)	(98,369)
	(56,400)	(88,921)

(continues)

(continuation)

(Thousands of euros)

	2021	2020
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	176	747
Debt securities issued		
Certificates and structured securities issued	–	68,289
Other debt securities issued	3,697	612
	3,873	69,648
Losses		
Debt securities portfolio	–	(874)
Resources from customers	–	(114)
Debt securities issued		
Certificates and structured securities issued	(193,488)	(66,977)
Other debt securities issued	(2,441)	(796)
	(195,929)	(68,761)
	(192,056)	887
	(49,849)	(55,438)

In the balances Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss - Gains/(Losses) - Certificates and structured securities issued are recorded the valuations and devaluations of certificates issued by the Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Net gains /(losses) from financial assets held for trading - Profit/(Losses) - Derivative financial instruments.

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets, liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	2021	2020
Net gains / (losses) from foreign exchange		
Gains	46,791	104,044
Losses	(15,901)	(48,629)
	30,890	55,415
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	178,165	21,149
Hedged items	10,452	67,373
	188,617	88,522
Losses		
Hedging derivatives	(33,943)	(76,114)
Hedged items	(150,030)	(12,010)
	(183,973)	(88,124)
	4,644	398
Net gains/(losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	828	6,101
Debt securities issued	4	505
Others	163	94
	995	6,700
Losses		
Credit sales	(4,235)	(34,335)
Debt securities issued	–	(55)
Others	(353)	(467)
	(4,588)	(34,857)
	(3,593)	(28,157)

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	2021	2020
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	67,824	106,280
Losses		
Debt securities portfolio	(1,935)	(34,933)
	65,889	71,347

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 38,895,000 (2020: Euros 89,458,000) related to gains resulting from the sale of Portuguese Treasury bonds.

The balance Net gains / (losses) from hedge accounting includes a net gain of Euros 4,748,000 (2020: net gain of Euros 5,266,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Operating income		
Income from services	27,809	23,813
Cheques and others	7,495	7,038
Gains on leasing operations	5,764	3,489
Rents	1,234	1,587
Other operating income	14,470	13,700
	56,772	49,627
Operating costs		
Taxes	(9,055)	(10,358)
Donations and contributions	(4,054)	(3,903)
Contribution over the banking sector	(39,017)	(35,180)
Resolution Funds Contribution	(16,835)	(15,040)
Contribution for the Single Resolution Fund	(20,836)	(19,344)
Contributions to Deposit Guarantee Fund	(93)	(90)
Losses on financial leasing operations	(84)	(371)
Other operating costs	(16,317)	(13,972)
	(106,291)	(98,258)
	(49,519)	(48,631)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and European Parliament and of the Council Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67 (4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

The Bank delivered the amount of Euros 20,836,000 (2020: Euros 19,344,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 24,513,000 (2020: Euros 22,758,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,677,000 (2020: Euros 3,414,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. The total amount of irrevocable commitments constituted was Euros 20,953,000 (2020: Euros 17,276,000), are recorded in the balance Other assets - Deposit account applications (note 28).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Remunerations	266,748	285,487
Mandatory social security charges		
Post-employment benefits (note 45)		
Service cost	(14,156)	(14,948)
Net interest cost / (income) in the liability coverage balance	4,404	6,263
Cost with early retirement programs	36,632	11,708
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(586)	(426)
	26,294	2,597
Other mandatory social security charges	39,839	74,844
	66,133	77,441
Voluntary social security charges	7,114	8,411
Other staff costs	85,437	13,646
	425,432	384,985

In 2020, the balance Remuneration includes the amount of Euros 5,281,000 related to the distribution of profits to Bank's employees. In 2021, there was no distribution of profits to Bank's employees.

The balance Other staff costs includes severance payments in the amount of Euros 4,091,000 (2020: Euros 19,713,000), of which the highest amounts to Euros 886,000 (2020: Euros 504,000).

In 2021, the Bank accounted for in Other staff costs, the amount of Euros 84,152,000, corresponding to restructuring costs, within the scope of the staff reduction process carried out in 2021 (note 35). This amount includes Euros 36,632,000 related to the impact in post-employment liabilities arising from early retirement programs and terminations by mutual agreement(note 45), carried out in the context of this process.

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2021	2020
Top Management	853	938
Intermediary Management	1,474	1,560
Specific/Technical functions	2,878	2,962
Other functions	1,344	1,479
	6,549	6,939

Remunerations

In compliance with the provisions of Article 47 of Banco de Portugal Notice no. 3/2020, quantitative information is disclosed regarding the remuneration paid to different categories of members of governing bodies and categories of employees provided for in Article 115 C no. 2 of the RGICS, as well as the information provided for in Article 450 g) to i) of Regulation (EU) 2019/876 of the European Parliament and of the Council.

A. BCP Board of Directors

The fixed remuneration and social charges paid to members of the Board of Directors and key management members are analysed as follows:

(Thousands of euros)

	Board of Directors			
	Executive Committee		Non-executive directors	
	2021	2020	2021	2020
Fixed remuneration	2,947	2,947	1,882	1,876
Variable remuneration				
Pecuniary	246	—	—	—
Shares	172	—	—	—
Deferred	138	129	—	—
Supplementary retirement pension	611	611	138	138
Post-employment benefits	(1)	4	—	—
Other mandatory social security charges	733	733	457	455
	4,846	4,424	2,477	2,469
Number of beneficiaries	6	6	11	11

Considering that the remuneration of members of the Executive Committee and Directors, with an exclusivity contract, intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received will be deducted from the fixed annual remuneration attributed by the Bank, ensuring that the amount actually paid corresponds to the amount approved by the Remuneration and Welfare Board.

In 2021, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2020, as described in accounting policies 1.R4 and 1.R5.

In 2021, the 2019 deferred variable remuneration paid to the Executive Committee relates to the 2018 financial year. It includes the amount of Euros 89,000 and 347,432 BCP shares in the amount of Euros 49,000.

In 2020, the 2019 deferred variable remuneration paid to the Executive Committee relates to the 2018 financial year. It includes the amount of Euros 89,000 and 347,432 BCP shares in the amount of Euros 40,000.

In 2021, the deferred variable remuneration attributed to the Executive Committee for the year 2020, was Euros 164,000 in cash and 807,882 BCP shares.

In 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounted to Euros 1,232,000. By CRP's deliberation, the payment was postponed to the year in which the payment of dividends to shareholders is resumed.

During 2021 and 2020, no severance payments were paid to members of the Board of Directors.

B. *Key Function Holders (KFH)*

In 2021, the remunerations and social security charges supported with the Bank's Key Function Holders are, by segment, as follows:

(Thousands of euros)

	2021					
	Key Function Holder (KFH)					
	Retail	Corporate	Private Banking	Control Functions	Others	Total
Fixed remuneration	1,188	2,873	450	2,100	4,513	11,124
Variable remuneration						
Pecuniary	28	46	6	57	119	256
Shares	20	27	4	29	73	153
Deferred	31	34	6	15	93	179
Post-employment benefits	(76)	(20)	13	(78)	(214)	(375)
Other mandatory social security charges	292	741	109	530	1,116	2,788
	1,483	3,701	588	2,653	5,700	14,125
Number of beneficiaries	8	16	2	22	37	85

As described in accounting policies 1.R4 and 1.R5, during 2021, the 85 Bank's Key Function Holders were awarded variable remuneration arising from the application of the Remuneration Policies for Employees, approved for the financial year 2020, which will be deferred over a period of 5 years, in the amount of Euros 229,000.

In 2021, deferred variable remuneration was paid to Bank's Key Function Holders deferred from 2020 and 2019, corresponding in cash to the amount of Euros 42,000 and shares in the amount of Euros 137,000.

In 2021, severance payments were paid to 3 Bank's Key Function Holders in the amount of Euros 1,327,000 of which the highest amounts to Euros 886,000.

In 2020, the remunerations and social security charges supported with the Bank's Key Function Holders are, by segment, as follows:

(Thousands of euros)

	2020					
	Key Function Holder (KFH)					
	Retail	Corporate	Private Banking	Control Functions	Others	Total
Fixed remuneration	1,280	3,078	450	1,958	4,433	11,199
Variable remuneration						
Pecuniary	66	88	13	81	254	502
Shares	28	31	5	28	91	183
Deferred	17	18	3	6	49	93
Post-employment benefits	(63)	(21)	13	(64)	(171)	(306)
Other mandatory social security charges	317	676	109	489	1,109	2,700
	1,645	3,870	593	2,498	5,765	14,371
Number of beneficiaries	9	19	2	23	38	91

As described in accounting policies 1.R4 and 1.R5, during 2020, the 91 Bank's Key Function Holders were awarded variable remuneration resulting from the application of the Remuneration Policies for Employees, approved for the financial year 2019, which will be deferred over a period of 5 years, in the amount of Euros 646,000.

In 2020, variable remuneration in shares were paid to Bank's Key Function Holders, deferred from 2019, in the amount of Euros 93,000.

In 2020, severance payments were paid to 6 Bank's Key Function Holders in the amount of Euros 1,992,000 of which the highest amounts to Euros 504,000.

Remunerations paid and social charges supported with the Bank's KFH, broken down by key management elements and staff members whose professional activities have a significant impact on the Bank's risk profile, are the following:

(Thousands of euros)

	Key Function Holder (KFH)					
	Key management members		Other KFH		Total	
	2021	2020	2021	2020	2021	2020
Fixed remuneration	7,431	7,786	3,693	3,413	11,124	11,199
Variable remuneration						
Pecuniary	170	366	86	136	256	502
Shares	111	144	42	39	153	183
Deferred	169	86	10	7	179	93
Post-employment benefits	(202)	(154)	(173)	(152)	(375)	(306)
Other mandatory social security charges	1,840	1,866	948	834	2,788	2,700
	9,519	10,094	4,606	4,277	14,125	14,371
Number of beneficiaries	51	53	34	38	85	91

During 2021, deferred variable remuneration for the year 2020 was paid in cash to Key management members, in the amount of Euros 39,000, as well as shares from the years 2020 and 2019 corresponding to Euros 130,000, and it was paid to other KFH, deferred from 2020, the value of Euros 3,000 in cash and shares from the years 2020 and 2019 corresponding to Euros 7,000.

In 2020, the variable remuneration deferred paid refers to shares from 2019.

In 2021, with reference to the financial year of 2020, Key management members were awarded variable remuneration deferred over 5 years in the amount of Euros 212,000, and to other KFH it was awarded the amount of Euros 17,000.

In 2020, with reference to the financial year of 2019, Key management members were awarded variable remuneration deferred over 5 years in the amount of Euros 547,000, and to other KFH it was awarded the amount of Euros 89,000.

In 2021 and 2020, the Bank does not have Key function holders with remunerations exceeding Euros 1 million.

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Outsourcing and independent labour	75,953	73,987
Rents and leases	7,547	6,770
Other specialised services	18,797	18,333
Communications	8,175	8,974
Information technology services	16,422	17,446
Maintenance and related services	7,725	8,193
Water, electricity and fuel	6,391	6,862
Advertising	6,534	5,838
Advisory services	10,045	13,333
Transportation	5,493	5,894
Legal expenses	3,561	2,730
Travel, hotel and representation costs	1,386	1,850
Insurance	2,409	2,211
Consumables	1,966	2,682
Credit cards and mortgage	1,638	1,333
Training costs	980	1,175
Other supplies and services	5,236	5,218
	180,258	182,829

The balance Rents and leases includes, the amount of Euros 95,000 (2020: Euros 81,000) related to short-term lease contracts and the amount of Euros 1,937,000 (2020: Euros 1,853,000) related to lease contracts of low value assets, as described in the accounting policy 1.H.

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, are as follows:

(Thousands of euros)

	2021	2020
Auditing services		
Legal certification	2,183	2,187
Other assurance services	1,059	909
Other services	554	24
	3,796	3,120

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Intangible assets amortisations (note 26):		
Software	25,501	20,273
Other tangible assets depreciations (note 25):		
Properties	7,931	8,314
Equipment		
Computers	8,863	9,459
Security equipment	684	755
Installations	1,897	1,795
Machinery	446	411
Furniture	1,579	1,632
Motor vehicles	1,421	1,646
Other equipment	8	8
Right-of-use		
Real estate	33,289	33,475
Vehicles and equipment	20	37
	56,138	57,532
	81,639	77,805

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Loans and advances to credit institutions (note 18):		
Charge for the year	859	1
Reversals for the year	(28)	(65)
	831	(64)
Loans and advances to customers (note 19):		
Charge for the year	298,210	437,075
Reversals for the year	(17,374)	(85,308)
Recoveries of loans and interest charged-off	(8,523)	(6,691)
	272,313	345,076
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	244	6,293
Reversals for the year	(2,533)	–
	(2,289)	6,293
Not associated to credit operations		
Charge for the year	2,039	2,908
	(250)	9,201
	272,894	354,213

11. Impairment of financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	2021	2020
Impairment of financial assets at fair value through other comprehensive income (note 21)		
Charge for the year	4,549	11,485
Reversals for the year	(157)	(1,123)
	4,392	10,362

12. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Impairment of investments in associated companies (note 23)		
Charge for the year	33,967	34,607
Reversals for the year	(21,673)	—
	12,294	34,607
Impairment of non-current assets held for sale (note 24)		
Charge for the year	34,997	53,009
Reversals for the year	—	(17)
	34,997	52,992
Impairment of other assets (note 28)		
Charge for the year	5,661	6,156
Reversals for the year	(38)	(471)
	5,623	5,685
	52,914	93,284

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Provision for guarantees and other commitments (note 35)		
Charge for the year	11,562	2,498
	11,562	2,498
Other provisions for liabilities and charges (note 35)		
Charge for the year	112,312	35,178
Write-back for the year	(73)	(182)
	112,239	34,996
	123,801	37,494

14. Gains / (losses) arising from sales of subsidiaries and other assets

The amount of this account is comprised of:

(Thousands of euros)

	2021	2020
Gains / Losses on Sale of subsidiaries	566	(3)
Gains / Losses on Sale of other assets	6,958	(482)
	7,524	(485)

The balance Sale of other assets corresponds to the gains and losses arising from the sale and revaluation of assets held by the Bank and classified as non-current assets held for sale.

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2021	2020
Net income / (loss) for the year	90,060	50,633
Interests of the perpetual subordinated bonds (Additional Tier 1)	(37,000)	(37,000)
Adjusted net income / (loss)	53,060	13,633
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros)	0.004	0.001
Diluted earnings per share (Euros)	0.004	0.001

The Bank's share capital, as at 31 December 2021, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 31 December 2021 e 2020.

16. Cash and deposits at Central banks

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Cash	340,871	345,767
Central Banks	6,428,190	4,305,005
	6,769,061	4,650,772

The balance Central Banks includes deposits at Central Banks of the countries where the Bank 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.

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Credit institutions in Portugal	1,624	1,594
Credit institutions abroad	138,236	32,262
Amounts due for collection	57,107	67,953
	196,967	101,809

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Loans and advances to credit institutions in Portugal		
Loans	18,240	30,942
Term applications to collateralise CIRS and IRS operations (*)	–	2,850
Other	15	812
	18,255	34,604
Loans and advances to credit institutions abroad		
Short-term deposits	116	136,418
Term deposits to collateralise CIRS and IRS operations (*)	12,450	166,300
Other	20,498	13,876
	33,064	316,594
	51,319	351,198
Overdue loans - over 90 days	–	2
	51,319	351,200
Impairment for loans and advances to credit institutions	(1,135)	(304)
	50,184	350,896

(*) 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 Bank.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	34,060	323,826
3 to 6 months	1,875	10,268
6 to 12 months	6,073	3,317
1 to 5 years	9,311	13,787
Undetermined	–	2
	51,319	351,200

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	304	368
Impairment charge for the year (note 10)	859	1
Reversals for the year (note 10)	(28)	(65)
Balance at the end of the year	1,135	304

19. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	2021	2020
Discounted bills	138,818	187,383
Current account credits	791,191	939,781
Overdrafts	246,948	299,772
Loans	13,057,295	12,024,807
Mortgage loans	18,880,075	17,820,559
Factoring operations	2,043,517	1,946,974
Finance leases	2,434,354	2,358,801
	37,592,198	35,578,077
Overdue loans - less than 90 days	19,028	14,045
Overdue loans - Over 90 days	580,275	909,540
	38,191,501	36,501,662
Loans impairment	(1,274,364)	(1,472,591)
	36,917,137	35,029,071

The balance Loans and advances to customers, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	2021				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	616,039	–	616,039	(1,510)	614,529
Asset-backed loans	21,655,721	419,110	22,074,831	(674,184)	21,400,647
Other guaranteed loans	5,861,392	55,257	5,916,649	(180,794)	5,735,855
Unsecured loans	2,791,018	96,605	2,887,623	(222,040)	2,665,583
Foreign loans	2,190,157	4,606	2,194,763	(29,052)	2,165,711
Factoring operations	2,043,517	5,769	2,049,286	(34,324)	2,014,962
Finance leases	2,434,354	17,956	2,452,310	(132,460)	2,319,850
	37,592,198	599,303	38,191,501	(1,274,364)	36,917,137

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);
- Other guaranteed loans: First-demand guarantees issued by banks or other entities and personal guarantees.

The balance Loans and advances to customers, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	510,370	1	510,371	(1,725)	508,646
Asset-backed loans	20,320,472	480,108	20,800,580	(790,735)	20,009,845
Other guaranteed loans	5,235,582	117,927	5,353,509	(216,317)	5,137,192
Unsecured loans	3,135,564	166,994	3,302,558	(190,789)	3,111,769
Foreign loans	2,070,314	121,642	2,191,956	(125,242)	2,066,714
Factoring operations	1,946,974	15,010	1,961,984	(41,201)	1,920,783
Finance leases	2,358,801	21,903	2,380,704	(106,582)	2,274,122
	35,578,077	923,585	36,501,662	(1,472,591)	35,029,071

The balance Loans and advances to customers includes the amount of Euros 11,896,688,000 (31 December 2020: Euros 11,692,831,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

The Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank , which include loans and advances to customers.

As referred in note 46, the Bank provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 37.

The Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 149,819,000 (31 December 2020: Euros 66,334,000), as referred in note 46 A). The amount of impairment recognised for these contracts amounts to Euros 2,988,000 (31 December 2020: Euros 363,000).

The conclusion of business between the Company and holders of qualifying holdings or individuals or legal entities related to them in accordance with the provisions of article 33.º, n.º 3 of Notice 3/2020 of Bank of Portugal, regardless of the amount, is always subject of consideration and deliberation by the Board of Directors, after obtaining a prior opinion from the Audit Committee, and by proposal of the Executive Committee, which in turn deliberates under proposal from the Credit Committee, after obtaining an analysis and opinion from the Compliance Office, which pronounces regarding the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other conditions that may apply to them, and the Risk Office, which evaluates and issues an opinion on the risks inherent to the operation.

The analysis of the maturing component of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2021	2020
Individuals		
Home	48,037	51,291
Consumer	29,137	29,920
Others	83,744	88,949
	160,918	170,160
Companies		
Equipment	464,168	457,251
Real estate	1,809,268	1,731,390
	2,273,436	2,188,641
	2,434,354	2,358,801

The analysis of loans and advances to customers, as at 31 December 2021, by sector of activity, is as follows:

(Thousands of euros)

	2021					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	416,753	3,442	420,195	(8,964)	411,231	1.10%
Fisheries	28,134	1,148	29,282	(2,640)	26,642	0.08%
Mining	61,697	1,525	63,222	(1,728)	61,494	0.17%
Food, beverage and tobacco	597,855	2,568	600,423	(12,402)	588,021	1.57%
Textiles	506,416	9,000	515,416	(15,929)	499,487	1.35%
Wood and cork	164,866	2,582	167,448	(4,387)	163,061	0.44%
Paper, printing and publishing	170,270	505	170,775	(3,453)	167,322	0.45%
Chemicals	630,128	6,869	636,997	(22,961)	614,036	1.67%
Machinery, equipment and basic metallurgical	1,071,857	14,510	1,086,367	(40,382)	1,045,985	2.84%
Electricity and gas	205,481	375	205,856	(1,604)	204,252	0.54%
Water	187,502	150	187,652	(18,955)	168,697	0.49%
Construction	1,459,976	23,584	1,483,560	(107,285)	1,376,275	3.88%
Retail business	1,285,425	18,478	1,303,903	(37,811)	1,266,092	3.41%
Wholesale business	1,517,385	21,377	1,538,762	(63,129)	1,475,633	4.03%
Restaurants and hotels	1,623,835	14,409	1,638,244	(78,379)	1,559,865	4.29%
Transports	737,281	6,828	744,109	(14,015)	730,094	1.95%
Post offices	14,458	102	14,560	(228)	14,332	0.04%
Telecommunications	230,618	1,685	232,303	(9,157)	223,146	0.61%
Services						
Financial intermediation	1,782,846	64,641	1,847,487	(117,447)	1,730,040	4.84%
Real estate activities	1,624,562	11,235	1,635,797	(41,287)	1,594,510	4.28%
Consulting, scientific and technical activities	810,893	3,345	814,238	(57,190)	757,048	2.13%
Administrative and support services activities	444,060	2,466	446,526	(54,133)	392,393	1.17%
Public sector	666,680	—	666,680	(1,510)	665,170	1.75%
Education	131,480	796	132,276	(12,820)	119,456	0.35%
Health and collective service activities	372,898	891	373,789	(14,972)	358,817	0.98%
Artistic, sports and recreational activities	338,897	42,494	381,391	(103,710)	277,681	1.00%
Other services	126,971	241,073	368,044	(287,472)	80,572	0.96%
Consumer loans	1,898,712	72,554	1,971,266	(90,701)	1,880,565	5.16%
Mortgage credit	18,149,126	30,078	18,179,204	(45,972)	18,133,232	47.59%
Other domestic activities	915	312	1,227	(93)	1,134	0.00%
Other international activities	334,221	281	334,502	(3,648)	330,854	0.88%
	37,592,198	599,303	38,191,501	(1,274,364)	36,917,137	100.00%

The analysis of loans and advances to customers, as at 31 December 2020, by sector of activity, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	376,141	7,429	383,570	(6,899)	376,671	1.05%
Fisheries	22,766	36	22,802	(318)	22,484	0.06%
Mining	42,876	2,692	45,568	(2,001)	43,567	0.12%
Food, beverage and tobacco	605,887	5,893	611,780	(15,701)	596,079	1.68%
Textiles	444,738	11,046	455,784	(24,503)	431,281	1.25%
Wood and cork	152,473	3,274	155,747	(3,611)	152,136	0.43%
Paper, printing and publishing	166,820	1,202	168,022	(14,547)	153,475	0.46%
Chemicals	549,645	15,167	564,812	(25,053)	539,759	1.55%
Machinery, equipment and basic metallurgical	890,637	22,361	912,998	(34,389)	878,609	2.50%
Electricity and gas	203,340	122	203,462	(871)	202,591	0.56%
Water	194,147	333	194,480	(16,722)	177,758	0.53%
Construction	1,448,474	78,767	1,527,241	(126,091)	1,401,150	4.18%
Retail business	1,228,223	27,252	1,255,475	(39,071)	1,216,404	3.44%
Wholesale business	1,369,363	31,016	1,400,379	(72,332)	1,328,047	3.84%
Restaurants and hotels	1,317,594	36,972	1,354,566	(59,451)	1,295,115	3.71%
Transports	677,452	21,154	698,606	(33,492)	665,114	1.91%
Post offices	15,392	170	15,562	(236)	15,326	0.04%
Telecommunications	227,553	4,407	231,960	(16,945)	215,015	0.64%
Services						
Financial intermediation	1,577,351	85,556	1,662,907	(190,489)	1,472,418	4.56%
Real estate activities	1,616,656	12,737	1,629,393	(82,234)	1,547,159	4.46%
Consulting, scientific and technical activities	883,352	30,444	913,796	(73,762)	840,034	2.50%
Administrative and support services activities	446,136	8,558	454,694	(63,965)	390,729	1.25%
Public sector	798,510	1	798,511	(1,725)	796,786	2.19%
Education	120,385	1,339	121,724	(6,537)	115,187	0.33%
Health and collective service activities	337,420	781	338,201	(8,953)	329,248	0.93%
Artistic, sports and recreational activities	358,125	10,853	368,978	(101,591)	267,387	1.01%
Other services	139,186	242,052	381,238	(178,004)	203,234	1.04%
Consumer loans	1,837,420	109,238	1,946,658	(106,898)	1,839,760	5.33%
Mortgage credit	17,171,929	47,176	17,219,105	(55,276)	17,163,829	47.18%
Other domestic activities	848	358	1,206	(53)	1,153	0.00%
Other international activities	357,238	105,199	462,437	(110,871)	351,566	1.27%
	35,578,077	923,585	36,501,662	(1,472,591)	35,029,071	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2021 is as follows:

(Thousands of euros)

	2021						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	88,986	150,086	177,681	416,753	3,442	420,195	1.10%
Fisheries	5,286	9,907	12,941	28,134	1,148	29,282	0.08%
Mining	10,529	38,782	12,386	61,697	1,525	63,222	0.17%
Food, beverage and tobacco	249,454	241,318	107,083	597,855	2,568	600,423	1.57%
Textiles	127,136	267,472	111,808	506,416	9,000	515,416	1.35%
Wood and cork	40,766	83,100	41,000	164,866	2,582	167,448	0.44%
Paper, printing and publishing	66,861	64,169	39,240	170,270	505	170,775	0.45%
Chemicals	175,281	298,448	156,399	630,128	6,869	636,997	1.67%
Machinery, equipment and basic metallurgical	257,245	551,097	263,515	1,071,857	14,510	1,086,367	2.84%
Electricity and gas	29,928	53,231	122,322	205,481	375	205,856	0.54%
Water	13,604	42,479	131,419	187,502	150	187,652	0.49%
Construction	394,624	608,642	456,710	1,459,976	23,584	1,483,560	3.88%
Retail business	348,636	597,300	339,489	1,285,425	18,478	1,303,903	3.41%
Wholesale business	566,754	650,604	300,027	1,517,385	21,377	1,538,762	4.03%
Restaurants and hotels	63,446	494,620	1,065,769	1,623,835	14,409	1,638,244	4.29%
Transports	91,255	353,749	292,277	737,281	6,828	744,109	1.95%
Post offices	9,715	3,990	753	14,458	102	14,560	0.04%
Telecommunications	71,631	114,413	44,574	230,618	1,685	232,303	0.61%
Services							
Financial intermediation intermediation	131,847	387,924	1,263,075	1,782,846	64,641	1,847,487	4.84%
Real estate activities	235,887	678,593	710,082	1,624,562	11,235	1,635,797	4.28%
Consulting, scientific and technical activities	143,607	278,427	388,859	810,893	3,345	814,238	2.13%
Administrative and support services activities	75,053	204,616	164,391	444,060	2,466	446,526	1.17%
Public sector	75,438	343,970	247,272	666,680	–	666,680	1.75%
Education	25,745	34,870	70,865	131,480	796	132,276	0.35%
Health and collective service activities	57,062	149,342	166,494	372,898	891	373,789	0.98%
Artistic, sports and recreational activities	45,203	50,534	243,160	338,897	42,494	381,391	1.00%
Other services	32,634	46,274	48,063	126,971	241,073	368,044	0.96%
Consumer credit	548,713	598,492	751,507	1,898,712	72,554	1,971,266	5.16%
Mortgage credit	14,379	205,123	17,929,624	18,149,126	30,078	18,179,204	47.59%
Other domestic activities	232	299	384	915	312	1,227	0.00%
Other international activities	144,245	47,273	142,703	334,221	281	334,502	0.88%
	4,141,182	7,649,144	25,801,872	37,592,198	599,303	38,191,501	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	92,933	87,557	195,651	376,141	7,429	383,570	1.05%
Fisheries	3,321	5,320	14,125	22,766	36	22,802	0.06%
Mining	10,432	13,956	18,488	42,876	2,692	45,568	0.12%
Food, beverage and tobacco	266,261	148,245	191,381	605,887	5,893	611,780	1.68%
Textiles	118,726	153,860	172,152	444,738	11,046	455,784	1.25%
Wood and cork	44,180	48,892	59,401	152,473	3,274	155,747	0.43%
Paper, printing and publishing	58,024	46,577	62,219	166,820	1,202	168,022	0.46%
Chemicals	152,193	182,640	214,812	549,645	15,167	564,812	1.55%
Machinery, equipment and basic metallurgical	227,699	267,865	395,073	890,637	22,361	912,998	2.50%
Electricity and gas	16,135	70,651	116,554	203,340	122	203,462	0.56%
Water	17,039	15,274	161,834	194,147	333	194,480	0.53%
Construction	361,316	432,901	654,257	1,448,474	78,767	1,527,241	4.18%
Retail business	375,213	285,880	567,130	1,228,223	27,252	1,255,475	3.44%
Wholesale business	487,039	343,251	539,073	1,369,363	31,016	1,400,379	3.84%
Restaurants and hotels	65,648	316,512	935,434	1,317,594	36,972	1,354,566	3.71%
Transports	95,019	190,592	391,841	677,452	21,154	698,606	1.91%
Post offices	11,248	1,484	2,660	15,392	170	15,562	0.04%
Telecommunications	75,008	62,418	90,127	227,553	4,407	231,960	0.64%
Services							
Financial intermediation intermediation	190,877	393,833	992,641	1,577,351	85,556	1,662,907	4.56%
Real estate activities	259,936	537,711	819,009	1,616,656	12,737	1,629,393	4.46%
Consulting, scientific and technical activities	149,985	228,143	505,224	883,352	30,444	913,796	2.50%
Administrative and support services activities	96,941	163,565	185,630	446,136	8,558	454,694	1.25%
Public sector	121,885	456,876	219,749	798,510	1	798,511	2.19%
Education	22,855	19,294	78,236	120,385	1,339	121,724	0.33%
Health and collective service activities	102,017	83,736	151,667	337,420	781	338,201	0.93%
Artistic, sports and recreational activities	33,982	45,405	278,738	358,125	10,853	368,978	1.01%
Other services	52,244	31,250	55,692	139,186	242,052	381,238	1.04%
Consumer credit	493,283	588,499	755,638	1,837,420	109,238	1,946,658	5.33%
Mortgage credit	9,859	226,212	16,935,858	17,171,929	47,176	17,219,105	47.18%
Other domestic activities	123	287	438	848	358	1,206	0.00%
Other international activities	203,535	66,067	87,636	357,238	105,199	462,437	1.27%
	4,214,956	5,514,753	25,848,368	35,578,077	923,585	36,501,662	100.00%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2021, is as follows:

(Thousands of euros)

	2021					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	21,227	17,497	577,315	616,039	—	616,039
Asset-backed loans	729,747	1,564,244	19,361,730	21,655,721	419,110	22,074,831
Other guaranteed loans	762,994	3,763,264	1,335,134	5,861,392	55,257	5,916,649
Unsecured loans	744,982	1,064,871	981,165	2,791,018	96,605	2,887,623
Foreign loans	129,229	358,430	1,702,498	2,190,157	4,606	2,194,763
Factoring operations	1,716,183	327,334	—	2,043,517	5,769	2,049,286
Finance leases	36,820	553,504	1,844,030	2,434,354	17,956	2,452,310
	4,141,182	7,649,144	25,801,872	37,592,198	599,303	38,191,501

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	72,028	35,382	402,960	510,370	1	510,371
Asset-backed loans	670,563	1,559,550	18,090,358	20,320,471	480,108	20,800,579
Other guaranteed loans	862,548	1,786,290	2,586,744	5,235,582	117,927	5,353,509
Unsecured loans	814,149	875,694	1,445,722	3,135,565	166,994	3,302,559
Foreign loans	231,408	288,132	1,550,774	2,070,314	121,642	2,191,956
Factoring operations	1,521,278	425,696	—	1,946,974	15,010	1,961,984
Finance leases	42,982	544,009	1,771,810	2,358,801	21,903	2,380,704
	4,214,956	5,514,753	25,848,368	35,578,077	923,585	36,501,662

The balance Total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, is analysed as follows:

(Thousands of euros)

	2021	2020
Total credit	41,904,777	40,283,837
Stage 1		
Gross amount	32,241,933	30,887,770
Impairment	(130,651)	(85,715)
	32,111,282	30,802,055
Stage 2		
Gross amount	7,449,133	6,685,877
Impairment	(232,228)	(179,488)
	7,216,905	6,506,389
Stage 3		
Gross amount	2,213,711	2,710,190
Impairment	(993,823)	(1,282,423)
	1,219,888	1,427,767
	40,548,075	38,736,211

The total credit portfolio includes loans and advances to customers in the amount of Euros 38,191,501,000 (31 December 2020: Euros: 36,501,662,000) and guarantees granted and commitments to third parties balance (note 40), in the amount of Euros 3,713,276,000 (31 December 2020: Euros 3,782,175,000).

The items of Impairment were determined in accordance with the accounting policy described in note 1 B1.5, including the provision for guarantees and other commitments to third parties (note 35), in the amount of Euros 99,591,000 (31 December 2020: Euros 89,678,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, by stage, considering the fair value of collaterals, is as follows:

(Thousands of euros)

	2021	2020
Stage 1		
Securities and other financial assets	1,157,393	1,104,093
Residential real estate	16,064,328	14,791,847
Other real estate	2,598,682	2,862,274
Other guarantees	6,570,602	6,042,950
	26,391,005	24,801,164
Stage 2		
Securities and other financial assets	266,734	240,604
Residential real estate	2,429,702	2,280,043
Other real estate	1,522,421	1,148,280
Other guarantees	1,672,660	1,415,008
	5,891,517	5,083,935
Stage 3		
Securities and other financial assets	70,967	117,281
Residential real estate	370,682	503,612
Other real estate	509,551	542,552
Other guarantees	398,096	403,068
	1,349,296	1,566,513
	33,631,818	31,451,612

The balance Other guarantees refers to first-demand guarantees issued by banks or other entities with an internal risk level of “7” or better; personal guarantees, when the guarantors are classified as having an internal risk level of “7” or better.

The balance Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 48), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Bank continued to negotiate additional physical and financial collaterals with its customers.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and / or in interest rate.

The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2021			2020		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	9,170	(1,981)	7,189	16,449	(1,784)	14,665
Fisheries	3,705	(1,568)	2,137	123	(41)	82
Mining	1,580	(193)	1,387	2,130	(314)	1,816
Food, beverage and tobacco	13,507	(2,322)	11,185	17,395	(5,061)	12,334
Textiles	14,449	(4,080)	10,369	15,814	(6,040)	9,774
Wood and cork	5,807	(596)	5,211	4,343	(384)	3,959
Paper, printing and publishing	6,861	(1,819)	5,042	15,893	(12,279)	3,614
Chemicals	25,272	(8,557)	16,715	18,907	(8,434)	10,473
Machinery, equipment and basic metallurgical	49,414	(13,941)	35,473	30,672	(10,453)	20,219
Electricity and gas	398	(108)	290	373	(8)	365
Water	14,809	(9,673)	5,136	49,677	(13,663)	36,014
Construction	175,704	(69,901)	105,803	225,858	(77,125)	148,733
Retail business	35,440	(7,751)	27,689	36,071	(12,866)	23,205
Wholesale business	46,757	(11,048)	35,709	42,168	(14,200)	27,968
Restaurants and hotels	111,644	(10,367)	101,277	64,362	(6,741)	57,621
Transports	5,547	(1,292)	4,255	6,343	(2,177)	4,166
Post offices	79	(23)	56	132	(58)	74
Telecommunications	10,635	(5,164)	5,471	15,388	(11,060)	4,328
Services						
Financial intermediation	144,216	(75,973)	68,243	156,447	(85,829)	70,618
Real estate activities	94,904	(15,192)	79,712	124,685	(44,871)	79,814
Consulting, scientific and technical activities	204,880	(33,020)	171,860	263,449	(62,847)	200,602
Administrative and support services activities	71,309	(45,023)	26,286	80,479	(55,775)	24,704
Public sector	—	—	—	3,020	(657)	2,363
Education	19,759	(10,345)	9,414	19,680	(4,667)	15,013
Health and collective service activities	29,245	(7,821)	21,424	24,998	(4,931)	20,067
Artistic, sports and recreational activities	166,903	(91,493)	75,410	152,032	(73,058)	78,974
Other services	246,048	(175,438)	70,610	242,723	(176,060)	66,663
Consumer credit	104,234	(26,662)	77,572	112,586	(30,123)	82,463
Mortgage credit	450,864	(15,786)	435,078	402,812	(12,161)	390,651
Other domestic activities	48	(26)	22	23	(1)	22
Other international activities	207	(83)	124	26,113	(21,699)	4,414
	2,063,395	(647,246)	1,416,149	2,171,145	(755,367)	1,415,778

The variation occurred in "Construction" and "Restaurants and hotels" sectors refers, mainly, to changes in one client's activity code.

The breakdown of the restructured loans as at 31 December 2021, by restructuring measure, is as follows:

(Thousands of euros)

	2021					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	3,039	415,918	10,298	426,216	(64,206)	362,010
Introduction of the grace period for capital and / or interest	2,328	359,142	333,002	692,144	(313,045)	379,099
Interest rate reduction	3,168	218,074	6,561	224,635	(126,156)	98,479
Payment plan change	3,473	217,602	174	217,776	(13,790)	203,986
Debt relief	286	1,630	5,638	7,268	(5,008)	2,260
Debt-asset swaps	7	441	1,270	1,711	(1,318)	393
Other restructured loans	10,007	422,823	70,822	493,645	(123,723)	369,922
	22,308	1,635,630	427,765	2,063,395	(647,246)	1,416,149

The breakdown of the restructured loans as at 31 December 2020, by restructuring measure, is as follows:

(Thousands of euros)

	2020					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	1,890	376,970	10,636	387,606	(65,443)	322,163
Introduction of the grace period for capital and / or interest	1,860	386,499	341,058	727,557	(386,947)	340,610
Interest rate reduction	3,925	266,266	13,864	280,130	(117,215)	162,915
Payment plan change	1,173	110,661	729	111,390	(10,820)	100,570
Debt relief	307	2,998	6,808	9,806	(5,647)	4,159
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	13,222	477,891	124,491	602,382	(150,332)	452,050
	22,392	1,647,317	523,828	2,171,145	(755,367)	1,415,778

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Bank has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as NPE, this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. The amount calculated is Euros 765,587,000 (31 December 2020: Euros 1,244,361,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non-Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent:

a) More than 100 euros (retail) or more than 500 euros (non-retail); and

b) More than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

The NPE amounts to Euros 1,865,247,000 (31 December 2020: Euros 2,349,918,000).

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	1,472,591	1,861,894
Charge for the year in net income interest (note 2)	13,955	18,273
Other transfers	6,577	5,782
Impairment charge for the year (note 10)	298,210	437,075
Reversals for the year (note 10)	(17,374)	(85,308)
Loans charged-off		
Write-offs	(291,503)	(138,002)
Credit assignments	(208,869)	(626,937)
Exchange rate differences	777	(186)
Balance at the end of the year	1,274,364	1,472,591

As at 31 December 2020, the balance Other transfers includes the amount of Euros 14,885,000 related to provisions for guarantees and other commitments, which were transferred to impairment for credit risks due to the fact that the guarantees granted were converted into loans and advances to customers (note 35).

This balance also includes the transfer of Loans impairments to impairment of other assets, in the amount of Euros 16,858,000 (note 28).

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	2021	2020
Agriculture and forestry	71	271
Mining	11	17
Food, beverage and tobacco	1,554	2,294
Textiles	1,175	3,833
Wood and cork	13	97
Paper, printing and publishing	1,670	23
Chemicals	305	1,049
Machinery, equipment and basic metallurgical	1,642	2,194
Water	—	8
Construction	5,620	12,383
Retail business	3,740	4,484
Wholesale business	5,505	3,251
Restaurants and hotels	26,722	16,410
Transports	5,048	1,239
Post offices	46	4
Telecommunications	191	401
Services		
Financial intermediation	36,000	6,884
Real estate activities	41,275	36,435
Consulting, scientific and technical activities	339	19,439
Administrative and support services activities	14,812	4,260
Public sector	1	—
Education	28	16
Health and collective service activities	18	528
Artistic, sports and recreational activities	345	(3,486)
Other services	145	304
Consumer credit	17,538	23,182
Mortgage credit	577	1,396
Other domestic activities	23,658	200
Other international activities	103,454	886
	291,503	138,002

According with the accounting policy described in note 1.B1.3, the Bank writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Bank prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

The analysis of Write-offs, by type of credit, is as follows:

(Thousands of euros)

	2021	2020
Unsecured loans	182,743	120,653
Factoring operations	103,452	—
Finance leases	5,308	17,349
	291,503	138,002

The analysis of recovered loans and interest, by sector of activity, is as follows:

(Thousands of euros)

	2021	2020
Agriculture and forestry	143	258
Mining	—	25
Food, beverage and tobacco	56	23
Textiles	238	36
Wood and cork	16	5
Paper, printing and publishing	1	—
Chemicals	666	435
Machinery, equipment and basic metallurgical	1,192	26
Water	9	—
Construction	1,565	2,064
Retail business	997	630
Wholesale business	461	464
Restaurants and hotels	80	50
Transports	4	304
Post offices	2	—
Telecommunications	—	11
Services		
Financial intermediation	142	1,089
Real estate activities	146	61
Consulting, scientific and technical activities	5	13
Administrative and support services activities	71	7
Education	1	22
Health and collective service activities	1	1
Artistic, sports and recreational activities	2	—
Other services	8	8
Consumer credit	1,505	1,143
Mortgage credit	14	2
Other domestic activities	1,198	14
	8,523	6,691

The analysis of recovered loans and interest, by type of credit, is as follows:

(Thousands of euros)

	2021	2020
Unsecured loans	7,294	5,769
Foreign loans	1,209	919
Finance leases	20	3
	8,523	6,691

The balance Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1.C.

Traditional securitizations

The traditional securitization operations carried out by the Group concern mortgage loan portfolios and were carried out through credit securitization funds (FTCs) and special purpose entities (SPEs).

Magellan Mortgages No. 2

The Magellan 2 securitization operation was repaid on 18 October 2019, through a Clean-Up Call exercise, following the repurchase of loans to Magellan 2, with an increase in gross credit and POCI's of approximately Euros 90 million and Euros 3 million respectively.

Synthetic securitizations

The Bank has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 395,657,000 as at 31 December 2021 (31 December 2020: Euros 547,549,000). The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 189,182,000 and the registered cost in 2021 amounts to Euros 2,992,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and as at 31 December 2021, the operation amounts to Euros 627,053,000 (31 December 2020: Euros 731,733,000). The fair value of the relative CDS is recorded as a positive amount of Euros 63,246,000 and their registered cost in 2021 amounts to Euros 964,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Group under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1.B1.3.

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2021	2020
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	197,723	214,421
Commercial paper	1,074,715	1,334,236
Foreign issuers		
Bonds	—	30,398
Commercial paper	42,920	28,160
	1,315,358	1,607,215
Overdue securities - over 90 days	40	1,761
	1,315,398	1,608,976
Impairment	(7,059)	(11,021)
	1,308,339	1,597,955
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,781,480	3,758,015
Foreign issuers	2,003,728	5,666
Bonds issued by other entities		
Portuguese issuers	59,816	178,405
Foreign issuers	33,706	41,238
	5,878,730	3,983,324
Impairment	(5,473)	(3,404)
	5,873,257	3,979,920
	7,181,596	5,577,875

(*) Includes the amount of Euros 17,349,000 (31 December 2020: Euros 28,794,000) related to adjustments resulting from the application of fair value hedge accounting.

The balance Debt securities held not associated with credit operations - Bonds issued by other entities includes the amount of Euros 39,519,000 (31 December 2020: Euros 139,085,000) related to public sector companies.

In 2020, under the terms of IFRS 9, the Bank took the decision to establish, the balance Debt securities held not associated with credit operations - Bonds issued by Portuguese public issuers, a portfolio of securities whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value at 31 December 2021 amounts to Euros 3,511,350,000 (31 December 2020: Euros 3,544,918,000).

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2021 is as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	5,542	192,181	–	197,723
Commercial paper	794,596	280,119	–	–	40	1,074,755
Foreign issuers						
Commercial paper	6,426	36,494	–	–	–	42,920
	801,022	316,613	5,542	192,181	40	1,315,398
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	99,898	883,952	2,797,630	–	3,781,480
Foreign issuers	–	–	6,095	1,997,633	–	2,003,728
Other entities						
Portuguese issuers	–	–	13,691	46,125	–	59,816
Foreign issuers	–	–	–	33,706	–	33,706
	–	99,898	903,738	4,875,094	–	5,878,730
	801,022	416,511	909,280	5,067,275	40	7,194,128

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	7,069	207,352	–	214,421
Commercial paper	970,522	362,714	1,000	–	1,761	1,335,997
Foreign issuers						
Bonds	–	10,222	–	20,176	–	30,398
Commercial paper	19,532	8,628	–	–	–	28,160
	990,054	381,564	8,069	227,528	1,761	1,608,976
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	873,998	2,884,017	–	3,758,015
Foreign issuers	–	–	5,666	–	–	5,666
Other entities						
Portuguese issuers	25,628	–	113,351	39,426	–	178,405
Foreign issuers	–	–	–	41,238	–	41,238
	25,628	–	993,015	2,964,681	–	3,983,324
	1,015,682	381,564	1,001,084	3,192,209	1,761	5,592,300

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	2021	2020
Debt securities held associated with credit operations		
Agriculture and forestry	4,733	4,877
Mining	13,736	27,646
Food, beverage and tobacco	63,815	85,174
Textiles	57,140	61,725
Wood and cork	12,103	6,438
Paper, printing and publishing	7,184	9,295
Chemicals	77,930	105,146
Machinery, equipment and basic metallurgical	48,453	54,108
Electricity and gas	172,325	198,291
Water	8,891	12,417
Construction	13,876	16,650
Retail business	13,601	48,377
Wholesale business	62,450	70,625
Restaurants and hotels	4,119	9,394
Transports	37,731	62,811
Telecommunications	6,559	5,572
Services		
Financial intermediation	54,300	88,292
Real estate activities	40,150	28,139
Consulting, scientific and technical activities	541,187	616,512
Administrative and support services activities	10,706	10,754
Artistic, sports and recreational activities	9,868	12,455
Other services	4,562	5,055
Other international activities	42,920	58,202
	1,308,339	1,597,955
Debt securities held not associated with credit operations		
Chemicals	–	25,578
Electricity and gas	6,573	–
Water	39,478	39,394
Transports (*)	–	99,504
Services		
Financial intermediation	33,706	41,238
Consulting, scientific and technical activities	13,510	13,483
	93,267	219,197
Government and Public securities	5,779,990	3,760,723
	5,873,257	3,979,920
	7,181,596	5,577,875

(*) corresponds to securities of public sector companies

The changes occurred in impairment of debt securities are analysed as follows:

(Thousands of euros)

	2021	2020
Debt securities held associated with credit operations		
Balance on 1 January	11,021	12,431
Charge for the year in net income interest (note 2)	47	54
Transfers	–	(7,756)
Charge for the year (note 10)	244	6,293
Reversals for the year (note 10)	(2,533)	–
Loans charged-off		
Credit assignments	(1,722)	–
Exchange rate differences	2	(1)
Balance at the end of the year	7,059	11,021
Debt securities held not associated with credit operations		
Balance on 1 January	3,404	532
Charge for the year (note 10)	2,039	2,908
Exchange rate differences	30	(36)
Balance at the end of the year	5,473	3,404

21. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	2021	2020
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	435,580	425,880
Equity instruments	48,848	827
Trading derivatives	410,483	518,610
	894,911	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,188,309	1,277,826
Financial assets at fair value through other comprehensive income		
Debt instruments	8,418,369	8,024,989
Equity instruments	62,152	60,680
	8,480,521	8,085,669
	10,563,741	10,308,812

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	2021			
	Financial assets 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	—	3,797,293	3,807,610
Foreign issuers	—	—	2,909,679	2,909,679
Bonds issued by other entities				
Portuguese issuers	202	16,734	742,553	759,489
Foreign issuers	4,918	10,300	968,844	984,062
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	420,143	—	—	420,143
Investment fund units (a)	—	1,153,905	—	1,153,905
Shares of foreign companies (b)	—	7,370	—	7,370
	435,580	1,188,309	8,418,369	10,042,258
Equity instruments				
Shares				
Portuguese companies	—	—	18,172	18,172
Foreign companies	—	—	9,970	9,970
Investment fund units (c)	—	—	34,010	34,010
Other securities	48,848	—	—	48,848
	48,848	—	62,152	111,000
Trading derivatives	410,483	—	—	410,483
	894,911	1,188,309	8,480,521	10,563,741
Level 1	480,258	—	8,117,166	8,597,424
Level 2	155,491	—	176,791	332,282
Level 3	259,162	1,188,309	186,564	1,634,035

(a) Under IFRS 9, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2021 this balance include Euros 309,796,000 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2021, the Bank has recorded a provision for other risks and charges in the amount of Euros 39,385,000 in relation to the properties held by these real estate funds.

(b) Under IFRS 9, these shares were considered as debt instruments because they do not fall within the definition of SPPI.

(c) Units of real estate investment funds mainly owned by the Bank. As at 31 December 2021, the Bank has recorded a provision for other risks and charges in the amount of Euros 13,989,000 in relation to the properties held by these real estate funds.

As at 31 December 2021, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2021, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 52,059,000, Euros 10,300,000 and Euros 3,932,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1.C.

As at 31 December 2021, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 165,967,000 related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Financial assets 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	101	–	3,601,203	3,601,304
Foreign issuers	–	–	2,886,900	2,886,900
Bonds issued by other entities				
Portuguese issuers	837	16,778	900,018	917,633
Foreign issuers	46,994	11,536	636,868	695,398
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	377,948	–	–	377,948
Investment fund units (a)	–	1,242,597	–	1,242,597
Shares of foreign companies (b)	–	6,915	–	6,915
	425,880	1,277,826	8,024,989	9,728,695
Equity instruments				
Shares				
Portuguese companies	–	–	17,395	17,395
Foreign companies	–	–	8,891	8,891
Investment fund units (c)	–	–	34,394	34,394
Other securities	827	–	–	827
	827	–	60,680	61,507
Trading derivatives	518,610	–	–	518,610
	945,317	1,277,826	8,085,669	10,308,812
Level 1	421,754	–	7,717,765	8,139,519
Level 2	238,513	–	169,116	407,629
Level 3	285,050	1,277,826	198,788	1,761,664

(a) Under IFRS 9, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2020 this balance include Euros 346,236,000 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2020, the Bank has recorded a provision for other risks and charges in the amount of Euros 42,874,000 in relation to the properties held by these real estate funds.

(b) Under IFRS 9, these shares were considered as debt instruments because they do not fall within the definition of SPPI.

(c) Units of real estate investment funds mainly owned by the Bank. As at 31 December 2020, the Bank has recorded a provision for other risks and charges in the amount of Euros 13,989,000 in relation to the properties held by these real estate funds.

As at 31 December 2020, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2020, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 61,454,000, Euros 11,536,000 and Euros 4,481,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1.C.

As at 31 December 2020, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 318,855,000 related to public sector companies.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2021, is analysed as follows:

(Thousands of euros)

	2021			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,779,359	(23,435)	41,369	3,797,293
Foreign issuers	2,911,871	(21,427)	19,235	2,909,679
Bonds issued by other entities				
Portuguese issuers	727,476	4,799	10,278	742,553
Foreign issuers	919,228	(1,051)	50,667	968,844
	8,337,934	(41,114)	121,549	8,418,369
Equity instruments				
Shares				
Portuguese companies	37,363	–	(19,191)	18,172
Foreign companies	23,423	–	(13,453)	9,970
Investment fund units	50,955	–	(16,945)	34,010
	111,741	–	(49,589)	62,152
	8,449,675	(41,114)	71,960	8,480,521

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1.B1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,496,635	13,982	90,586	3,601,203
Foreign issuers	2,831,696	1,558	53,646	2,886,900
Bonds issued by other entities				
Portuguese issuers	860,369	20,130	19,519	900,018
Foreign issuers	570,994	15,179	50,695	636,868
	7,759,694	50,849	214,446	8,024,989
Equity instruments				
Shares				
Portuguese companies	43,700	–	(26,305)	17,395
Foreign companies	23,433	–	(14,542)	8,891
Investment fund units	49,354	–	(14,960)	34,394
	116,487	–	(55,807)	60,680
	7,876,181	50,849	158,639	8,085,669

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1.B1.5.1.2.

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2021 is as follows:

(Thousands of euros)

	2021			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,689,298	118,312	–	3,807,610
Foreign issuers	2,909,679	–	–	2,909,679
Bonds issued by other entities				
Portuguese issuers	609,857	58,479	91,153	759,489
Foreign issuers	917,771	87	66,204	984,062
Treasury bills and other Government bonds				
Portuguese issuers	420,143	–	–	420,143
Investment fund units	–	–	1,153,905	1,153,905
Shares of foreign companies	–	–	7,370	7,370
	8,546,748	176,878	1,318,632	10,042,258
Variable income:				
Shares				
Portuguese companies	1,964	–	16,208	18,172
foreign companies	–	–	9,970	9,970
Investment fund units	–	–	34,010	34,010
Other securities	48,712	–	136	48,848
	50,676	–	60,324	111,000
Trading derivatives	–	155,404	255,079	410,483
	8,597,424	332,282	1,634,035	10,563,741

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,517,537	83,767	–	3,601,304
Foreign issuers	2,886,900	–	–	2,886,900
Bonds issued by other entities				
Portuguese issuers	738,574	82,152	96,907	917,633
Foreign issuers	614,725	3,298	77,375	695,398
Treasury bills and other Government bonds				
Portuguese issuers	377,948	–	–	377,948
Investment fund units	–	–	1,242,597	1,242,597
Shares of foreign companies	–	–	6,915	6,915
	8,135,684	169,217	1,423,794	9,728,695
Variable income:				
Shares				
Portuguese companies	3,476	–	13,919	17,395
foreign companies	–	–	8,891	8,891
Investment fund units	–	–	34,394	34,394
Other securities	359	–	468	827
	3,835	–	57,672	61,507
Trading derivatives	–	238,412	280,198	518,610
	8,139,519	407,629	1,761,664	10,308,812

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 42.

The item Investment fund units as level 3 include the amount of Euros 786,801,000 (31 December 2020: Euros 827,976,000) relating to units in restructuring funds (described in note 42) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

As at 31 December 2021, the Bank holds mainly investment fund units in Securities and Real Estate Investment Funds that are classified in level 3.

The amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 34,010,000 (31 December 2020: Euros 34,393,000), with unrealised net losses in the amount of Euros 16,944,000 (31 December 2020: Euros net losses 14,960,000), and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 328,906,000 (31 December 2020: Euros 366,293,000).

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2021 is as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	—	32,301	1,369,234	2,406,075	—	3,807,610
Foreign issuers	—	—	1,565,108	1,344,571	—	2,909,679
Bonds issued by other entities						
Portuguese issuers	38,504	203	588,297	132,485	—	759,489
Foreign issuers	—	—	332,549	651,513	—	984,062
Treasury bills and other						
Government bonds						
Portuguese issuers	270,511	149,632	—	—	—	420,143
Investment fund units	—	—	—	1,153,905	—	1,153,905
Shares of foreign companies	—	—	—	—	7,370	7,370
	309,015	182,136	3,855,188	5,688,549	7,370	10,042,258
Variable income						
Shares						
Portuguese companies	—	—	—	—	18,172	18,172
Foreign companies	—	—	—	—	9,970	9,970
Investment fund units	—	—	—	—	34,010	34,010
Other securities	—	—	—	—	48,848	48,848
	—	—	—	—	111,000	111,000
	309,015	182,136	3,855,188	5,688,549	118,370	10,153,258

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	–	18,563	496,375	3,086,366	–	3,601,304
Foreign issuers	–	251,701	1,318,352	1,316,847	–	2,886,900
Bonds issued by other entities						
Portuguese issuers	54,305	35,736	411,143	416,449	–	917,633
Foreign issuers	1,510	44,812	178,215	470,861	–	695,398
Treasury bills and other						
Government bonds						
Portuguese issuers	166,329	211,619	–	–	–	377,948
Investment fund units	–	–	–	1,242,597	–	1,242,597
Shares of foreign companies	–	–	–	–	6,915	6,915
	222,144	562,431	2,404,085	6,533,120	6,915	9,728,695
Variable income						
Shares						
Portuguese companies	–	–	–	–	17,395	17,395
Foreign companies	–	–	–	–	8,891	8,891
Investment fund units	–	–	–	–	34,394	34,394
Other securities	–	–	–	–	827	827
	–	–	–	–	61,507	61,507
	222,144	562,431	2,404,085	6,533,120	68,422	9,790,202

The changes occurred in Impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	–	–
Transfers	(4,391)	(10,362)
Reversals	(158)	(1,123)
Impairment against profit and loss	4,549	11,485
Balance at the end of the year	–	–

The accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 18,261,000 (31 December 2020: Euros 13,822,000) and is recorded against Fair value reserves.

The analysis of Financial assets at fair value through profit or loss (excluding 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)

	2021			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Paper, printing and publishing	47,865	—	—	47,865
Electricity and gas	43,805	—	—	43,805
Water	10,241	—	—	10,241
Construction	21,155	—	20,422	41,577
Retail business	42,322	—	—	42,322
Wholesale business	39,161	8,087	—	47,248
Restaurants and hotels	—	1,330		1,330
Transports	77,463	—	—	77,463
Telecommunications	42,854	4,218	—	47,072
Services				
Financial intermediation (*)	929,378	13,772	1,202,617	2,145,767
Real estate activities	—	—	13,588	13,588
Consulting, scientific and technical activities	455,509	103	—	455,612
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	4,895	21	—	4,916
	1,743,551	35,512	1,236,763	3,015,826
Government and Public securities	7,137,432	—	—	7,137,432
	8,880,983	35,512	1,236,763	10,153,258

(*) 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 42.

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Paper, printing and publishing	54,207	—	—	54,207
Electricity and gas	16,239	—	—	16,239
Water	7,136	—	—	7,136
Construction	17,730	—	18,865	36,595
Wholesale business	53,355	—	—	53,355
Restaurants and hotels	—	871	—	871
Transports	222,982	—	—	222,982
Telecommunications	—	2,704	—	2,704
Services				
Financial intermediation (*)	767,827	20,062	1,242,956	2,030,845
Real estate activities	—	—	15,528	15,528
Consulting, scientific and technical activities	446,502	138	—	446,640
Administrative and support services activities	10,370	9,404	—	19,774
Public sector	—	—	469	469
Artistic, sports and recreational activities	16,683	—	—	16,683
Other services	—	22	—	22
	1,613,031	33,201	1,277,818	2,924,050
Government and Public securities	6,866,152	—	—	6,866,152
	8,479,183	33,201	1,277,818	9,790,202

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000 which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 42.

The analysis of trading derivatives by maturity as at 31 December 2021, is as follows:

(Thousands of euros)

	2021					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	137,400	123,850	3,922,127	4,183,377	150,641	190,894
Interest rate options (purchase)	–	84,230	126,619	210,849	31	–
Interest rate options (sale)	–	813	126,620	127,433	–	45
	137,400	208,893	4,175,366	4,521,659	150,672	190,939
Stock Exchange transactions:						
Interest rate futures	–	–	51,800	51,800	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	56,990	75,826	63	132,879	1,541	439
Currency swaps	595,785	107,662	–	703,447	3,611	6,242
	652,775	183,488	63	836,326	5,152	6,681
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	–	91,468	61,960	153,428	–	234
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	16,670	19,560	606,000	642,230	2,191	2,284
Shares/indexes options (sale)	–	–	19,902	19,902	–	–
	16,670	19,560	625,902	662,132	2,191	2,284
Stock exchange transactions:						
Shares futures	–	–	890,922	890,922	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	268,745	268,745	252,468	–
Other credit derivatives (sale)	–	–	85,164	85,164	–	–
	–	–	353,909	353,909	252,468	–
Total derivatives traded in:						
OTC Market	806,845	503,409	5,217,200	6,527,454	410,483	200,138
Stock Exchange	–	–	942,722	942,722	–	–
Embedded derivatives					–	67
	806,845	503,409	6,159,922	7,470,176	410,483	200,205

The analysis of trading derivatives by maturity as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	438,600	1,238,122	4,437,458	6,114,180	215,133	232,519
Interest rate options (purchase)	–	83,417	130,981	214,398	9	–
Interest rate options (sale)	–	–	130,981	130,981	–	40
	438,600	1,321,539	4,699,420	6,459,559	215,142	232,559
Stock Exchange transactions:						
Interest rate futures	–	–	1,360,300	1,360,300	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	34,337	125,555	291	160,183	2,445	2,513
Currency swaps	986,552	118,228	–	1,104,780	8,247	5,974
	1,020,889	243,783	291	1,264,963	10,692	8,487
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	–	359,815	214,452	574,267	11,765	2,189
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	–	–	18,401	18,401	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	148,863	204,134	699,216	1,052,213	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,731	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,731	–
Total derivatives traded in:						
OTC Market	1,689,875	2,129,271	5,889,099	9,708,245	518,610	243,797
Stock Exchange	–	–	2,028,038	2,028,038	–	–
Embedded derivatives					–	137
	1,689,875	2,129,271	7,917,137	11,736,283	518,610	243,934

22. Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Swaps	105,921	242,900	74,704	121,559

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 12,632,000 (31 December 2020: positive amount of Euros 1,611,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

Reclassifications were made from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 68,038,000 (31 December 2020: positive amount of Euros 72,606,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 48).

The analysis of hedging derivatives portfolio by maturity as at 31 December 2021 is as follows:

(Thousands of euros)

	2021					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	300,000	12,674,378	12,974,378	74,261	30,400
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap (CIRS)	171,466	175,863	–	347,329	12,043	121
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	14,500,000	14,500,000	19,617	212,379
Total derivatives traded by:						
OTC Market	171,466	475,863	27,174,378	27,821,707	105,921	242,900

The analysis of hedging derivatives portfolio by maturity as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	23,500	370,100	4,006,862	4,400,462	5,396	88,654
Stock Exchange transactions:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap (CIRS)	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,080,000	11,080,000	69,274	6,540
Total derivatives traded by:						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Portuguese credit institutions	191,305	164,705
Foreign credit institutions	649,650	769,328
Other Portuguese companies	1,582,605	1,962,499
Other foreign companies	1,223,844	2,758,172
	3,647,404	5,654,704
Impairment of investments in:		
Subsidiary companies	(696,158)	(2,539,822)
Associated and other companies	–	(12,970)
	(696,158)	(2,552,792)
	2,951,246	3,101,912

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of euros)

	2021	2020
Banco ActivoBank, S.A.	191,305	164,705
Bank Millennium S.A.	612,260	611,208
Banque BCP, S.A.S.	37,389	37,389
Banque Privée BCP (Suisse) S.A.	—	120,731
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	29,773	29,773
BCP International B.V.	1,203,262	1,203,262
BCP Investment, B.V.	—	1,534,842
Cold River's Homestead, S.A.	—	20,211
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	355,475
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	20,583	20,068
Millennium bcp Imobiliária, S.A.	—	359,683
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	493,940	493,940
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
	3,647,404	5,654,704
Impairment of investments in subsidiary and associated companies		
BCP África, S.G.P.S., Lda.	(183,439)	(149,473)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,196)	(26,196)
BCP International B.V.	(148,477)	(148,477)
BCP Investment, B.V.	—	(1,529,324)
Cold River's Homestead, S.A.	—	(5,681)
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(20,583)	(20,067)
Millennium bcp Imobiliária, S.A.	—	(348,377)
Millennium bcp Participacões, S.G.P.S., Sociedade Unipessoal, Lda.	(316,690)	(324,424)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(773)	(773)
	(696,158)	(2,552,792)
	2,951,246	3,101,912

During 2021, the Bank sold its investment held in "Cold River's Homestead, S.A." and sold Banque Privée BCP (Suisse) S.A., also proceeded with the liquidation of the entities BCP Investment B.V. and Millennium bcp Imobiliária, S.A.

The movements for Impairment of investments in subsidiary and associated companies are analysed as follows:

(Thousands of euros)

	2021	2020
Impairment of investments in subsidiary and associated companies:		
Balance on 1 January	2,552,792	2,518,730
Impairment charge for the year (note 12)	33,967	34,606
Write-back for the year (note 12)	(21,673)	—
Loans charged-off	(1,868,969)	(610)
Exchange rate differences	41	66
Balance at the end of the year	696,158	2,552,792

As at 31 December 2021, the balance Impairment of investments in subsidiaries and associated companies - Loans charged-off results from sold its investment held of Cold River's Homestead, S.A., the liquidation of BCP Investment B.V. and Millennium bcp Imobiliária, S.A.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 F). The Bank's subsidiaries and associated companies are presented in note 52.

Regarding holding companies, namely BCP International B.V., Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1.F., was determined based on the higher between the fair value amount less costs to sell and the value in use.

During 2021, the Banco Comercial Português S.A. sold Banque Privée BCP (Suisse), S.A.

The value in use was determined based on: (i) the business plan approved by each company board for the year 2021 and following years (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2021			2020		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	9.500%	9.500%	0.000%	8.875%	9.000%	0.000%
Poland	11.000%	11.000%	2.884%	8.875%	8.875%	2.370%
Angola	24.000%	n.a.	n.a.	23.000%	n.a.	n.a.
Mozambique	26.000%	26.000%	5.500%	21.000%	21.000%	6.723%
Switzerland	n.a.	n.a.	n.a.	9.125%	9.250%	2.019%

Based on the analysis made, the Bank recognised in 2021 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Loans charged-off	Exchange rate differences	Balance on 31 December
BCP África, S.G.P.S., Lda.	149,473	33,966	—	—	183,439
BCP Capital - Sociedade de Capital de Risco, S.A.	26,196	—	—	—	26,196
BCP International B.V.	148,477	—	—	—	148,477
BCP Investment B.V.	1,529,324	(14,413)	(1,514,911)	—	—
Cold River's Homestead, S.A.	5,681	—	(5,681)	—	—
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	20,067	475	—	41	20,583
Millennium bcp Imobiliária, S.A.	348,377	—	(348,377)	—	—
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	324,424	(7,734)	—	—	316,690
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	773	—	—	—	773
	2,552,792	12,294	(1,868,969)	41	696,158

24. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2021			2020		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans (note 48)	564,706	(116,264)	448,442	804,474	(140,227)	664,247
Assets for own use (closed branches)	2,974	(457)	2,517	3,512	(502)	3,010
Equipment and other	4,143	(2,643)	1,500	6,839	(4,887)	1,952
Subsidiaries acquired exclusively with the purpose of short-term sale	76,934	(21,290)	55,644	84,998	(20,097)	64,901
Other assets	14,854	—	14,854	20,053	—	20,053
	663,611	(140,654)	522,957	919,876	(165,713)	754,163

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 recovered loans or judicial being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 48.

The Bank has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. However, taking into account the actual market conditions, 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 Bank 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 Bank requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Bank has already established contracts for the sale in the amount of Euros 62,181,000 (31 December 2020: Euros 27,200,000), which impairment associated is Euros 14,651,000 (31 December 2020: Euros 10,088,000), which was calculated taking into account the value of the respective contracts.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	165,713	211,083
Transfers	(1,360)	–
Impairment for the year (note 12)	34,997	52,992
Loans charged-off	(59,887)	(96,946)
Exchange rate differences	1,191	(1,416)
Balance at the end of the year	140,654	165,713

25. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Land and buildings	450,443	466,252
Equipment		
Computer equipment	193,150	195,307
Security equipment	59,701	62,470
Interior installations	105,991	104,385
Machinery	18,411	18,196
Farniture	74,357	74,397
Motor vehicles	13,360	15,311
Other equipment	2,703	2,760
Right of use		
Real estate	254,115	235,573
Vehicles and equipment	65	82
Work in progress	868	1,961
Other tangible assets	30	30
	1,173,194	1,176,724
Accumulated depreciation		
Relative to the year (note 9)	(56,138)	(57,532)
Relative to the previous years	(782,556)	(752,341)
	(838,694)	(809,873)
	334,500	366,851

The balance Right-of-use essentially corresponds to lease agreements on real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the term of each lease agreement, as described in the accounting policy 1.H.

The changes occurred in Other tangible assets, during 2021, are analysed as follows:

(Thousands of euros)

	Initial Balance	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	466,252	–	(10,397)	(5,446)	34	450,443
Equipment:						
Computer equipment	195,307	4,975	(7,152)	10	10	193,150
Security equipment	62,470	314	(2,948)	(136)	1	59,701
Interior installations	104,385	258	(506)	1,852	2	105,991
Machinery	18,196	168	(10)	54	3	18,411
Furniture	74,397	403	(348)	(101)	6	74,357
Motor vehicles	15,311	1,172	(3,129)	–	6	13,360
Other equipment	2,760	–	(49)	(8)	–	2,703
Right of use:						
Real estate	235,573	19,526	(1,066)	–	82	254,115
Vehicles and equipment	82	14	(31)	–	–	65
Work in progress	1,961	1,314	(94)	(2,313)	–	868
Other tangible assets	30	–	–	–	–	30
	1,176,724	28,144	(25,730)	(6,088)	144	1,173,194
Accumulated depreciation:						
Real estate	(325,453)	(7,931)	9,729	2,552	(26)	(321,129)
Equipment:						
Computer equipment	(174,459)	(8,863)	7,133	14	(9)	(176,184)
Security equipment	(58,906)	(684)	2,948	136	(1)	(56,507)
Interior installations	(92,137)	(1,897)	503	153	(1)	(93,379)
Machinery	(16,228)	(446)	10	10	(5)	(16,659)
Furniture	(68,173)	(1,579)	348	101	(6)	(69,309)
Motor vehicles	(7,624)	(1,421)	2,607	–	(4)	(6,442)
Other equipment	(2,722)	(8)	49	7	–	(2,674)
Right of use:						
Real estate	(64,068)	(33,289)	1,047	–	(11)	(96,321)
Vehicles and equipment	(74)	(20)	32	–	–	(62)
Other tangible assets	(29)	–	1	–	–	(28)
	(809,873)	(56,138)	24,407	2,973	(63)	(838,694)
	366,851	(27,994)	(1,323)	(3,115)	81	334,500

The changes occurred in Other tangible assets, during 2020, are analysed as follows:

(Thousands of euros)

	Initial Balance	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	479,172	9	(12,879)	(9)	(41)	466,252
Equipment:						
Computer equipment	190,756	9,344	(4,782)	—	(11)	195,307
Security equipment	62,838	255	(621)	—	(2)	62,470
Interior installations	102,087	676	(989)	2,612	(1)	104,385
Machinery	17,864	337	(62)	62	(5)	18,196
Furniture	74,065	805	(479)	13	(7)	74,397
Motor vehicles	15,686	1,794	(2,161)	—	(8)	15,311
Other equipment	2,787	3	(30)	—	—	2,760
Right of use:						
Real estate	219,624	18,316	(2,385)	109	(91)	235,573
Vehicles and equipment	81	1	—	—	—	82
Work in progress	2,297	2,487	(37)	(2,786)	—	1,961
Other tangible assets	30	—	—	—	—	30
	1,167,287	34,027	(24,425)	1	(166)	1,176,724
Accumulated depreciation:						
Real estate	(326,304)	(8,314)	9,137	—	28	(325,453)
Equipment:						
Computer equipment	(169,359)	(9,459)	4,349	—	10	(174,459)
Security equipment	(58,773)	(755)	621	—	1	(58,906)
Interior installations	(91,185)	(1,795)	842	—	1	(92,137)
Machinery	(15,884)	(411)	62	—	5	(16,228)
Furniture	(67,012)	(1,632)	464	—	7	(68,173)
Motor vehicles	(7,810)	(1,646)	1,827	—	5	(7,624)
Other equipment	(2,744)	(8)	30	—	—	(2,722)
Right of use:						
Real estate	(32,380)	(33,475)	1,758	—	29	(64,068)
Vehicles and equipment	(37)	(37)	—	—	—	(74)
Other tangible assets	(29)	—	—	—	—	(29)
	(771,517)	(57,532)	19,090	—	86	(809,873)
	395,770	(23,505)	(5,335)	1	(80)	366,851

26. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Intangible assets		
Software	107,935	86,952
Other intangible assets	152	147
	108,087	87,099
Accumulated amortisation		
Relative to the year (note 9)	(25,501)	(20,273)
Relative to the previous years	(27,563)	(18,503)
	(53,064)	(38,776)
	55,023	48,323

The changes occurred in Intangible assets balance, during 2021, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Exchange differences	Balance on 31 December
Intangible assets					
Software	86,952	32,233	(11,275)	25	107,935
Other intangible assets	147	–	–	5	152
	87,099	32,233	(11,275)	30	108,087
Accumulated amortisation					
Software	(38,695)	(25,501)	11,234	(16)	(52,978)
Other intangible assets	(81)	–	–	(5)	(86)
	(38,776)	(25,501)	11,234	(21)	(53,064)
	48,323	6,732	(41)	9	55,023

The changes occurred in Intangible assets balance, during 2020, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Exchange differences	Balance on 31 December
Intangible assets					
Software	73,763	27,938	(14,719)	(30)	86,952
Other intangible assets	154	–	(1)	(6)	147
	73,917	27,938	(14,720)	(36)	87,099
Accumulated amortisation					
Software	(33,008)	(20,273)	14,568	18	(38,695)
Other intangible assets	(87)	–	–	6	(81)
	(33,095)	(20,273)	14,568	24	(38,776)
	40,822	7,665	(152)	(12)	48,323

27. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	835,588	–	835,588	836,876	–	836,876
	1,818,765	–	1,818,765	1,820,053	–	1,820,053
Deferred taxes depending on the future profits						
Intangible assets	49	–	49	49	–	49
Other tangible assets	695	(3,055)	(2,360)	1,373	(3,055)	(1,682)
Impairment losses (b)	479,436	(50,303)	429,133	599,780	(50,303)	549,477
Employee benefits	50,930	(6,823)	44,107	50,008	(542)	49,466
Financial assets at fair value through other comprehensive income	90,258	(98,101)	(7,843)	28,251	(168,303)	(140,052)
Tax losses carried forward	162,400	–	162,400	147,819	–	147,819
Others	97,049	(38,223)	58,826	81,708	(37,648)	44,060
	880,817	(196,505)	684,312	908,988	(259,851)	649,137
Total deferred taxes	2,699,582	(196,505)	2,503,077	2,729,041	(259,851)	2,469,190
Offset between deferred tax assets and deferred tax liabilities	(196,505)	196,505	–	(259,851)	259,851	–
Net deferred taxes	2,503,077	–	2,503,077	2,469,190	–	2,469,190

(a) Special Regime applicable to deferred tax assets.
(b) The amounts of 2021 and 2020 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the periods taxation beginning on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,569,234,000 (31 December 2020: Euros 1,471,591,000).

- 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 described 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 favor of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and when the deferred taxes are related to the same tax.

The deferred tax rate is analysed as follows:

Description	2021	2020
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000	9.0%	9.0%

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2020: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 31.3% (31 December 2020: 31.3%).

In accordance with the amendments provided for in Law No. 27-A/2020, of July 24, 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 determined 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 Bank applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

In 2021, the Banco Comercial Português, SA chose not to reflect the effect of offsetting taxable profits and tax losses in each of the companies covered by the RETGS. In this way, income tax, at the individual level, was calculated by each company as if the regime were not applicable.

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 expire date, are presented as follows:

(Thousands of euros)

Expire date	2021	2020
2030	104,000	104,000
2032	58,400	43,819
	162,400	147,819

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 taxable income for the year 2020 and in the estimation of taxable income by reference to 31 December 2021 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

The Bank 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 Bank's financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1.X1., 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 the new strategic plan 2021-2024 approved by the governing bodies, which support the expected future taxable income, considering the macroeconomic and competitive environment then analysed.

To estimate taxable net income for the periods of 2022 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2022 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2021, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2021-2023 submitted to the supervisory authority in March 2021, and also on the average reversal percentage observed in the last years of 2016 to 2021;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures:

- the deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2021. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2021, compared to the amounts of reinforcements net of impairment recorded in those years.

- the deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

- the realization of changes in the fair value of real estate investment funds was projected based on the information available in the management agreements of the funds in question for the period expected for the respective liquidation.

The projections prepared within the framework of the budget process for 2022 incorporate the priorities arising from the Strategic Plan 2021-2024. This new strategic plan essentially maintained the priorities established in the previous plan, adapting them to the macroeconomic, competitive and legal/regulatory framework resulting from the pandemic and incorporating responses to the current challenges faced by the Bank. The pandemic and the economic crisis conditioned banking activity and had an impact on credit portfolios and other assets, with an immediate impact on profitability. This way, projections assume, alongside the projected economic recovery, a convergence towards the medium/long-term metrics and trends consistent with the commercial positioning and the coveted capture of efficiency gains, established in the revision of the strategic plan approved by the corporate bodies, emphasizing the following:

- improvement in the net margin, reflecting an effort to increase credit, favouring certain segments, the focus on off-balance sheet resources while interest rates remain negative and the effect of the normalization of those rates, such as results from the market interest rate curve of market 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;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, after the reduction in the number of employees made in 2021.

The analysis of the recoverability of deferred tax assets with reference to 31 December 2021 makes it possible to conclude that all recognized deferred tax assets are recoverable.

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	2021	2020
2025	104,966	104,966
2026	40,503	40,057
2028	159,618	159,618
2030 and following	484,497	286,414
	789,584	591,055

The increase verified in the period of 2030 and following is mainly due to the liquidations of subsidiaries that took place in 2021.

The impact of income taxes in Net income and in other balances of Bank's equity is analysed as follows:

(Thousands of euros)

	2021		2020	
	Net income for the year	Reserves	Net income for the year	Reserves
Deferred taxes not depending on the future profits				
Employee benefits	(1,288)	–	–	–
	(1,288)	–	–	–
Deferred taxes depending on the future profits				
Other tangible assets	(678)	–	(490)	–
Impairment losses	(120,344)	–	(107,756)	–
Employee benefits	4,862	(10,221)	5,652	3,073
Financial assets at fair value through other comprehensive income	–	132,209	–	(65,412)
Tax losses carried forward (a)	11,229	3,352	19,375	18,480
Others	14,657	109	11,509	(144)
	(90,274)	125,449	(71,710)	(44,003)
	(91,562)	125,449	(71,710)	(44,003)
Current taxes				
Actual year	919	–	(3,405)	–
Correction of previous years	333	–	(3,358)	–
	1,252	–	(6,763)	–
	(90,310)	125,449	(78,473)	(44,003)

(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 reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	2021	2020
Net income / (loss) before income taxes	180,370	129,106
Current tax rate (%)	31.3%	31.3%
Expected tax	(56,456)	(40,410)
Elimination of double economic taxation of dividends received	5,696	4,926
Non deductible impairment	(12,519)	(21,203)
Contribution to the banking sector	(12,212)	(11,011)
Interest from other capital instruments (a)	11,581	11,581
Fiscal gains and losses	1,203	(188)
Non-deductible expenses and other corrections	435	(1,658)
Effect of tax rate difference and international double taxation (b)	(3,100)	(15,476)
Effect of recognition / derecognition net of deferred taxes	(18,681)	122
Impact of the special tax regime for groups of companies (c)	–	(3,405)
Correction of previous years	(5,254)	(678)
Autonomous tax	(1,003)	(1,073)
Total	(90,310)	(78,473)
Effective rate (%)	50.1 %	60.8 %

(a) 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.

(b) In 2021, it mainly concerns income taxes borne abroad. In 2020, it mainly concerns the difference between the current tax rate and the deferred tax rate associated with tax losses.

(c) In 2020, the effects of the calculation of taxable income in accordance with the RETGS were reflected in the calculation of current tax for the financial year of each of the companies in the Group.

28. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Debtors	162,825	209,164
Capital supplies	244,991	239,735
Capital supplementary contributions	165	165
Other financial investments	308	292
Gold and other precious metals	3,849	3,741
Deposit account applications	396,496	324,371
Debtors for futures and options transactions	138,688	281,991
Artistic patrimony	28,816	28,815
Amounts due for collection	81,066	74,103
Other recoverable tax	11,176	15,501
Subsidies receivables	15,643	9,739
Associated companies	749	2,904
Interest and other amounts receivable	38,800	34,091
Prepaid expenses	17,045	19,011
Amounts receivable on trading activity	27,188	498
Amounts due from customers	29,020	21,278
Obligations with post-employment benefits (note 45)	199,082	92,117
Sundry assets	22,251	31,162
	1,418,158	1,388,678
Impairment of other assets	(252,544)	(263,726)
	1,165,614	1,124,952

As referred in note 42, the balances Capital supplies include the amount of Euros 237,671,000 (31 December 2020: Euros 232,421,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

The Deposit account applications includes the amount of Euros 348,559,000 (31 December 2020: Euros 286,315,000) on the Clearing houses/Clearing derivatives.

The Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Bank's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The changes occurred in Impairment of other assets are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	263,726	245,740
Transfers	(4,748)	17,184
Impairment for the year (note 12)	5,661	6,156
Write back for the year (note 12)	(38)	(471)
Amounts charged-off	(12,057)	(4,883)
Balance at the end of the year	252,544	263,726

29. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	–	8,028,747	8,028,747	–	7,510,013	7,510,013
Central Banks abroad	–	79,654	79,654	–	92,341	92,341
	–	8,108,401	8,108,401	–	7,602,354	7,602,354
Resources from credit institutions in Portugal						
Sight deposits	284,903	–	284,903	302,960	–	302,960
Term Deposits	–	1,264,251	1,264,251	–	1,463,612	1,463,612
CIRS and IRS operations collateralised by deposits (*)	–	1,620	1,620	–	120	120
Other resources	–	–	–	–	229	229
	284,903	1,265,871	1,550,774	302,960	1,463,961	1,766,921
Resources from credit institutions abroad						
Sight deposits	147,155	–	147,155	164,488	–	164,488
Term Deposits	–	870,420	870,420	–	1,050,306	1,050,306
Loans obtained	–	315,540	315,540	–	351,459	351,459
CIRS and IRS operations collateralised by deposits (*)	–	16,100	16,100	–	16,190	16,190
Other resources	–	5,704	5,704	–	8,459	8,459
	147,155	1,207,764	1,354,919	164,488	1,426,414	1,590,902
	432,058	10,582,036	11,014,094	467,448	10,492,729	10,960,177

(*) 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 Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	1,713,764	1,902,222
3 to 6 months	13,167	158,450
6 to 12 months	31,442	196,950
1 to 5 years	8,954,703	8,341,537
Over 5 years	301,018	361,018
	11,014,094	10,960,177

The balance Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to report operations carried out in the money market and is a tool for the Bank's treasury management.

Considering the characteristics of the financing and the nature of the respective lender, the Bank accounts for the TLTRO III operation under IFRS 9. The Bank considers that the operation constitutes variable rate financing, indexed to variable rates administratively set by the ECB. Specifically, for the period from 24 June 2020 to 23 June 2021, the Bank has fulfilled the conditions required for applying to the financing an interest rate corresponding to the average of the Deposity Rate Facility in force during the period less 0.50%, with a maximum of -1%. Consequently, it recognises in the financial statements, for the interest calculation period, the rate of -1%. For the period between 24 June 2021 and 23 June 2022, the Bank considers that, with a high degree of probability, it will comply with the conditions required for applying to the financing an interest rate corresponding to the average of the Deposity Rate Facility in force during the period less 0.50%, with a maximum of -1%.

Consequently, it recognizes in the financial statements, for the said interest counting period, the rate of -1%. The balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000).

30. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	30,526,414	176,561	30,702,975	26,099,958	382,188	26,482,146
Term deposits	—	8,572,373	8,572,373	—	9,208,859	9,208,859
Saving accounts	—	5,911,777	5,911,777	—	5,278,113	5,278,113
Cheques and orders to pay	361,066	—	361,066	351,152	—	351,152
Other	—	60,184	60,184	—	60,188	60,188
	30,887,480	14,720,895	45,608,375	26,451,110	14,929,348	41,380,458

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 referred fund are defined in the Regulation No. 11/94 of the Bank of Portugal.

This balance is analysed by remaining period (maturity of the next renovation), as follows:

(Thousands of euros)

	2021	2020
Deposits repayable on demand	30,702,975	26,482,146
Term deposits and saving accounts		
Up to 3 months	7,161,994	7,038,144
3 to 6 months	5,074,875	4,886,825
6 to 12 months	2,205,668	2,525,849
1 to 5 years	41,461	35,937
Over 5 years	152	217
	14,484,150	14,486,972
Cheques and orders to pay		
Up to 3 months	361,066	351,152
Other		
Up to 3 months	184	188
Over 5 years	60,000	60,000
	60,184	60,188
	45,608,375	41,380,458

31. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Debt securities at amortised cost		
Bonds	712,000	714,543
Covered bonds	999,333	997,765
MTNs	1,016,984	91,511
	2,728,317	1,803,819
Accruals	17,514	10,834
	2,745,831	1,814,653

The characteristics of the bonds issued by the Bank, as at 31 December 2021 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	2,000
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate of 0.75%	1,000,000	999,333
Bcp Obrigacoes Janeiro 2026	January, 2019	January, 2026	Euribor 6M+3.5%	360,000	360,000
Bcp Rend Min Cb Multi Set Iii19 28Mar22 Smtn Sr36	March, 2019	March, 2022	Indexed to a portfolio of 3 shares	3,000	3,000
Bcp Eur Sect. Retorno Garant. Iv 19 May22 Smtn37	May, 2019	May, 2022	Indexed to 3 indexes	3,960	3,960
Bcp Acoes Euro Zona Ret. Min.V19 31Mai22 Smtn39	May, 2019	May, 2022	Indexed to a portfolio of 3 shares	2,480	2,480
Bcp Rend. Min. Eur Setores Vi 19Jun22 Smtn Sr41	June, 2019	June, 2022	Indexed to 3 indexes	3,150	3,150
Bcp Eur Cabaz Acoes Ret.Min.Vii 19Ago22 Smtn Sr43	July, 2019	August, 2022	Indexed to a portfolio of 3 shares	2,220	2,214
Bcp Cabaz Acoes America Ret Min 10Out22 Smtn 45	October, 2019	October, 2022	Indexed to a portfolio of 3 shares	1,610	1,610
Bcp Cabaz Acoes Europa Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to a portfolio of 3 shares	6,140	6,140
Obrigacoes Bcp Senior Fev 2027	February, 2020	February, 2027	Euribor 6M + 1.5%	350,000	350,000
Bcp 6NC5 Senior Preferred NG - mtn 856	February, 2021	February, 2027	Fixed rate 1.125%year until Feb-26 / after Euribor 3M + Variable rate 1.55%	500,000	498,495
Bcp 1.75% 6.5Nc5.5 Social Senior Preferred Notes - mtn 857	October, 2021	April, 2028	Fixed rate 1.75% per year until Apr-27/after + Euribor 3M	500,000	495,935
					2,728,317
Accruals					17,514
					2,745,831

This balance, as at 31 December 2021, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	–	–	–	2,000	710,000	712,000
Covered bonds	–	999,333	–	–	–	999,333
MTNs	3,000	9,590	9,964	–	994,430	1,016,984
	3,000	1,008,923	9,964	2,000	1,704,430	2,728,317

This balance, as at 31 December 2020, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	–	2,543	–	2,000	710,000	714,543
Covered bonds	–	–	–	997,765	–	997,765
MTNs	36,377	32,520	–	22,614	–	91,511
	36,377	35,063	–	1,022,379	710,000	1,803,819

32. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Bonds		
Non Perpetual	1,042,761	961,804
Accruals	15,767	15,078
	1,058,528	976,882

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 (*)
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See ref. (i)	300,000	299,527	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See ref. (ii)	450,000	445,098	450,000
BCP Tier 2 Subordinated Callable Notes Due May 2032 Mtn 858	November, 2021	May, 2032	See ref. (iii)	300,000	298,136	300,000
					1,042,761	1,050,000
Accruals					15,767	–
					1,058,528	1,050,000

(*) 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 swaps 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.

As at 31 December 2020, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	5,573
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	3,241
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	2,158
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See ref. (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See ref. (ii)	450,000	449,688	450,000
					961,804	760,972
Accruals					15,078	—
					976,882	760,972

(*) 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 swaps rate in force at the beginning of that period).

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2021	2020
Up to 3 months	—	114,000
3 to 6 months	—	99,100
Over 5 years	1,042,761	748,704
	1,042,761	961,804
Accruals	15,767	15,078
	1,058,528	976,882

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2021	2020
Trading derivatives (note 22):		
Swaps	199,654	241,244
Options	45	40
Embedded derivatives	67	137
Forwards	439	2,513
	200,205	243,934
Level 2	200,060	241,171
Level 3	145	2,763

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

The balance Financial liabilities held for trading includes, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1.B5., in the amount of Euros 67,000 (31 December 2020: Euros 137,000). This note should be analysed together with note 22.

34. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Deposits from customers	–	258,528
Debt securities at fair value through profit and loss		
Medium term notes (MTNs)	620,048	662,016
Accruals	–	1
	620,048	662,017
Certificates	961,730	678,860
	1,581,778	1,599,405

As at 31 December 2021, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	83,394	82,767
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	28,707	28,458
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn25	December, 2018	December, 2023	Indexed to 3 shares portfolio	94,908	95,611
Bcp Rend Acoes Eur Cupao Min Autoc Ii19 Smtn Sr32	February, 2019	February, 2022	Indexed to 3 shares portfolio	8,040	8,167
Bcp Cabaz 3 Acoes Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to 3 shares portfolio	73,620	73,476
Bcp Acoes Eur Rend Min Aut Iii19 12Mar22 Smtn34	March, 2019	March, 2022	Indexed to 3 shares portfolio	5,630	5,614
Bcp Tit Div Mill Cabaz 3 Acoes 8Abr24 Smtn Sr35	April, 2019	April, 2024	Indexed to 3 shares portfolio	67,285	66,961
Bcp Tit Div Mill Cabaz 4 Acoes 5Junho24 Smtn Sr38	June, 2019	June, 2024	Indexed to 4 shares portfolio	84,000	85,198
Bcp Tit Div Mill Cabaz 5 Ac 26Julho2024 Smtn42	July, 2019	July, 2024	Indexed to 5 shares portfolio	77,531	77,763
Bcp Tit Div Millennium Cabaz 5 Ac 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to 5 shares portfolio	96,555	96,033
					620,048
Accruals					—
					620,048

As at 31 December 2021, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2021					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at fair value through profit and loss						
MTNs	13,781	—	—	—	606,267	620,048
Certificates	—	—	—	—	961,730	961,730
	13,781	—	—	—	1,567,997	1,581,778

As at 31 December 2020, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	96,517	158,123	2,660	1,228	—	258,528
Debt securities at fair value through profit and loss						
MTNs	1,933	4,879	7,790	647,414	—	662,016
Certificates	—	—	—	—	678,860	678,860
	98,450	163,002	10,450	648,642	678,860	1,599,404

35. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Provision for guarantees and other commitments	99,591	89,678
Other provisions for liabilities and charges	264,591	180,757
	364,182	270,435

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	89,678	102,068
Other transfers (note 19)	(1,651)	(14,885)
Charge for the year (note 13)	11,562	2,498
Exchange rate differences	2	(3)
Balance at the end of the year	99,591	89,678

As at 31 December 2020, the balance Other transfers included the amount of Euros 14,885,000 corresponded to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	2021	2020
Balance on 1 January	180,757	158,378
Transfers	358	41
Charge of the year for restructuring costs (note 7)	84,152	–
Charge for the year (note 13)	112,312	35,178
Reversals for the year (note 13)	(73)	(182)
Amounts charged-off	(112,915)	(12,658)
Balance at the end of the year	264,591	180,757

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for lawsuits, frauds and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 36,383,000 (31 December 2020: Euros 61,720,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

The Bank's Board of Directors approved in April 2021 the employee reduction plan. The decision was taken based on a thorough analysis of needs and existing capacity, considering the specifics of the Bank, the changes in behaviour and needs of customers, the impact of new technologies on business models and processes, as well as the developments that are expected for the Bank.

The implementation of this plan started in mid-June, having been contacted throughout the 3rd quarter all employees covered by the program, which included early retirements and terminations. For diverse reasons, the effective departure of some Employees was agreed for dates during the first half of 2022.

There are provisions for liabilities and charges recorded for ongoing sale processes of corporate restructuring funds.

In view of the initiatives that had already been developed on 30 June 2021, the Bank considered that the requirements defined in IAS 37 - Provisions, Contingent Liabilities and Contingent Assets for the recognition of restructuring costs in its accounts for the first half of 2021 were met. Thus, during the first semester of 2021, was recorded in personnel costs, a provision for restructuring costs in the amount of Euros 81,373,000, which was reinforced in December in the amount of Euros 2,779,000, which makes a total of Euros 84,152,000 in 2021 (note 7). As at 31 December 2021, the balance of the provision for restructuring costs amounts to Euros 4,692,000 (Euros 84,152,000 reflected in balance Charge of the year for restructuring cost and Euros 79,460,000 in balance Amounts charged-off), of which Euros 2,297,000 refer to agreements already concluded with some employees whose effective departures will occur during the first half of 2022 and Euros 2,395,000 refer to future costs with the health protection of former Employees, who left the Bank as part of the employees reduction process developed in 2021.

36. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Creditors:		
Suppliers	35,716	28,628
From factoring operations	32,113	40,045
Deposit account applications and others applications	56,246	36,820
For futures and options transactions	14,356	6,852
Liabilities not covered by the Group Pension Fund - amounts payable by the Bank	6,289	10,205
Rents to pay	144,340	157,806
Other creditors		
Residents	47,494	45,815
Non-residents	2,029	6,372
Public sector	31,384	28,371
Interests and other amounts payable	42,975	38,801
Deferred income	6,755	6,436
Holiday pay and subsidies	38,581	42,629
Transactions on securities to be settled	33,035	50,821
Operations to be settled - foreign, transfers and deposits	29,257	19,931
Other sundry liabilities	118,336	94,745
	638,906	614,277

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 4,045,000 (31 December 2020: Euros 4,072,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Bank has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, according to the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	2021	2020
Until 1 year	1,188	833
1 to 5 years	69,453	69,043
Over 5 years	81,906	97,389
	152,547	167,265
Accrued costs recognised in Net interest income	(8,207)	(9,459)
	144,340	157,806

37. Share capital and Other equity instruments

As at 31 December 2021, the Bank's share capital amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

As at 31 December 2021, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2021, the Other equity instruments, in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

As at 31 December 2021, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	Number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,525,940,191	29.95%	29.95%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	404,590,600	2.68%	2.68%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	8,188,500,849	54.18%	54.18%

(*) In accordance with the announcement on 30 April 2021 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

38. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2020 financial year approved at the General Shareholders' Meeting held on 20 May 2021, the Bank increased its legal reserves in the amount of Euros 5,064,000. Thus, the Legal Reserves amount to Euros 259,528,000 (31 December 2020: Euros 254,464,000).

39. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	121,549	214,448
Equity instruments	(49,587)	(55,809)
Cash-flow hedge	(58,980)	270,367
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	245	593
	13,227	429,599
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(38,045)	(67,100)
Equity instruments	11,741	11,673
Cash-flow hedge	18,461	(84,625)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(77)	(186)
	(7,920)	(140,238)
	5,307	289,361
Other reserves and retained earnings	373,924	245,857
	379,231	535,218
Legal reserve (note 38)	259,528	254,464
	638,759	789,682

(*) Includes the effects arising from the application of hedge accounting.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1.B.

During 2021, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2021	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2021
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	90,611	(71,923)	60,402	920	(38,371)	41,639
Others	123,837	(51,442)	31,561	3,472	(27,518)	79,910
	214,448	(123,365)	91,963	4,392	(65,889)	121,549
Equity instruments	(55,809)	(670)	—	—	6,892	(49,587)
	158,639	(124,035)	91,963	4,392	(58,997)	71,962

During 2020, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2020	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2020
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	39,840	29,644	76,241	1,826	(56,940)	90,611
Others	64,513	77,601	(12,406)	8,536	(14,407)	123,837
	104,353	107,245	63,835	10,362	(71,347)	214,448
Equity instruments	(43,616)	(17,534)	—	—	5,341	(55,809)
	60,737	89,711	63,835	10,362	(66,006)	158,639

40. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2021	2020
Guarantees granted		
Guarantees	3,319,778	3,281,193
Stand-by letter of credit	44,567	46,084
Open documentary credits	202,786	208,913
Bails and indemnities	136,145	137,135
Other liabilities	10,000	108,850
	3,713,276	3,782,175
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	–	150,000
Irrevocable credit lines	1,978,317	2,080,170
Securities subscription	70,017	75,362
Other irrevocable commitments	123,960	116,088
Revocable commitments		
Revocable credit lines	5,340,650	5,455,500
Bank overdraft facilities	1,008,675	959,392
Other revocable commitments	70,356	112,363
	8,591,975	8,948,875
Guarantees received	25,507,947	23,886,504
Commitments from third parties	13,455,702	12,649,232
Securities and other items held for safekeeping	71,141,370	66,845,519
Securities and other items held under custody by the Securities Depository Authority	89,532,813	81,733,478
Other off balance sheet accounts	128,573,683	123,848,449

The guarantees granted by the Bank may be related to loans transactions, where the Bank grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 35).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1.B. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

41. Assets under management and custody

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of euros)

	2021	2020
Assets under deposit	66,636,780	62,891,829
Wealth management (*)	3,866,341	2,901,172
	70,503,121	65,793,001

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

42. Transfers of assets

The Bank 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 2021 and 2020, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 31 December 2021 and 2020, 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 Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2021, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2021			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	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

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2021, corresponds to the NAV estimated with reference to that date.

The following aspects should also be mentioned, among others: (i) for 3 funds the latest Audit Reports available (for 2 funds with reference to 31 December 2021 and for 1 fund with reference to 30 June 2021) do not include neither reserves or emphasis; (ii) for 2 funds whose latest Limited Audit Reports available (with reference to 30 June 2021) and the latest Audit Reports available (with reference to 31 December 2020) do not include reserves but includes an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund); (iii) for 2 funds the latest Audit Reports available (with reference to 31 December 2020) do not include reserves but includes an emphasis related to the impacts and uncertainties of COVID-19 (for 1 fund); (iv) the funds are subject to supervision by the competent authorities.

As a result of updating the estimates of the NAV as at 31 December 2021, the Bank recognised a negative impact of Euros 34,791,000 under the balance Gains/(losses) in financial operations at fair value through profit or loss.

There are currently ongoing sale processes of funds/assets managed by ECS Capital (FLIT-PTREL, FRT and three assets/ property of Fundo FR). Following the receipt of two binding proposals, in October, negotiations are currently underway with the selected investor regarding the final terms of the potential transaction and respective contractual documentation, with no decision being taken by the Bank at this date as to its conclusion. In parallel, the Discovery Fund is being sold, and no binding proposals have been received to date.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Bank still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2020			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

(*) Corresponds to supplementary capital contributions initially recorded for Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2020, corresponds to the estimated NAV with reference to that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of COVID-19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2020 and to 30 June 2020 and the latest Audit reports available with reference to 31 December 2019 for 2 funds, which include an emphasis related to COVID-19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Group has no intention to sell these assets for a lower value than the respective NAV.

As a result of updating the estimates of the NAV as at 31 December 2020, the Group recognised a negative impact of Euros 72,370,000 under the balance Gains/(losses) in financial operations at fair value through profit or loss.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2021			2020		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	278,385	13,615	292,000	277,351	14,649
Fundo Reestruturação Empresarial FCR	51,212	46,486	4,726	55,115	50,028	5,087
FLIT-PTREL	244,337	244,337	—	242,889	242,889	—
Fundo Recuperação FCR	206,805	188,771	18,034	206,805	188,262	18,543
Fundo Aquarius FCR	134,801	120,162	14,639	142,627	127,138	15,489
Discovery Real Estate Fund	158,991	158,991	—	158,214	158,214	—
Fundo Vega FCR	49,616	46,968	2,648	49,616	46,601	3,015
	1,137,762	1,084,100	53,662	1,147,266	1,090,483	56,783

There are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 15,248,000 and Euros 1,107,000, respectively (31 December 2020: Euros 16,696,000 and Euros 1,884,000, respectively).

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2021	2020
Loans and advances to customers	110,786	146,252
Guarantees granted and irrevocable credit lines	41,244	40,792
Gross exposure	152,030	187,044
Impairment	(22,445)	(55,227)
Net exposure	129,585	131,817

43. Relevant events occurred during 2021

Partnership for the insurance market in Mozambique and the sale of a shareholding in Seguradora Internacional Moçambique, S.A.

As at 31 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) ("BIM") formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA ("Fidelidade"), 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 ("SIM"), 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.

Issue of subordinated notes

On 10 November 2021, Banco Comercial Português, S.A. ("BCP") set the terms of a new issue of subordinated notes (the "Notes") under its Euro Note Programme. The Notes are expected to be eligible as Tier 2 own funds.

The issue will be in the aggregate amount of Euros 300 million, with a tenor of 10.5 years and the option of early redemption by the Bank at any time during the six months between year 5 and year 5.5, a fixed annual interest rate of 4% during the first 5.5 years (corresponding to a spread of 4.065% (the "Spread") over the 5-6 year mid-swap rate). From year 5.5 to maturity the interest rate will be determined on the basis of the then applicable 5-year mid-swap rate plus the Spread.

The Notes were placed with a very diversified group of European institutional investors.

The issue is part of BCP's strategy of continuing optimization of its capital structure, reinforcement of own funds and MREL (Minimum Requirements for Own Funds and Eligible Liabilities) eligible liabilities, as well as regularly accessing the international capital markets.

Completion of the sale of Banque Privée BCP (Suisse) SA

Banco Comercial Português, S.A. ("BCP") entered on 29 June 2021 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").

On 2 November 2021, the sale of the entire share capital of Banque Privée to Union Bancaire Privée, UBP SA has been completed after obtaining the non-opposition by the competent local supervisory authorities and the satisfaction of the remaining relevant conditions.

The amount received for the sale of Banque Privée's share capital is CHF 113,210,965 reflecting the distribution of dividends and the share capital reduction that have occurred in the meantime. Considering this amount, the transaction has a (positive) impact on the consolidated results for the current year, on a pro forma basis as at 30 September 2021, of approximately Euros 46 million and a positive impact on the consolidated CET1 ratio of 15 basis points and on total capital of 17 basis points, confirming the amounts previously announced. The final price is still subject to adjustments arising from the evolution of assets under management and the activity of Banque Privée BCP (Suisse) SA.

The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

Inaugural issue of social senior preferred notes

As at 29 September 2021, Banco Comercial Português, SA (“Millennium bcp” or “Bank”) has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer.

The issue, in the amount of Euros 500 million, will have a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00% ("Issue").

This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context.

The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base.

The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, recognition of Millennium bcp's commitments in terms of sustainable financing.

Notification by Banco de Portugal of its MREL requirements

Banco Comercial Português, S.A. ("BCP" or the "Bank") informs that it has been notified by Banco de Portugal, as the national resolution authority, about the establishment of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board.

MREL requirements aim to ensure that banks are provided with sufficient own funds and eligible liabilities to guarantee their capacity to absorb losses and recapitalise in adverse scenarios, thus ensuring the continuity of their activity.

The resolution strategy applied continues to be that of a multiple point of entry ("MPE"), with three different BCP Group resolution groups (in addition to the BCP resolution group, the resolution groups corresponding to (i) Bank Millennium, S.A. and its subsidiaries and (ii) Banco Internacional de Moçambique S.A. and its subsidiaries).

The MREL requirements to be met by BCP, on a consolidated basis (taking as reference BCP’s resolution group, which is composed of the Bank, 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:

a. 23.79% 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 27.29%); and

b. 7.23% of the leverage ratio exposure measure ("LRE").

The Bank's compliance with these requirements must be ensured by 1 January 2024, with an interim target set at 1 January 2022, by which BCP must comply with a requirement of:

a. 18.17% of TREA (to which adds a further 3.25% CBR requirement, thus corresponding to a total requirements of 21.42%); and

b. 7.23% 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 consistent with its ongoing funding plan, and based on the information available to date, the compliance with the respective MREL requirements established for 1 January 2022, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE, are already ensured, considering the senior preferred debt and subordinated debt (Tier 2) issues carried out in 2021.

2021 EU-Wide Stress Test Results

Banco Comercial Português, S.A. ("BCP") was subject to the 2021 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Bank of Portugal, the European Central Bank (ECB), and the European Systemic Risk Board (ESRB).

BCP notes the announcements made today by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise, comprising 50 banks that together represent around 70% of total banking assets in the European Union.

The 2021 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist competent authorities in assessing BCP ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). The stress test has been carried out applying a static balance sheet assumption as of December 2020, and therefore does not take into account future business strategies and management actions and do not represent a forecast of BCP profits.

Detailed information on the results of BCP in the stress test is available on the EBA website (www.wba.europa.eu). Considering the results of BCP, in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 406 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an average reduction of 485 b.p. in the universe of 50 banks submitted to this exercise);

- the application of the base scenario resulted in an increase of 163 b.p. in the fully loaded CET1 capital ratio at the end of 2023 versus the data as at December 2020 (which compares with an increase of 78 b.p. in the universe of 50 banks submitted to this exercise).

Upgrade of deposits ratings by Moody’s to Baa2/Prime-2

Moody’s rating agency upgraded in one-notch BCP's deposits ratings from Baa3/Prime-3 to Baa2/Prime-2, driven by the higher rating uplift for the deposits, stemming from the upgrade of Portugal’s sovereign bond rating. This upgrade and the affirmation of the senior unsecured debt ratings of Ba1 reflect the reaffirmation of BCP’ BCA (Baseline Credit Assessment) and Adjusted BCA, Moody's Advanced LGF (Loss Given Failure) analysis and unchanged moderate government support assumptions for BCP.

The outlook on BCP's 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.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. held as at 20 May 2021, the Annual General Shareholders' Meeting, by exclusively electronic means, with the participation of Shareholders holding 64.88% of the respective share capital, with the following deliberations:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2020 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the Dividend Policy;

Item Five – Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Six – Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;

Item Seven – Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;

Item Eight – Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External in the triennial 2021/2023;

Item Nine – Approval of the renewal of the authorisation granted by Article 5 (1) of the Bank's Articles of Association;

Item Ten – Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Amendments of terms of the Covered Bonds

On 23 March 2021, Banco Comercial Português, SA (Bank) changed the conditions of the Covered Bonds with the ISIN PTBIPGOE0061, having changed the maturity date from 18 May 2021 to 18 October 2024 and the extended maturity date from 18 May 2022 to 18 October 2025. Regarding the Covered Bonds with the ISIN PTBCSFOE0024, the maturity date was changed from 29 July 2021 to 29 October 2025 and the extended maturity date from 29 July 2022 to 29 October 2026.

Issue of senior preferred debt securities

On 5 February 2021, Banco Comercial Português, S.A. (Bank) has fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of Euros 500 million, will have a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread. The transaction was placed with a very diversified group of European institutional investors.

44. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks, it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -1% (ECB deposit rate - 50 bp) as at 31 December 2021 and 2020.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2021	2020	2021	2020	2021	2020	2021	2020
EUR	1.18%	0.84%	2.24%	1.81%	-0.09%	-0.18%	0.21%	-0.17%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.42%	0.29%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.88%	0.59%
CHF	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.32%	-0.37%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.19%	2.35%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.20%	-0.12%
GBP	n.a.	0.45%	n.a.	3.19%	n.a.	n.a.	0.52%	0.28%
HKD	n.a.	n.a.	0.80%	0.43%	n.a.	n.a.	0.02%	0.07%
MOP	n.a.	n.a.	1.19%	0.37%	n.a.	n.a.	0.28%	0.43%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.33%	0.79%
PLN	n.a.	n.a.	6.74%	n.a.	n.a.	n.a.	2.44%	0.42%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	0.29%
USD	n.a.	0.62%	2.40%	1.26%	0.41%	0.58%	0.51%	0.51%
ZAR	7,16%	n.a.	n.a.	n.a.	n.a.	n.a.	5.91%	6.28%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt instruments

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments remunerated for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional customers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 4.80% (31 December 2020: 5.68%). Regarding the subordinated issues placed on the retail market it was determined, in 31 December 2020, a discount rate of 1.90%. For senior and collateralised securities placed on the retail market, the average discount rate was 0.12% (31 December 2020: -0.10%).

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a negative amount of Euros 15,286,000 (31 December 2020: a positive amount of Euros 287,000), and includes a payable amount of Euros 67,000 (31 December 2020: a payable amount of Euros 137,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	2021				2020			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.59%	0.11%	0.19%	1.99%	-0.55%	0.33%	0.09%	0.04%
7 days	-0.59%	0.14%	0.21%	1.99%	-0.54%	0.34%	0.09%	0.04%
1 month	-0.56%	0.14%	0.25%	2.13%	-0.54%	0.31%	0.11%	0.10%
2 months	-0.56%	0.16%	0.32%	2.28%	-0.53%	0.30%	0.11%	0.10%
3 months	-0.56%	0.21%	0.38%	2.44%	-0.52%	0.30%	0.12%	0.11%
6 months	-0.54%	0.33%	0.56%	2.74%	-0.49%	0.32%	0.15%	0.15%
9 months	-0.51%	0.47%	0.76%	2.89%	-0.47%	0.34%	0.17%	0.15%
1 year	-0.49%	0.52%	0.89%	3.71%	-0.52%	0.19%	0.18%	0.14%
2 years	-0.30%	0.92%	1.20%	3.93%	-0.52%	0.20%	0.03%	0.21%
3 years	-0.15%	1.15%	1.30%	3.88%	-0.51%	0.24%	0.09%	0.32%
5 years	0.02%	1.34%	1.29%	3.74%	-0.46%	0.43%	0.19%	0.61%
7 years	0.13%	1.45%	1.24%	3.63%	-0.38%	0.65%	0.28%	0.83%
10 years	0.30%	1.56%	1.21%	3.54%	-0.27%	0.92%	0.40%	1.09%
15 years	0.49%	1.68%	1.18%	3.74%	-0.07%	1.18%	0.52%	1.47%
20 years	0.55%	1.74%	1.15%	3.86%	0.01%	1.31%	0.57%	1.57%
30 years	0.48%	1.72%	1.10%	3.86%	-0.03%	1.40%	0.57%	1.57%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2021:

(Thousands of euros)

	2021				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	6,769,061	6,769,061	6,769,061
Loans and advances to credit institutions repayable on demand	—	—	196,967	196,967	196,967
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	50,184	50,184	48,091
Loans and advances to customers (i)	—	—	36,917,137	36,917,137	36,715,945
Debt instruments	—	—	7,181,596	7,181,596	7,227,670
Financial assets at fair value through profit or loss					
Financial assets held for trading	894,911	—	—	894,911	894,911
Financial assets not held for trading mandatorily at fair value through profit or loss	1,188,309	—	—	1,188,309	1,188,309
Financial assets at fair value through other comprehensive income	—	8,480,521	—	8,480,521	8,480,521
Hedging derivatives (ii)	105,921	—	—	105,921	105,921
	2,189,141	8,480,521	51,114,945	61,784,607	61,627,396
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	11,014,094	11,014,094	11,057,003
Resources from customers (i)	—	—	45,608,375	45,608,375	45,613,068
Non subordinated debt securities issued (i)	—	—	2,745,831	2,745,831	2,730,545
Subordinated debt (i)	—	—	1,058,528	1,058,528	1,114,794
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	200,205	—	—	200,205	200,205
Financial liabilities designated at fair value through profit or loss	1,581,778	—	—	1,581,778	1,581,778
Hedging derivatives (ii)	242,900	—	—	242,900	242,900
	2,024,883	—	60,426,828	62,451,711	62,540,293

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2020:

(Thousands of euros)

	2020				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	4,650,772	4,650,772	4,650,772
Loans and advances to credit institutions repayable on demand	–	–	101,809	101,809	101,809
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	350,896	350,896	350,415
Loans and advances to customers (i)	–	–	35,029,071	35,029,071	35,081,003
Debt instruments	–	–	5,577,875	5,577,875	5,665,739
Financial assets at fair value through profit or loss					
Financial assets held for trading	945,317	–	–	945,317	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	1,277,826	–	–	1,277,826	1,277,826
Financial assets at fair value through other comprehensive income	–	8,085,669	–	8,085,669	8,085,669
Hedging derivatives (ii)	74,704	–	–	74,704	74,704
	2,297,847	8,085,669	45,710,423	56,093,939	56,233,254
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	10,960,177	10,960,177	11,042,050
Resources from customers (i)	–	–	41,380,458	41,380,458	41,385,408
Non subordinated debt securities issued (i)	–	–	1,814,653	1,814,653	1,814,940
Subordinated debt (i)	–	–	976,882	976,882	972,121
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	243,934	–	–	243,934	243,934
Financial liabilities designated at fair value through profit or loss	1,599,405	–	–	1,599,405	1,599,405
Hedging derivatives (ii)	121,559	–	–	121,559	121,559
	1,964,898	–	55,132,170	57,097,068	57,179,417

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/ other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSA's), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2021:

(Thousands of euros)

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	6,769,061	–	–	6,769,061
Loans and advances to credit institutions repayable on demand	196,967	–	–	196,967
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	48,091	48,091
Loans and advances to customers	–	–	36,715,945	36,715,945
Debt instruments	5,715,586	169,305	1,342,779	7,227,670
Financial assets at fair value through profit or loss				
Financial assets held for trading	480,258	155,491	259,162	894,911
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,188,309	1,188,309
Financial assets at fair value through other comprehensive income	8,117,166	176,791	186,564	8,480,521
Hedging derivatives	–	105,921	–	105,921
	21,279,038	607,508	39,740,850	61,627,396
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	11,057,003	11,057,003
Resources from customers	–	–	45,613,068	45,613,068
Non subordinated debt securities issued	–	–	2,730,545	2,730,545
Subordinated debt	–	–	1,114,794	1,114,794
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	200,060	145	200,205
Financial liabilities designated at fair value through profit or loss	961,730	–	620,048	1,581,778
Hedging derivatives	–	242,900	–	242,900
	961,730	442,960	61,135,603	62,540,293

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2020:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,650,772	–	–	4,650,772
Loans and advances to credit institutions repayable on demand	101,809	–	–	101,809
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	350,415	350,415
Loans and advances to customers	–	–	35,081,003	35,081,003
Debt instruments	3,796,492	229,830	1,639,417	5,665,739
Financial assets at fair value through profit or loss				
Financial assets held for trading	421,754	238,513	285,050	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,277,826	1,277,826
Financial assets at fair value through other comprehensive income	7,717,765	169,116	198,788	8,085,669
Hedging derivatives	–	74,704	–	74,704
	16,688,592	712,163	38,832,499	56,233,254
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	11,042,050	11,042,050
Resources from customers	–	–	41,385,408	41,385,408
Non subordinated debt securities issued	–	–	1,814,940	1,814,940
Subordinated debt	–	–	972,121	972,121
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	241,171	2,763	243,934
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	121,559	–	121,559
	678,860	362,730	56,137,827	57,179,417

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2021 is presented as follows:

(Thousands of euros)

	2021			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	285,050	1,277,826	198,788	2,763
Gains / (losses) recognised in:				
Results on financial operations	(10,222)	(56,346)	–	–
Net interest income	30	–	2,453	–
Transfers between levels	1,278	–	–	(2,763)
Increase / (reduction) share capital (Investment fund units)	–	(5,700)	–	–
Purchases / (Sales, repayments or amortisations)	(16,977)	(27,951)	(10,539)	145
Gains / (losses) recognised in reserves	–	–	(4,723)	–
Exchange rate differences	–	524	640	–
Accruals of interest	3	(44)	(55)	–
Balance as at 31 December	259,162	1,188,309	186,564	145

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2020 is presented as follows:

(Thousands of euros)

	2020			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	291,722	1,444,772	208,126	–
Gains / (losses) recognised in:				
Results on financial operations	(452)	(101,402)	–	–
Net interest income	22	–	1,234	–
Transfers between levels	151	–	7,003	2,763
Increase / (reduction) share capital	–	(1,500)	–	–
Purchases / (Sales, repayments or amortisations)	(6,393)	(64,044)	(4,682)	–
Gains / (losses) recognised in reserves	–	–	(12,829)	–
Accruals of interest	–	–	(64)	–
Balance as at 31 December	285,050	1,277,826	198,788	2,763

45. Post-employment benefits and other long-term benefits

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1.R.

The number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	**2021**	**2020**
Pensioners	17,167	17,003
Former attendees acquired rights	3,412	3,161
Employees	6,188	6,923
	26,767	27,087

In accordance with the accounting policy described in note 1.R., the Bank's retirement pension liabilities and other benefits and the respective coverage for the Group, based on the Projected Unit credit method are analysed as follows:

(Thousands of euros)

	2021	**2020**
Actual amount of the past services		
Pensioners	2,452,151	2,430,504
Former attendees acquired rights	250,973	242,245
Employees	766,818	955,677
	3,469,942	3,628,426
Pension Fund Value	(3,669,024)	(3,720,543)
Net (assets)/liabilities in balance sheet (note 28)	(199,082)	(92,117)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,512,581	3,645,840

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which in 31 December 2021 amounted to Euros 260,168,000 (31 December 2020: Euros 285,421,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

In 2021, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements Group, to conclude the full revision of the respective clauses, negotiations which are still ongoing.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2021	2020
Balance as at 1 January	3,628,426	3,464,591
Service cost	(14,156)	(14,948)
Interest cost / (income)	42,692	49,475
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	57,314	30,980
Arising from changes in actuarial assumptions	(165,384)	195,438
Payments	(122,458)	(115,825)
Early retirement programmes and terminations by mutual agreement (note 7)	36,632	11,708
Contributions of employees	7,273	7,714
Transfer from / (to) other plans (a)	(397)	(707)
Balance at the end of the year	3,469,942	3,628,426

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The pensions paid by the Fund, including the Additional Complement, amounts to Euros 122,458,000 (31 December 2020: Euros 115,825,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 308,862,000 (31 December 2020: Euros 333,102,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability amounts to Euros 40,811,000 (31 December 2020: Euros 41,018,000), in order to pay:

(i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
(ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group, and Ageas Group is 49% owned by the BCP Group.

The changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2021	2020
Balance as at 1 January	3,720,543	3,474,754
Actuarial gains / (losses)	25,189	139,375
Contributions to the Fund	–	171,594
Payments	(122,458)	(115,825)
Expected return on plan assets	38,288	43,212
Employees' contributions	7,273	7,714
Transfer from / (to) other plans (a)	(397)	(707)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	586	426
Balance at the end of the year	3,669,024	3,720,543

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The elements that make up the share value of the Bank in the assets of the Pension Fund are analysed as follows:

(Thousands of euros)

	2021			2020		
Asset class	**Assets with market price in active market**	**Remaining**	**Total Portfolio**	**Assets with market price in active market**	**Remaining**	**Total Portfolio**
Shares	393,997	1,088	395,085	417,205	104,254	521,459
Bonds and other fixed income securities	1,365,803	4,780	1,370,583	1,919,334	4,571	1,923,905
Participations units in investment funds	–	1,176,220	1,176,220	–	395,548	395,548
Participation units in real estate funds	–	302,186	302,186	–	259,480	259,480
Properties	–	237,830	237,830	–	237,924	237,924
Loans and advances to credit institutions and others	–	187,120	187,120	–	382,227	382,227
	1,759,800	1,909,224	3,669,024	2,336,539	1,384,004	3,720,543

The balance Shares includes, in 31 December 2020, an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation amounts to Euros 102,812,000. The Fund sold this participation to Achmea in December 2021.

The balance Properties includes buildings booked in the Fund's financial statements and used by the Group's companies which amounts to Euros 237,830,000 (31 December 2020: Euros 237,924,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2021	2020
Shares	4,105	–
Bonds and other fixed income securities	15,257	12,132
Loans and advances to credit institutions and others	168,691	409,930
	188,053	422,062

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2021	2020
Balance as at 1 January	(92,117)	(10,163)
Recognised in the income statement:		
Service cost	(14,156)	(14,948)
Interest cost / (income) net of the balance liabilities coverage	4,404	6,263
Cost with early retirement programs (note 7)	36,632	11,708
Amount transferred to the Fund resulting from acquired rights		
unassigned related to the Complementary Plan	(586)	(426)
	26,294	2,597
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(25,189)	(139,375)
Difference between expected and effective obligations	57,314	30,980
Arising from changes in actuarial assumptions	(165,384)	195,438
	(133,259)	87,043
Contributions to the fund	–	(171,594)
Balance at the end of the year	(199,082)	(92,117)

The estimated contributions to be made in 2022, by the employees, for the Defined Benefit Plan amount to Euros 6,553,000.

In accordance with IAS 19, the Bank accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2021	2020
Current service cost	(14,156)	(14,948)
Net interest cost in the liability coverage balance	4,404	6,263
Cost with early retirement programs (note 7)	36,632	11,708
Amount transferred to the Fund resulting from acquired rights		
unassigned related to the Complementary Plan	(586)	(426)
(Income) / Cost of the year	26,294	2,597

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Board of directors plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Bank has the responsibility of supporting the cost with: (i) the retirement pensions of former Group's Executive Board Members; and (ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.
In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase constant immediate life annuity insurance policies. These policies do not cover the update of contracted responsibilities through perpetual annuities policies.

Assumptions used in the assessment of responsibilities

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2021	2020
Salary growth rate (c)	0.75%	0.75%
Pensions growth rate (c)	0.50%	0.50%
Discount rate / Projected Fund's rate of return	1.35%	1.05%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 6 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

For 2021, the retirement age is 66 years and 6 months, for 2022 it is 66 years and 7 months. For 2023, due to the evolution of the average life expectancy at 65 years in Portugal and, consequently, the reduction of the normal retirement age in RGSS, the estimate of the normal retirement age was reduced to 66 years and 4 months.

For the projection of life expectancy's increment it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

c) This rate refers to the growth for the years following the reporting year. For the reporting year, an update of the salary table was incorporated, consistent with the proposal that the Group intends to make to the Bank's employees representative trade unions, in the context of the ongoing salary negotiations.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 31 December 2021, the Group used a discount rate of 1.35% (31 December 2020: 1.05%).

The Actuarial losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2021		2020	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Difference between expected and actual liabilities		57,314		30,980
Changes on the assumptions:				
Discount rate		(165,384)		195,437
Difference between expected income and income from funds	1.92%	(25,189)	5.77%	(139,374)
		(133,259)		87,043

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2021		2020	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	133,739	(126,173)	150,862	(141,956)
Pensions increase rate	(142,429)	150,052	(157,490)	166,119
Increase in future compensation levels	(31,929)	35,012	(39,926)	43,280

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2021		2020	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	127,542	(126,827)	137,659	(136,650)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy.

Defined contribution plan

According to what is described in accounting policy 1.R3., in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during the year of 2021 and 2020, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year 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.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Bank accounted as staff costs the amount of Euros 249,000 (31 December 2020: Euros 218,000) related to this contribution.

46. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 52 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies and also in accordance with Article no. 33 of Notice 3/2020 of the Bank of Portugal, are considered related parties as well, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 37.

A) Transactions with qualified shareholders

The balances reflected in assets of individual balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2021	2020
Assets		
Financial assets at amortised cost		
Loans and advances to customers	146,831	65,971
Debt instruments	79,673	137,492
Financial assets at fair value through profit or loss		
Financial assets held for trading	2,881	5,243
Financial assets at fair value through other comprehensive income	136,849	134,527
Other Assets	48	53
	366,282	343,286
Liabilities		
Resources from customers	298,340	303,263
	298,340	303,263

The amounts of Financial assets at amortised cost cost are net of impairment in the amount of Euros 2,988,000 (31 December 2020: Euros 363,000) to Loans and advances to customers and to Debt instruments the amount Euros 347,000 (31 December 2020: Euros 193,000).

The transactions with qualified shareholders, reflected in the individual income statement items, are as follows:

(Thousands of euros)

	2021	2020
Income		
Interest and similar income	9,979	11,903
Commissions income	5,358	8,812
	15,337	20,715
Costs		
Interest and similar expenses	—	2
Commissions expenses	122	85
	122	87

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2021	2020
Guarantees granted	47,271	44,173
Revocable credit lines	123,647	57,977
Irrevocable credit lines	150,000	151,000
	320,918	253,150

The Bank recorded impairment for Guarantees granted in the amount of Euros 86,000 (31 December 2020: Euros 48,000), for Revocable credit lines the amount of Euros 184,000 (31 December 2020: Euros 37,000) and for Irrevocable credit lines the amount of Euros 26,000 (31 December 2020: Euros 22,000).

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the individual balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	2	3	7,272	5,540
Executive Committee (*)	65	78	1,628	937
Closely related people	229	258	2,210	1,575
Controlled entities	–	–	45	31
Key management members				
Key management members	6,107	6,910	9,996	8,856
Closely related people	1,131	823	5,224	4,306
Controlled entities	2	8	2,232	2,298
	7,536	8,080	28,607	23,543

(*) The balance Loans and advances to customers corresponds to the mortgage credit granted previously to the respective election and to the amount used from private credit cards that is of mandatory liquidation on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, no credits were granted during 2021 and in 2020.

The transactions with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	–	–	46	37
Executive Committee	–	–	9	8
Closely related people	3	–	6	4
Key management members				
Key management members	23	26	62	47
Closely related people	9	12	38	38
Controlled entities	–	–	8	9
	35	38	169	143

The transactions with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	4	111	1	—
Closely related people	1	—	—	—
Key management members				
Key management members	6	9	4	1
Closely related people	1	1	1	1
Controlled entities	—	—	2	2
	12	121	8	4

The revocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Irrevocable credit lines		Revocable credit lines	
	2021	2020	2021	2020
Board of Directors				
Non-executive directors	—	—	91	47
Executive Committee (*)	—	—	175	161
Closely related people	—	—	40	24
Key management members				
Key management members	—	—	738	665
Closely related people	23	—	169	189
Controlled entities	—	—	27	22
	23	—	1,240	1,108

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The shareholder and bondholder position of members of the Board of Directors, Key management members and people closely related to the previous categories, as well as the movements occurred during 2021, are as follows:

Shareholders/Bondholders	Security	Number of securities 2021	Number of securities 2020	Acquisitions		Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS								
Ana Paula Alcobia Gray	BCP Shares	0	0					
Cidália Maria da Mota Lopes (1)	BCP Shares	2,184	2,184					
Fernando da Costa Lima	BCP Shares	18,986	18,986					
João Nuno Oliveira Jorge Palma	BCP Shares	426,957	268,687	279,135	(a)	120,865	25/6/2021	0.1422
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500					
	Bonds (i)	1	1					
	Bonds (ii)	1	0	1			17/11/2021	100,000
José Manuel Elias da Costa	BCP Shares	0	0					
José Miguel Bensliman Schorcht da Silva Pessanha(4)	BCP Shares	333,829	209,611	222,608	(a)	98,390	25/6/2021	0.1422
Lingjiang Xu	BCP Shares	0	0					
Maria José Henriques Barreto de Matos de Campos (3)	BCP Shares	396,914	221,325	219,478	(a)	43,889	25/6/2021	0.1422
Miguel de Campos Pereira de Bragança	BCP Shares	763,422	602,626	280,613	(a)	119,817	25/6/2021	0.1422
Miguel Maya Dias Pinheiro (5)	BCP Shares	800,692	621,467	320,034	(a)	140,809	25/6/2021	0.1422
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,525,388					
	Bonds (i)	2	2					
	Bonds (ii)	2	0	2			11/11/2021	100,000
Rui Manuel da Silva Teixeira (2)	BCP Shares	376,663	244,199	237,387	(a)	104,923	25/6/2021	0.1422
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000					
Valter Rui Dias de Barros	BCP Shares	0	0					
Wan Sin Long	BCP Shares	0	0					
Xiao Xu Gu	BCP Shares	0	0					
KEY MANAGEMENT MEMBERS								
Albino António Carneiro de Andrade	BCP Shares	101,557	101,557					
Alexandre Manuel Casimiro de Almeida	BCP Shares	55,865	31,878	23,987	(b)		25/6/2021	0.1422
Américo João Pinto Carola (9)	BCP Shares	61,269	25,459	35,810	(c)		25/6/2021	0.1422
Ana Isabel dos Santos de Pina Cabral (1)	BCP Shares	96,648	70,507	45,227	(b)	19,086	25/6/2021	0.1422
Ana Maria Jordão F. Torres Marques Tavares (8)	BCP Shares	161,758	134,652	42,620	(b)	15,514	25/6/2021	0.1422
André Cardoso Meneses Navarro	BCP Shares		290,091			206,944	10/5/2021	0.1383
		106,697		23,550	(c)		25/6/2021	0.1422
António Augusto Amaral de Medeiros	BCP Shares	100,077	55,139	44,938	(c)		25/6/2021	0.1422
António Ferreira Pinto Júnior	BCP Shares	33,187	33,187					
António José Lindeiro Cordeiro	BCP Shares	32,631	16,314	25,656	(b)	9,339	25/6/2021	0.1422
António Luís Duarte Bandeira (7)	BCP Shares	239,209	210,905	49,744	(b)	21,440	25/6/2021	0.1422
António Ricardo Fery Salgueiro Antunes	BCP Shares	15,035	6,035	14,778	(b)	5,778	25/6/2021	0.1422
António Vítor Martins Monteiro (16)	BCP Shares	3,872	3,872					
Artur Frederico Silva Luna Pais	BCP Shares	396,760	365,663	31,097	(c)		25/6/2021	0.1422
Belmira Abreu Cabral	BCP Shares	57,285	37,841	30,863	(b)	11,419	25/6/2021	0.1422
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	25,999	15,015	18,125	(b)	7,141	25/6/2021	0.1422

The paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with in the category "People closely related to the previous categories".

(i) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes
(ii) - BCP *Tier 2 Subordinated Callable Notes*
(a) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation deferred in 2019 and awarded in 2021.
(b) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.
(c) - identifies share increment through 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

Shareholders/Bondholders	Security	Number of securities		Acquisitions		Disposals	Date	Unit price Euros
		2021	2020					
Chi Wai Leung (Timothy)	BCP Shares	9,852	0	9,852	(c)		25/6/2021	0.1422
Constantino Alves Mousinho	BCP Shares	40,664	40,664					
Fernando Maria Cardoso Rodrigues Bicho	BCP Shares	237	237					
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	85,467	57,309	49,661	(b)	21,503	25/6/2021	0.1422
Francisco António Caspa Monteiro (10)	BCP Shares	137,027	87,283	49,744	(c)		25/6/2021	0.1422
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	78,390	53,591	40,923	(b)	16,124	25/6/2021	0.1422
Hugo Miguel Martins Resende	BCP Shares	92,696	65,527	45,357	(b)	18,188	25/6/2021	0.1422
João Brás Jorge	BCP Shares	91,709	91,709					
João Manuel Rodrigues Tomé Cunha Martins	BCP Shares	0	0					
João Manuel Taveira Pinto Santos Paiva	BCP Shares	103,739	58,429	45,310	(c)		25/6/2021	0.1422
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares		47,495	38,003	(c)		25/6/2021	0.1422
		38,003				47,495	15/7/2021	0.13
Jorge Manuel Machado de Sousa Góis	BCP Shares	73,203	39,316	33,887	(c)		25/6/2021	0.1422
Jorge Manuel Nobre Carreteiro	BCP Shares	27,648	14,701	20,357	(b)	7,410	25/6/2021	0.1422
Jorge Octávio Neto dos Santos	BCP Shares	471,191	471,191					
José Artur Gouveia Coelho Caetano	BCP Shares	0	0					
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	30,321	12,807	(b)	5,187	25/6/2021	0.1422
José Gonçalo Prior Regalado (12)	BCP Shares	83,836	42,438	41,398	(c)		25/6/2021	0.1422
José Guilherme Potier Raposo Pulido Valente	BCP Shares	208,437	186,063	40,096	(b)	17,722	25/6/2021	0.1422
José Laurindo Reino da Costa (15)	BCP Shares	751,100	751,100					
José Maria Gonçalves Pereira Brandão de Brito	BCP Shares	23,878	13,158	15,696	(b)	4,976	25/6/2021	0.1422
Luis Miguel Manso Correia dos Santos	BCP Shares	125,615	82,903	53,390	(b)	10,678	25/6/2021	0.1422
Maria de Fátima Coelho Dias	BCP Shares	0	0					
Maria de Los Angeles Sanchez Sanchez	BCP Shares	19,191	8,192	18,486	(b)	7,487	25/6/2021	0.1422
Maria Helena Soledade Nunes Henriques	BCP Shares	199,132	188,015	18,621	(b)	7,504	25/6/2021	0.1422
Maria Manuela de Araújo Mesquita Reis (11)	BCP Shares	152,857	132,646	31,779	(b)	11,568	25/6/2021	0.1422
Maria Rita Sítima Fonseca Lourenço	BCP Shares	112,778	79,222	33,556	(c)		25/6/2021	0.1422
Mário António Pinho Gaspar Neves	BCP Shares	73,963	56,522	29,214	(b)	11,773	25/6/2021	0.1422
Mário Madeira Robalo Fernandes	BCP Shares	79,512	43,702	35,810	(c)		25/6/2021	0.1422
Moisés Jorge	BCP Shares	0	0					
Nelson Luís Vieira Teixeira	BCP Shares	59,343	32,840	45,227	(b)	18,724	25/6/2021	0.1422
Nuno Alexandre Ferreira Pereira Alves (14)	BCP Shares	101,156	59,982	41,174	(c)		25/6/2021	0.1422
Nuno Maria Lagoa Ribeiro de Almeida	BCP Shares	2,560	2,560					
Nuno Miguel Nobre Botelho	BCP Shares		33,366	30,630	(c)		25/6/2021	0.1422
		33,366				30,630	25/6/2021	0.1425
Pedro José Mora de Paiva Beija	BCP Shares	107,673	57,929	49,744	(c)		25/6/2021	0.1422
Pedro Manuel Francisco da Silva Dias (13)	BCP Shares	50,473	27,583	22,890	(c)		25/6/2021	0.1422
Pedro Manuel Macedo Vilas Boas	BCP Shares	79,512	43,702	35,810	(c)		25/6/2021	0.1422
Pedro Manuel Rendas Duarte Turras	BCP Shares	61,176	41,596	32,151	(b)	12,571	25/6/2021	0.1422
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	71,205	37,108	34,097	(c)		25/6/2021	0.1422

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(b) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.
(c) - identifies share increment through 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.

Shareholders/Bondholders	Security	Number of securities 2021	2020	Acquisitions		Disposals	Date	Unit price Euros
Ricardo Potes Valadares	BCP Shares		32,102	33,093	(c)		25/6/2021	0.1422
		33,093				32,102	2/9/2021	0.1324
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	68,163	41,204	45,310	(b)	18,351	25/6/2021	0.1422
Rui Emanuel Agapito Silva	BCP Shares	60,219	33,078	45,310	(b)	18,169	25/6/2021	0.1422
Rui Fernando da Silva Teixeira	BCP Shares	145,098	113,674	31,424	(c)		25/6/2021	0.1422
Rui Manuel Pereira Pedro	BCP Shares	252,786	203,538	49,248	(c)		25/6/2021	0.1422
Rui Miguel Alves Costa	BCP Shares	217,920	194,493	23,427	(c)		25/6/2021	0.1422
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	60,954	32,151	49,661	(b)	20,858	25/6/2021	0.1422
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	70,740	39,316	31,424	(c)		25/6/2021	0.1422
Vânia Alexandra Machado Marques Correia	BCP Shares	66,426	39,316	33,887	(b)	6,777	25/6/2021	0.1422
PEOPLE CLOSELY RELATED TO THE PREVIOUS CATEGORIES								
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184					
Maria Helena Espassandim Catão (2)	BCP Shares	576	576					
Ricardo Gil Monteiro Lopes de Campos (3)	BCP Shares	(d)	(d)					
Anne Marie Bensliman Silva Pessanha (4)	BCP Shares	139	139					
José Pedro Maya Dias Pinheiro (5)	BCP Shares	10,656	10,656					
Isabel Susana Rodrigues Marques Alves Geraldes Pires (5)	BCP Shares	2,048	2,048					
Cristina Dias Pinheiro (5)	BCP Shares	2,100	2,100					
José Manuel de Vasconcelos Mendes Ferreira (1)	BCP Shares	1,616	1,616					
Ana Margarida Rebelo A.M. Soares Bandeira (7)	BCP Shares	2,976	2,976					
António da Silva Bandeira (7)	BCP Shares	20,000	20,000					
Álvaro Manuel Correia Marques Tavares (8)	BCP Shares	25,118	25,118					
Francisco Jordão Torres Marques Tavares (8)	BCP Shares	1,016	1,016					
Maria Avelina V C L J Teixeira Diniz (8)	BCP Shares	16,770	16,770					
Ana Isabel Salgueiro Antunes (9)	BCP Shares	29	29					
Ricardo Miranda Monteiro (10)	BCP Shares	1,639	1,639					
Rita Miranda Monteiro (10)	BCP Shares	1,639	1,639					
José Francisco Conceição Monteiro (10)	BCP Shares	18,002	18,002					
Luís Filipe da Silva Reis (11)	BCP Shares	280,000	280,000					
Américo Simões Regalado (12)	BCP Shares	880	880					
Filomena Maria Brito Francisco Dias (13)	BCP Shares	4,290	4,290					
António Henrique Leite Pereira Alves (14)	BCP Shares	73,926	73,926					
Maria Raquel Sousa Candeias Reino da Costa (15)	BCP Shares	10,000	10,000					
Isabel Maria Vaz Leite Pinto Martins Monteiro (16)	BCP Shares	3,104	3,104					

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(b) - identifies the increment and sell-cover of shares up to 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.
(c) - identifies share increment through 31 December 2021 corresponding to variable compensation awarded in 2021 and deferred from 2020 and 2019.
(d) - joint ownership of the account in which the Member of Governing Bodies is not the 1st holder, with the 1st holder holding 96,240 shares.

C) Balances and transactions with subsidiaries and associated companies, detailed in note 52

As at 31 December 2021, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euro)

		Financial assets at amortised cost		Financial assets at fair value through profit or loss		
	Loans and advances to credit institutions repayable on demand	Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss	Total
BCP África, S.G.P.S., Lda.	—	—	—	457	—	457
Banco Millennium Atlântico, S.A.	726	—	—	35	—	761
Banque BCP, S.A.S.	7	—	—	—	—	7
BIM - Banco Internacional de Moçambique, S.A.R.L.	186	—	—	—	—	186
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	—	629	—	—	629
Group Bank Millennium (Poland)	4	—	—	34	—	38
Magellan Mortgages No. 3 PLC	—	—	—	3,845	10,300	14,145
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	—	63,054	1,952	—	65,006
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	9,824	—	—	9,824
UNICRE - Instituição Financeira de Crédito, S.A.	—	18,290	—	—	—	18,290
	923	18,290	73,507	6,323	10,300	109,343

(Thousands of euro)

	Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	—	—	—	126	126
BIM - Banco Internacional de Moçambique, S.A.R.L.	—	—	—	2,688	2,688
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	—	—	1	1
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	—	—	2	2
Fundo de Investimento Imobiliário Imorenda	—	—	—	16	16
Fundo de Investimento Imobiliário Imosotto Acumulação	—	—	—	8	8
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	—	—	3	3
Fundo Especial de Investimento Imobiliário Oceânico II	—	—	—	3	3
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	—	—	1	1
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	—	—	28	28
Magellan Mortgages No. 3 PLC	52,059	—	—	—	52,059
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	257,250	—	12,433	269,683
Millennium bcp - Prestação de Serviços, A.C.E.	—	18,000	—	599	18,599
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	166,287	—	—	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	—	—	2	2
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	1	1
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	5	5
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	—	43,782	2	43,784
Webspectator Corporation	—	—	16,936	—	16,936
	52,059	441,537	60,718	15,918	570,232

(*) Regarding supplies

As at 31 December 2020, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euro)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Total
		Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss	
Banco Millennium Atlântico, S.A.	134	271	—	31	—	436
Banque BCP, S.A.S.	5	50,043	—	—	—	50,048
BCP Finance Bank Ltd	—	5	—	—	—	5
Bichorro-Empreendimentos Turísticos e Imobiliários,S.A.	—	—	3,925	—	—	3,925
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	—	—	—	—	188
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	—	658	—	—	658
Fiparso- Sociedade Imobiliária Lda.	—	—	65	—	—	65
Group Bank Millennium (Poland)	5,096	—	—	72	—	5,168
Magellan Mortgages No. 3 PLC	—	—	—	4,385	11,536	15,921
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	—	59,073	53,521	—	112,594
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	9,824	—	—	9,824
Sciense4You S.A.	—	—	3,745	—	—	3,745
UNICRE - Instituição Financeira de Crédito, S.A.	—	31,691	33	—	—	31,724
	5,423	82,010	77,323	58,009	11,536	234,301

(Thousands of euro)

	Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	—	—	—	100	100
BCP Finance Bank Ltd	3,298	—	—	—	3,298
BIM - Banco Internacional de Moçambique, S.A.R.L.	—	—	—	1,895	1,895
Cold River's Homestead, S.A.	—	1,793	—	—	1,793
DP Invest – Fundo Especial de Invest. Imobiliário Fechado	—	—	—	1	1
Fiparso- Sociedade Imobiliária Lda.	—	—	—	5	5
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	—	—	1	1
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	—	—	2	2
Fundo de Investimento Imobiliário Imorenda	—	—	—	16	16
Fundo de Investimento Imobiliário Imosotto Acumulação	—	—	—	9	9
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	—	—	3	3
Fundo Especial de Invest. Imobiliário Fechado Stone Capital	—	—	—	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	—	—	—	3	3
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	—	—	1	1
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	—	—	30	30
Magellan Mortgages No. 3 PLC	61,454	—	—	—	61,454
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	257,250	—	12,830	270,080
Millennium bcp - Prestação de Serviços, A.C.E.	—	18,000	—	2,894	20,894
Millennium bcp Imobiliária, S.A.	—	18,595	—	—	18,595
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	166,287	—	—	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	—	—	2	2
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	1	1
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	5	5
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	—	43,782	2	43,784
Webspectator Corporation	—	—	15,743	—	15,743
	64,752	461,925	59,525	17,801	604,003

(*) Regarding supplies

As at 31 December 2021, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss		
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	held for trading	Other liabilities	Total
Banco ActivoBank, S.A.	1,388,283	—	716,048	—	—	24,861	2,129,192
Banco Millennium Atlântico, S.A.	24,559	—	—	—	810	—	25,369
Banque BCP, S.A.S.	753	—	—	—	—	—	753
BCP África, S.G.P.S., Lda.	—	200,494	—	—	—	—	200,494
BCP Capital - Sociedade de Capital de Risco, S.A.	—	3,586	—	—	—	—	3,586
BCP Finance Bank Ltd	517,013	—	—	—	—	—	517,013
BCP Finance Company, Ltd	—	117,427	—	—	—	—	117,427
BCP International, B.V.	—	94,665	—	—	—	—	94,665
Bichorro-Empreendimentos Turísticos e Imobiliários,S.A.	—	68	—	—	—	—	68
BIM - Banco Internacional de Moçambique, S.A.R.L.	15,918	—	—	—	—	5	15,923
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	67	—	—	—	—	67
Fiparso- Sociedade Imobiliária Lda.	—	18	—	—	—	—	18
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	384	—	—	—	—	384
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	1,195	—	—	—	—	1,195
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	738	—	—	—	—	738
Fundo de Investimento Imobiliário Imorenda	—	2,750	—	—	—	—	2,750
Fundo de Investimento Imobiliário Imosotto Acumulação	—	2,183	—	—	—	—	2,183
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	287	—	—	—	—	287
Fundo Especial de Investimento Imobiliário Oceânico II	—	704	—	—	—	—	704
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	115	—	—	—	—	115
Group Bank Millennium (Poland)	132	—	—	—	—	—	132
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	7,328	—	—	—	—	7,328
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	333,511	15,140	213,312	95,727	23	657,713
Millennium bcp - Prestação de Serviços, A.C.E.	—	494	—	—	—	136	630
Millennium bcp Bank & Trust	320,843	—	—	—	—	—	320,843
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	10,262	—	—	—	—	10,262
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	113	—	—	—	2	115
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	13,127	—	—	—	—	13,127
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	1,521	—	—	—	—	1,521
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	1,548	—	—	—	—	1,548
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	768	—	—	—	—	768
SIBS, S.G.P.S., S.A.	—	9,096	—	—	—	—	9,096
UNICRE - Instituição Financeira de Crédito, S.A.	20,845	—	—	—	—	—	20,845
	2,288,346	802,449	731,188	213,312	96,537	25,027	4,156,859

As at 31 December 2021, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 20,078,000.

As at 31 December 2020, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss		
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	held for trading	Other liabilities	Total
Banco ActivoBank, S.A.	1,355,861	—	716,400	—	—	19,796	2,092,057
Banco Millennium Atlântico, S.A.	80,649	—	—	—	—	—	80,649
Banque BCP, S.A.S.	1,662	—	—	—	—	—	1,662
Banque Privée BCP (Suisse) S.A.	18,146	—	—	—	—	—	18,146
BCP África, S.G.P.S., Lda.	—	169,328	—	—	—	—	169,328
BCP Capital - Sociedade de Capital de Risco, S.A.	—	3,583	—	—	—	—	3,583
BCP Finance Bank Ltd	611,910	—	—	—	—	—	611,910
BCP Finance Company, Ltd	—	117,437	—	—	—	—	117,437
BCP International, B.V.	—	94,777	—	—	—	—	94,777
BCP Investment, B.V.	—	29,046	—	—	—	—	29,046
BIM - Banco Internacional de Moçambique, S.A.R.L.	15,048	—	—	—	—	9	15,057
Cold River's Homestead, S.A.	—	1,489	—	—	—	—	1,489
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	247	—	—	—	—	247
DP Invest – Fundo Especial de Invest. Imobiliário Fechado	—	595	—	—	—	—	595
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	230	—	—	—	—	230
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	2,310	—	—	—	—	2,310
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	637	—	—	—	—	637
Fundo de Investimento Imobiliário Fechado Gestimo	—	1,028	—	—	—	—	1,028
Fundo de Investimento Imobiliário Imorenda	—	2,541	—	—	—	—	2,541
Fundo de Investimento Imobiliário Imosotto Acumulação	—	3,797	—	—	—	—	3,797
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	652	—	—	—	—	652
Fundo Especial de Invest. Imobiliário Fechado Stone Capital	—	1,237	—	—	—	—	1,237
Fundo Especial de Investimento Imobiliário Oceânico II	—	1,301	—	—	—	—	1,301
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	457	—	—	—	—	457
Group Bank Millennium (Poland)	268	—	—	—	—	—	268
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	7,375	—	—	—	—	7,375
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	407,940	17,855	213,312	43,224	8	682,339
Millennium bcp - Prestação de Serviços, A.C.E.	—	4,504	—	—	—	720	5,224
Millennium bcp Bank & Trust	319,163	—	—	—	—	—	319,163
Millennium bcp Imobiliária, S.A.	—	5,259	—	—	—	—	5,259
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	13,430	—	—	—	—	13,430
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	114	—	—	—	—	114
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	6,623	—	—	—	—	6,623
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	194	—	—	—	—	194
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	1,744	—	—	—	—	1,744
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	1,390	—	—	—	—	1,390
Sciense4you S.A.	—	448	—	—	—	—	448
Setelote-Aldeamentos Turísticos, S.A.	—	127	—	—	—	—	127
SIBS, S.G.P.S., S.A.	—	12,976	—	—	—	—	12,976
UNICRE - Instituição Financeira de Crédito, S.A.	11,729	—	—	—	—	—	11,729
	2,414,436	892,816	734,255	213,312	43,224	20,533	4,318,576

As at 31 December 2020, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 17,568,000.

As at 31 December 2021, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco ActivoBank, S.A.	–	–	15	–	–	15
Banco Millennium Atlântico, S.A.	8	324	259	–	–	591
Banque BCP, S.A.S.	8	1	–	–	1,993	2,002
Banque Privée BCP (Suisse) S.A.	–	934	31	–	6,079	7,044
BCP Capital - Sociedade de Capital de Risco, S.A.	–	6	–	–	–	6
BCP Finance Bank Ltd	289	14	–	–	–	303
BCP Investment, B.V.	–	1	–	–	–	1
Bichorro–Empreendimentos Turísticos e Imobiliários S.A.	52	–	–	–	–	52
BIM - Banco Internacional de Moçambique, S.A.R.L.	26	167	10,665	–	–	10,858
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	–	12	–	–	–	12
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	–	3	–	–	–	3
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	5	–	–	–	–	5
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	2	–	–	–	–	2
Fiparso- Sociedade Imobiliária Lda.	1	–	–	–	–	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	–	13	–	–	–	13
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Fundo de Investimento Imobiliário Fechado Gestimo	–	2	–	–	–	2
Fundo de Investimento Imobiliário Imorenda	–	109	–	–	–	109
Fundo de Investimento Imobiliário Imosotto Acumulação	–	97	–	–	–	97
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	–	33	–	–	–	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	–	4	–	–	–	4
Fundo Especial de Investimento Imobiliário Oceânico II	–	79	–	–	–	79
Funsita - Fundo Especial de Investimento Imobiliário Fechado	–	49	–	–	–	49
Group Bank Millennium (Poland)	–	1	–	(3)	–	(2)
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	–	312	29	–	3,200	3,541
Magellan Mortgages No. 3 PLC	2,507	306	–	–	–	2,813
Millennium bcp Bank & Trust	–	3	–	–	–	3
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,591	57,213	428	718	–	60,950
Millennium bcp Imobiliária, S.A.	–	1	–	–	–	1
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	–	–	–	–	6,799	6,799
Millennium bcp - Prestação de Serviços, A.C.E.	–	139	5,026	–	–	5,165
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	–	–	–	–	9	9
Millennium Fundo de Capitalização - Fundo de Capital de Risco	–	24	–	–	–	24
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	11	–	–	–	11
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	54	–	–	–	154
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Sciense4you S.A.	47	10	5	–	–	62
SIBS, S.G.P.S., S.A.	8	7	–	–	–	15
UNICRE - Instituição Financeira de Crédito, S.A.	390	986	4	–	118	1,498
	6,034	60,951	16,462	715	18,198	102,360

As at 31 December 2020, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco Millennium Atlântico, S.A.	2,521	787	188	—	—	3,496
Banque BCP, S.A.S.	43	—	—	—	4,178	4,221
Banque Privée BCP (Suisse) S.A.	—	1,158	42	—	5,922	7,122
BCP Capital - Sociedade de Capital de Risco, S.A.	—	2	—	—	—	2
BCP Finance Bank Ltd	373	—	—	—	—	373
Bichorro-Empreendimentos Turísticos e Imobiliários S.A.	59	—	—	—	—	59
BIM - Banco Internacional de Moçambique, S.A.R.L.	214	203	9,524	—	—	9,941
Cold River's Homestead, S.A.	—	5	4	—	—	9
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	—	12	—	—	—	12
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	—	6	—	—	—	6
Fiparso- Sociedade Imobiliária Lda.	1	—	—	—	—	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	—	14	—	—	—	14
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	—	18	—	—	—	18
Fundo de Investimento Imobiliário Fechado Gestimo	—	5	—	—	—	5
Fundo de Investimento Imobiliário Imorenda	—	113	3	—	—	116
Fundo de Investimento Imobiliário Imosotto Acumulação	—	106	1	—	—	107
Fundo Especial de Investimento Imobiliário Fechado Intercapital	—	4	—	—	—	4
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	—	33	—	—	—	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	—	8	—	—	—	8
Fundo Especial de Investimento Imobiliário Oceânico II	—	79	—	—	—	79
Funsita - Fundo Especial de Investimento Imobiliário Fechado	—	61	—	—	—	61
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	—	3	—	—	—	3
Group Bank Millennium (Poland)	1	3	—	20	—	24
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	319	34	—	1,102	1,455
Magellan Mortgages No. 3 PLC	3,071	340	—	—	—	3,411
Millennium bcp Bank & Trust	—	2	—	—	—	2
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,696	56,304	237	10,647	—	69,884
Millennium bcp Imobiliária, S.A.	—	1	—	—	—	1
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	—	—	—	575	575
Millennium bcp - Prestação de Serviços, A.C.E.	—	139	4,809	—	—	4,948
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	—	11	11
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	5	—	—	—	5
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	12	—	—	—	12
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	60	—	—	—	160
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	—	29	—	—	—	29
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	—	170	—	—	170
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	—	18	—	—	—	18
Sciense4you S.A.	66	17	1	—	—	84
SIBS, S.G.P.S., S.A.	—	12	—	—	—	12
UNICRE - Instituição Financeira de Crédito, S.A.	517	679	3	—	80	1,279
	9,662	60,557	15,016	10,667	11,868	107,770

As at 31 December 2021, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	15,778	13,631	(30)	(7)	—	29,372
Banco Millennium Atlântico, S.A.	20	3	—	—	—	23
BCP Finance Bank Ltd	18,447	—	—	—	—	18,447
BIM - Banco Internacional de Moçambique, S.A.R.L.	35	11	—	—	—	46
Group Bank Millennium (Poland)	(71)	22	—	—	—	(49)
Millennium bcp Bank & Trust	3,040	—	—	—	—	3,040
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	5,260	2	—	129	1,234	6,625
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	3,714	—	3,714
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	10	—	10
SIBS, S.G.P.S., S.A.	8	—	—	—	—	8
Sciense4you S.A.	—	2	—	—	—	2
UNICRE - Instituição Financeira de Crédito, S.A.	—	9	625	10	—	644
	42,517	13,680	595	3,871	1,234	61,897

As at 31 December 2020, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	16,021	7,018	(42)	—	—	22,997
Banco Millennium Atlântico, S.A.	13	3	—	—	—	16
Banque BCP, S.A.S.	64	—	—	—	—	64
BCP Finance Bank Ltd	14,461	—	—	—	—	14,461
BIM - Banco Internacional de Moçambique, S.A.R.L.	123	12	—	—	—	135
Fundo de Investimento Imobiliário Imorenda	—	—	3	—	—	3
Group Bank Millennium (Poland)	(50)	23	—	—	—	(27)
Millennium bcp Bank & Trust	3,083	—	—	—	—	3,083
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	19,794	3	6	112	10,563	30,478
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	4,216	—	4,216
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	10	—	10
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	—	—	293	—	293
Sciense4you S.A.	—	1	—	—	—	1
UNICRE - Instituição Financeira de Crédito, S.A.	—	10	180	3	—	193
	53,509	7,070	147	4,649	10,563	75,938

As at 31 December 2021, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco Millennium Atlântico, S.A.	7,200	3,026	600	—	10,826
BCP Finance Bank Ltd	10,000	—	—	—	10,000
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	—	6	—	—	6
BIM - Banco Internacional de Moçambique, S.A.R.L.	170	—	—	—	170
Group Bank Millennium (Poland)	93	—	—	9,585	9,678
Millennium bcp Bank & Trust	—	—	—	376	376
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	316,440	—	—	316,525
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	170	—	—	—	170
SIBS, S.G.P.S., S.A.	50	—	—	—	50
UNICRE - Instituição Financeira de Crédito, S.A.	—	9,991	—	—	9,991
	17,768	329,463	600	9,961	357,792

As at 31 December 2020, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco ActivoBank, S.A.	—	—	150,000	—	150,000
Banco Millennium Atlântico, S.A.	7,615	—	600	—	8,215
Banque Privée BCP (Suisse) S.A.	—	200,000	—	9,963	209,963
BCP Finance Bank Ltd	108,850	—	—	—	108,850
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	—	72	—	—	72
BIM - Banco Internacional de Moçambique, S.A.R.L.	497	—	—	—	497
Cold River's Homestead, S.A.	271	1,793	—	—	2,064
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	40	6	—	—	46
Fiparso- Sociedade Imobiliária Lda.	—	15	—	—	15
Group Bank Millennium (Poland)	93	—	—	9,585	9,678
Millennium bcp Bank & Trust	—	—	—	419	419
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	—	316,264	—	—	316,264
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	170	—	—	—	170
Sciense4you S.A.	62	—	—	—	62
SIBS, S.G.P.S., S.A.	50	—	—	—	50
UNICRE - Instituição Financeira de Crédito, S.A.	—	9,200	—	—	9,200
	117,648	527,350	150,600	19,967	815,565

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2021	2020
Life insurance		
Saving products	32,065	34,388
Mortgage and consumer loans	19,041	17,528
Others	30	30
	51,136	51,946
Non - Life insurance		
Accidents and health	19,862	18,970
Motor	4,021	4,047
Multi-Risk Housing	7,320	6,874
Others	1,531	1,470
	32,734	31,361
	83,870	83,307

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, S.A. The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2021	2020
Funds receivable for payment of life insurance commissions	12,431	12,795
Funds receivable for payment of non-life insurance commissions	8,363	8,097
	20,794	20,892

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the balance sheet are as follows:

(Thousands of euros)

	2021	2020
Assets		
Financial assets at fair value through profit or loss		
Financial assets held for trading	711	—
Liabilities		
Resources from customers	173,377	417,950
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	29,144	20,630
Financial liabilities held for trading	—	1,772
	202,521	440,352

During 2021 and 2020, there were no transactions related to other financial instruments between the Group and the Pension Fund.

The balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2021	2020
Income		
Commissions	2,268	1,374
Expenses		
Interest expense and similar charges	839	111
Other administrative costs	57	96
	896	207

The balance Other administrative costs corresponds to rents incurred under the scope of Fund's properties which the tenant is the Bank.

The Guarantees granted by the Bank to the Pension Fund amount to Euros 5,000 (31 December 2020: Euros 5,000).

47. Solvency

The Bank'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 of anticipated dividends ; 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, other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non-performing exposures, are also deducted, due to SREP 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.

Tier 2 includes the subordinated debt that is compliant with the Regulation. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements lasted until the end of 2017, with the exception of the deferred tax assets already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to art.º 473º-A of CRR.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios, including a conservation buffer, according to the following table:

2021 Minimum Capital Requirements

		of which:				of which:		
BCP Solo	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	7.00%	4.50%	0.00%	2.50%	7.00%	4.50%	0.00%	2.50%
T1	8.50%	6.00%	0.00%	2.50%	8.50%	6.00%	0.00%	2.50%
Total	10.50%	8.00%	0.00%	2.50%	10.50%	8.00%	0.00%	2.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Bank 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 and its corporate portfolio. The bank has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks and the standard method was used for the purposes of operating risk coverage.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR (phased-in) previously referred , are the following:

(Thousands of euros)

	2021	2020
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	708,827	828,037
Regulatory adjustments to CET1	(421,212)	(560,017)
	5,029,086	5,009,491
Tier 1		
Capital Instruments	400,000	400,000
	5,429,086	5,409,491
Tier 2		
Subordinated debt	1,050,000	760,972
Others	38,851	(7,184)
	1,088,851	753,788
Total own funds	6,517,937	6,163,279
RWA - Risk weighted assets		
Credit risk	29,539,972	30,278,997
Market risk	366,545	687,308
Operational risk	2,406,520	2,288,843
CVA	44,133	72,109
	32,357,170	33,327,257
Capital ratios		
CET1	15.5%	15.0%
Tier 1	16.8%	16.2%
Tier 2	3.4%	2.3%
Total	20.1%	18.5%

The 2021 and 2020 amounts include the accumulated net income.

48. Risk management

The Bank is subject to several risks during the course of its business.

The Bank's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks (e.g. credit, market, operational) or non-financial risks (e.g. legal and compliance, reputational) to which the Bank's business is subject to.

Main types ok risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

Interest rate – Interest rate risk is related with the probability of occurrence of negative impacts on results and/or capital, arising from adverse movements in the interest rates in the Banking Book, either by maturity or repricing mismatches, interest repricing terms or early unscheduled return of principal on interest rate sensitive asset and liabilities.

Liquidity – Liquidity risk reflects the Bank's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Bank.

ICT risk - IT and communications systems' risk is related with the probability of occurrence of negative impacts on results and/or capital, arising from inadaptability of the IT systems to the new business needs, to its incapacity of preventing cyber-attacks, to ensure data integrity and business continuity in case of failures as well as unadjusted IT development strategy.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund's assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT's structure and the Bank's strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behavior or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Reputational risk – Reputational risks refers to the current or prospective risk to earnings or capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors or regulators due to actions of any BCP Group entity or its employees.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules at the very highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and the Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Bank level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Bank, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Bank activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Bank's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2021	2020
Central Governments or Central Banks	18,677,466	14,390,978
Regional Governments or Local Authorities	1,190,609	1,202,973
Administrative and non-profit Organisations	309,058	174,543
Other Credit Institutions	1,486,064	1,981,393
Retail and Corporate customers	50,418,411	48,889,254
Other items (*)	10,056,700	10,993,487
	82,138,308	77,632,628

Note: gross exposures of impairment and amortization. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected considers the following methodological notes:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance wit the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

	External ratings			
Internal risk grade	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2021 and 2020 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC/2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2021, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments according to accounting policy 1.B1.1.2., analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2021				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	46,206	5,113	–	–	51,319
Loans and advances to customers (note 19)	29,576,497	6,748,171	1,860,884	5,949	38,191,501
Debt instruments (note 20)	7,067,420	122,257	4,451	–	7,194,128
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,418,369	–	–	–	8,418,369
Guarantees and other commitments (note 40)	9,949,554	1,765,177	396,543	–	12,111,274
Total	55,058,046	8,640,718	2,261,878	5,949	65,966,591

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(Thousands of euros)

	2021				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	128	1,007	–	–	1,135
Loans and advances to customers (note 19)	129,993	230,922	913,449	–	1,274,364
Debt instruments (note 20)	9,917	2,517	98	–	12,532
Guarantees and other commitments (note 35)	6,505	10,369	82,717	–	99,591
Total	146,543	244,815	996,264	–	1,387,622

(Thousands of euros)

	2021				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	46,078	4,106	–	–	50,184
Loans and advances to customers (note 19)	29,446,504	6,517,249	947,435	5,949	36,917,137
Debt instruments (note 20)	7,057,503	119,740	4,353	–	7,181,596
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,418,369	–	–	–	8,418,369
Guarantees and other commitments (notes 35 and 40)	9,943,049	1,754,808	313,826	–	12,011,683
Total	54,911,503	8,395,903	1,265,614	5,949	64,578,969

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

As at 31 December 2020, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1.B1.1.2., analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2020				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	350,591	607	2	—	351,200
Loans and advances to customers (note 19)	28,180,842	5,972,281	2,346,759	1,780	36,501,662
Debt instruments (note 20)	5,452,105	124,389	15,806	—	5,592,300
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,024,989	—	—	—	8,024,989
Guarantees and other commitments (note 40)	10,273,811	1,690,505	425,284	—	12,389,600
Total	52,282,338	7,787,782	2,787,851	1,780	62,859,751

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(Thousands of euros)

	2020				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	239	64	1	—	304
Loans and advances to customers (note 19)	85,341	178,672	1,208,578	—	1,472,591
Debt instruments (note 20)	7,699	802	5,924	—	14,425
Guarantees and other commitments (note 35)	4,365	6,891	78,422	—	89,678
Total	97,644	186,429	1,292,925	—	1,576,998

(Thousands of euros)

	2020				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	350,352	543	1	—	350,896
Loans and advances to customers (note 19)	28,095,501	5,793,609	1,138,181	1,780	35,029,071
Debt instruments (note 20)	5,444,406	123,587	9,882	—	5,577,875
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,024,989	—	—	—	8,024,989
Guarantees and other commitments (notes 35 and 40)	10,269,446	1,683,614	346,862	—	12,299,922
Total	52,184,694	7,601,353	1,494,926	1,780	61,282,753

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2021	2020
Financial assets held for trading (note 21)		
Debt instruments	435,580	425,880
Derivatives	439,931	565,254
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 21)	1,188,309	1,277,826
Hedging derivatives (note 22)	140,892	152,377
Total	2,204,712	2,421,337

Notes:
- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During the year of 2021, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2021				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	28,180,842	5,972,281	2,346,759	1,780	36,501,662
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,834,136)	1,834,136	—	—	—
Transfer from Stage 1 to Stage 3	(104,945)	—	104,945	—	—
Transfer from Stage 2 to Stage 1	1,315,516	(1,315,516)	—	—	—
Transfer from Stage 2 to Stage 3	—	(259,531)	259,531	—	—
Transfer from Stage 3 to Stage 1	14,778	—	(14,778)	—	—
Transfer from Stage 3 to Stage 2	—	98,523	(98,523)	—	—
Write-offs	(2,181)	(1,717)	(287,498)	(107)	(291,503)
Net balance of new financial assets and derecognised financial assets and other changes	2,006,623	419,995	(449,552)	4,276	1,981,342
Gross amount as at 31 December	29,576,497	6,748,171	1,860,884	5,949	38,191,501

During the year of 2021, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2021				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 1 January	85,341	178,672	1,208,578	–	1,472,591
Change in impairment losses:					
Transfer to Stage 1	27,996	(26,842)	(1,154)	–	–
Transfer to Stage 2	(8,261)	20,118	(11,857)	–	–
Transfer to Stage 3	(999)	(11,085)	12,084	–	–
Changes occurred due to changes in credit risk	19,153	20,142	104,675	–	143,970
Write-offs	(2,181)	(1,717)	(287,498)	(107)	(291,503)
Changes due to new financial assets and derecognised financial assets and other variations	8,944	51,634	(111,379)	107	(50,694)
Impairment losses as at 31 December	129,993	230,922	913,449	–	1,274,364

During the year of 2020, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	24,965,120	6,050,648	3,229,252	3,225	34,248,245
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,031,513)	1,031,513	–	–	–
Transfer from Stage 1 to Stage 3	(70,226)	–	70,226	–	–
Transfer from Stage 2 to Stage 1	1,507,805	(1,507,805)	–	–	–
Transfer from Stage 2 to Stage 3	–	(321,720)	321,720	–	–
Transfer from Stage 3 to Stage 1	14,892	–	(14,892)	–	–
Transfer from Stage 3 to Stage 2	–	130,656	(130,656)	–	–
Write-offs	(1,647)	(4,682)	(133,228)	–	(139,557)
Net balance of new financial assets and derecognised financial assets and other changes	2,796,411	593,671	(995,663)	(1,445)	2,392,974
Gross amount as at 31 December	28,180,842	5,972,281	2,346,759	1,780	36,501,662

During the year of 2020, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 1 January	23,898	138,780	1,699,216	—	1,861,894
Change in impairment losses:					
Transfer to Stage 1	17,187	(16,807)	(380)	—	—
Transfer to Stage 2	(2,363)	9,158	(6,795)	—	—
Transfer to Stage 3	(494)	(12,263)	12,757	—	—
Changes occurred due to changes in credit risk	8,244	32,924	216,786	—	257,954
Write-offs	(1,647)	(4,682)	(133,228)	—	(139,557)
Changes due to new financial assets and derecognised financial assets and other variations	40,516	31,562	(579,778)	—	(507,700)
Impairment losses as at 31 December	85,341	178,672	1,208,578	—	1,472,591

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2021**	**2020**
Amortised cost before changes	504,256	277,729
Impairment losses before changes	(61,935)	(43,579)
Net amortised cost before changes	442,321	234,150
Net gain / (loss) arising on changes	(7,675)	(6,765)
Net amortised cost after changes	434,646	227,385

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	**2021**	**2020**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	51,591	47,839

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2021									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	15,823,273	2,079,102	98,246	42,841	2,220,189	194,078	105,886	299,964	2,015	18,345,441
Individuals-Other	3,318,405	477,689	20,844	11,027	509,560	83,203	105,624	188,827	1,717	4,018,509
Financial Companies	1,671,292	321,587	69	13	321,669	116,539	61,091	177,630	–	2,170,591
Non-financial comp.- Corporate	5,502,046	799,481	435	397	800,313	189,254	281,990	471,244	–	6,773,603
Non-financial comp.- SME-Corporate	7,176,280	2,764,157	7,931	1,810	2,773,898	642,111	105,027	747,138	850	10,698,166
Non-financial comp.-SME-Retail	5,881,934	1,941,181	16,362	10,457	1,968,000	318,979	58,096	377,075	1,367	8,228,376
Non-financial comp.-Other	451,619	–	–	–	–	–	–	–	–	451,619
Other loans	6,814,828	47,089	–	–	47,089	–	–	–	–	6,861,917
Total	46,639,677	8,430,286	143,887	66,545	8,640,718	1,544,164	717,714	2,261,878	5,949	57,548,222
Impairment										
Individuals-Mortgage	749	4,443	401	312	5,156	14,540	26,312	40,852	–	46,757
Individuals-Other	4,577	10,339	1,186	1,271	12,796	34,955	58,505	93,460	–	110,833
Financial Companies	4,990	6,966	4	3	6,973	67,871	42,746	110,617	–	122,580
Non-financial comp.- Corporate	17,443	20,316	10	95	20,421	81,313	208,496	289,809	–	327,673
Non-financial comp.- SME-Corporate	68,410	114,404	776	493	115,673	242,819	53,701	296,520	–	480,603
Non-financial comp.-SME-Retail	43,798	78,495	1,943	1,892	82,330	139,512	25,494	165,006	–	291,134
Non-financial comp.-Other	36	–	–	–	–	–	–	–	–	36
Other loans	6,540	1,466	–	–	1,466	–	–	–	–	8,006
Total	146,543	236,429	4,320	4,066	244,815	581,010	415,254	996,264	–	1,387,622
Net exposure										
Individuals-Mortgage	15,822,524	2,074,659	97,845	42,529	2,215,033	179,538	79,574	259,112	2,015	18,298,684
Individuals-Other	3,313,828	467,350	19,658	9,756	496,764	48,248	47,119	95,367	1,717	3,907,676
Financial Companies	1,666,302	314,621	65	10	314,696	48,668	18,345	67,013	–	2,048,011
Non-financial comp.- Corporate	5,484,603	779,165	425	302	779,892	107,941	73,494	181,435	–	6,445,930
Non-financial comp.- SME-Corporate	7,107,870	2,649,753	7,155	1,317	2,658,225	399,292	51,326	450,618	850	10,217,563
Non-financial comp.-SME-Retail	5,838,135	1,862,686	14,419	8,565	1,885,670	179,467	32,602	212,069	1,367	7,937,241
Non-financial comp.-Other	451,583	–	–	–	–	–	–	–	–	451,583
Other loans	6,808,289	45,623	–	–	45,623	–	–	–	–	6,853,912
Total	46,493,134	8,193,857	139,567	62,479	8,395,903	963,154	302,460	1,265,614	5,949	56,160,600
% of impairment coverage										
Individuals-Mortgage	0.00%	0.21%	0.41%	0.73%	0.23%	7.49%	24.85%	13.62%	0.00%	0.25%
Individuals-Other	0.14%	2.16%	5.69%	11.53%	2.51%	42.01%	55.39%	49.50%	0.00%	2.76%
Financial Companies	0.30%	2.17%	5.80%	23.08%	2.17%	58.24%	69.97%	62.27%	0.00%	5.65%
Non-financial comp.- Corporate	0.32%	2.54%	2.30%	23.93%	2.55%	42.97%	73.94%	61.50%	0.00%	4.84%
Non-financial comp.- SME-Corporate	0.95%	4.14%	9.78%	27.24%	4.17%	37.82%	51.13%	39.69%	0.00%	4.49%
Non-financial comp.-SME-Retail	0.74%	4.04%	11.88%	18.09%	4.18%	43.74%	43.88%	43.76%	0.00%	3.54%
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Other loans	0.10%	3.11%	0.00%	0.00%	3.11%	0.00%	0.00%	0.00%	0.00%	0.12%
Total	0.31%	2.80%	3.00%	6.11%	2.83%	37.63%	57.86%	44.05%	0.00%	2.41%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	14,788,613	2,031,902	70,278	29,660	2,131,840	196,190	186,708	382,898	1,602	17,304,953
Individuals-Other	3,324,659	463,906	19,254	7,522	490,682	104,024	136,780	240,804	175	4,056,320
Financial Companies	2,054,502	435,198	37	1	435,236	145,897	90,861	236,758	–	2,726,496
Non-financial comp.- Corporate	5,961,180	915,159	2,195	–	917,354	151,953	461,518	613,471	–	7,492,005
Non-financial comp.- SME-Corporate	8,090,449	2,382,361	5,030	1,145	2,388,536	754,748	195,336	950,084	–	11,429,069
Non-financial comp.-SME-Retail	4,964,239	1,362,536	13,651	2,285	1,378,472	255,315	108,480	363,795	3	6,706,509
Non-financial comp.-Other	345,439	–	–	–	–	–	40	40	–	345,479
Other loans	4,728,268	45,662	–	–	45,662	–	1	1	–	4,773,931
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Individuals-Mortgage	1,210	9,060	651	365	10,076	8,673	39,514	48,187	–	59,473
Individuals-Other	3,692	8,884	1,036	886	10,806	39,676	70,944	110,620	–	125,118
Financial Companies	3,241	6,440	4	–	6,444	124,059	66,087	190,146	–	199,831
Non-financial comp.- Corporate	13,909	23,269	91	–	23,360	86,075	312,732	398,807	–	436,076
Non-financial comp.- SME-Corporate	44,982	91,406	596	232	92,234	252,743	128,024	380,767	–	517,983
Non-financial comp.-SME-Retail	26,892	39,593	1,742	367	41,702	114,808	49,561	164,369	–	232,963
Non-financial comp.-Other	22	–	–	–	–	–	28	28	–	50
Other loans	3,696	1,807	–	–	1,807	–	1	1	–	5,504
Total	97,644	180,459	4,120	1,850	186,429	626,034	666,891	1,292,925	–	1,576,998
Net exposure										
Individuals-Mortgage	14,787,403	2,022,842	69,627	29,295	2,121,764	187,517	147,194	334,711	1,602	17,245,480
Individuals-Other	3,320,967	455,022	18,218	6,636	479,876	64,348	65,836	130,184	175	3,931,202
Financial Companies	2,051,261	428,758	33	1	428,792	21,838	24,774	46,612	–	2,526,665
Non-financial comp.- Corporate	5,947,271	891,890	2,104	–	893,994	65,878	148,786	214,664	–	7,055,929
Non-financial comp.- SME-Corporate	8,045,467	2,290,955	4,434	913	2,296,302	502,005	67,312	569,317	–	10,911,086
Non-financial comp.-SME-Retail	4,937,347	1,322,943	11,909	1,918	1,336,770	140,507	58,919	199,426	3	6,473,546
Non-financial comp.-Other	345,417	–	–	–	–	–	12	12	–	345,429
Other loans	4,724,572	43,855	–	–	43,855	–	–	–	–	4,768,427
Total	44,159,705	7,456,265	106,325	38,763	7,601,353	982,093	512,833	1,494,926	1,780	53,257,764
% of impairment coverage										
Individuals-Mortgage	0.01%	0.45%	0.93%	1.23%	0.47%	4.42%	21.16%	12.58%	0.00%	0.34%
Individuals-Other	0.11%	1.92%	5.38%	11.78%	2.20%	38.14%	51.87%	45.94%	0.00%	3.08%
Financial Companies	0.16%	1.48%	10.81%	0.00%	1.48%	85.03%	72.73%	80.31%	0.00%	7.33%
Non-financial comp.- Corporate	0.23%	2.54%	4.15%	0.00%	2.55%	56.65%	67.76%	65.01%	0.00%	5.82%
Non-financial comp.- SME-Corporate	0.56%	3.84%	11.85%	20.26%	3.86%	33.49%	65.54%	40.08%	0.00%	4.53%
Non-financial comp.-SME-Retail	0.54%	2.91%	12.76%	16.06%	3.03%	44.97%	45.69%	45.18%	0.00%	3.47%
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	70.00%	70.00%	0.00%	0.01%
Other loans	0.08%	3.96%	0.00%	0.00%	3.96%	0.00%	100.00%	100.00%	0.00%	0.12%
Total	0.22%	2.36%	3.73%	4.56%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2021									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	19,141,678	2,556,791	119,090	53,868	2,729,749	277,282	211,509	488,791	3,732	22,363,950
Non-financial comp.- Trade	3,640,645	763,489	4,458	2,569	770,516	77,813	35,874	113,687	99	4,524,947
Non-financial comp.- Construction	1,417,473	822,047	2,834	1,373	826,254	371,470	20,053	391,523	40	2,635,290
Non-finan. comp.- Manufacturing ind.	4,090,910	920,758	7,922	2,775	931,455	128,882	32,867	161,749	80	5,184,194
Non-financial comp.-Other activities	1,369,396	421,685	593	283	422,561	172,539	82,218	254,757	19	2,046,733
Non-financial comp.- Other services	8,493,456	2,576,838	8,921	5,664	2,591,423	399,640	274,102	673,742	1,979	11,760,600
Other Services /Other activities	8,486,119	368,678	69	13	368,760	116,538	61,091	177,629	—	9,032,508
Total	46,639,677	8,430,286	143,887	66,545	8,640,718	1,544,164	717,714	2,261,878	5,949	57,548,222
Impairment										
Loans to individuals	5,326	14,782	1,587	1,582	17,951	49,495	84,816	134,311	—	157,588
Non-financial comp.- Trade	20,946	25,464	410	385	26,259	29,798	23,354	53,152	—	100,357
Non-financial comp.- Construction	9,427	13,750	533	247	14,530	126,677	14,166	140,843	—	164,800
Non-finan. comp.- Manufacturing ind.	25,805	29,007	444	669	30,120	38,331	16,626	54,957	—	110,882
Non-financial comp.-Other activities	8,529	16,871	117	67	17,055	86,071	39,590	125,661	—	151,245
Non-financial comp.- Other services	64,980	128,121	1,225	1,113	130,459	182,767	193,956	376,723	—	572,162
Other Services /Other activities	11,530	8,434	4	3	8,441	67,871	42,746	110,617	—	130,588
Total	146,543	236,429	4,320	4,066	244,815	581,010	415,254	996,264	—	1,387,622
Net exposure										
Loans to individuals	19,136,352	2,542,009	117,503	52,286	2,711,798	227,787	126,693	354,480	3,732	22,206,362
Non-financial comp.- Trade	3,619,699	738,025	4,048	2,184	744,257	48,015	12,520	60,535	99	4,424,590
Non-financial comp.- Construction	1,408,046	808,297	2,301	1,126	811,724	244,793	5,887	250,680	40	2,470,490
Non-finan. comp.- Manufacturing ind.	4,065,105	891,751	7,478	2,106	901,335	90,551	16,241	106,792	80	5,073,312
Non-financial comp.-Other activities	1,360,867	404,814	476	216	405,506	86,468	42,628	129,096	19	1,895,488
Non-financial comp.- Other services	8,428,476	2,448,717	7,696	4,551	2,460,964	216,873	80,146	297,019	1,979	11,188,438
Other Services /Other activities	8,474,589	360,244	65	10	360,319	48,667	18,345	67,012	—	8,901,920
Total	46,493,134	8,193,857	139,567	62,479	8,395,903	963,154	302,460	1,265,614	5,949	56,160,600
% of impairment coverage										
Loans to individuals	0.03%	0.58%	1.33%	2.94%	0.66%	17.85%	40.10%	27.48%	0.00%	0.70%
Non-financial comp.- Trade	0.58%	3.34%	9.20%	14.99%	3.41%	38.29%	65.10%	46.75%	0.00%	2.22%
Non-financial comp.- Construction	0.67%	1.67%	18.81%	17.99%	1.76%	34.10%	70.64%	35.97%	0.00%	6.25%
Non-finan. comp.- Manufacturing ind.	0.63%	3.15%	5.60%	24.11%	3.23%	29.74%	50.59%	33.98%	0.00%	2.14%
Non-financial comp.-Other activities	0.62%	4.00%	19.73%	23.67%	4.04%	49.88%	48.15%	49.33%	0.00%	7.39%
Non-financial comp.- Other services	0.77%	4.97%	13.73%	19.65%	5.03%	45.73%	70.76%	55.92%	0.00%	4.87%
Other Services /Other activities	0.14%	2.29%	5.80%	23.08%	2.29%	58.24%	69.97%	62.27%	0.00%	1.45%
Total	0.31%	2.80%	3.00%	6.11%	2.83%	37.63%	57.86%	44.05%	0.00%	2.41%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	18,113,272	2,495,808	89,532	37,182	2,622,522	300,214	323,489	623,703	1,777	21,361,274
Non-financial comp.- Trade	3,561,188	745,882	4,724	683	751,289	108,517	53,396	161,913	—	4,474,390
Non-financial comp.- Construction	1,679,428	694,394	2,613	77	697,084	392,132	78,170	470,302	—	2,846,814
Non-finan. comp.- Manufacturing ind.	4,042,117	813,142	5,365	1,123	819,630	110,634	68,726	179,360	—	5,041,107
Non-financial comp.-Other activities	1,314,558	396,155	279	10	396,444	159,169	76,880	236,049	—	1,947,051
Non-financial comp.- Other services	8,764,017	2,010,484	7,895	1,537	2,019,916	391,564	488,201	879,765	3	11,663,701
Other Services /Other activities	6,782,769	480,859	37	1	480,897	145,897	90,862	236,759	—	7,500,425
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Loans to individuals	4,902	17,944	1,687	1,250	20,881	48,349	110,459	158,808	—	184,591
Non-financial comp.- Trade	15,511	24,744	432	73	25,249	37,421	34,487	71,908	—	112,668
Non-financial comp.- Construction	9,800	15,731	522	13	16,266	113,696	36,815	150,511	—	176,577
Non-finan. comp.- Manufacturing ind.	19,226	25,721	467	234	26,422	45,996	37,060	83,056	—	128,704
Non-financial comp.-Other activities	5,467	13,230	81	2	13,313	82,218	35,784	118,002	—	136,782
Non-financial comp.- Other services	35,801	74,838	927	278	76,043	174,297	346,198	520,495	—	632,339
Other Services /Other activities	6,937	8,251	4	—	8,255	124,057	66,088	190,145	—	205,337
Total	97,644	180,459	4,120	1,850	186,429	626,034	666,891	1,292,925	—	1,576,998
Net exposure										
Loans to individuals	18,108,370	2,477,864	87,845	35,932	2,601,641	251,865	213,030	464,895	1,777	21,176,683
Non-financial comp.- Trade	3,545,677	721,138	4,292	610	726,040	71,096	18,909	90,005	—	4,361,722
Non-financial comp.- Construction	1,669,628	678,663	2,091	64	680,818	278,436	41,355	319,791	—	2,670,237
Non-finan. comp.- Manufacturing ind.	4,022,891	787,421	4,898	889	793,208	64,638	31,666	96,304	—	4,912,403
Non-financial comp.-Other activities	1,309,091	382,925	198	8	383,131	76,951	41,096	118,047	—	1,810,269
Non-financial comp.- Other services	8,728,216	1,935,646	6,968	1,259	1,943,873	217,267	142,003	359,270	3	11,031,362
Other Services /Other activities	6,775,832	472,608	33	1	472,642	21,840	24,774	46,614	—	7,295,088
Total	44,159,705	7,456,265	106,325	38,763	7,601,353	982,093	512,833	1,494,926	1,780	53,257,764
% of impairment coverage										
Loans to individuals	0.03%	0.72%	1.88%	3.36%	0.80%	16.10%	34.15%	25.46%	0.00%	0.86%
Non-financial comp.- Trade	0.44%	3.32%	9.14%	10.69%	3.36%	34.48%	64.59%	44.41%	0.00%	2.52%
Non-financial comp.- Construction	0.58%	2.27%	19.98%	16.88%	2.33%	28.99%	47.10%	32.00%	0.00%	6.20%
Non-finan. comp.- Manufacturing ind.	0.48%	3.16%	8.70%	20.84%	3.22%	41.57%	53.92%	46.31%	0.00%	2.55%
Non-financial comp.-Other activities	0.42%	3.34%	29.03%	20.00%	3.36%	51.65%	46.55%	49.99%	0.00%	7.03%
Non-financial comp.- Other services	0.41%	3.72%	11.74%	18.09%	3.76%	44.51%	70.91%	59.16%	0.00%	5.42%
Other Services /Other activities	0.10%	1.72%	10.81%	0.00%	1.72%	85.03%	72.73%	80.31%	0.00%	2.74%
Total	0.22%	2.36%	3.73%	4.56%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

As at 31 December 2021, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2021							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	27,703,742	6,580,539	2,401,911	–	3,931	36,690,123	140,038	36,550,085
stage 2	1,284,664	1,550,860	3,474,329	167,581	398,107	6,875,541	234,446	6,641,095
stage 3	–	–	–	1,865,335	–	1,865,335	913,547	951,788
POCI	838	734	387	3,990	–	5,949	–	5,949
	28,989,244	8,132,133	5,876,627	2,036,906	402,038	45,436,948	1,288,031	44,148,917
Debt instruments at fair value through other comprehensive income (*)								
stage 1	8,029,701	198,383	20,027	–	170,258	8,418,369	–	8,418,369
	8,029,701	198,383	20,027	–	170,258	8,418,369	–	8,418,369
Guarantees and other commitments								
stage 1	6,251,061	2,731,114	950,783	–	16,596	9,949,554	6,505	9,943,049
stage 2	141,206	464,028	871,072	41,423	247,448	1,765,177	10,369	1,754,808
stage 3	–	–	–	396,543	–	396,543	82,717	313,826
	6,392,267	3,195,142	1,821,855	437,966	264,044	12,111,274	99,591	12,011,683
Total	43,411,212	11,525,658	7,718,509	2,474,872	836,340	65,966,591	1,387,622	64,578,969

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

As at 31 December 2020, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2020							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	25,152,472	6,612,176	2,216,651	–	2,239	33,983,538	93,279	33,890,259
stage 2	1,037,497	1,513,753	2,919,442	201,350	425,235	6,097,277	179,538	5,917,739
stage 3	–	–	–	2,362,566	1	2,362,567	1,214,503	1,148,064
POCI	33	11	86	1,605	45	1,780	–	1,780
	26,190,002	8,125,940	5,136,179	2,565,521	427,520	42,445,162	1,487,320	40,957,842
Debt instruments at fair value through other comprehensive income (*)								
stage 1	7,882,434	104,997	–	–	37,558	8,024,989	–	8,024,989
	7,882,434	104,997	–	–	37,558	8,024,989	–	8,024,989
Guarantees and other commitments								
stage 1	6,577,009	2,755,912	884,156	–	56,734	10,273,811	4,365	10,269,446
stage 2	300,674	488,972	629,160	55,560	216,139	1,690,505	6,891	1,683,614
stage 3	–	–	–	425,284	–	425,284	78,422	346,862
	6,877,683	3,244,884	1,513,316	480,844	272,873	12,389,600	89,678	12,299,922
Total	40,950,119	11,475,821	6,649,495	3,046,365	737,951	62,859,751	1,576,998	61,282,753

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

As at 31 December 2021, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

	2021					
	Gross Exposure			Impairment losses		
Segment	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Individuals-Mortgage	3,625	18,341,816	18,345,441	1,430	45,327	46,757
Individuals-Other	21,810	3,996,699	4,018,509	14,532	96,301	110,833
Financial Companies	171,875	1,998,716	2,170,591	110,524	12,056	122,580
Non-financial comp. - Corporate	424,564	6,349,039	6,773,603	282,806	44,867	327,673
Non-financial comp.- SME-Corporate	559,496	10,138,670	10,698,166	260,380	220,223	480,603
Non-financial comp. -SME-Retail	237,823	7,990,553	8,228,376	121,435	169,699	291,134
Non-financial comp.-Other	—	451,619	451,619	—	36	36
Other loans	—	6,861,917	6,861,917	—	8,006	8,006
Total	1,419,193	56,129,029	57,548,222	791,107	596,515	1,387,622

(Thousands of euros)

	2021					
	Gross Exposure			Impairment losses		
Sector of activity	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Loans to individuals	25,435	22,338,515	22,363,950	15,962	141,626	157,588
Non-financial comp.- Trade	45,050	4,479,897	4,524,947	30,345	70,012	100,357
Non-financial comp.- Construction	281,764	2,353,526	2,635,290	123,062	41,738	164,800
Non finan. comp.- Manufacturing indust.	87,949	5,096,245	5,184,194	37,200	73,682	110,882
Non-financial comp.-Other activities	232,007	1,814,726	2,046,733	119,442	31,803	151,245
Non-financial comp.- Other services	575,112	11,185,488	11,760,600	354,573	217,589	572,162
Other Services/Other activities	171,876	8,860,632	9,032,508	110,523	20,065	130,588
Total	1,419,193	56,129,029	57,548,222	791,107	596,515	1,387,622

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Segment	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Individuals-Mortgage	3,111	17,301,842	17,304,953	1,459	58,014	59,473
Individuals-Other	79,147	3,977,173	4,056,320	24,452	100,666	125,118
Financial Companies	223,808	2,502,688	2,726,496	189,757	10,074	199,831
Non-financial comp. - Corporate	605,762	6,886,243	7,492,005	393,104	42,972	436,076
Non-financial comp.- SME-Corporate	744,552	10,684,517	11,429,069	340,661	177,322	517,983
Non-financial comp. -SME-Retail	199,201	6,507,308	6,706,509	113,281	119,682	232,963
Non-financial comp.-Other	—	345,479	345,479	—	50	50
Other loans	—	4,773,931	4,773,931	—	5,504	5,504
Total	1,855,581	52,979,181	54,834,762	1,062,714	514,284	1,576,998

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Sector of activity	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Loans to individuals	82,258	21,279,016	21,361,274	25,911	158,680	184,591
Non-financial comp.- Trade	90,292	4,384,098	4,474,390	47,929	64,739	112,668
Non-financial comp.- Construction	354,386	2,492,428	2,846,814	130,164	46,413	176,577
Non finan. comp.- Manufacturing indust.	96,264	4,944,843	5,041,107	58,284	70,420	128,704
Non-financial comp.-Other activities	208,443	1,738,608	1,947,051	113,247	23,535	136,782
Non-financial comp.- Other services	800,130	10,863,571	11,663,701	497,424	134,915	632,339
Other Services/Other activities	223,808	7,276,617	7,500,425	189,755	15,582	205,337
Total	1,855,581	52,979,181	54,834,762	1,062,714	514,284	1,576,998

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2021, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2021					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2011 and previous						
Number of operations	15,193	20,397	220,575	364,929	76	621,170
Value (Euros '000)	900,796	2,724,042	8,193,062	764,376	4,901	12,587,177
Impairment constituted (Euros '000)	72,821	47,907	27,241	12,743	60	160,772
2012						
Number of operations	860	1,366	2,609	45,516	160	50,511
Value (Euros '000)	74,381	125,835	105,102	62,672	9,571	377,561
Impairment constituted (Euros '000)	3,643	3,335	281	542	8	7,809
2013						
Number of operations	1,293	2,120	4,988	64,484	11	72,896
Value (Euros '000)	62,344	372,642	206,878	75,993	1,646	719,503
Impairment constituted (Euros '000)	3,751	4,466	563	757	1	9,538
2014						
Number of operations	1,209	3,225	3,485	60,093	71	68,083
Value (Euros '000)	65,285	474,349	178,777	88,961	187,010	994,382
Impairment constituted (Euros '000)	3,128	14,411	248	828	173	18,788
2015						
Number of operations	1,724	4,443	5,233	68,672	87	80,159
Value (Euros '000)	91,512	642,002	325,013	103,845	7,635	1,170,007
Impairment constituted (Euros '000)	2,368	20,640	277	1,498	9	24,792
2016						
Number of operations	1,992	5,901	7,226	72,315	37	87,471
Value (Euros '000)	148,782	1,314,703	480,948	143,010	1,312	2,088,755
Impairment constituted (Euros '000)	3,346	34,165	307	2,697	1	40,516
2017						
Number of operations	2,561	7,502	11,359	76,370	88	97,880
Value (Euros '000)	223,665	1,364,187	894,836	169,865	14,035	2,666,588
Impairment constituted (Euros '000)	4,054	16,247	261	4,433	21	25,016
2018						
Number of operations	5,338	14,253	16,131	144,814	163	180,699
Value (Euros '000)	707,504	2,097,012	1,471,833	394,618	323,579	4,994,546
Impairment constituted (Euros '000)	6,325	35,741	370	8,741	81	51,258
2019						
Number of operations	8,195	19,518	17,620	388,219	74	433,626
Value (Euros '000)	793,148	1,956,106	1,684,362	762,996	110,398	5,307,010
Impairment constituted (Euros '000)	7,952	53,959	303	13,986	86	76,286
2020						
Number of operations	9,432	31,025	15,433	124,135	97	180,122
Value (Euros '000)	1,505,684	4,669,806	1,628,804	392,459	174,564	8,371,317
Impairment constituted (Euros '000)	16,058	77,189	150	4,648	152	98,197
2021						
Number of operations	10,918	30,362	23,064	173,925	65	238,334
Value (Euros '000)	1,523,632	4,738,598	2,766,762	885,686	337,142	10,251,820
Impairment constituted (Euros '000)	14,355	73,921	543	3,504	476	92,799
Total						
Number of operations	58,715	140,112	327,723	1,583,472	929	2,110,951
Value (Euros '000)	6,096,733	20,479,282	17,936,377	3,844,481	1,171,793	49,528,666
Impairment constituted (Euros '000)	137,801	381,981	30,544	54,377	1,068	605,771

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2020, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2020					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2010 and previous						
Number of operations	15,237	20,856	234,750	350,468	84	621,395
Value (Euros '000)	979,897	2,978,208	8,965,576	763,545	2,064	13,689,290
Impairment constituted (Euros '000)	68,832	76,322	38,874	14,595	1	198,624
2011						
Number of operations	1,184	1,783	4,753	44,722	1	52,443
Value (Euros '000)	53,759	177,429	246,664	89,453	20	567,325
Impairment constituted (Euros '000)	4,838	4,772	457	959	—	11,026
2012						
Number of operations	961	1,533	2,816	48,435	174	53,919
Value (Euros '000)	78,588	136,655	117,212	69,579	8,259	410,293
Impairment constituted (Euros '000)	3,430	3,727	360	487	6	8,010
2013						
Number of operations	1,469	2,388	5,522	69,600	13	78,992
Value (Euros '000)	69,535	482,040	236,171	99,713	1,571	889,030
Impairment constituted (Euros '000)	4,245	25,091	607	795	53	30,791
2014						
Number of operations	1,458	3,675	3,823	67,035	70	76,061
Value (Euros '000)	81,732	565,414	204,394	102,031	182,189	1,135,760
Impairment constituted (Euros '000)	3,700	30,654	172	835	110	35,471
2015						
Number of operations	2,055	5,455	5,774	76,269	89	89,642
Value (Euros '000)	119,000	694,515	365,544	125,916	5,888	1,310,863
Impairment constituted (Euros '000)	4,346	33,545	183	2,173	5	40,252
2016						
Number of operations	2,516	7,626	7,842	86,407	39	104,430
Value (Euros '000)	198,602	1,482,707	533,710	186,555	3,673	2,405,247
Impairment constituted (Euros '000)	9,559	93,210	347	3,276	3	106,395
2017						
Number of operations	3,189	9,843	12,385	88,640	86	114,143
Value (Euros '000)	302,687	1,583,266	1,001,857	233,144	38,649	3,159,603
Impairment constituted (Euros '000)	5,865	28,414	257	5,224	26	39,786
2018						
Number of operations	6,175	17,397	17,582	169,083	163	210,400
Value (Euros '000)	919,972	2,473,924	1,647,157	504,918	362,900	5,908,871
Impairment constituted (Euros '000)	7,646	29,306	343	8,467	67	45,829
2019						
Number of operations	9,398	23,855	19,078	447,170	77	499,578
Value (Euros '000)	1,100,422	2,560,487	1,884,065	934,200	137,753	6,616,927
Impairment constituted (Euros '000)	11,776	90,226	241	9,435	57	111,735
2020						
Number of operations	12,973	45,216	16,153	177,891	127	252,360
Value (Euros '000)	1,937,296	7,157,986	1,751,145	683,789	253,224	11,783,440
Impairment constituted (Euros '000)	17,913	89,306	1,884	8,663	151	117,917
Total						
Number of operations	56,615	139,627	330,478	1,625,720	923	2,153,363
Value (Euros '000)	5,841,490	20,292,631	16,953,495	3,792,843	996,190	47,876,649
Impairment constituted (Euros '000)	142,150	504,573	43,725	54,909	479	745,836

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2021, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2021					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0,5 M€						
Number	6,251	1,860	7,666	6,080	249,573	306
Value (Euros '000)	836,446	93,404	1,163,682	251,058	36,132,622	16,787
>= 0,5 M€ and < 1 M€						
Number	716	49	917	93	4,840	6
Value (Euros '000)	489,400	31,617	639,208	60,789	3,141,241	3,534
>= 1 M€ and < 5 M€						
Number	503	42	772	72	833	1
Value (Euros '000)	1,026,666	69,863	1,566,854	134,629	1,266,531	1,474
>= 5 M€ and < 10 M€						
Number	91	2	100	13	10	—
Value (Euros '000)	624,333	10,856	721,530	89,424	63,256	—
>= 10 M€ and < 20 M€						
Number	41	—	49	13	1	—
Value (Euros '000)	552,497	—	662,948	193,578	11,047	—
>= 20 M€ and < 50 M€						
Number	30	—	35	1	—	—
Value (Euros '000)	873,591	—	1,032,578	49,281	—	—
>= 50 M€						
Number	4	—	10	3	—	—
Value (Euros '000)	260,929	—	907,820	827,069	—	—
Total						
Number	7,636	1,953	9,549	6,275	255,257	313
Value (Euros '000)	4,663,862	205,740	6,694,620	1,605,828	40,614,697	21,795

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2020, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2020					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0,5 M€						
Number	6,416	1,599	7,678	5,243	246,759	364
Value (Euros '000)	830,614	82,951	1,158,491	225,661	34,568,965	20,084
>= 0,5 M€ and < 1 M€						
Number	711	40	929	89	4,318	4
Value (Euros '000)	496,050	26,209	647,728	58,593	2,804,370	2,442
>= 1 M€ and < 5 M€						
Number	514	35	773	80	685	1
Value (Euros '000)	1,080,764	60,874	1,525,334	151,036	1,012,799	2,080
>= 5 M€ and < 10 M€						
Number	90	3	98	15	8	—
Value (Euros '000)	619,990	22,608	682,289	102,585	55,714	—
>= 10 M€ and < 20 M€						
Number	42	—	54	11	—	—
Value (Euros '000)	569,865	—	740,318	166,824	—	—
>= 20 M€ and < 50 M€						
Number	29	—	27	1	—	—
Value (Euros '000)	862,058	—	819,011	42,758	—	—
>= 50 M€						
Number	4	—	9	2	—	—
Value (Euros '000)	237,397	—	854,036	680,699	—	—
Total						
Number	7,806	1,677	9,568	5,441	251,770	369
Value (Euros '000)	4,696,738	192,642	6,427,207	1,428,156	38,441,848	24,606

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2021, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2021				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,227,543	440,358	89,651	68,555
<60%	22,518	865,142	212,824	38,678	20,272
>=60% and <80%	1,390	369,531	128,621	11,419	7,778
>=80% and <100%	337	99,338	30,610	52,882	33,734
>=100%	878	53,888	109,066	67,031	38,786
Companies - Other Activities					
Without associated collateral	n.a.	8,515,846	1,834,981	654,776	659,670
<60%	10,489	745,131	517,582	90,378	40,043
>=60% and <80%	2,411	289,614	292,828	142,462	57,425
>=80% and <100%	1,247	178,631	132,481	118,703	74,739
>=100%	2,785	332,465	508,789	125,353	126,808
Mortgage loans					
Without associated collateral	n.a.	32,887	5,190	1,463	1,430
<60%	217,572	7,644,389	971,803	104,913	11,430
>=60% and <80%	92,004	5,627,938	766,801	89,132	8,904
>=80% and <100%	33,538	2,155,833	393,564	63,520	7,684
>=100%	5,890	192,751	75,766	42,786	16,920

As at 31 December 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2020				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,151,613	412,252	117,540	83,097
<60%	22,389	748,836	210,392	33,127	18,658
>=60% and <80%	1,638	442,175	86,829	67,998	33,140
>=80% and <100%	702	122,206	63,394	69,054	36,457
>=100%	1,573	63,258	93,450	70,227	51,475
Companies - Other Activities					
Without associated collateral	n.a.	8,229,495	1,761,466	873,446	795,747
<60%	11,703	654,514	376,616	124,957	44,137
>=60% and <80%	2,467	529,469	180,858	98,062	41,396
>=80% and <100%	1,237	224,195	91,722	116,774	58,005
>=100%	3,353	378,170	276,151	182,902	139,272
Mortgage loans					
Without associated collateral	n.a.	237,867	18,522	2,564	3,338
<60%	216,471	7,271,049	936,189	120,173	9,102
>=60% and <80%	91,349	5,044,743	719,092	109,592	8,004
>=80% and <100%	34,449	1,862,366	363,173	78,916	8,632
>=100%	7,851	278,335	89,331	73,685	26,828

The following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 24), by type of asset:

(Thousands of euros)

	2021		2020	
	Assets arising from recovered loans results			
Asset	Appraised value	Book value	Appraised value	Book value
Land				
Urban	282,173	216,292	360,957	277,072
Rural	20,195	14,745	45,122	35,122
Buildings in development				
Commercials	869	517	—	—
Mortgage loans	2,569	1,529	5,538	4,355
Constructed buildings				
Commercials	143,148	102,253	196,577	149,523
Mortgage loans	144,083	112,211	254,311	197,249
Others	1,038	895	1,236	926
	594,075	448,442	863,741	664,247

Analysis of the impact of the COVID-19 pandemic on IFRS 9 Risk staging, forborne and default classification and impairment

During 2021 the Bank maintained procedures to monitor the potential impacts of the COVID-19 pandemic crisis, following up on the measures already implemented during 2020.

More specifically regarding the implications on the IFRS staging, as well as the impairment calculation, the main procedures implemented by the Bank in Portugal are described below.

i. Specialized customer monitoring in the context of the pandemic COVID-19

Alongside the support to customers, making available and implementing swiftly the support measures approved, namely by the Government and the EBA, and embodied in the public and private moratoria and the COVID lines, the Bank adjusted its credit portfolio management and monitoring processes to the new reality arising from the pandemic, namely in what concerns the assessment of its potential impacts on the risk profile of the different portfolios/segments of exposure.

Therefore, in order to identify, assess and monitor the impact in terms of credit risk arising from the COVID-19 pandemic crisis in a comprehensive and transversal way, the Bank implemented a specific approach with the objective of identifying and closely monitoring the customers potentially most affected by the pandemic, anticipating possible difficulties in complying with their responsibilities and defining credit and performance strategies adjusted to the specificities of each specific customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk.

This approach involved a segmentation of customers according to a set of risk criteria approved (customer risk grade, activity sector, existence of warning signs, exposure size, etc.), its allocation to monitoring units/structures set up specifically for this purpose, which rely on the experience and knowledge of employees assigned to areas traditionally allocated to the credit risk management (Credit Division, Rating Division, Corporate Recovery Division and Retail Recovery Division), as follows:

- "Comité de Acompanhamento de Risco Empresas" (CARE): monitors economic groups/companies with greater exposure to the Bank and/or with a risk profile considered more vulnerable in the context of the pandemic.

Regular monitoring with the intervention of the Credit Division and the Rating Division in coordination with the commercial area that follows the customers, involving the request of frequent and recurring information regarding the evolution of the business with the objective of monitoring as much as possible in a timely manner the evolution of its economic and financial situation.

The conclusions of this analysis are then presented to a monitoring committee specifically created for this purpose, which includes members of the Executive Committee and several areas of the Bank, which met throughout 2021 about twice a month.
- Task Force DCR: Monitoring of economic groups/corporate clients with exposures levels lower than CARE, having the support of the Credit Division and representatives of the commercial areas.

The credit strategies and proposed action measures for customers monitored by this area are analysed and agreed between branches/sales networks and the credit teams of the Credit Division.

- Task Force DRE: Monitoring of economic groups/corporate clients in a segment lower than CARE and Task Force DCR in terms of exposure with the Bank.

Considering that it follows a larger number of clients and of smaller size, the approach is more standardised.

For each of the clients analysed in these special structures, an action strategy is approved. The set of strategies is pre-defined, common to all three structures and its implementation is regularly monitored.

- DRR Model: Follows the retail segment as far as individuals and small-sized companies within this segment are concerned.

Given the number of customers involved, it is in this monitoring area that the approach is more standardised, with strategies for approaching customers, analysis, offer of solutions and their implementation being pre-defined and less customised.

The main guidelines of the approach followed in this front can be characterised as presented below:

1. Global and transversal: Is supported by an analysis of the entire credit portfolio of the Bank, being excluded from the special monitoring only customers with a risk profile not very vulnerable to the current environment or with exposures of a lower size. These customers continue to be monitored according to the regular credit monitoring procedures in place in the pre-pandemic period.

2. Specialised: The monitoring alternative approaches were defined taking into consideration the specificities of each segment, i.e. CARE and Task Force DCR, for large exposures; the support to commercial networks through the creation of a Task Force DRE for medium-sized corporate exposures; and the retail network, with the support of the marketing divisions and the Retail Recovery Division, for individuals and small businesses.

3. Segmented: Prioritisation of contacts with customers based on risk indications in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.

4. Prospective: Definition of predictive models, in order to anticipate potential future defaults, namely regarding portfolios under moratoria, avoiding a reactive approach.

5. Standardised: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).

6. Convenient and innovative: Making the restructuring journey simpler and more convenient for private and corporate customers, both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and housing credit.

Although originally conceived as a response to the need to closely monitor the impacts of the pandemic COVID-19, given its merits, it was decided to evolve this approach into a process that will continue in the future, no longer based on task force structures and applicable to all corporate clients without exception.

A critical component of the evolution of this process is the allocation of credit strategies among pre-established options to all customers, with review periods differentiated according to the strategies in question.

The evolution of the model contemplates the maintenance of the "Comité de Acompanhamento de Risco Empresas" (CARE) to monitor economic groups/corporate customers with larger exposure to the Bank and/or with a risk profile considered more vulnerable, while the monitoring of the remaining companies is based on the structures of the Rating Department and Credit Department.

ii. Updating of macroeconomic scenarios

In what concerns the customer portfolio subject to collective analysis, in what regards Portugal, the Bank updated the macroeconomic assumptions used in the impairment calculation in the end of December, based on the three scenarios (Central Scenario, Upside and Downside) prepared by the Bank's Economic Studies Department.

These scenarios, which are used in the Bank for different purposes other than the impairment calculation, took into account the existing projections of reputed entities.

The tables below present the assumptions assumed in December 2021 for Portugal of the central scenarios regarding some of the most critical variables regarding 2021 and 2022 used in the estimation of the collective impairment.

Main macroeconomic scenario assumptions (Base Scenario)

	December 2020 Scenario		December 2021 Scenario		Difference	
Variable	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Unemployment rate	8.80 %	8.12 %	6.55%	5.96%	-2.25%	-2.16%
Nominal GDP annual evolution	5.16 %	5.93 %	7.12%	7.84%	1.96%	1.91%
Savings Rate	8.73 %	6.50 %	9.50%	6.80%	0.78%	0.30%
German 10 year Sovereign Debt Yield	-0.55%	-0.49 %	-0.24%	-0.11%	0.31%	0.38%

The following tables describe the weights assigned in Portugal to the different macroeconomic scenarios considered at the end of 2020 and December 2021, which can be considered as conservative:

	Weightings	
Scenario	**December 2020**	**December 2021**
Central	60 %	60 %
Upside	10 %	10 %
Downside	30 %	30 %

Regarding Portugal, in order to assess the impact of a more unfavourable evolution of two variables particularly critical to the estimation of the collective impairment (GDP growth and unemployment rate), a simulation of an additional worsening of one percentage point in the evolution of these indicators was carried out, resulting in the impacts presented in the table below, based on the collective impairment of the portfolio in Portugal on 31 December 2021, which was Euros 511 million.

Variable	Estimated impact (% variation)
100 bp GDP growth aggravation	2.92%
100 bp unemployment rate growth aggravation	0.12%

iii. Inclusion of impairment overlays

In order to incorporate an additional level of conservatism in the impairment values and meeting the guidelines issued by the Supervisors, namely regarding the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank defined and implemented a methodology of complementary identification of situations of significant increase in credit risk and evidence of impairment. This approach took into consideration several factors considered relevant for an assessment of the potential risk of customers' exposures in an exceptional context resulting from the COVID-19 pandemic, including data already observed in their behaviour and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force, with distinct approaches having been adopted for the calculation of the overlays of the corporate and individual segments. This methodology has been adjusted throughout the year 2021, with the inclusion of additional criteria, namely for customers operating in sectors considered by the Bank as higher risk and with a more adverse potential impact in the context of the COVID-19 pandemic and/or for customers who were covered by moratoria, as well as the inclusion of performing customers subject to individual impairment analysis.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact resulting from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment.

As a result of the implementation of this methodology, the Bank determined an impairment additional to the one resulting from the collective analysis model, therefore with characteristics of overlays, whose amount at 31 December 2021 amounts to approximately Euros 85 million in Portugal. In relation to the value of overlays recorded in Portugal at the end of June 2021, there is an increase of approximately Euros 32 million which includes performing customer exposures subject to individual impairment analysis. In relation to the value at the end of 2020, the increase was of Euro 58 million.

iv. Risk Grade freeze of clients rated by behavioural models

Assuming a conservative perspective, in Portugal, the Bank identified the customers in moratorium with internal risk rating awarded by behavioural models that at the end of December showed an improvement in the risk level in comparison with the one existing before the moratoria and, for these cases, assumed for purposes of staging criteria and impairment calculation the maintenance of that pre-moratoria risk rating.

This procedure did not imply a change in the internal risk rating attributed by the Bank. The impact of this procedure as of 31 December 2021 resulted in an additional impairment to that resulting from the collective analysis model of Euros 6,7 million and to around Euros 310 million of On-Balance exposure regarding transitions from Stage 1 to Stage 2.

v. Classification of exposures as forborne

Specifically, in what regards the classification of customers as forborne, within the guidelines issued by regulators and supervisors, operations within the scope of the state moratoria (Decree Law 10-J/2020 of 26 March) or the sector moratorium (protocol signed in the context of the APB-Portuguese Banking Association) could be not flagged as forborne. Even so, the Bank decided to adopt a conservative approach, classifying as forborne the operations that benefited from the above-mentioned moratoria and that on the day of joining the moratorium had more than 30 consecutive days of default above the materialities.

With respect to the flagging of restructuring due to financial difficulties for other operations or contractual amendments, the Bank continued to intensify internal procedures with a view to strict classification of new operations or modification of ongoing operations considered carried out due to the customers' financial difficulties.

Operations subject to legislative and non-legislative moratoriums and new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis

The following tables characterize the transactions that, as of 31 December 2021 and 2020, were subject to legislative and non-legislative moratorium, as well as new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis, at Portugal and consolidated level.

As at 31 December 2021, the amounts included related with the moratoria in force are null.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective impairment, of loans and advances that have ever been subject to legislative and non-legislative moratorium, with reference as at 31 December 2021:

(Thousands of euros)

	Gross carrying amount							
		Performing			Non-performing			
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Gross carrying amount
Loans and advances subject to moratorium	9,378,968	8,564,570	651,852	2,975,293	814,398	531,562	739,029	253,126
of which: Households	3,906,461	3,769,012	250,709	941,262	137,449	84,631	110,258	70,597
of which: Collateralised by residential immovable property	3,569,137	3,465,288	224,083	863,161	103,849	69,746	96,071	49,919
of which: Non-financial corporations	5,378,193	4,726,404	399,359	1,974,205	651,789	426,601	603,613	182,527
of which: Small and Medium-sized Enterprises	4,978,548	4,411,714	371,698	1,832,554	566,834	369,749	551,058	158,826
of which: Collateralised by commercial immovable property	1,875,253	1,580,669	284,634	984,103	294,584	169,564	292,133	100,480

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						
		Performing			Non-performing		
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	480,587	129,079	30,033	104,582	351,508	270,311	313,489
of which: Households	21,530	5,830	1,208	5,085	15,700	8,920	9,081
of which: Collateralised by residential immovable property	6,807	2,542	650	2,376	4,265	3,162	3,952
of which: Non-financial corporations	431,795	120,696	28,317	97,009	311,099	241,511	279,699
of which: Small and Medium-sized Enterprises	375,148	113,918	26,775	92,138	261,230	199,451	255,202
of which: Collateralised by commercial immovable property	176,360	56,246	22,187	52,695	120,114	85,953	119,821

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

The analysis of the gross carrying amount and respective accumulated impairment, of loans and advances subject to the moratorium, with reference as at 31 December 2020 is as follows:

(Thousands of euros)

	Gross carrying amount							
		Performing			Non-performing			
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Gross carrying amount
Loans and advances subject to moratorium	8,921,422	8,267,950	500,330	2,303,813	653,472	508,802	644,001	170,380
of which: Households	4,149,444	4,055,521	137,274	773,675	93,923	49,501	88,398	56,147
of which: Collateralised by residential immovable property	3,731,430	3,655,989	122,182	693,333	75,441	40,958	71,386	41,461
of which: Non-financial corporations	4,674,796	4,135,973	361,706	1,483,922	538,823	438,578	534,877	114,232
of which: Small and Medium-sized Enterprises	4,261,385	3,747,326	331,782	1,343,812	514,059	420,365	510,113	114,232
of which: Collateralised by commercial immovable property	1,690,487	1,481,321	80,794	652,385	209,166	153,318	206,474	56,417

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						
		Performing			Non-performing		
	Total		Of which: exposures with forbearance measures	Of witch Stage 2 (*)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	386,744	103,774	30,022	84,721	282,970	246,793	282,120
of which: Households	12,064	5,358	920	4,754	6,706	3,654	6,333
of which: Collateralised by residential immovable property	4,160	2,182	488	2,075	1,978	1,259	1,915
of which: Non-financial corporations	352,727	96,093	28,701	77,745	256,634	223,511	256,157
of which: Small and Medium-sized Enterprises	331,283	88,390	26,492	71,981	242,893	213,678	242,415
of which: Collateralised by commercial immovable property	111,303	32,263	3,052	28,294	79,040	64,073	78,678

(*) Instruments with significant increase in credit risk since initial recognition but not credit-impaired.

The analysis of the loans and advances which moratorium was offered and was granted (includes already defaulted moratoriums), as at 31 December 2021, is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	76,290	9,378,969		
Loans and advances subject to moratorium (granted)	76,290	9,378,969	8,806,543	9,378,969
of which: Households		3,906,462	3,304,007	3,906,462
of which: Collateralised by residential immovable property		3,569,137	3,239,135	3,569,137
of which: Non-financial corporations		5,378,193	5,378,193	5,378,193
of which: Small and Medium-sized Enterprises		4,978,548	4,978,548	4,978,548
of which: Collateralised by commercial immovable property		1,875,252	1,875,252	1,875,252

The analysis of the loans and advances which moratorium was offered and was granted (includes already defaulted moratoriums), as at 31 December 2020, is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	76,249	8,953,040		
Loans and advances subject to moratorium (granted)	75,961	8,921,422	8,190,460	297,943
of which: Households		4,149,444	3,418,482	104,301
of which: Collateralised by residential immovable property		3,731,429	3,351,770	82,570
of which: Non-financial corporations		4,674,796	4,674,796	192,108
of which: Small and Medium-sized Enterprises		4,261,385	4,261,385	153,802
of which: Collateralised by commercial immovable property		1,690,487	1,690,487	52,239

The analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratoria, as at 31 December 2020, is as follows:

(Thousands of euros)

	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	625,690	81,994	7,915,795	8,623,479
of which: Households	625,690	81,994	3,337,459	4,045,143
of which: Collateralised by residential immovable property	375,700	93	3,273,067	3,648,860
of which: Non-financial corporations	—	—	4,482,688	4,482,688
of which: Small and Medium-sized Enterprises	—	—	4,107,583	4,107,583
of which: Collateralised by commercial immovable property	—	—	1,638,248	1,638,248

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

As for loans granted under new public guarantee systems, the breakdown of exposure by segment is presented, as well as the number of associated guarantees and the indication of the portion classified as restructuring due to financial difficulties or classified as non-productive.

As at 31 December 2021, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,576,694	609	2,186,423	14,476
of which: Households	15,381	—	13,572	52
of which: Collateralised by residential immovable property	275	—	248	—
of which: Non-financial corporations	2,560,729	609	2,172,353	14,424
of which: Small and Medium-sized Enterprises	2,406,799	609	2,048,765	14,424
of which: Collateralised by commercial immovable property	90,342	—	74,859	1,551

As at 31 December 2020, the analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,261,689	18	1,931,615	6,828
of which: Households	14,128			—
of which: Collateralised by residential immovable property	260			—
of which: Non-financial corporations	2,244,898	18	1,916,959	6,828
of which: Small and Medium-sized Enterprises	2,141,546			5,823
of which: Collateralised by commercial immovable property	75,741			1,005

Market risk

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding – Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Bank comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Bank uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, and measured by the methodologies referred to above:

(Thousands of euros)

	2021	Max of global risk in the period	Min of global risk in the period	2020
Generic Risk (VaR)	1,121	4,648	260	4,025
Interest Rate Risk	1,087	1,368	163	3,795
FX Risk	220	4,031	141	852
Equity Risk	274	628	194	318
Diversification effects	*(460)*	*(1,379)*	*(238)*	*(940)*
Specific Risk	35	21	138	19
Non-Linear Risk	—	—	—	—
Commodities Risk	—	—	—	—
Global Risk	1,156	4,669	398	4,044

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model.

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Bank's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Bank's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Bank's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Bank holds material positions:

(Thousands of euros)

	2021			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	(478)	(479)	782	1,519
EUR	(3,636)	(4,334)	47,026	90,289
PLN	(535)	(261)	249	485
USD	(16,808)	(8,236)	7,761	15,074
	(21,457)	(13,310)	55,818	107,367

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 b.p., especially in shorter periods).

(Thousands of euros)

	2020			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	(119)	365	595	1,162
EUR	(15,417)	(14,058)	(16,808)	91,941
PLN	(944)	(198)	789	1,558
USD	(12,162)	(3,504)	10,012	19,578
	(28,642)	(17,395)	(5,412)	114,239

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 b.p., especially in shorter periods).

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialization model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments. On an individual basis hedge accounting is made for hedge investments on investments subsidiaries, by applying Fair Value Hedge.

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland), the fair value hedge accounting model.

The amount of the investment in Bank Millennium (Poland) subject to hedging is PLN 1,361,325,000 (31 December 2020: PLN 2,570,017,000), with the equivalent amount of Euros 296,980,000 (31 December 2020: Euros 563,563,000), with the hedging instrument in the same amount.

These hedging relationships were considered effective during the entire period of 2021, as described in the accounting policy in note 1.B4.

Regarding equity risk, the Bank maintains a series of small size and low risk equity positions, essentially in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks' control.

Liquidity risk

The assessment of the Bank's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risk Commission is responsible for controlling the liquidity risk. This control is reinforced through the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

Considering the prudential criteria adopted by the Group for liquidity management and the decision to reinforce the liquidity buffer at the ECB in reaction to the COVID-19 crisis, the portfolio of assets available for discount with this entity ended the period at 31 December 2021 with a value of Euros 25,501,780,000 (31 December 2020: Euros 22,502,496,000), of which Euros 13,394,653,000 were mobilized in the ECB monetary policy pool.

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of euros)

	2021	2020
European Central Bank	13,394,653	9,783,715

The amount discounted in the European Central Bank amounts to Euros 8,150,070,000 (31 December 2020: Euros 7,550,070,000).

Liquidity coverage ratio

The credit transformation ratio on deposits calculated on 31 December 2021, in accordance with Bank of Portugal Instruction No. 16/2004 (current version), stood at 84%, improving from the level of the ratio observed on 31 December 2020 (88%).

Hedging accounting

As at 31 December 2021, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2021			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	12,974,378	74,261	30,400	124,020
Interest rate risk				
Currency and interest rate swap	347,329	12,043	121	(29)
	13,321,707	86,304	30,521	123,991
Cash flows hedging				
Interest rate risk				
Interest rate swaps	14,500,000	19,617	212,379	(253,783)
Total	27,821,707	105,921	242,900	(129,792)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2020, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2020			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,400,462	5,396	88,654	(48,439)
Interest rate futures	197,400	—	—	647
Interest rate risk				
Currency and interest rate swap	436,079	34	26,365	70
	5,033,941	5,430	115,019	(47,722)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,080,000	69,274	6,540	123,843
Total	16,113,941	74,704	121,559	76,121

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2021, the table below includes the detail of the hedged items:

(Thousands of euros)

		2021						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet	Book value		Cumulative value of the adjustments		Change in fair value	Hedging relationships	Hedging relationships
Type of hedging	item	Assets	Liabilities	Assets	Liabilities	(A)	in effect	discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	745,328	—	(1,678)	—	(8,237)	n.a.	n.a.
	(H)	4,133,227	—	(12,706)	—	(20,638)	n.a.	n.a.
	(C)	6,555,902	—	41,485	—	(115,030)	n.a.	n.a.
	(D)	—	10,000	—	93	140	n.a.	n.a.
	(E)	—	12,350	—	490	311	n.a.	n.a.
	(F)	—	497,998	—	(985)	979	n.a.	n.a.
	(G)	—	758,076	—	(4,530)	5,754	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		—	347,329	—	(66)	98	n.a.	n.a.
		11,434,457	1,625,753	27,101	(4,998)	(136,623)	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	14,500,000	—	—	—	253,783	(190,563)	131,582
Total		25,934,457	1,625,753	27,101	(4,998)	117,160	(190,563)	131,582

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

		2020						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Book value Assets	Book value Liabilities	Cumulative value of the adjustments Assets	Cumulative value of the adjustments Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	—	6,559	—	4,727	n.a.	n.a.
	(H)	1,672,825	—	28,794	—	25,080	n.a.	n.a.
	(C)	2,107,350	—	(47,320)	—	26,224	n.a.	n.a.
	(D)	—	10,000	—	233	(99)	n.a.	n.a.
	(E)	—	153,450	—	2,253	2,534	n.a.	n.a.
	(F)	—	2,542	—	42	12	n.a.	n.a.
	(G)	—	449,688	—	1,223	(8,197)	n.a.	n.a.
Interest rate futures	(H)	212,143	—	—	—	(911)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		—	436,080	—	34	(37)	n.a.	n.a.
		4,102,900	1,051,760	(11,967)	3,785	49,333	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,450,000	—	—	—	(123,843)	63,220	207,147
Total		15,552,900	1,051,760	(11,967)	3,785	(74,510)	63,220	207,147

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2021, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	2021					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(12,701)		n.a.	n.a.
Interest rate futures	(D)	n.a.	–		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	69		n.a.	n.a.
		n.a.	(12,632)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		–	–	(E)	68,038	–
		–	–		68,038	–
Total		–	(12,632)		68,038	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2020, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	2020					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	1,842		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,611		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		–	–	(E)	72,606	–
		–	–		72,606	–
Total		–	1,611		72,606	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2021, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	2021					
	Remaining period				Fair value	
Type of hedging	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Assets**	**Liabilities**
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	–	300,000	12,674,378	12,974,378	74,261	30,400
Fixed interest rate (average)	0.00%	-0.04%	0.12%	0.12%		
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	171,466	175,863	–	347,329	12,043	121
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	14,500,000	14,500,000	19,617	212,379
Total derivatives traded by:						
OTC Market	171,466	475,863	27,174,378	27,821,707	105,921	242,900

As at 31 December 2020, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	2020					
	Remaining period				Fair value	
Type of hedging	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Assets**	**Liabilities**
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	23,500	370,100	4,006,862	4,400,462	5,396	88,654
Fixed interest rate (average)	0.82%	0.72%	0.11%	0.22%		
Stock Exchange transactions:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,080,000	11,080,000	69,274	6,540
Total derivatives traded by:						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

Operational Risk

The operational risk management system is framed by the "3 Lines of Defence" Corporate Governance model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred. The Internal Audit function embodies the 3rd Line of Defence and supervises the appropriate fulfilment of the functions and activities of the remaining two lines of defence.

In 2021, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts.

It should also be noted that the 5-year average of the ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade.

49. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter, which is still pending.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested on 13 June 2019. By judgment of 26 September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the Bank of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the Bank in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the BCP in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The Bank considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the Bank submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the Bank requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation that the preparatory hearing will take place on 6 September 2021 and that the judgement hearing will be initiated at as of the pre-scheduled date of 8 September 2021.

On 6 September 2021, the preparatory session of the trial in the Competition, Regulation and Supervision Court took place. The trial, which takes place in Santarém, began on 6 October 2021.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 20 October 2021, requesting the Court to take a position on the matter before the beginning of the trial.

The trial is currently underway, with sessions scheduled until the end of February 2022. It is estimated that the sentence will be handed in first instance down in April 2022.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1) send information about the UOKIK's decision to the 78 clients mentioned;
2) place information about the decision and the text of the decision on its website and on Twitter;
3) pay a fine amounting to PLN 20.7 million (Euros 4.52 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by UOKIK, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. According to current estimates of the risk of losing this dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought by UOKIK, in which the President of UOKIK considers there were anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, a fine was imposed on Bank Millennium in the amount of PLN 12.2 million (Euros 2.66 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.29 million), the setting of which took into account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of the provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, that the said clauses were deemed to be abusive and, therefore, not binding upon them (without need to obtain the court's decision confirming this circumstance) and publish the decision on the case on Bank Millennium's website.

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by the bank (on the basis of a concept, not specified in any regulations, of an average interbank market rate). Moreover, the client had no precise knowledge of where to look for said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC's Chairman also indicated that, in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC's Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the decision within the statutory term. Bank Millennium believes that the chances for it to win the case are positive.

4. As at 31 December 2021, Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729.6 million (Euros 159.17 million). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635.7 million (Euros 138.68 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, it should be noted that Bank Millennium participates as an intervener in four other proceedings regarding the interchange fee. Other banks are the defendants. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

On 5 April 2016, Bank Millennium was notified of a case brought by Europejska Fundacja Współpracy Polsko-Belgijskiej/ European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, with the worth of the dispute of PLN 521.9 million (Euros 113.86 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; Bank Millennium was notified of the lawsuit only on 4 April 2016. According to the plaintiff, the fundamentals for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the incorrect interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 54.54 million). On 5 September 2016 the Court of Appeal dismissed this claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

As at 31 December 2021, the total value of the other litigations in which the Group appeared as defendant stood at PLN 2,206 million (Euros 481.25 million) (excluding the class actions described in note 50. Provisions for legal risk related to foreign currency-indexed mortgage loans). In this group, the most important category are cases related with foreign currency-indexed mortgage loans portfolio and cases related to forward transactions (option cases).

5. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, who are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.76 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.76 million) to over PLN 5 million (Euros 1.09 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,608,042.92).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. Bank Millennium submitted a pleading with questions to witnesses in July 2020. By the court's decision of 9 September 2021, the court called the witnesses to testify in writing. Witnesses will have two months for this operation from the service of the summons. In this case, the date of the hearing can also be expected - approximately - in the first half of 2022. However, it should be noted that the above forecast is conditioned by the result of the assessment of the impact of the latest amendments to the Code of Civil Procedure on group proceedings. In the event of difficulties with resolving doubts that have arisen as to which composition of the courts should currently conduct these proceedings (one-person composition or, as before, three-person composition), it may be necessary to clarify this issue by the Supreme Court in the form of a resolution, which will mean that the date of the hearing should be expected even at the end of 2022.

As at 31 December 2021, there are also 327 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

6. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

a) presenting the offered loan repayment insurance as protecting interests of the insured in a case where the insurance structure indicates that it protects Bank Millennium's interests;
b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;
c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);
d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

7. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;
b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;
c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;
d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;
e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report submitted. There is a time limit for parties to complain or to request clarifications to the presented expert report.

8. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), which entailed, *inter alia*, namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information posted on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 19 of the Resolution Fund's annual report of 2020, *"Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Board of Directors, supported by legal advice of the attorneys for Novo Banco in these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

Also according to note 20 of the same source, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. (...) Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2020, two (sentences) have become final and unappealable (...) condemning Novo Banco, and in relation to which due compensation has been requested from the Resolution Fund, and the grounds for their enforceability are being analyzed".*

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion(1) that revealed significant uncertainties regarding adequacy in provisioning(2):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions(1)(2)(3);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion(2);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments(2). According to the press in May 2021, the amount of this recapitalization could reach Euros 1,6 billion, while it is not clear if this will be financed through the Resolution Fund or the Portuguese State.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2020 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

(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%

In its 2020 annual report, the Resolution Fund states that "*Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the CCA*".

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 30 June 2021, amounted to approximately Euros 2 billion (book value, net of impairments), according to Novo Banco's 1st Half 2021 report.

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to a statement issued by the Resolution Fund on 2 November 2021, the final judgment of the Arbitration Court constituted within the International Chamber of Commerce of Paris was favourable to the Resolution Fund regarding the transitional regime of the introduction of IFRS 9. The value of the dispute at the time of the judgment amounted to 169 million euros, an amount that the Resolution Fund would have had to pay to Novo Banco had the Arbitration Court's judgment not been in its favour.

According to Novo Banco's statement disclosed on 3 November 2021, *"Novo Banco is reviewing"* the Arbitration Court's decision.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that *"the Resolution Fund has also provided the Budget and Finance Committee of the Portuguese Parliament, in writing, with all the clarifications on its decision to deduct from the amount calculated under the CCA, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco"*.

In accordance with Novo Banco's 1st Half 2021 report, *"In the financial year of 2020, the caption reserves registered in the responsibility of the Resolution Fund amounting to Euros 598.312 thousand relating to the Contingent Capital Agreement. The amount is accounted for under other reserves and it results at each balance sheet date of the incurred losses and of the regulatory ratios in force at the moment of its determination. In June 2021, regarding the year 2020, the amount of Euros 317.013 thousand was paid. The difference results from divergences between Novo Banco and the Resolution Fund regarding (i) the provision for discontinued operations in Spain, (ii) valuation of participation units and (iii) interest rate risk hedge accounting policy, leading to a limitation on immediate access to this amount, which despite being recorded as receivables, the bank deducted at 30 June 2021 the amount of 277.442 thousand from the calculation of regulatory capital. Novo Banco considers the amount of 277.442 thousand as due under the Contingent Capitalization Mechanism and the legal and contractual mechanisms at its disposal are being triggered in order to ensure their receipt. Additionally, it was also deducted the amount of variable remuneration to the Executive Board of Directors related to the year-end of 2019 and 2020 (Euros 3.857 thousand)"*.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which if the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, the State may become Novo Banco's shareholder. According to the Resolution Fund's 2020 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake.

Novo Banco informed on 15 December 2021, through announcement to CMVM, a capital increase arising from the conversion of conversion rights relating to 2015 fiscal year, which were issued under the special regime applicable to deferred tax assets(4). This capital increase of Novo Banco was done with the incorporation of reserves in the amount of Euros 154,907,314 through the issuance of 154,907,314 new shares representing 1.56% of its share capital and which were attributed to the Portuguese State in accordance with the mentioned regime. With this capital increase and as per agreement between the Resolution Fund and the shareholder Lone Star in the context of the sale of the 75% share capital of Novo Banco, only the Resolution Fund will be diluted. According to Novo Banco's website, the new shareholding structure is: Nani Holdings S.G.P.S, S.A 75%, Fundo de Resolução 2.44% and Direção-Geral do Tesouro e Finanças 1.56%.

On 30 September 2021, Novo Banco was held by Lone Star and Resolution Fund, corresponding, respectively, to 75% and 25% of the share capital. Following the above-mentioned capital increase, the State now holds 1.56%, Lone Star does not see its position diluted (75%) and the Resolution Fund sees its position reduced.

Regarding the tax credits relating to the periods of 2015 (whose conversion rights were exercised), 2016 and 2017, it was estimated that the State will hold, according to the 2020 Annual Report of the Resolution Fund, a number of ordinary shares representing a cumulative percentage of 5.69% of the share capital of Novo Banco, with the consequent dilution of the stake held by the Resolution Fund. The direct effect of this dilution is estimated at 1.4 p.p., plus the indirect effects described below.

Also, according to the 2020 Resolution Fund's Annual Report, *"the processes of conversion of deferred tax assets into tax credits are in progress, with reference to the periods of 2018, 2019 and 2020. The effect of this additional dilution may correspond to 10.6 p.p., in addition to the aggregate reduction of 5.7 p.p. already mentioned. In view of the above, and although an agreement was signed on 31 May 2021 clarifying the necessary procedures for the shareholding held by Nani Holdings in Novo Banco not to be reduced due to the capital increase resulting from the conversion of the conversion rights held by the State, at the current date the conditions are not yet met for a decision to be taken regarding the exercise of the option right, nor is there available information to reliably estimate the financial effect arising from the contractual liability assumed by the Resolution Fund, in the context of the sale transaction of Novo Banco, in October 2017, to ensure the maintenance of Lone Star's percentage interest in Novo Banco".*

On 3 May 2021, the Resolution Fund announced that the audit report conducted by the Court of Auditors ("Tribunal de Contas") - following the request of the Portuguese parliament of October 2020 to the operations and management of Novo Banco that were at the origin and led to the need to transfer funds from the Resolution Fund to Novo Banco - was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

(4) Announcement "Novo Banco, S.A. informs on capital increase", published by Novo Banco, S.A. on 15 December 2021.

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).

According to Oitante's press release dated 21 July 2021, *"during 2021, Oitante has already returned to the process of early repayment of the initial debt of Euros 746 million, currently at Euros 143.5 million (-80.8%), (...). The Company intends to reach the end of this year with a substantial repayment"*.

The Resolution Fund's annual report of 2020 also states that *"considering the information provided by Oitante's Board of Directors, concerning the activity carried out in 2020, the guarantee provided by the Resolution Fund is not expected to be activated"*.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2020, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019 and Euros 850 million made available in 2020, as described above);

- Other funding granted in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13% (as defined in DGComp's agreement described above);

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 20 of the Resolution Fund's 2020 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks";*

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions".*

According to a statement issued by the Resolution Fund on 31 December 2021, the Euros 700 million loan to the Resolution Fund was provided by seven credit institutions (Caixa Geral de Depósitos, Banco Comercial Português, Banco BPI, Banco Santander Totta, Caixa Económica, Montepio Geral, Banco BIC Português and Caixa Central de Crédito Agrícola Mútuo).

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in a timely fashion.

On 31 December 2020, the Resolution Fund's own resources had a negative equity of Euros 7,315 million, as opposed to Euros 7,021 million at the end of 2019, according to the latest 2020 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely".*

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 22/2021, published on 15 December 2021, set the base rate for 2022 for the determination of periodic contributions to the Resolution Fund at 0.057% (0.06% in 2021).

During the financial year of 2021, the Bank made regular contributions to the Resolution Fund in the amount of Euros 16,835 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2021, was Euros 39,017 thousand. These contributions were recognized as a cost in the financial year of 2021, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Bank made an initial contribution in the amount of Euros 30,843 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Bank in the financial year of 2021 was Euros 24,513 thousand, of which the Bank delivered Euros 20,836 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to secure the bonds issued by Oitante (in this case, the trigger mentioned is not expected in accordance to the most recent information communicated by the Resolution Fund in its annual accounts).

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2020 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund".*

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

As published by Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans signed with the State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco under the Contingent Capitalization Agreement. The Resolution Fund paid Euros 317,012,629 associated to the 2020 financial accounts. This payment follows Novo Banco's request, on 7 April 2021, of Euros 598,311,568.

The Resolution Fund considered that an adjustment in the amount of Euros 169,298,939 is due to the amount requested by Novo Banco, and therefore the amount calculated by the Resolution Fund for payment to Novo Banco is Euros 429,012,629.

According to Novo Banco's 2021 earnings press release, the amount of compensation to be requested by Novo Banco with reference to 2021 is Euros 209.2 million, took into account the losses incurred in the assets covered by the CCA, as well as the minimum capital condition applicable at the end of the same year under the CCA.

According to a statement issued by the Resolution Fund on 23 December 2021, the procedure related to the payment to Novo Banco regarding the 2020 accounts has been concluded. From the analyses carried out by the Resolution Fund, it was concluded that the Resolution Fund owes Novo Banco the payment of Euros 112 million, which was pending further verification in June 2021. The payment was made on 23 December 2021, an amount that had already been provisioned, included in the total amount of the provision of (Euros 429,012,629).

According to Novo Banco's 9M21 earnings report, the total amount of Euros 277.4 million (discontinued operations in Spain, valuation of participation units and interest rate risk hedge) are due under the CCA, and the Bank is triggering the legal and contractual mechanisms at its disposal to ensure the receipt of these amounts.

The payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP, to finance payments that are due under the aforementioned contingent capitalization mechanism, up to a maximum amount of Euros 475 million. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years, corresponding to the sovereign five-year funding cost, plus a margin of 15 b.p.

The budgetary amendment necessary to make the payment by the Resolution Fund was authorised by Order of the Minister of State and Finance dated 31 May 2021.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

9. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified.

The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

10. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains employed on the date of payment of the remuneration corresponding to June 2020, up to a maximum global amount of Euros 5,281,000.

11. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction *pro rata* used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

50. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

As at 31 December 2021, Bank Millennium had 11,070 loan agreements and, additionally, 913 loan agreements from former Euro Bank, S.A. (94% loan agreements before the court of first instance and 6% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 1,512.4 million (Euros 329.94 million) and CHF 121.3 million (Euros 117.07 million) [Bank Millennium portfolio: PLN 1,391.9 million (Euros 303.65 million) and CHF 119.0 million (Euros 114.85 million); former Euro Bank, S.A. portfolio: PLN 120.4 million (Euros 26.27 million) and CHF 2.3 million (Euros 2.22 million)].

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract and the obligation to reimburse, due to the alleged abusive nature of the indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to a group proceeding (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavourable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is 3,281. At the current stage, the composition of the group members of this class action has been established and confirmed by the court. A decision on the admission of evidence will be taken by the court at a closed session. The next hearing will be scheduled *ex officio*.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,981 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank, S.A.), in 2020 the number increased by 3,007 (of which 267 relative to Euro Bank) while in 2021 the number increased by 6,149 (of which 417 relative to Euro Bank).

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks, particularly in first instance proceedings. As far as Bank Millennium itself is concerned, until 31 of December 2021 only 245 cases were finally resolved (210 in claims submitted by clients against Bank Millennium and 35 in claims submitted by Bank Millennium against clients, i.e., debt collection cases). 60% of finalised individual lawsuits against Bank Millennium were favourable for the Bank, including remissions and settlements with plaintiffs. Unfavourable rulings (40%) included both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium submits cassation appeals to the Supreme Court against unfavourable for Bank Millennium legally binding verdicts. On the other hand, the statistics of first instance court decisions have been much more unfavourable in recent periods and its number has also increased. In general, Bank Millennium submits appeals against 1st instance negative court rulings.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium on 31 December 2021 was PLN 4,382 million (Euros 955.95 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 962 million (Euros 209.86 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 4,020 million (Euros 876.98 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In 2021, Bank Millennium created PLN 2,086.0 million (Euros 457.22 million) provisions and PLN 219.2 million (Euros 48.05 million) for former Euro Bank, S.A. originated portfolio. The final level of provisions for the Bank Millennium portfolio at the end of December 2021 was at the level of PLN 3,078.9 million (Euros 671.68 million), and PLN 253.7 million (Euros 55.35 million) for former Euro Bank, S.A. originated portfolio.

The methodology developed by Bank Millennium is based on the following main parameters:

(i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon;

(ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment, for which three negative judgment scenarios were taken into account:

- invalidity of the agreement;
- average NBP;
- PLN + LIBOR.

(iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

(iv) in the case of a loan agreement invalidity scenario, a new component recognized in the methodology, taking legal assessments into consideration, is the calculation of the Bank Millennium's loss taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital.

(v) new component recognized in the methodology is the amicable settlement with clients in or out of court. Notwithstanding the Bank Millennium's determination to continue taking all possible actions to protect its interests in courts, the Bank has been open to its customers in order to reach amicable solutions on negotiated terms, case by case, providing favourable conditions for conversion of loans to PLN and/or early repayment (partial or total). As a result of these negotiations the number of active FX-indexed mortgage loans was materially reduced in 2021. As Bank Millennium is still conducting efforts to further signing of agreements which involved some costs, a scenario of further materialization of negotiations was added. However, it should be noted that:

a. negotiations are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

b. as the effort was material in 2021, the probability of success is going down and at the same time, gradually most of the client base has had contact with Bank Millennium regarding potential negotiation of the conversion of the loans to PLN, so Bank Millennium is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale, S.A.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 56 million (Euros 12.22 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 40 million (Euros 8.73 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 32.5 million (Euros 7.09 million)

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX-indexed mortgage loans decreased by 8,449 (including 69 confirmed in court) in 2021 compared to over 57,800 active loans agreements at the end of 2020. Cost incurred in conjunctions with these negotiations totalled PLN 364.3 million (Euros 79.47 million) year to date and is presented mainly in "Net gains/(losses) from foreign exchange" in the income statement.

Finally, it should also be mentioned that Bank Millennium, as at 31 December 2021, had to maintain additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 2.82 p.p. (2.79 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who rule on the application of the same rules.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether they wish to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of an express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

The CJEU's judgment applies only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., in which the CJEU said that:

i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

ii) the terms of Directive 93/13 must be interpreted as meaning that, first, they do not preclude the national court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by that directive is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. Second, those provisions preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance, which it is for that court to determine;

iii) the consequences of a judicial finding that a term of a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

iv) it is for the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, to inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 7 May 2021, the Supreme Court, composed of seven judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

i) an abusive contractual clause (art. 3851 § 1 of the Civil Code of Poland), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively;

ii) if without the ineffective clause the loan agreement cannot be binding, the consumer and the lender may apply for separate claims for reimbursement of all amounts paid to the other part under the loan agreement (art. 410 § 1 in relation to art. 405 of the Civil Code of Poland). The lender may demand the reimbursement of outstanding amounts from the moment the loan agreement becomes permanently ineffective.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such a trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

On 29 January 2021, a set of questions was published addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of the impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, the theory of equity would be applicable (i.e., does a single claim arise which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested to comment on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract.

On 11 May, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions, including the National Bank of Poland, the Polish Financial Supervision Authority, the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Supreme Court.

In the meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known. Bank Millennium will assess in due time the implications of the decisions of the Supreme Court on the level of provisions for the legal risk.

In August 2021, CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - instalments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance.

Notwithstanding the above, there are a number of questions addressed by Polish courts to the European Court of Justice which may be relevant for the outcome of the court disputes in Poland.

The subject matter questions relate, in particular, to:

- the possibility of replacing an abusive contractual clause with a dispositive law provision;

- the limitation period of consumer claims concerning reimbursement of benefits made as performance of an agreement which has been declared to be invalid;

- the possibility of declaration by the Court of abusive nature of only part of a contractual provision.

With the scope of settlements between Bank Millennium and borrower following the loan agreement being declared invalid is also connected the legal issue related with the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans.

Following that public announcement, the idea has been the subject of consultations between banks under the auspices of the PFSA and Polish Bank Association. Banks are assessing the conditions under which such a solution could be implemented and the consequent impacts.

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) the favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; and e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

Based on current information, some of the above mentioned aspects are not likely to be fully clarified and/or achieved.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank has taken any decision regarding the implementation of such a program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

Bank Millennium conducted a survey among its customers, in cooperation with an external reputed company, regarding the willingness to accept settlement in the terms of the sector solution put forward by the Chairman of KNF. 49% of clients enquired were preliminarily interested in benefiting from the proposal, while 25% were not able to clearly express their opinion and 26% would not take such offer.

According to current calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the then existing portfolio would be converted) with a pre-tax impact between PLN 4,390 million (Euros 957.70 million) to PLN 4,848 million (Euros 1,057.61 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other various assumptions. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of the Pillar 2 buffer.

Due to the complexity and uncertainty regarding the final verdict of these lawsuits, as well as the possible implementation of the solution suggested by the Chairman of KNF, as well as the uncertainty of the awaited Supreme Court or European Court of Justice decisions, it is difficult to accurately estimate the potential impacts of such outcomes and their influence on the date of publication of the Group's financial statements.

51. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in the current financial year

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Bank started on 1 January 2021:

Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In May 2020, IASB issued "COVID-19–Related Rent Concessions", which amended IFRS 16 — Leases. This amendment allows lessees, as a practical expedient, to have the option of not considering a rent concession that occurs as a direct consequence of the pandemic COVID-19 as a lease modification. In March 2021, IASB issued "COVID-19–Related Rent Concessions beyond 30 June 2021", which extended the availability of the practical expedient by one year.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendment to IFRS 4: Extension of the temporary exemption from applying IFRS 9 — Financial instruments

This amendment aims to extend the exemption date from applying IFRS 9 — Financial instruments from 1 January 2021 to 1 January 2023, in order to be aligned with the effective date of adoption of IFRS 17 — Insurance contracts.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform — Phase II

These amendments aim to answer to the effects on financial reporting of replacing the current reference interest rates with alternative reference rates, providing an accounting treatment that allows the phased distribution of changes in the value of financial instruments or lease contracts, mitigating the impact on profit or loss and avoiding consequences in terms of hedge accounting.

There were no material impacts on the application of these amendments in the Bank's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future financial years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

IFRS 17 — Insurance contracts (applicable for years beginning on or after 1 January 2023)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 – Insurance contracts.

This accounting standard, although endorsed by the European Union, was not adopted by the Bank in 2021 as its application is not mandatory yet.

Amendment to IFRS 3: Reference to the conceptual framework (applicable for years beginning on or after 1 January 2022)

This amendment aims to update IFRS 3 so that it corresponds to the conceptual framework of 2018, not occurring significant changes in the requirements of this standard.

This amendment, although endorsed by the European Union, was not adopted by the Bank in 2021 as its application is not mandatory yet.

Amendment to IAS 16: Property, Plant and Equipment — Proceeds before intended use (applicable for years beginning on or after 1 January 2022)

This amendment prohibits an entity from deducting from the cost of a property, plant or equipment any proceeds arising from the sale of items produced while the entity prepares the asset to operate as intended, at the location and necessary conditions. The entity shall recognize any proceeds arising from those sales and the respective costs of production in the income statement.

This amendment, although endorsed by the European Union, was not adopted by the Bank in 2021 as its application is not mandatory yet.

Amendment to IAS 37: Onerous contracts — Cost of fulfilling a contract (applicable for years beginning on or after 1 January 2022)

This amendment aims to clarify what costs an entity should consider as related to the fulfilling of a contract when assessing whether a contract is onerous. It also specifies that the costs of fulfilling a contract correspond only to the costs directly related to it, which may take the form of incremental costs or of an allocation of other costs directly related to the fulfilling of the contract.

This amendment, although endorsed by the European Union, was not adopted by the Bank in 2021 as its application is not mandatory yet.

Improvements to international financial reporting standards (cycle 2018-2020) (applicable for years beginning on or after 1 January 2022)

These improvements comprise the clarification of some aspects related to: IFRS 1 — First-time adoption of International Financial Reporting Standards: allows a subsidiary that adopts IFRS for the first time to measure cumulative translation differences based on the amounts presented in the consolidated financial statements of its parent company, according to the transition date of the parent company to IFRS; IFRS 9 — Financial instruments: clarifies that, when assessing the derecognition of a financial liability, an entity should only consider fees paid or received between the entity and the lender, including fees paid or received by one on behalf of the other; IFRS 16 — Leases: amendment to illustrative example 13 presented in the standard, in order to avoid the emergence of doubts regarding the treatment of lease incentives; IAS 41 — Agriculture: removal of the requirement to exclude taxation cash flows when measuring the fair value of a biological asset, thus ensuring consistency with IFRS 13 — Fair value measurement.

These improvements, although endorsed by the European Union, were not adopted by the Bank in 2021 as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Bank:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for years beginning on or after 1 January 2023)

Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies, further explaining how an entity can identify a material accounting policy. On the other hand, Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendment to IAS 8: Definition of Accounting Estimates (applicable for years beginning on or after 1 January 2023)

This amendment emphasizes how companies should distinguish changes in accounting policies from changes in accounting estimates, which is relevant since changes in accounting estimates are applied prospectively, only to future transactions and other events, while changes in accounting policies are generally applied retrospectively, to past transactions and other events.

Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for years beginning on or after 1 January 2023)

This amendment requires companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendment will mostly apply to transactions such as leases and decommissioning obligations.

Amendment to IFRS 17: Initial Application of IFRS 17 and IFRS 9 — Comparative Information (applicable for years beginning on or after 1 January 2023)

This amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities by providing insurers with an option for the presentation of comparative information about financial assets, thus improving the usefulness of comparative information for users of financial statements.

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current — Deferral of effective date (applicable for years beginning on or after 1 January 2023)

On 23 January 2020, Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment, thus becoming applicable for years beginning on or after 1 January 2023.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (applicable for years beginning on or after 1 January 2016)

These amendments clarify a conflict between the requirements in IAS 28 and those in IFRS 10, being the aim of its implementation that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This way, these amendments define that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and, on the other hand, a partial gain or loss is recognized when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

52. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2021, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100 %
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	62,746,173	BRL	Financial Services	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	92.8 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100 %

During 2021, the Bank proceeded with the liquidation of BCP Investment B.V., Millennium bcp Imobiliária, S.A., and sold Banque Privée BCP (Suisse) S.A.

As at 31 December 2021, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Investment funds	Head office	Share capital	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	69,511,253	EUR	Real estate investment fund	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	85,787,149	EUR	Real estate investment fund	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real estate investment fund	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	17,369,933,000	EUR	Real estate investment fund	100 %
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100 %
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real estate investment fund	100 %
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real estate investment fund	100 %
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100 %
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	95.8 %
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60 %

(*) Company classified as non-current assets held for sale.

During 2021, the Bank proceeded with the liquidation of "DP Invest – Fundo Especial de Investimento Imobiliário Fechado", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital" and "Fundo de Investimento Imobiliário Fechado Gestimo".

As at 31 December 2021, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Life reinsurance	49 %

As at 31 December 2021, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	180,699,790	EUR	Banking	19 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %

During 2021 the Bank sold its investment held in "Cold River's Homestead, S.A."

53. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1.Y, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

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.

Declaration of Compliance

Millennium bcp

Administração

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the condensed individual and consolidated balance sheets as at 31 December 2021, (ii) the condensed individual and consolidated income statements for the year ended on 31 December 2021, (iii) the condensed individual and consolidated statement of changes in equity and cash flow statement for the year ended on 31 December 2021, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 31 December 2021, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance to the International Accounting Standards, endorsed by the European Union.

The Bank's condensed individual and consolidated financial statements relative to 31 December 2021 were approved by the Board of Directors on 28 March 2022.

Furthermore, it is also declared that the 2021 management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them, was approved by the Board of Directors on 28 March 2022.

Porto Salvo, 28 March 2022

Nuno Manuel da Silva Amado
(Chairman)

Jorge Manuel Baptista Magalhães Correia
(Vice-Chairman)

Valter Rui Dias de Barros
(Vice-Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Ana Paula Alcobia Gray
(Member)

Cidália Maria Mota Lopes
(Member)

Fernando da Costa Lima
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

Capital Social atualizado: 4.725.000.000 euros

BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 4.694 600 000 Euros matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

Praça D. João, I, 28 - 4000-295 PORTO
Av Prof. Dr. Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

Millennium bcp

Administração

José Manuel Alves Elias da Costa
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Julia Gu (Xiaoxu Gu)
(Member)

Lingjiang Xu
(Member)

Maria José Henriques Barreto Matos de Campos
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Rui Manuel da Silva Teixeira
(Member)

Teófilo César Ferreira da Fonseca
(Member)

Wan Sin Long
(Member)

Capital Social atualizado: 4.725.000.000 euros

Annual Report of the Audit Committee

AUDIT COMMITTEE ANNUAL REPORT

I – Introduction

The Audit Committee (Committee) of Banco Comercial S.A. (Bank) hereby presents the report on its supervisory functions regarding the 2021 financial year, in compliance with the requirements of article 423-F (1) (g) of the Portuguese Companies Code.

II – Competences of the Audit Committee

The Audit Committee is the Bank's supervisory body possessing the competences foreseen in art. 423-F of the Companies Code, being responsible for monitoring the compliance with the law and the Bank's articles of association, in particular, among other powers, it is responsible for supervising and monitoring the management of the Bank in its Group dimension, in particular the process of preparing and disclosing financial and prudential information and the compliance of the financial statements with the applicable accounting and regulatory standards, including the opinion on the financial statements and the proposal for the appropriation of income to be submitted to the General Meeting of Shareholders.

In addition it is also a responsibility of the Audit Committee to ensure the existence and supervise the effectiveness of the risk management, compliance and internal audit functions, issuing opinions on their activity plans and reports, as well as on the governance and internal control systems and the organizational culture of the Bank, to assess and monitor the main prudential indicators, the Risk Office risk report, the activity of the Compliance Office, the activity of the Internal Audit, the handling of complaints and claims, the correspondence exchanged with the supervisory and regulatory authorities and to analyse the transactions involving related parties and potential conflicts of interest, as well as the communications on irregularities.

The Audit Committee supervises and makes a regular monitoring of the activity performed by the Bank's Statutory Auditor and External Auditor, Deloitte & Associados - SROC, S.A. (Deloitte), debating the relevant audit matters when analysing the quarterly, half-year and annual financial statements and receives the additional report to the supervisory body. The Committee is also responsible for promoting the annual assessment of the Statutory Auditor and External Auditor and of its independence and objectivity in the exercise of its functions.

The Committee supervised the work to implement the requirements of Notice of Banco de Portugal No. 3/2020 (Notice No. 3/2020), which culminated in an extensive review of procedures and matters, including the powers of the supervisory body, which are established in the Commission's pluri-annual plan, approved in the meantime, as well as in its Regulations, which have, in the meantime, been updated in accordance with the aforementioned Notice.

III - Activities carried out

The year of 2021 was still significantly affected by the impact of the COVID-19 pandemic on the Bank's activities and on its business policies. The Committee monitored the procedures adopted to manage the main risks coming from the pandemic crisis in Portugal and in the other countries where the Group operates, especially the measures adopted to protect its employees, the changes introduced in the procedures to assess and decide on credit, the monitoring of credits with moratoria and of the financing lines with State guarantee and the update of the macroeconomic scenarios related with the crisis.

In 2021 the Committee held 19 meetings with the participation of all its members, in person or via video conference, and minutes were made and approved of those meetings. It also adopted two unanimous resolutions in writing.

Of the activities developed by the Audit Committee in the 2021 financial year, the following stand out:

A. Follow-up and supervision of the Bank's management

As part of the activity of monitoring and supervising the Bank's management, the Audit Committee, throughout 2021, became aware of and questioned the management by monitoring the activity of the Executive Committee, whose minutes of meetings were analysed and debated at the Committee's meetings.

At the Committee's meetings participated regularly, as guests, the Executive Director in charge of the Financial Area, the Executive Director in charge of the Compliance and Risk areas, the Bank's Statutory Auditor and External Auditor, the Risk Officer, the Compliance Officer, the Head of Internal Audit, the Head of the Research, Planning and ALM Division, the Head of the Segments and Network Support Division, responsible for the analysis and handling of claims and complaints, and the Client Ombudsman. In the course of 2021, the Committee also convoked to attend some of its meetings, whenever it deemed necessary, other members of the

Executive Committee, namely its Chief Executive Officer, who is also the Executive Director responsible for the Credit Area, as well as the Chief Operations Officer, to monitor the IT and Technology Strategy and the Cybersecurity Strategy, given the importance that these risks assume in the Bank's activity.

In addition, and based on the power it has to convoke any employee of the Bank that it wishes to consult, with the purpose of getting information on the activity developed by the respective areas, the Committee met with the Heads of the Tax Advisory, Accounting and Consolidation, Information and Technology, and Information Security divisions, and also met with the Chairman of the Committee for Nominations and Remunerations and with the Company Secretary regarding the Bank's Succession Plan.

The Committee also met with the Head of the Human Resources Division to monitor the impacts of the staff reduction plan on the organizational environment and on the governance and internal control systems of the Bank. In 2022, in the period before the preparation of this Report, the Committee met with the heads of the Accounting and Consolidation and Tax Advisory divisions to obtain additional information on the financial statements closing process.

The Committee members also participated at the meeting of the Committee for Risk Assessment held to analyse the review of the indicators adopted within the scope of the process of identification and definition of the Bank's risk metrics, RAS – Risk Appetite Statement.

While performing its functions, the Committee requested and obtained all the information and clarifications relevant for that purpose, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal and regulatory provisions, meeting no constraints to its actions.

B. Supervision of the process of preparation and disclosure of the financial information

The Committee examined the main accounting policies adopted, in particular those that could have an impact on the financial statements of the Bank and of its subsidiaries. Particular attention was paid to the impact of the COVID 19 pandemic on the Bank's accounts throughout 2021.

Thus, during 2021 the Committee regularly monitored the evolution of the largest credit exposures and impairments, at individual and collective level, as well as the corresponding calculation methodologies, including the methodology for calculating the provision for credits indexed to the Swiss Franc granted by Bank Millennium. Additionally, it also monitored the evolution, asset exposure and corresponding impairment of the Bank's credit portfolio related to the set of operations that were covered in 2020 and 2021 by moratoria, public and private, and to the financing under the COVID 19 support lines, whose termination occurred at the end of the year, and whose impacts were monitored.

The amount and recoverability of deferred tax assets (DTA) and the tax deductibility regimes of credit impairment losses, in particular that resulting from Notice of Banco de Portugal no. 3/95 and Law no. 98/2019, of September 4, were also subject to analysis and discussion by the Committee. At this point, it is noted that the DTA value is significant in the Bank's balance sheet and their recoverability is based on projections and estimates over a long period (2022-2033), although the conclusion for their value recoverability is supported by the 12-year period applicable to the tax loss report of 2021.

The valuation of the real estate classified as non-current assets held for sale and held through participation units in Real Estate Investment Funds in which the Bank is a majority shareholder, was also regularly monitored by the Committee throughout the year.

The Committee monitored the evolution of Corporate Restructuring Funds and their respective valuation, as well as the efforts made by the Bank to reduce them.

The Committee also regularly analysed information regarding the Pension Fund of Banco Comercial Português Group and the actuarial assumptions used to determine liabilities with retirement pensions, especially those resulting from changes in the discount rate. Additionally, the Committee was kept informed on the developments inherent to the Resolution Fund and its potential impacts on the Bank.

The Committee monthly appraised the information regarding the financial statements, on an individual and a consolidated basis, as well as the results and main financial indicators of the Group's companies. It also periodically analysed the Bank's liquidity, cost-to-income and solvency ratios.

The Committee appraised the Management Report and Accounts for the year 2020 and the Legal Certification of Accounts and Audit Reports of Deloitte & Associados - SROC, S.A., on the financial statements, on an individual and consolidated basis, issued without reservations or emphases. The Committee confirmed that, pursuant to paragraph 5 of Article 420 of the Companies Code, the Corporate Governance Report, included in the Bank's Management

Report with reference to the 2020 financial year, contains the elements referred to in Article 245-A of the Securities Code.

Following the analysis carried out, on March 24 2021, the Committee issued a favourable opinion on the approval by the General Meeting of the Bank of the Management Report and other financial statements for the 2020 financial year and on the proposal of application of the individual net income and the dividend stabilization reserve presented by the Board of Directors.

Through the analysis of the Bank's financial statements, the Committee notes that the results on a consolidated basis, in the year 2021, were €138 million, which compares unfavourably with the homologous period (€183 million) as a result of the negative contribution of Bank Millennium, which was mitigated by the positive effect of the sale of the Swiss operation and of SIM in Mozambique.

In terms of results, the activity in Portugal boosted the Group's activity, with a result before impairments of €720.7 million, with positive deviations in income, benefiting from the TLTRO III financing facilities in net interest income and from positive trading results. Notwithstanding the negative performance of the non-recurring costs line, as a result of the Bank's restructuring process and staff reduction, the positive performance of the recurring costs line and of the impairments for credit somehow allowed to absorb the impact of the increase in provisions for other risks and charges, which seek to meet possible losses on the assets sale. In turn, the decrease in the value of impairments for credit is justified by a better than anticipated performance of the credit portfolio after the end of the moratoria, as well as a reinforcement of guarantees due to the increase in protocol credit.

At a consolidated level, impairments and provisions of €1,061.1 million were recognised, €317.1 million more than budgeted, impacted by the amount of the provisions for credits indexed to the Swiss Franc in Poland (€505.3 million) and by the provisions for other risks and charges in Portugal (€91.8 million), to cover possible sales of Corporate Restructuring Funds assets owned by the Bank, as well as by restructuring costs resulting from the staff reduction process. Thus, the Bank has a coverage ratio of 68%, and a non-performing exposures ratio of 4.7%, which benefited from some sales of credit portfolios.

At the end of 2021, the Committee appraised the Group's Budget proposal for 2022, focusing the analysis on the assumptions used, the expected evolution of results and activity indicators, the risk factors, the market shares, the investments, and the own funds evolution, as well as on the different scenarios and sensitivity analyses prepared, which presented a set of adverse scenarios. As a result of the analysis carried out, the Audit Committee issued a favourable opinion regarding the final proposal of the Budget for 2022, having observed the existence of deviations between the Budget and the Strategic Plan regarding profitability indicators, justified by the increase in provisions for credits indexed to the Swiss Franc in Bank Millennium. In the remaining indicators, the projections of the Budget for 2022 are very much in line with the Strategic Plan.

It should be noted, however, that the Bank foresees meeting the medium and long-term capital requirements, even in adverse scenarios.

C. Follow-up of international operations

Throughout the year, the Committee regularly monitored the performance of international operations, with emphasis, due to their dimension and relevance for the Group, to Bank Millennium (BM) and Banco Internacional de Moçambique (BIM). It also monitored the activity of Banco Millennium Atlântico (BMA), an entity in which BCP holds a 22.5% stake.

The Committee also monitored the process for the sale of Banque Privée BCP (Suisse), completed in November, and the evolution of the process for the sale of Seguradora Internacional de Moçambique (SIM), completed in December.

The Committee also monitored the liquidation of some Group companies as part of the Group's administrative simplification process.

The Committee kept monthly informed of the evolution of the activity of the foreign subsidiaries, their financial statements and main business indicators, paying particular attention to monitoring the processes arising from the credits indexed to the Swiss Franc in Bank Millennium and to the reinforcement of the corresponding provision, as well as the solutions under study by the Polish authorities to resolve the issue.

The Committee noted that, despite the favourable evolution of the activity, Bank Millennium's results were heavily influenced by the increase of the provision for credits indexed to the Swiss Franc, as well as by losses incurred in out-of-court negotiations with customers. The uncertainty for BM about the solution outcome of the credits indexed to the Swiss Franc led the local auditor to re-emphasise the accounts, without, however, affecting his opinion.

Regarding BIM, the evolution of the credit portfolio and corresponding impairments was also monitored by the Committee. BIM results made a positive contribution to the Group's results, influenced by a better performance of the credit impairment line, as well as by the extraordinary results of the sale of SIM.

The evolution of the value of the financial holding in BMA was analysed on a regular basis. The Committee also monitored the compliance with BMA's foreign exchange rebalancing plan, which has since been finalised.

Whenever justified, the Committee analysed the main risks of each operation and country with the Executive Directors.

D. Supervision of the effectiveness of the internal control system, including risk management, compliance, and internal audit

The Committee monitored the work of reviewing the internal control system, which included an analysis and assessment performed by Deloitte, as part of the consultancy services specifically contracted for this purpose. It also monitored the preparation of the Annual Self-Assessment Reports, for which the Board of Directors is responsible, which include the self-assessments of the independence of the Risk Office, the Compliance Office, and the Audit Division, and issued a report addressed to the Board of Directors that includes the Audit Committee's assessment and opinion regarding the Bank's governance model, organisational culture and internal control system foreseen in Notice no. 3/2020. As an exception, and due to the transition period defined when this Notice came into force, in 2021 Self-Assessment Reports were issued in February, with reference to November 2020, and in December, with reference to November 2021.

The Committee also monitored the preparation of the Report on the Prevention of Money Laundering and Terrorism Financing provided for in Notice of Banco de Portugal no. 2/2018, on which it also issued an opinion addressed to the Board of Directors, and took note of the conclusions of Deloitte's supporting work on internal control system for the prevention of money laundering and terrorism financing.

Throughout the year the Committee regularly monitored the implementation of the recommendations included in the Self-Assessment Reports and on the Report on the Prevention of Money Laundering and Terrorism Financing issued in February 2021.

In relation to the risk management system, the Committee appraised the activity developed by the Risk Office, and monitored the evolution of the main risk indicators, which contain, namely, information on credit, liquidity, market, operational, compliance and reputational risks, for all the Group's operations. On this topic, we would emphasise the special monitoring of non-performing exposures, Corporate Restructuring Funds, Pension Fund, cost-to-core income, stock of legal proceedings regarding loans indexed to the Swiss Franc, exposure to Mozambique risk and the value of the financial stake in BMA. Similarly, the Committee monitored the evolution of the Bank's loan portfolio, regarding operations covered by public and private moratoria, as well as the most vulnerable sectors, and their potential impacts on the Bank's default levels.

The Committee took note of the operations approved by the Executive Committee regarding increased-risk debtors, having obtained the clarifications requested regarding such operations, whenever deemed necessary.

The Committee analysed and approved the Multi-Annual Plan and the Activity Plan of the Audit Division for the financial year 2021, as well as the proposal to adjust the Activity Plan of 2021 due to the modifications meanwhile verified as a result of the evolution of the team and the supervisors' requests. It also approved the annual report on the activity carried out by that Division in financial year 2020 and the quarterly activity reports for 2021 and monitored the progress in implementing the recommendations issued as a result of the internal audit actions performed, particularly those resulting from deficiencies classified as high or severe risk. Here, the Committee underlines an increase in the stock of open recommendations in 2021, highlighting the need for the Bank to intensify efforts to implement the recommendations, with special attention to the oldest and those that are overdue.

The Audit Committee discussed and analysed the deficiencies risk classification matrix as well as the group's perimeter at the time of submission of the Self-Assessment Report in 2021.

The head of the Audit Division informed the Committee on a monthly basis about the prudential inspection actions carried out by the supervisory entities and the status of implementation of the recommendations resulting thereof.

The Committee analysed and approved the Compliance Office's Activity Plan for 2021, as well as the annual report on the activity developed by this area in 2020 and the quarterly reports for 2021. The Compliance Officer informed the Committee on a monthly basis about the behavioural inspection actions carried out by the supervisory entities and the status of implementation of the recommendations resulting thereof.

Within the scope of the policy on gifts, the Committee monitored and decided on gifts communicated by the Bank's employees, as well as by the members of the governing bodies.

The Committee also monitored the irregularities reported through the "Report Irregularities" channel. Detailed information on the communications received by this channel and their processing is presented in a specific report, under the terms of Article 116-AA (7) of the Legal Framework for Credit Institutions and Financial Companies and Instruction of Banco de Portugal no. 18/2020.

Throughout the year the Committee was regularly aware of the correspondence exchanged between the Bank and the supervisory entities, requesting from the Executive Committee and the relevant areas of the Bank additional information and clarifications regarding the matters covered in that correspondence whenever deemed necessary.

The Committee was kept informed of the main legislative and regulatory changes and monitored the work to ensure the full implementation of the requirements of Notice No. 3/2020.

The Committee issued an opinion on the group codes on which its opinion was requested or required by regulation.

E. Complaints and claims

The Committee was regularly informed on and followed up the handling of complaints and claims from customers by the Customers' Ombudsman's Office and by the Segments and Network Support Division (SNSD).

F. Supervision and monitoring of the activity of the Statutory Auditor and External Auditor

In 2021, the Committee analysed the conclusions of the audit on the financial statements for the financial year 2020, on an individual and a consolidated basis, performed by Deloitte, the Bank's Statutory Auditor and External Auditor, and the corresponding legal certifications of accounts and audit reports, as well as the conclusions of the Desktop Reviews of the financial statements for the first and third quarters of 2021 and the Limited Review of the interim financial statements for the first half of that year.

Concerning other reports prepared by Deloitte, the Committee has analysed: (i) the Statutory Auditor's opinion on the adequacy and effectiveness of the part of the internal control system supporting the process of preparing and disclosing financial information; (ii) the External Auditor's reports on the impairment of the loan portfolio with reference to December 2020 and June 2021; and (iii) the External Auditor's report on the safeguarding of customers' assets; (iv) the report on the assets eligible for collateral for credit operations within the Eurosystem; and (v) the report on compliance with the legal and regulatory requirements applicable to covered bond issues.

The Committee discussed with the External Auditor, among other matters, the evolution of credit risk of customers with recorded impairments, including those covered by moratoria, public and private, as well as those exposed to the most vulnerable sectors, the expected recoverability of deferred tax assets, the effect of the decline in interest rates on liabilities with the Pension Fund, and the development of non-current assets held for sale and matters relating to the Resolution Fund. Additionally, the Committee discussed with the External Auditor its interaction with the external auditors of the subsidiaries abroad, in particular regarding Banco Internacional de Moçambique and Bank Millennium, and specifically the methodology for calculating the provision related to loans in Swiss francs in Bank Millennium and its impacts.

The Committee supervised the independence of Deloitte in the performance of its functions, continuously evaluating its performance. From the assessment conducted in relation to its performance as Statutory Auditor and External Auditor during the 2020 financial year, the Audit Committee concluded that the Statutory Auditor and External Auditor exercised its activity with independence, objectivity and professional scepticism, with an improvement in the stability of the teams and resources, and that there is still some room for improvement in its interaction and communication with the Bank. A summary report of the assessment was drawn up and discussed with Deloitte.

Throughout 2021, the Committee also appraised the proposals for contracting additional services from the External Auditor that were presented to it and their compliance with GR0022 - Selection and Appointment of the Statutory Auditor/Audit Firm and the Hiring of Non-Audit Services,

Having considered the advantages and disadvantages of selecting a new entity to perform the duties of Statutory Auditor and External Auditor or proposing the reappointment of Deloitte, and as a result of the analysis performed, the Committee proposed to the Bank's General Meeting of Shareholders the reappointment of Deloitte as Statutory Auditor and External Auditor for a new three-year mandate, a proposal which was approved.

G. Issuance of opinions on credit operations and other contracts with members of the corporate bodies and holders of a stake greater than 2% of the Bank's share capital and on other specific situations

Throughout the year, the Committee expressed its opinion on fifteen credit operation proposals (including reviews of lines and limits) and ten proposals for contracting goods and services associated with related parties, subsequently submitted for approval by the Board of Directors.

The Committee followed the evolution of the Bank's exposure to holders of qualifying stakes and entities in a controlling or group relationship with them, ensuring the compliance with the prudential limits defined in Article 109 of the Legal Framework for Credit Institutions and Financial Companies.

IV – Acknowledgements

The Committee hereby expresses its gratitude to the other Governing Bodies and the Bank's Services with whom it contacted and worked throughout 2021, particularly the Board of Directors Support Office, for all the collaboration and commitment provided in the performance of its duties.

Porto Salvo, 22 March 2022

Cidália Mota Lopes

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

OPINION OF THE AUDIT COMMITEE ON THE 2020 DIRECTORS REPORT AND FINANCIAL STATEMENTS

OPINION OF THE AUDIT COMMITEE ON THE 2021 DIRECTORS REPORT AND FINANCIAL STATEMENTS

1. Under the terms of the Law and of the Articles of Association, the Audit Committee appraised the directors report and the financial statements of Banco Comercial Português, S.A. (Bank), regarding the 2021 financial year, prepared by the Executive Committee and the and Legal Certifications of Accounts and Audit Reports, as well as the Additional Report to the Supervisory Body, made by the Bank's External Auditor and Statutory Auditor, Deloitte & Associados - SROC, S.A. (Deloitte), on the individual and consolidated statements of the Bank, issued without reservations or emphasis.

2. This opinion is issued in accordance with and for the purposes of the provisions of article 423-F (1) (g) of the Companies Code and must be read together with the "Annual Report of the Audit Committee" made in accordance with the same legal requirement.

3. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Chief Financial Officer, with those in charge of the competent divisions of the Bank, particularly the Accounting and Consolidation Division, the Tax Advisory Division, the Research, Planning and ALM Division, the Audit Division, the Risk Office and the Compliance Office, as well as with the Company's Secretary and with the External Auditor and Statutory Auditor, Deloitte, requesting all the information and clarifications relevant to its functions, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal provisos, including the monitoring of the impact of the current pandemic on the Bank's accounts.

4. The undersigners declare to the best of their knowledge that the financial information analysed was drawn up in compliance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, of the financial situation and of the earnings of the Bank and of the companies consolidated by it, and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank

Audit Committee
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and of the companies consolidated by it, containing a description of the main risks and uncertainties faced by them.

5. The Legal Certifications of Accounts and Audit Reports made according to the formats resulting from the EU Regulation nr. 537/2014, dated 16 April and from Law 140/2015, dated 7 September, include the denominated "Audit Relevant Matters" which, concerning the Bank, Deloitte identifies as being:
   a. Loan impairment;
   b. Deferred tax Assets;
   c. Pensions
   d. Non-current assets held for sale;
   e. Resolution Fund;
   f. Bank Millennium - Loans indexed to Swiss francs.

   Apart from the relevant matter identified above, Deloitte followed up other matters that require attention for the risk they involve, namely the performance shown by the Corporate Restructuring Funds (FRE), the proceedings filed by the Competition Authority, the exposure to Mozambique risk, contingencies associated with other legal proceedings in progress in Poland, such as early repayments of consumer credit, the valuation of the stake in Millennium Atlântico, the follow up of the results of the operations being discontinued, which includes the sale of the entire share capital of Banque Privée BCP (Suisse) and of 70% of the capital and voting rights of Seguradora Internacional de Moçambique, SA by Banco Internacional de Moçambique, the restructuring costs of the staff reduction plan carried out by the Bank, and also the report of the statutory auditors of the Group's components, as well as the impacts of the pandemic, matters which were, throughout the year, monitored by the Audit Committee upon information provided by the Executive Committee, by the Bank's relevant Divisions and by Deloitte.

6. Considering the result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by Deloitte and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended

on 31 December 2021, approved on 28 March 2022 by the Board of Directors, of which the members of the Audit Committee are part.

7. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português S.A. should approve:
   a) The directors report and other documents pertaining to the individual and consolidated financial statements for the financial year ended on 31 December 1;
   b) The proposal made by the Board of Directors for the appropriation of the net profit computed in the 2020 individual balance sheet, amounting to €, as follows:
      i) For the reinforcement of legal reserve, € € 9,006,048.73.
      ii) For the attribution of dividends, € 13,602,590.96.
      iii) For distribution to employees up to € 5,692,000.00.
      iv) The remaining, in the minimum amount of € 61,759,847.55 to Retained Earnings.

Porto Salvo, 28 March 2022

Cidália Maria da Mota Lopes

Cidália Mota Lopes

Valter Rui Dias de Barros

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

Fernando da Costa Lima

Audit Committee
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Summary of the Self-Assessment Report

Banco Comercial Português, S.A.

Summary of the Self-Assessment Report (Group)

This summary is presented in accordance with the requirements of article 60 of Notice of Banco de Portugal no. 3/2020 ('Notice').

The Self-Assessment Report ('Report') prepared in accordance with the requirements of article 55 of the Notice 2020 and Instruction of Banco de Portugal no. 18/2020 ('Instruction') contains the results of the self-assessment concerning the adequacy and effectivenessof the internal control system of Group Banco Comercial Português, S.A. ('Group') to ensure compliance with the requirements defined in article 51 of the Notice, as well as in relation to the coherence between the internal control systems of the subsidiaries and the internal control system of the parent-company, Banco Comercial Português, S.A. ('parent-company' or 'Bank'). This assessment was carried out with reference to the period between 1 February 2021 and 30 November 2021 ('reference period').

The Board of Directors of the Bank, as the parent-company, is responsible for ensuring that the internal control system of the Group, including the remuneration policies and practices, is adequate, effective, sustainable and contributes towards a sound and prudent management of the Group.

To ensure an effective management of the risks associated with the Group's activity, the Board of Directors is responsible for ensuring that all the Group's subsidiaries, including those located in third countries and the offshore establishments, implement internal control systems coherent among them and observing the requirements defined in the Notice.

It is also a responsibility of the Board of Directors of the Bank to ensure that the internal control functions are adequate to the size and nature of the Group and that they interact with the internal control functions of the subsidiaries to obtain the information required for the performance of their responsibilities, namely ensuring the existence of direct reporting lines between the internal control functions of the subsidiaries and those of the Bank.

Throughout the reference period, the Bank continued to put into place the measures defined for the full compliance with the requirements of the Notice. This process involved all the teams of the Bank, namely the three internal control units (Risk Office, Compliance Office, and Audit

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Division), in conjunction with its counterparts in the Group's subsidiaries, the External Auditor and the external advisers specifically hired for this project.

The structure and the content of the Report reflect the provisions of article 4 of the Instruction and aim to demonstrate the relevance attributed by the Group to the internal control system as a fundamental component of its business and organization.

The Report also includes a description of the Group's organizational structure and of the governance model of the parent-company, as well as a summary of the actions undertaken and the measures implemented, at the Bank and at the subsidiaries, to correct both the deficiencies detected in the reference period and those detected in previous periods whose implementation had not yet been completed, as well as the actions undertaken to remedy the gaps identified in the process for the implementation of the Notice versus the requirements foreseen therein.

A number of open deficiencies was identified which have an impact on the internal control system of the Group, all with a level of risk F2 (Medium) and F1 (Low), exception made to 30 with a level of risk F3 (High) and 1 with a level of risk F4 (Severe). Corrective measures were designed for all the deficiencies identified and deadlines were established for the respective correction.

With reference to 30 November 2021, individual self-assessment reports of the Bank and of the subsidiaries included in the group perimeter defined within the scope of the Report were prepared, and such reports include the annual reports of the managers in charge of the risks management, compliance, and internal audit functions, prepared in accordance with the provisions of articles 27 (s) of number 1), 28 (p) of number 1) and 32 (d) of number 1) of the Notice, respectively. These reports confirm the independence of each one of the internal control functions.

The Report also includes the conclusions from the assessment carried out by the management and supervisory bodies of the Bank, as the parent company, in accordance with the provisions of articles 56 and 57 of the Notice, respectively.

Within the scope of that assessment, and as a result of the work carried out and of the cumulative evidence collected, weighting the current and potential impacts of the deficiencies still unsolved, with the exception of the aspects regarding the deficiencies pointed out, and also considering the need to finalize the full adoption of the Notice's requirements, the Audit Committee concluded that the internal control system of the financial group is adequate and

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effective and that there is coherence between the internal control systems of the subsidiaries and the internal control system of the Bank in all materially relevant aspects, in accordance with the requirements of the Notice.

The Board of Directors also concluded, considering the above-mentioned open deficiencies and the gaps to resolve in order to fully adopt the Notice, that the internal control system of the financial group, including the remuneration practices and policies of the Group are efficient versus the requirements defined in the Notice.

The Board of Directors assessed specifically the adequacy of the classification given to the deficiencies classified with a level of risk F3 and F4, having concluded that this classification is reasonable in view of the methodology approved for that purpose.

The Board of Directors concluded also that the risk management function, the compliance function, and the internal audit function act in an independent manner, and effectively and adequately comply with the requirements set forth in the Notice.

Cidália Maria da Mota Lopes
Cidália Mota Lopes

Valter Rui Dias de Barros
Valter de Barros

Wan Sin Long

Fernando da Costa Lima
Fernando da Costa Lima

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Banco Comercial Português, S.A.

Summary of the Self-Assessment Report (Individual)

This summary is presented in accordance with the requirements of article 60 of Notice of Banco de Portugal no. 3/2020 ('Notice').

The Self-Assessment Report ('Report') prepared in accordance with the provisions of article 55 of the Notice and of Instruction of Banco de Portugal no. 18/2020 ('Instruction') contains the results of the assessment made by Banco Comercial Português ('Bank') regarding the adequacy and effectiveness of the organizational culture of the Bank and its governance and internal control systems, including the remuneration practices and policies. This assessment was carried out with reference to the period between 1 February 2021 and 30 November 2021 ('reference period').

The internal control system covers the entire Bank, including the responsibilities and functions of the Board of Directors and its Committees, all its activity segments, structural units, namely the internal control functions, outsourced activities, and the products distribution channels.

Throughout the reference period the Bank developed all the required efforts to fully implement the requirements of the Notice. This process involved all the organic units of the Bank, particularly the three internal control units (Risk Office, Compliance Office and Audit Division), the External Auditor and external advisers specifically hired to assist the Bank in this project.

The structure and content of the Report reflect the provisions of article 2 of the Instruction and aim to demonstrate the relevance that the Bank attaches to the various aspects related to organizational culture and governance and internal control systems, namely as a fundamental component of its business and of its organization.

The Report includes a description of the organizational structure of the Bank, together with a summary of the actions undertaken and the measures implemented to correct both the deficiencies detected in the reference period and those detected in previous periods whose implementation had not yet been completed, as well as the actions undertaken to remedy the gaps identified in the process of implementation of the Notice versus the requirements foreseen therein.

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Over the reference period, there was an increase in the overall number of outstanding recommendations compared to the same period in the previous year, although there was a decrease in the number of recommendations with greater seniority. Of the outstanding recommendations at the date of the information included in the Report, there are only 19 considered of risk level F3 (High) and 1 considered of risk level F4 (Severe). The Board of Directors analysed, together with the Executive Committee, the Audit Committee, the remaining committees of the Board of Directors and the internal control functions, the plans defined to resolve the identified deficiencies and the deadlines defined for their implementation, and monitored their implementation, as well as any readjustments of the deadlines defined for their completion. From the analysis carried out, the Board of Directors is convinced that an effort has been made to improve the Bank's responsiveness, strengthening the control processes.

With reference to 30 November 2021 the annual reports of the managers in charge of the risks management, compliance, and internal audit functions referred to, respectively, in articles 27 (s) of number 1), 28 (p) of number 1) and 32 (d) of number 1) of the Notice were also prepared, and are included in the Report. In these reports, each internal control function describes its composition and main powers and responsibilities, and its independence is confirmed by the respective manager in charge. In addition, each report identifies the deficiencies not yet solved regarding the correspondent internal control function.

The Report also includes the conclusions from the assessment carried out by the Bank's management and supervisory bodies, in accordance with the provisions of articles 56 and 57 of the Notice, respectively.

Within the scope of that assessment, and as a result of the work carried out and of the cumulative evidence collected, weighting the current and potential impacts of the deficiencies still unsolved, with the exception of the aspects regarding the deficiencies pointed out, and also considering the need to finalize the full adoption of the Notice's requirements, the Audit Committee concluded that the Bank's organizational culture and its governance and internal control systems are adequate and effective in all materially relevant aspects, underlining the need for the Bank to continue to ensure and maintain the effective implementation of the outstanding recommendations.

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The Board of Directors assessed the adequacy and effectiveness of the organizational culture and of its governance and internal control systems and the remuneration practices and policies and concluded that they comply with the established framework.

Specifically, the Board of Directors assessed:

- the processes of production and circulation of information, based on the work done by and on the opinion issued by the Audit Committee, having concluded that they are robust, regardless of the improvement opportunities identified in relation to such processes;
- the adequacy of the classification attributed to the deficiencies classified with level F3 'high' or level F4 'severe', given the methodology defined by the Bank, having concluded that it is reasonable.

Based on the work carried out and on the assessment performed and having analysed the deficiencies F3 e F4 or other that, altogether, may place at risk the Bank's risk profile, the Board of Directors considers that the organizational culture and the governance and internal control systems, including the remuneration policies and practices, are adequate, affective, sustainable and contribute for a sound and prudent management of the Bank's activity, as well as for an environment that values internal control as an essential element for the Bank's sustainability and good performance in the long run.

The Board of Directors concluded also that the risk management function, the compliance function, and the internal audit function act in an independent manner, and effectively and adequately comply with the requirements set forth in the Notice.

Cidália Mota Lopes

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

Audit Committee
Banco Comercial Português, S.A.

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EXTERNAL AUDITORS' REPORT

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2021 (that presents a total of 92,904,812 t.euros and total consolidated equity of 7,062,057 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 138,082 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2021 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Y6.2, 10, 13, 21, 38, 54 – Credit Risk)	
Accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded in the consolidated balance sheet of the Group as at 31 December 2021 amount to 1,849,284 t.euros and 110,649 t.euros, respectively. Impairment losses for credit risk represent the best estimate of the Management of the Bank and its subsidiaries of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". The context influenced by the Covid-19 pandemic increased the complexity and uncertainty associated with the estimation of impairment losses for credit risk, as a consequence of the need to incorporate new assumptions and judgments, including with regard to the effects of moratoriums and other support measures such as credit facilities with State Guarantees, in the identification of situations of significant increase in credit risk and evidence of impairment, and definition of macroeconomic scenarios and probabilities of occurrence. Impairment losses are determined through individual analysis for clients with high exposure and/or risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the notes to the financial statements.	• Analysis of the relevant control activities implemented by the Group in the process of identification and determination of impairment losses for its loans' portfolio, determined through individual and collective analysis. • Selection of a sample of clients subject to individual analysis of impairment by the Bank and its subsidiaries, which included exposures that presented higher risk-indicative characteristics, as well as randomly selected exposures. This sample included clients whose exposures were covered by moratoriums and with credit facilities with State Guarantees, and clients whose activity is included in the sectors considered by the Bank and its subsidiaries to be at greater risk and with more adverse potential impact in the context of the Covid-19 pandemic. • For the selected sample, analysis of the reasonableness of the estimate of impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank and its subsidiaries about the information available regarding the economic and financial situation of the clients, valuation of the collaterals they have provided and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Y6.2, 10, 13, 21, 38, 54 – Credit Risk)	
The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and estimating the present value of the amount that the Group expects to recover from the loan, which also incorporates assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans. Impairment losses for credit risk determined through collective analysis are based on a complex model, as it incorporates in the calculation of impairment several variables, namely characteristics of operations, classification of credit exposures in stages, including the assessment of the existence of significant increase in credit risk since the initial recognition and evidence of impairment, value of collaterals and risk parameters, such as the probability of default and loss given default, and the definition of macroeconomic scenarios and probabilities of occurrence. Impairment losses for credit risk recognized by the Group as at 31 December 2021 include additional impairments compared to those resulting from individual analysis and from the collective impairment model (overlays), determined through methodologies based on judgments from Management, namely for the identification of complementary situations of significant increase in credit risk and evidence of impairment and determination of the corresponding expected losses, in the context of the Covid-19 pandemic. Different methodologies, judgements or assumptions used in the impairment analysis and different recovery strategies affect the estimation of the recovery cash flows and their expected timing, and may have a significant impact on the determination of impairment losses for credit risk.	• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) validation on a sample basis the inputs used to calculate the most relevant risk parameters of the model and the value of collaterals considered in the determination of impairment losses for credit risk; (iii) analysis on a sample basis of the calculation of the risk parameters of the model and the classification of credit exposures in stages; (iv) analysis of the main macroeconomic variables considered in the scenarios defined by the Bank and its subsidiaries; and (v) reperformance on a sample basis of the collective impairment, considering the risk parameters determined by the Bank and its subsidiaries and the stages in which the exposures are classified. • Analysis of the methodologies defined by Management to determine additional impairments compared to those resulting from individual analysis and from the collective impairment model in the context of the Covid-19 pandemic (overlays), validation on a sample basis of the used inputs, and reperformance on a sample basis of these impairments, considering the inputs determined by the Bank and the methodologies defined by Management. • Review of the disclosures included in the consolidated financial statements related to these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Recoverability of deferred tax assets (Notes 1.5, 1.Y3 and 30)	
As at 31 December 2021 the balance of deferred tax assets amounts to 2,688,216 t.euros, of which 2,503,077 t.euros are related to the non-consolidated activity of the Bank. Deferred tax assets related to the non-consolidated activity include a net value of 684,312 t.euros that are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including 162,400 t.euros resulting from tax losses that can be carried forward whose reporting period ends between 2030 and 2032, as a result of the changes introduced in the Corporate Income Tax Code by Law No. 27-A/2020 of July 24 (Supplementary State Budget for 2020). In accordance with IAS 12 – "Income Taxes", deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its future taxable results for the period between 2022 and 2033 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax results and its interpretation of the tax legislation. The context influenced by the Covid-19 pandemic increased the degree of uncertainty associated with the realization of the estimate prepared by the Bank. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated future taxable results. Eventual deviations from the estimate of future results or changes in the assumptions used in their determination, as well as changes on tax legislation or its interpretation, may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the methodology and main assumptions considered by the Bank to estimate the evolution of pre-tax results and taxable results of its non-consolidated activity in the period between 2022 and 2033. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank's Management in the estimation of future taxable results. • Review of the calculations made by the Bank to support the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Analysis of the consistency of the estimate of pre-tax results with the budget approved by the Bank's Management. • Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale (Notes 1.G, 1.Y4, 26 and 54 – Credit Risk)	
As at 31 December 2021 the net book value of properties classified as non-current assets held for sale amount to 748,315 t.euros, which are recorded at the lowest between book value and fair value less costs to sell, in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. The valuation of these assets, and consequently the impairment losses, recorded in the Group's accounts as at 31 December 2021 is supported by appraisals carried out by external appraisers, which incorporate several assumptions, namely sale price per square meter, construction costs, discount rate, property best use, and expectations regarding the development of real estate projects, as applicable, and also considers the historical experience of the Bank in sales of properties, Management' prospects about the evolution of the real estate market and its intentions regarding the commercialization of these assets. The use of different assumptions, in particular as a consequence of the evolution of the real estate market, including possible impacts of the context influenced the Covid-19 pandemic, or changes in the sales strategy, may have significant impacts on the valuation of these properties and therefore on the determination of impairment losses.	• Analysis of the relevant control activities implemented by the Group in the process of valuing properties classified as non-current assets held for sale. • Analysis, for a selected sample of properties, of the reasonableness of the valuation recorded in the consolidated accounts, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, historical experience of the Bank in sales of properties and understanding of the strategy defined by Management for those assets, including the existence of any promissory purchase and sale contracts. For the selected sample of properties, analysis of the most recent available Real Estate Registration Certificate ("Certidão de Teor da Conservatória do Registo Predial"). • Verification, for the selected sample of properties, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis, for a selected sample of sales of properties occurred in 2021, of the respective sales contracts. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Liabilities with retirement pensions (Notes 1.R, 1.Y5 and 50)	
The Group has assumed the responsibility of paying retirement pensions and other associated benefits to its employees and pensioners under the terms defined in collective labour agreements. As at 31 December 2021, the liabilities of the Group for past services with retirement pensions and other associated benefits amount to 3,497,622 t.euros. The referred liabilities were determined by the responsible actuary, using the "Projected Unit Credit" method provided for in IAS 19 – Employee Benefits ("IAS 19"), and considering a set of actuarial assumptions, including the discount rate, growth rates of wages and pensions and mortality tables. Regarding the discount rate, it is determined on the basis of the market rates available on the reference date of the financial statements, for entities' bonds considered to be of high quality, denominated in euro and of similar maturity to that of retirement pensions and other associated benefits. Eventual changes in actuarial assumptions may have a significant impact on liabilities for past services related to pensions.	• Analysis of the relevant control activities implemented by the Group regarding the discount rate used in the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2021 sent to ASF. • Reading of the actuarial study with reference to 31 December 2021 and discussion with the responsible actuary on the evolution of responsibilities for past services related to pensions, including the main actuarial assumptions used. • Review of the methodology used in the determination of the liabilities for past services related to pensions and its adequacy in relation to the provisions of IAS 19. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into account: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review, on a sample basis, of the calculation of liabilities for past services related to pensions, considering the actuarial assumptions used in its quantification. • Validation, on a sample basis, of data relating to employees and pensioners, used in the calculation of liabilities for past services related to pensions. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.U, 1.Y, 38, 57 and 59)	
BCP Group has 50.1% stake in the subsidiary Bank Millennium, S.A. (Bank Millennium), based in Poland, which is included in the consolidated financial statements by the full consolidation method. As at 31 December 2021, the consolidated assets also includes a total goodwill of 146,756 t.euros related to Bank Millennium. Bank Millennium has granted in the past foreign currency mortgage loans indexed to the Swiss Franc ("CHF loans"). As described in more detail in Note 57, several lawsuits against Bank Millennium are ongoing in the courts, which include cases in which it is claimed the partial invalidity of the CHF loans contracts, in relation to the indexation clauses, or the total invalidity of the contracts. As at 31 December 2021, the CHF loans portfolio has a gross value equivalent to approximately 2,817,000 t.euros. The provisions estimated by Bank Millennium to address the legal risk of the CHF loans portfolio as at 31 December 2021 amount to approximately 727,000 t.euros, of which 636,000 t.euros are presented in assets, as a deduction from the gross value of the CHF loans portfolio, and 91,000 t.euros are presented in the caption "Provisions" of liabilities. The accounting policy related to the presentation of these provisions was changed in 2021, as described in Note 59. The determination of the estimate of the provisions to address the legal risk of this loan portfolio requires a significant judgmental component from Management, namely in what regards to the assumptions about: (i) the probabilities associated with the different scenarios considered and the occurrence of different court decisions, in ongoing and future lawsuits; (ii) the estimate of the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the estimate of the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers.	• Review of the accounting policy adopted regarding the presentation of provisions for legal contingencies related to CHF loans and the bases for the changes implemented in 2021. • Understanding of the process and the relevant control activities implemented by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans. • Analysis of the methodology used by Bank Millennium to estimate the provisions for legal contingencies of lawsuits and amicable settlements with customers related to CHF loans, as well as the reasonableness of the main assumptions assumed by Management and adequacy of the main inputs used, namely: (i) the probabilities associated with the different scenarios considered and the occurrence of different court decisions, in ongoing and future lawsuits; (ii) the estimate of the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers. • Review of the calculation of the provisions for legal contingencies related to CHF loans, taking into account the methodology used and assumptions assumed by Bank Millennium. • Analysis of the lawsuits filed against Bank Millennium considering the opinions and independent confirmations of external lawyers. • Analysis of the adequacy of the provisions for lawsuits filed against Bank Millennium taking into account the available legal documentation, and analysis of the sensitivity of the provisions to changes in the main assumptions used by Bank Millennium. • Review of the information available regarding court judgments associated with CHF loans.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.U, 1.Y, 38, 57 and 59)	
These judgments and assumptions are uncertain by nature and may change in the future, also as a result of the evolution of the court decisions, with a potentially relevant impact on the estimation of the provisions for the legal risk of the CHF loans portfolio. It should be noted that the Judgement of the Court of Justice of the European Union ("CJEU") of 3 October 2019 on case No. C-260/18, related to a CHF loan involving another Polish financial institution, increased the uncertainty related to the estimation of these provisions. In addition, as described in Note 57, in determining the estimate of the provisions as at 31 December 2021, the Management did not reflect the potential effects of pending decisions of the Polish Supreme Court of Justice on this matter, given the inability to predict the respective results, nor the alternative proposal for a "sectoral" solution currently under analysis, which involves the voluntary possibility of establishing liabilities settlement agreements with customers, due to the fact that Bank Millennium and the Group have not taken any decision in this regard. Developments related to these events may also have a relevant impact on the legal contingencies associated with the CHF loans portfolio, and consequently on the estimation of the respective impacts.	• Analysis of the information considered relevant related to the assumptions used by Bank Millennium until the date of this Statutory Audit Certification. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 56)	
As described in more detail in Note 56, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), in December 2021 the Resolution Fund holds 23.44% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A. In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star, under which the Resolution Fund commits to carry out capital injections at Novo Banco in the event of certain cumulative conditions occur. In October 2017, a framework agreement was established between the Portuguese State and the Resolution Fund, in order to provide the Resolution Fund with financial resources for the fulfillment of the contractual obligations related to the above mentioned sale of 75% of the share capital of Novo Banco. This framework agreement also states that it aims to ensure the stability of the contributory effort that relays on the banking sector. According to the last available Report and Accounts of the Resolution Fund, as at 31 December 2020, the loans obtained by the Resolution Fund from the Portuguese State and the banking syndicate, of which the Bank is a member, amounted to 6,382,880 t.euros and 700,000 t.euros, respectively. In addition, in May 2021 a new credit agreement was signed between the Resolution Fund and the banking syndicate, to finance the payments that might be due under the aforementioned contingent capitalization mechanism, up to a maximum amount of 475,000 t.euros.	• Analysis of the public announcements released by the Resolution Fund from 2016 up to the date of our report. • Analysis of the loan agreement signed between the banking syndicate, in which the Bank participates, and the Resolution Fund in August 2014, and the respective amendments signed in August 2016, February 2017 and May 2021. • Analysis of the credit agreement entered into between the banking syndicate, in which the Bank participates, and the Resolution Fund in May 2021. • Analysis of the public communications from the Resolution Fund and the Office of the Portuguese Minister of Finance of 28 September 2016 and the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans celebrated in August 2014 and December 2015 from the Portuguese State and from the banking syndicate with the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to provide the Resolution Fund with the financial resources for the fulfilment of contractual obligations related to the sale of 75% of the share capital of Novo Banco to Lone Star. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Reading of the latest available Report and Accounts of the Resolution Fund, which refers to the year of 2020.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 56)	
It was established the *pari passu* treatment of the obligations of the Resolution Fund arising from this new credit agreement and from the loan agreements previously entered into with the Portuguese State and the banking syndicate. To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. According to the last available Report and Accounts of the Resolution Fund, the Resolution Fund's own resources as of 31 December 2020 were negative. The Bank records the cost with the periodic contributions and with the contribution over the banking sector on an annual basis, as provided in IFRIC 21 - Levies.	• Analysis of the simplified cash flow model prepared by the Resolution Fund in the context of the May 2021 credit agreement, which was made available to us by the Bank. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to this matter.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 56)	
The financial statements as at 31 December 2021 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established under the loans obtained by the Resolution Fund from the Portuguese State and from a banking syndicate, in which the Bank participates, including the respective maturity date in 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

Responsibilities of Management and Supervisory Body for the consolidated financial statements

The Management of the Bank is responsible for:

- the preparation of consolidated financial statements that present true and fairly the consolidated financial position, financial performance and cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Management report, the corporate governance report, the non-financial statement and the remuneration report under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the actions taken to eliminate the threats or the applicable safeguards applied.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the consolidated financial statements and the verifications provided for in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais") related to corporate governance, as well as the verification that the non-financial statement and the remunerations report were presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the European Single Electronic Format (ESEF)

The consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2021 must comply with the applicable requirements set out in Commission's Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented, for the material respects, in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guidance ("Guia de Aplicação Técnica") of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), on reporting in ESEF and included, among others:

- gaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format;

- identifying and assessing the risks of material misstatement associated with the tagging of consolidated financial statement information in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the Bank to tag the information.

In our opinion, the consolidated financial statements, included in the annual report, are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material respects, the Management report was prepared in accordance with the current applicable law and regulations, the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 29-H of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and l) of the number 1 of the referred article.

About the non-financial statement provided for in article 508-G of the Portuguese Commercial Code

In compliance with article 451, number 6, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Group included in the Management report the non-financial statement provided for in article 508-G of the Portuguese Commercial Code.

About the remuneration report

In compliance with article 26-G, number 6 of the Portuguese Securities Code ("Código dos Valores Mobiliários"), we hereby inform that the Bank has included in an autonomous chapter of its corporate governance report, the informations referred in paragraph 2 of the referred article.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020. In the Shareholders' General Meeting that took place on 20 May 2021, we have been appointed for a third mandate covering the period between 2021 and 2023.

- Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we have prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of previous article 77, number 8, of the Legal Regime of the Portuguese Institute of Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and of article 5, number 1, of Regulation (UE) 537/2014, and that we kept our independence from the Group during the execution of the audit.

Lisbon, 28 March 2022

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes
Registration in OROC n.º 1456
Registration in CMVM n.º 20161066

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("Bank"), which comprise the separate balance sheet as at 31 December 2021 (that presents a total of 69,326,942 t.euros and total equity of 5,870,290 t.euros, including a net profit of 90,060 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at 31 December 2021 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.X4.2, 10, 13, 19, 35, 48 – Credit Risk)	
Accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded in the separate balance sheet of the Bank as at 31 December 2021 amount to 1,274,364 t.euros and 99,591 t.euros, respectively. Impairment losses for credit risk represent the best estimate of the Management of the Bank of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". The context influenced by the Covid-19 pandemic increased the complexity and uncertainty associated with the estimation of impairment losses for credit risk, as a consequence of the need to incorporate new assumptions and judgments, including with regard to the effects of moratoriums and other support measures such as credit facilities with State Guarantee, in the identification of situations of significant increase in credit risk and evidence of impairment, and definition of macroeconomic scenarios and probabilities of occurrence. Impairment losses are determined through individual analysis for clients with high exposure and/or risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for its loans' portfolio, determined through individual and collective analysis. • Selection of a sample of clients subject to individual analysis of impairment by the Bank, which included exposures that presented higher risk-indicative characteristics as well as randomly selected exposures. This sample included clients whose exposures were covered by moratoriums and with credit facilities with State Guarantees, and clients whose activity is included in the sectors considered by the Bank to be at greater risk and with a more adverse potential impact in the context of the Covid-19 pandemic. • For the selected sample, analysis of the reasonableness of the estimate of impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank about the information available regarding the economic and financial situation of the clients, valuation of the collaterals they have provided and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.X4.2, 10, 13, 19, 35, 48 – Credit Risk)	
The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and estimating the present value of the amount that the Bank expects to recover from the loan, which also incorporates assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans. Impairment losses for credit risk determined through collective analysis are based on a complex model, as it incorporates in the calculation of impairment several variables, namely characteristics of operations, classification of credit exposures in stages, including the assessment of the existence of significant increase in credit risk since the initial recognition and evidence of impairment, value of collaterals and risk parameters, such as the probability of default and loss given default, and the definition of macroeconomic scenarios and probabilities of occurrence. Impairment losses for credit risk recognized by the Bank as at 31 December 2021 include additional impairments compared to those resulting from individual analysis and from the collective impairment model (overlays), determined through methodologies based on judgments from Management, namely for the identification of complementary situations of significant increase in credit risk and evidence of impairment and determination of the corresponding expected losses, in the context of the Covid-19 pandemic Different methodologies, judgements or assumptions used in the impairment analysis and different recovery strategies affect the estimation of the recovery cash flows and their expected timing, and may have a significant impact on the determination of impairment losses for credit risk.	• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) validation on a sample basis the inputs used to calculate the most relevant risk parameters of the model and the value of collaterals considered in the determination of impairment losses for credit risk; (iii) analysis on a sample basis of the calculation of the risk parameters of the model and the classification of credit exposures in stages; (iv) analysis of the main macroeconomic variables considered in the scenarios defined by the Bank; and (v) reperformance on a sample basis of the collective impairment, considering the risk parameters determined by the Bank and the stages in which the exposures are classified. • Analysis of the methodologies defined by Management to determine additional impairments compared to those resulting from individual analysis and from the collective impairment model in the context of the Covid-19 pandemic (overlays), validation on a sample basis of the used inputs, and reperformance on a sample basis of these impairments, considering the inputs determined by the Bank and the methodologies defined by Management. • Review of the disclosures included in the separate financial statements related to these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Recoverability of deferred tax assets (Notes 1.5, 1.X1 and 27)	
As at 31 December 2021 the balance of deferred tax assets amounts to 2,503,077 t.euros, of which a net value of 684,312 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including 162,400 t.euros resulting from tax losses that can be carried forward whose reporting period ends between 2030 and 2032, as a result of the changes introduced in the Corporate Income Tax Code by Law No. 27-A/2020 of July 24 (Supplementary State Budget for 2020). In accordance with IAS 12 - "Income Taxes", deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its future taxable results for the period between 2022 and 2033 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax results and its interpretation of the tax legislation. The context influenced by the Covid-19 pandemic increased the degree of uncertainty associated with the realization of the estimate prepared by the Bank. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated future taxable results. Eventual deviations from the estimate of future results or changes in the assumptions used in their determination, as well as changes on tax legislation or its interpretation, may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the methodology and main assumptions considered by the Bank to estimate the evolution of pre-tax results and taxable results of its non-consolidated activity in the period between 2022 and 2033. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank's Management in the estimation of future taxable results. • Review of the calculations made by the Bank to support the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Analysis of the consistency of the estimate of pre-tax results with the budget approved by the Bank's Management. • Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.X2, 1.X4.2, 5, 21, 24 e 48 – Credit Risk)	
As at 31 December 2021 the caption Non-current assets held for sale include 450,959 t.euros of properties held directly by the Bank and 55,644 t.euros of investments in real estate companies which main assets are properties. In addition, the captions Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets at fair value through other comprehensive income include 309,796 t.euros and 34,010 t.euros, respectively, of participating units in real estate investment funds in which the Bank owns the majority of the units, with a provision for other risks and charges in the amount of 53,374 t.euros related to the properties held by those funds. These assets are recorded in accordance with applicable accounting standards (IFRS 5 for non-current assets held for sale and IFRS 9 for financial assets not held for trading mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income). The valuation of these assets, and consequently the impairment losses, recorded in the Bank's accounts as at 31 December 2021 is supported by appraisals carried out by external appraisers, which incorporate several assumptions, namely sale price per square meter, construction costs, discount rate, property best use, and expectations regarding the development of real estate projects, as applicable, and also considers the historical experience of the Bank in sales of properties, Management' prospects about the evolution of the real estate market and its intentions regarding the commercialization of these assets. In addition, the valuation of the participating units in real estate investment funds was based on the most up-to-date information available to the Bank's Management regarding their respective Net Asset Value, which depends on the appraisals carried out by external appraisers of the properties held by these funds.	• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units. • Analysis, for a selected sample of properties, of the reasonableness of the valuation recorded in the separate accounts, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, historical experience of the Bank in sales of properties and understanding of the strategy defined by Management for those assets. For the selected sample of properties, analysis of the most recent available Real Estate Registration Certificate ("Certidão de Teor da Conservatória do Registo Predial"). • Verification, for the selected sample of properties, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis, for a selected sample of sales of properties occurred in 2021, of the respective sales contracts. • Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.X2, 1.X4.2, 5, 21, 24 e 48 – Credit Risk)	
The use of different assumptions, in particular as a consequence of the evolution of the real estate market, including possible impacts of the context influenced by Covid-19 pandemic, or changes in the sales strategy, may have significant impacts on the valuation of these properties and therefore on the determination of impairment losses.	

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Liabilities with retirement pensions - (Notes 1.R, 1.X3 and 45)</td></tr>
<tr><td>The Bank has assumed the responsibility of paying retirement pensions and other associated benefits to its employees and pensioners under the terms defined in collective labour agreements. As at 31 December 2021, the liabilities of the Bank for past services with retirement pensions and other associated benefits amount to 3,469,942 t.euros.

The referred liabilities were determined by the responsible actuary, using the "Projected Unit Credit" method provided for in IAS 19 – Employee Benefits ("IAS 19"), and considering a set of actuarial assumptions, including the discount rate, growth rates of wages and pensions and mortality tables.

Regarding the discount rate, it is determined on the basis of the market rates available on the reference date of the financial statements, for entities' bonds considered to be of high quality, denominated in euro and of similar maturity to that of retirement pensions and other associated benefits.

Eventual changes in actuarial assumptions may have a significant impact on liabilities for past services related to pensions.</td><td>• Analysis of the relevant control activities implemented by the Bank regarding the discount rate used in the calculation of liabilities for past services related to pensions.

• Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2021 sent to ASF.

• Reading of the actuarial study with reference to 31 December 2021 and discussion with the responsible actuary on the evolution of responsibilities for past services related to pensions, including the main actuarial assumptions used.

• Review of the methodology used in the determination of the liabilities for past services related to pensions and its adequacy in relation to the provisions of IAS 19.

• Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into account: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management.

• Review, on a sample basis, of the calculation of liabilities for past services related to pensions, considering the actuarial assumptions used in its quantification.

• Validation, on a sample basis, of data relating to employees and pensioners, used in the calculation of liabilities for past services related to pensions.

• Review of the disclosures included in the separate financial statements for this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.F, 1.X, 23 and 50)	
The Bank has a 50.1% stake in the subsidiary Bank Millennium, S.A. ("Bank Millennium"), based in Poland, which is recorded in the separate financial statements at the lowest between the acquisition cost and its recoverable value. As at 31 December 2021 the Bank's assets include an amount of 612,261 t.euros related to the acquisition cost of Bank Millennium (Note 23). Bank Millennium has granted in the past foreign currency mortgage loans indexed to the Swiss Franc ("CHF loans"). As described in more detail in Note 50, several lawsuits against Bank Millennium are ongoing in the courts, which include cases in which it is claimed the partial invalidity of the CHF loans contracts, in relation to the indexation clauses, or the total invalidity of the contracts. As at 31 December 2021, the CHF loans portfolio has a gross value equivalent to approximately 2,817,000 t.euros. The provisions estimated by Bank Millennium to address the legal risk of the CHF loans portfolio as at 31 December 2021 amounts to approximately 727,000 t.euros, of which 636,000 t.euros are presented in Bank Millennium's assets, as a deduction from the gross value of the CHF loans portfolio, and 91,000 t.euros are presented in the caption "Provisions" of Bank Millennium's liabilities. The determination of the estimate of the provisions to address the legal risk of this loan portfolio requires a significant judgmental component from Management, namely in what regards to the assumptions about: (i) the probabilities associated with the different scenarios considered and the occurrence of different court decisions, in ongoing and future lawsuits; (ii) the estimate of the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the estimate of the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers.	• Understanding of the process and relevant control activities implemented by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans. • Analysis of the methodology used by Bank Millennium to estimate the provisions for legal contingencies of lawsuits and amicable settlements with customers related to CHF loans, as well as the reasonableness of the main assumptions assumed by Management and adequacy of the main inputs used, namely: (i) probabilities associated with different scenarios considered and the occurrence of different court decisions, in ongoing and future lawsuits; (ii) the estimate of the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers. • Review of the calculation of the provision for legal contingencies related to CHF loans, taking into account the methodology used and assumptions assumed by Bank Millennium. • Analysis of the lawsuits filed against Bank Millennium considering the opinions and independent confirmations of external lawyers. • Analysis of the adequacy of the provisions for lawsuits filed against Bank Millennium taking into account the available legal documentation, and analysis of the sensitivity of the provisions to changes in the main assumptions used by Bank Millennium. • Review of the information available regarding court judgements associated with CHF loans. • Analysis of the information considered relevant related to the assumptions used by Bank Millennium up to the date of this Statutory Audit Certification.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.F, 1.X, 23 and 50)	
These judgments and assumptions are uncertain by nature and may change in the future, also as a result of the evolution of court decisions, with a potentially relevant impact on the estimation of the provisions for the legal risk of the CHF loans portfolio. It should be noted that the Judgement of the Court of Justice of the European Union ("CJEU") of 3 October 2019 on case No. C-260/18, related to a CHF loan involving another Polish financial institution, increased the uncertainty related to the estimation of these provisions. In addition, as described in Note 50, in determining the estimate of the provisions as at 31 December 2021, the Management did not reflect the potential effects of the pending decisions of the Polish Supreme Court on this matter, given the inability to predict the respective results, nor the alternative proposal for a "sectoral" solution currently under analysis, which involves the voluntary possibility of establishing liabilities settlements agreements with customers, due to the fact that Bank Millennium and the Group have not taken any decision in this regard. Developments related to these events may also have a significant impact on the legal contingencies associated with the CHF loans portfolio and, consequently on the estimation of the respective impacts.	• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
As described in more detail in Note 49, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), in December 2021 the Resolution Fund holds 23.44% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A. In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star, under which the Resolution Fund commits to carry out capital injections at Novo Banco in the event of certain cumulative conditions occur. In October 2017, a framework agreement was established between the Portuguese State and the Resolution Fund, in order to provide the Resolution Fund with financial resources for the fulfillment of the contractual obligations related to the above mentioned sale of 75% of the share capital of Novo Banco. This framework agreement also states that it aims to ensure the stability of the contributory effort that relays on the banking sector. According to the last available Report and Accounts of the Resolution Fund, as at 31 December 2020, the loans obtained by the Resolution Fund from the Portuguese State and the banking syndicate, of which the Bank is a member, amounted to 6,382,880 t.euros and 700,000 t.euros, respectively. In addition, in May 2021 a new credit agreement was signed between the Resolution Fund and the banking syndicate, to finance the payments that might be due under the aforementioned contingent capitalization mechanism, up to a maximum amount of 475,000 t.euros.	• Analysis of the public announcements released by the Resolution Fund from 2016 up to the date of our report. • Analysis of the loan agreement signed between the banking syndicate, in which the Bank participates, and the Resolution Fund in August 2014, and the respective amendments signed in August 2016, February 2017 and May 2021. • Analysis of the credit agreement entered into between the banking syndicate, in which the Bank participates, and the Resolution Fund in May 2021. • Analysis of the public communications from the Resolution Fund and the Office of the Portuguese Minister of Finance of 28 September 2016 and the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans celebrated in August 2014 and December 2015 from the Portuguese State and from the banking syndicate with the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to provide the Resolution Fund with the financial resources for the fulfilment of contractual obligations related to the sale of 75% of the share capital of Novo Banco to Lone Star. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Reading of the latest available Report and Accounts of the Resolution Fund, which refers to the year of 2020.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
It was established the *pari passu* treatment of the obligations of the Resolution Fund arising from this new credit agreement and from the loan agreements previously entered into with the Portuguese State and the banking syndicate. To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. According to the last available Report and Accounts of the Resolution Fund, the Resolution Fund's own resources as of 31 December 2020 were negative. The Bank records the cost with the periodic contributions and with the contribution over the banking sector on an annual basis, as provided in IFRIC 21 - Levies.	• Analysis of the simplified cash flow model prepared by the Resolution Fund in the context of the May 2021 credit agreement, which was made available to us by the Bank. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the separate financial statements related to this matter.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
The financial statements as at 31 December 2021 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established under the loans obtained by the Resolution Fund from the Portuguese State and from a banking syndicate, in which the Bank participates, including the respective maturity date in 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

Other matters

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the non-consolidated level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.X5, financial investments in subsidiaries and associated entities are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is given in Notes 23 and 52.

Responsibilities of Management and Supervisory Body for the separate financial statements

The Management is responsible for:

- the preparation of separate financial statements that present true and fairly the financial position, financial performance and cash flows of the Bank in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the Management report, the corporate governance report, the non-financial statement and the remuneration report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of separate financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Bank's financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the actions taken to eliminate the threats or the applicable safeguards applied.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the separate financial statements and the verifications provided for in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais") related to corporate governance, as well as the verification that the non-financial statement and the remunerations report were presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the European Single Electronic Format (ESEF)

The separate financial statements of the Bank for the year ended 31 December 2021 must comply with the applicable requirements set out in Commission's Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the separate financial statements, included in the annual report, are presented, for the material respects, in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guidance ("Guia de Aplicação Técnica") of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas") on reporting in ESEF and included namely gaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format.

In our opinion, the separate financial statements, included in the annual report, are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material respects, the Management report was prepared in accordance with the current applicable law and regulations, and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 29-H of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and l) of the number 1 of the referred article.

About the non-financial statement provided for in article 66-B of the Portuguese Commercial Code

In compliance with article 451, number 6 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Bank included in the Management report the non-financial statement provided for in article 66-B of the Portuguese Commercial Code.

About the remuneration report

In compliance with article 26-G, number 6 of the Portuguese Securities Code ("Código dos Valores Mobiliários"), we inform that the Bank has included in an autonomous chapter of its corporate governance report, the information referred in paragraph 2 of the referred article.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020. In the Shareholders' General Meeting that took place on 20 May 2021, we have been appointed for a third mandate covering the period between 2021 and 2023.

- Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we have prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of previous article 77, number 8, of the Legal Regime of the Portuguese Institute of Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and of article 5, number 1, of Regulation (UE) 537/2014, and that we kept our independence from the Bank during the execution of the audit.

Lisbon, 28 March 2022

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes, ROC
Registration in OROC n.º 1456
Registration in CMVM n.º 20161066

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

CORPORATE GOVERNANCE REPORT

INTRODUCTION **719**

PART I **720**

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Introduction

Banco Comercial Português, S.A., (hereinafter referred to as “Company, Bank, BCP, Millennium bcp”) structured this Corporate Governance Report regarding the financial year of 2021 (hereinafter referred to as “Report”), in compliance with the principles and recommendations of the Corporate Governance Code issued by Instituto Português de Corporate Governance (IPCG) in 2018 and revised in 2020, and in compliance with the guidelines set forth in circular from CMVM - “The supervision of the of the Corporate Governance recommendations regime - new rules and procedures for 2019”, of 11 January 2019 - and the Attachment to the CMVM Regulations 4/2013 of 1 August, 2013.

Were considered, among other, the following regulations: the Legal Framework for Credit Institutions (LFCIFC), the Securities Code (SC), the Companies Code, the Notice 3/2020, the Law 62/2017 of 1 August, The CMVM Regulation 7/2018, the Directive 2023/36/EU and the Regulation 575/2013, both from the European Parliament and the Council of 26 June 2013, Regulation/EU) 596/2014 of April 16, 2014, the Execution Regulation (EU) 2016/523 of the Committee of March 10, 2016, the Delegated-Regulation (EU) 2021/923, of the Committee of 25 March, 2021, and the joint Guidelines of ESMA35-36-2319 and EBA/GL/2021/06, of July 2, 2021.

This Report is composed of two parts:

PART I – Items Items 1 to 92 containing information on the shareholding structure, organization and corporate governance, including information on the recommendations of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG) that do match that Regulation. It also considers Notice No. 3/2020 of Banco de Portugal and Law No. 99-A/2021, of 31 December, which amends the Securities Code.

PART II – Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.
And 3 Annexes

Annex I – CV of the members of the Board of Directors of the Bank

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Part I

A. SHAREHOLDING STRUCTURE (Organization and Corporate Governance)

I. Capital Structure

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245-A/1/a, current Art. 29-H/1/a)

On the date this Report was made (March 2022) the share capital of the Bank amounted to 4,725,000,000.00 Euros, represented by 15,113,989,952 shares of a single category, nominative, book-entry, without nominal value, fully subscribed and paid up, all admitted to trading in a regulated market (Euronext Lisbon). These shares represent 100% of the share capital, confer identical rights and are fungible between them.

According to the information provided by Interbolsa, as of 31 December 2021, the number of Shareholders of Banco Comercial Português totalled 142,309.

On 31 December 2021, the Bank's shareholder structure continued dispersed, with four shareholders owning more than 2% of the share capital. Of these, only two have a stake above 5%. As a whole, the shareholders with stakes exceeding 2%, represented 54,28% of the share capital.

On the same date, shareholders with more than 5 million shares and less than 2% of the share capital, totalling 104, represented, on 31 December of 2020, 20.43% of the share capital and voting rights.

In terms of geographic distribution, special mention should be made of the weight of the shareholders with Portuguese nationality or with registered office in Portugal, which accounted for 30.4% of the share capital and voting rights.

Although pursuant to its articles of association, the Bank can issue shares with special rights, namely voting or non-voting preferential shares either redeemable with or without premium or not redeemable, it has never done so.

For the issue of this type of shares it would be necessary a specific resolution adopted by the Shareholders at a General Meeting of Shareholders by a majority of 2/3 of the votes cast.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b, currently Art. 29-H/1/b).

There are are no clauses in the articles of association with these features. The shares representing the share capital of the Bank are freely transmissible and there are no limits on the ownership of shares.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a, currently Art. 29-H/1/b).

The treasury stock (BCP shares) held by entities included in the consolidation perimeter is within the limits established by the Law and Regulations.

On 31 December 2021, Banco Comercial Português, S.A. did not hold own shares registered in the «own portfolio», and neither purchases nor sales of treasury shares were carried out during the financial year, with the exception of those necessary to comply with the payment of the variable remuneration in shares to the Executive Directors and employees which, in the transition period prior to their delivery, were recorded under "trading portfolio". However, with reference to 31 December 2020, are recorded, under item «Treasury Stock», 323.738 held by customers.

Considering that for some of these customers there is evidence of impairment, the Bank's shares held by these customers were considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to Note 51 to the consolidated financial statements, as at 31 December 2021, Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A. held 142,601,002 BCP shares, amounting to Euros 20.078.000 euros and on 31 December 2020, it held the same number of shares, amounting to Euros 17.568.000 euros.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j, currently Art.º 29-H/1/j).

Banco Comercial Português, S.A is not a party to significant agreements, namely agreements that are enforced, altered, or terminated in the event of change of control, following a public takeover bid, or change of composition of the governing bodies and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of Directors.

Within the scope of its activity, the Bank has negotiated five bilateral funding contracts with the European Investment Bank (EIB) and the European Investment Fund (EIF), in the overall amount of around three hundred and fifteen million Euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control.

In December 2021, an agreement was signed with the EIB according to which a guarantee is provided in favour of the Bank in the overall amount of up to 200 million euros to cover 50% of the financings contracted with companies that, in accordance with the already mentioned agreement, are eligible for that purpose.

None of these contracts harms the economic interest in the transfer of shares and the free appraisal by the shareholders of the Director's performance.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

The Article 26 of the Bank's Articles of Association establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not be counted.

On the date this report was made, there were no shareholders reaching the above-mentioned limit of 30%. The amendment of this statutory provision requires the approval by 2/3 of the votes cast at the General Meeting.

The Bank's Articles of Association do not foresee the periodic review of the statutory rule that establishes the limitation of votes. However, under the terms of article 13-C of the Legal Framework for Credit Institutions and Financial Companies, these limits will automatically expire at the end of each five-year period if no resolution is adopted by the General Meeting of Shareholders to expressly maintain them.

When this proposal for the maintenance or revocation of this limitation is made by the Board of Directors, its approval is not subject to any limits, to the holding or exercise of voting rights, nor to super quorum or majority requirements than the legally established ones.

At the General Meeting of Shareholders held on 20 May 2021, The Board of Directors proposed the maintenance of the limitation of the counting of votes mentioned earlier and the proposal was approved by a majority of 82.26% of the votes cast and, therefore, the same, except if the General Meeting resolves otherwise, remains valid until 20 May, 2026.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g, currently Art.29-H/1/g).

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/c & d, currently Art. 29-H,(c and d) and Art. 16), with detailed indication of the percentage of capital and imputable votes and the source and causes of the imputation

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2021, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

31 December 2021

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,525,940,191	29.95%	29.95%
TOTAL FOR FOSUN GROUP	**4,525,940,191**	**29.95%**	**29.95%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	404,590,600	2.68%	2.68%
TOTAL FOR BLACKROCK	**404,590,600**	**2.68%**	**2.68%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**8,188,500,849**	**54.18%**	**54.18%**

* In accordance with the announcement on April 30, 2021 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

As a result of the amendment introduced in article 16 of the Securities Code (Law 99-A/2021, of 31 December) which set the minimum threshold for qualifying participation at 5% on the date this Report was made (March 2022) the stake owned by Group Blackrock and the one of Group EDP ceased from being a qualifying one.

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

On this issue, see the information provided in the Annual Report 2021, in Note 51 to the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i, currently Art.29-H/1/j)) with an indication, in relation to these, of the date on which they were attributed, period until which that competence can be exercised, maximum quantitative limit of the capital increase.

Under the terms of article 5 (1) of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation, with shareholder's preference right.

In accordance with the requirements of article 456 of the Companies Code, the renewal of this authorization, approved at the General Meeting held on 21 April 2016, expired in April 2021 and the Board of Directors submitted to the appraisal of the General Meeting held on 20 Ma y2021 its renewal for a five-year term. The proposal was approved by a majority of 88.31% of the votes cast, this way renewing the authorization mentioned in article 5 (1) of the Bank's Articles of Association.

The Bank's share capital, set at 4.725.000.000,00 euros, on 18 November 2016, remains updated and has not been increased under the renewal of the authorisation approved by the General Meeting held on 20 May 2021.

10. Significant business relations between holders of qualifying stakes and the company

Business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 33 (3) of the Notice 3/2020 of Banco de Portugal, regardless of the amount involved, is always subject to appraisal and deliberation by the Board of Directors, after a prior opinion has been obtained from the Audit Committee, through proposal submitted by the Executive Committee, which is supported by a proposal made by the Credit Commission or by the Costs and Investments Sub-Commission after obtaining an analysis and opinion from the Compliance Office in what regards the compliance of the proposals with internal rulings, legal and supervisory requirements and remaining conditions applicable to them, together with an opinion issued by the Risk Office to assess the risks that the operation may involve. The formalities to which these businesses are subject are internally regulated by the Service Orders 0016 and 0003.

During the 2021 financial year, the Audit Committee issued a total of twenty opinions related with the granting of credit, of which eight on proposals connected with holders of qualifying stakes and entities related with them. The Audit Committee is responsible for analysing the operations within a perspective of prevention of conflicts of interest and guarantee that no special advantage is conferred. All these operations were conducted under normal market conditions.

During the year to which this Report reports, the contracting of supplies and services, between the Bank and entities holding qualified holdings and entities related to them and related parties, was also analysed, with the Audit Committee issuing a total of eight opinions on proposals for contracting goods and services. The compliance with the conditions described above was validated by the Compliance Office.

The operations carried out in 2021 are also identified in item 90 of this Report.

The Board of Directors, in accordance with the competences, conferred to it by its Regulations, reserves for itself, regarding matters connected with related parties, the following powers:

- approve the internal policy foreseeing the definition, identification and update of the parties related with the Bank, following a proposal made by the Executive Committee, and after obtaining the opinion from the Audit Committee;
- approve, complying with the legislation and with the internal regulations, transactions with related parties, guaranteeing that the same are made under market conditions, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee;
- ensure that the Bank identifies, in a list that is complete and updated every three months, its related parties, making this list known to the supervisory body, according to applicable legislation, and making it available to the supervisory authority whenever requested, delegating this competence to the Executive Committee.

In what regards credit transactions, the Service Order OS0016 sets forth that the Bank is not allowed to grant loans, directly or indirectly, in any form or of any kind (including acting as guarantor) to the members of its management and supervisory bodies or to companies or legal persons directly or indirectly controlled by them.

We point out that this limitation does not apply to loans with social features or for social purposes or to loans resulting from staff management policies, as well as to loans granted due to the use of credit cards associated with the current account, under the conditions applicable to other Clients with similar risk profile. Notwithstanding, these operations, in which the beneficiaries are members of the management and supervisory bodies of the Bank, or entities related with them, must obey to the following rules:

- In credit cards, 100% monthly payment of the amount used;
- In loans resulting from staff management policy, the conditions in force within the scope of this policy for the majority of Employees must be fully observed.

In accordance with the above-mentioned Service Order and during the financial year to which this Report relates to, the granting of credit, (including the provision of guarantees) to:

- entities wherein the members of the Bank's management and supervision bodies are managers or have a qualifying holding that does not ensure a controlling position, directly or indirectly;

- shareholders with a holding equal to or greater than 2% of the Bank's share capital and entities related to those.

is subject to the following special procedures:

- approval by a majority of at least two thirds of the members of the Board of Directors, in a voting wherein the members involved in a situation of conflict of interests with the entities involved in the operation are not allowed to vote;
- the documentation on these operations to be sent by the Credit Division to the Executive Committee to be assessed and afterwards sent to the Board of Directors must contain an opinion issued by the Bank's Compliance Office on the compliance of the proposed operations with the applicable internal regulations, legal and regulatory provisos and all other conditions applicable to them, including the market conditions and an opinion issued by the Risk Office assessing the operation's inherent risks;
- The documentation regarding each loan application to be sent to the Board of Directors for final appraisal must include a prior favourable opinion issued by the Audit Committee.

Lastly, and also in accordance with the Regulations of the Board of Directors and Recommendation I.5.1.of the Corporate Governance Code of the Portuguese Institute of Corporate Governance, the members of the Board of Directors and of the Audit Committee cannot participate in the appraisal and decision of contracting with companies in relation to which they are identified as "Related Parties", requiring, in any of these situations, the approval by a majority of at least two thirds of the remaining members of the management body and the favourable opinion of the Audit Committee.

The Chairwoman of the Audit Committee, qualified as an independent member of the Board of Directors, communicates to the Board the content of the opinion issued by the Audit Committee on the operation, which will only afterwards be debated and voted.

The Chairwoman and remaining members of the Audit Committee, as non-executive members of the Board of Directors, also vote the proposal, thus taking cognizance of the Board of Directors' resolution, so that, for being redundant, any autonomous communication to the Audit Committee is not justified.

B. GOVERNING BODIES AND COMMITTEES

I. General Meeting of Shareholders

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, (1) of the Bank's Articles of Association, the Board of the General Meeting is composed by a Chairperson and a Vice-Chairperson.

The Chairman and the Vice-Chairman of the Board of the General Meeting were elected for a first term-of-office (2017/2019) on 10 May 2017, and were re-appointed for that position by the General Meeting of Shareholders held on 20 May 2020 for the ongoing four-year period 2020/2023.

The Board of the General Meeting is composed of:

Chairman:	Pedro Miguel Duarte Rebelo de Sousa (Independent)
Vice-Chairperson:	Octávio Manuel de Castro Castelo Paulo (Independent)

Inherent to the position, the Board of the General Meeting is supported by the Company Secretary, Ana Isabel dos Santos de Pina Cabral who was appointed by the Board of Directors on 24 July 2018, performing duties for the four-year period 2018/2021, remaining in office until the first meeting of the Board of Directors held after its election.

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f, currently Art.º 29-H/1/f)

Under the terms of the Bank's Articles of Association, each share corresponds to one vote. Natural or legal persons that own shares which confer to them at least one vote at zero hours of the fifth trading day prior to the date of the General Meeting may participate therein, directly or through a representative.

In view of the pandemic situation on the date of the Annual General Meeting of 2021, the participation of shareholders in the same was restricted to the use of electronic means, with the written vote being allowed, by post or using electronic means, in which case the vote had to be received until the penultimate day prior to the Meeting. The shareholders had the possibility to, during the meeting, alter the vote previously cast provided that they do so until the closing of the voting of the item in question. The entire process involving the holding of the General Meeting was audited by the Bank's AUDIT Division.

Considering the experience acquired, as well as the reliability of the systems which were implemented in the meantime, the Bank is prepared to carry out General Meetings which will enable the simultaneous participation of shareholders, in person or using electronic means. The option of voting by correspondence without participation will always be ensured.

On these issues, see items 5, 14 and 48.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1.

On this issue, see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority.

The Bank's Articles of Association require the presence of shareholders owning more than one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a qualified majority of three quarters of the fully paid-up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is not intended to adopt mechanisms that will make it difficult for shareholders to make decisions. On the contrary, it is aimed at protecting minorities and guaranteeing that no relevant matter is decided without the effective participation of a representative number of shareholders.

On these issues, see items 5 and 48.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the endorsed governance model

Banco Comercial Português, S.A. adopted, since 2012, a one-tier corporate structure, composed by a Board of Directors which includes an Executive Committee and an Audit Committee, which is elected by the General Meeting of Shareholders. It also has a Remuneration and Welfare Board, also elected by the General Meeting of Shareholders.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h)

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position which occurred between general meetings, such co-optation must be ratified at the first General Meeting of Shareholders taking place after the co-optation. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists. The Bank considers and, until today, also its shareholders, that this is the way that better upholds the company's interests for being the one that guarantees coherence and the necessary complementarity in the composition of the body.

In accordance with the Bank's articles of association, one of the Directors can be elected on its own according to article 392 (1 to 5) of the Companies Code.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

Regarding the procedures to adopt regarding the candidates to the Board of Directors, including the members of the Audit Committee and remaining Board Committees, the Bank strictly observes the provisions of article 30 and following of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and those of Item 6 of Chapter III of the Joint Guidelines from ESMA and from EBA - ESMA35-36-2319 and EBA/GL/2021/06, of July 2.

In the assessment made within this context, the Bank takes into account the qualitative requirements of good repute, professional qualification, independence and cumulation of positions or availability for the exercise of functions in accordance with the provisions of articles 30-D, 31, 31-A and 33 of the LFCIFC, as well as of the Guide to fit and proper assessments of December 21, published by the European Central Bank in December 8, 2021, and the above-mentioned Joint Guidelines from ESMA and EBA on suitability of the members of management bodies and internal functions holders, the Instruction from Banco de Portugal 23/2018 of 5 November, the Guidelines EBA/RTS/2020/05, of 18 June 2020 and the Delegated Regulation (EU) 2021/923 from the European Commission of 25 March 2021 on technical rules and criteria to define, internal control functions, business-generating units and categories of staff whose professional activities have a significant impact on the Bank's risk profile.

To achieve an adequate selection of the members of the management and supervisory bodies and of individuals in charge of key functions, the Board of Directors approved a Group Code on the Internal Policy for the Selection and Assessment of the Suitability of the Members of the Management and Supervisory bodies and Key-Functions Holders, which is public and whose version currently in effect is available on the Bank's page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

On 9 December, 2021, the Board of Directors also approved the Succession Planning for the members of the Management and Supervisory Bodies and Key-Function Holders with the purpose of setting the methodological framework and the procedures to adopt to ensure their adequate succession with the purpose of providing decision-makers with an instrument that details the procedures to be adopted and identifies potential candidates for the functions covered, also foreseeing the need to fill unforeseen vacancies.

In addition, and to observe the requirements of the Notice of Banco de Portugal 3/2020 and of the guidelines from the European Banking Activity (EBA/GL/2021/05 and EBA/GL/2021/06), the Board of Directors of the Bank shall submit for the approval of the forthcoming Annual General Meeting of Shareholders planned to take place on May 4, 2022, an Internal Policy for the Selection and Assessment of the Suitability of the members of the Management and Supervisory Bodies and Key-Function holders which, after being approved, will be available on the Bank's website together with the Group Code on the Succession Policy of the Management and Supervisory Bodies and key function holders, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member

Under the terms of the Bank's Articles of Association, the Board of Directors is composed of a minimum of fifteen and a maximum of nineteen members, elected for terms of office of four years, who may be re-elected one or more times.

The term-of-office for which the current Board of Directors was elected - 2018/2021 - ended on 31 December 2021, continuing the respective members in office until the next General Meeting of Shareholders, planned to take place on May 4, 2022.

The Board is currently composed by 17 members, 16 of them elected by the General Meeting of Shareholders held on 30 May 2018, and one co-opted by the Board of Directors on 23 April 2019, and the co-optation was ratified by the General Meeting held on 22 May 2019.

The Board of Directors in office on the date this report was made (March 2022), includes 4 women, representing 23,52% of its members. The Chairperson of the Audit Committee, the Bank's supervisory body composed by four members, is a woman. This way, the Bank complies, regarding the financial year this report reports to, with the legal criteria and requirements on gender balance regarding the members of the Board of Directors which, in the governance body adopted by the Bank, includes the supervisory body.

The Bank instructs the proposals that submits to the elective General Meeting of Shareholders with documents that enable to assess the suitability of the profile, professional experience and availability of each candidate, namely the declaration of the candidate referred to in article 30-A of the Legal Framework for Credit Institutions and Financial Companies, containing relevant and necessary information for the assessment of his/her suitability, as well as the candidates' curriculum, with the Company keeping all the documentation available, for a period of ten years, on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governação

The composition of the Board of Directors at the end of the financial year this Report refers to, as well as the respective positions and qualification on the date of the first appointment of each member and the date of end of term of office is identified in the table below:

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End (a)	Appointment method	Body and Position	Qualification
Nuno Manuel da Silva Amado	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (b)
	11/05/2015	2015/2017	31/12/2017		Board of Directors - Vice-Chairperson and Executive Committee - Chairperson	
	28/02/2012	2012/2014	31/12/2014			
Jorge Manuel Baptista Magalhães Correia	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Vice-Chairman	Not Independent (c)
Valter Rui Dias de Barros	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (c)
Ana Paula Alcobia Gray	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Cidália Maria da Mota Lopes	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
	11/05/2015	2015/2017	31/12/2017		Board of Directors - Member	
José Manuel Alves Elias da Costa	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Xiao Xu (Julia Gu)	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Lingjiang Xu	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
	09/01/2017	2015/2017	31/12/2017			
Teófilo César Ferreira da Fonseca	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Wan Sin Long	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Fernando da Costa Lima	23/04/2019	2018/2021	31/12/2021	Co-optation	Board of Directors - Member	Independent

a) Although the end of the mandate coincides with the last day of the calendar year, to which it refers, the member shall remain in office until the election of the new composition.
(b) The Director in question was CEO of the Bank in the 2015/2017 term-of-office. Non-independence is thus assessed exclusively for this reason and in the light of Item 89.a., of the Joint guidelines from ESMA35-36-2319 and EBA/GL/2021/06, of July 2, 2021.
(c) The director in question is connected to a shareholder with a qualifying stake.

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE MEMBERS

Composition of the Board of Directors (Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End (a)	Appointment method	Body and Position	Qualification
Miguel Maya Dias Pinheiro	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Chairman	Executive
	11/05/2015	2015/2017	31/12/2017		Executive Committee - Vice-Chairman	
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012			
	11/11/2009	2008/2010	31/12/2010	In replacement	Executive Board of Directors - Member	
Miguel de Campos Pereira de Bragança	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Vice-Chairman	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
João Nuno de Oliveira Jorge Palma	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Vice-Chirman	Executive
	09/01/2017	2015/2017	31/12/2017	Co-optation		
José Miguel Bensliman Schorcht da Silva Pessanha	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee Member	Executive
	11/05/2015	2015/2017	31/12/2017			
Maria José Henriques Barreto Matos de Campos	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee Member	Executive
Rui Manuel da Silva Teixeira	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee Member	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/022012		Executive Board of Directors - Member	

17.1 Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period (Art.º 29-H, (1), (q) SC) and Information on the policy of actions for gender equality and increase of the under-represented gender in first-rank managers

The Board of Directors approved on December 9, 2021 a Plan for the Succession of Members of the Management and Supervisory Bodies and Key-Function holders according to which the Chairperson of the Board of Directors, together with the Vice-Chairpersons and the Chairperson of the Committee for Nominations and Remunerations (CNR), are responsible for the preparation of the Matrix of Competences of the Board of Directors which mist consider the Bank's articles of association and internal rules of the Bank, namely the type and number of members of the Board of Directors, structure of the different committees and diversity objectives.

The Plan for the Succession of the members of the management and supervisory bodies and key-function holders is available on the Bank's website on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

In accordance with the Group Code GR0043, on the assessment of the suitability (Fit and Proper) and Succession Plan, all Group Entities shall promote diversity among the members of the management body. The objective is to ensure a wide range of qualities and skills in the recruitment of members of the management body, with a view to obtaining a diversity of perspectives and experiences and favouring independence of opinions and solid decision-making within the management body.

The concern with diversity should, at the very least, refer to the following aspects: qualifications and professional background, gender, age and geographical origin, all of which are duly taken into account according to the curricular information provided in Annex I to this Corporate Governance Report.

The Bank complies with the Portuguese legislation in force, namely Law 62/2017, of August 1 that sets forth a balanced representation regime between men and women in the management and supervisory bodies of listed companies.

In that sense, the Committee for Nominations and Remunerations considers the policy was adequately applied in the period in question.

The representativeness of each gender in the Management and Leading positions was as follows:

	2020	2021
Board of Directors		
Women	4 (24%)	4 (24%)
Men	13 (76%)	13 (76%)
Leading positions		
Women	345 (27%)	354 (30%)
Men	915 (73%)	841 (70%)

Group BCP, materialising its commitment towards Sustainability and with business responsible practices, set up a “Policy for Diversity and Equal Opportunities”, published on the institutional website that, in its guiding principles and guidelines, institutes values and performance references that include an unequivocal orientation for: i)the right to equality in access to jobs and at work and the prohibition of any form, direct or indirect, of discrimination.

Since 2019, BCP in Portugal defines and publishes every year a Plan for Gender Equality that corresponds to the materialisation in specific, tangible and consequent actions of the guidelines defined by this Policy and by the reference framework the same establishes in what concerns processes and practices for the management of people.

The Plan for Gender Equality made annually, besides making a diagnosis, defines several initiatives to be developed in six major lines of action:

- Commitment of the top management with gender diversity and equality;
- Regular monitoring of management indicators;
- Strict application of the remunerations and promotions policy;
- Increased participation of the gender less represented in the programs for the development of Leadership competences;
- Recruitment of new employees using diversity and wage equality criteria
- support to conciliation of professional life with family and personal life.

Globally, the number of employees of the Bank in Portugal per Gender evolved as follows:

	2020	2021
Women	3,027 (43.2%)	2,769 (44.0%)
Men	3,986 (56.8%)	3,520 (56.0%)

The admission of new employees continues to respect the principle of gender equality and matches the Objectives of the Bank's Strategic Plan for the period 2021 to 2024 regarding Diversity, enabling, in the same timeframe, the percentage of women in leading positions to increase to 35%.

The admission of new employees evolved as follows:

	2020	2021
Women	69 (52%)	38 (51%)
Men	63 (48%)	36 (49%)

Also, in compliance with this Policy and with the law, the proposal to be submitted to the General Meeting of Shareholders regarding the composition of the Board for the next term foresees the election of 6 elements of the least represented gender, which corresponds to 35.29% of the total number of members, placing the percentage in the supervisory body in 33%.

The Policy for Diversity and Equal Opportunities is available on the Bank's website, in the Portuguese and English languages, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Pages/cod_internos.aspx

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board

The Board of Directors is composed by 17 members, 11 non-executive and 6 executive.

The Bank, based on past years' experience, considers appropriate, either the number of non-executive members of the Board of Directors, or the number of those that, amongst them are qualified as independent, as per tables of items 17 and 26.

With this composition, the Bank follows the best national and community practices followed by equivalent companies, being appropriate to the size of the company and the complexity of the risks inherent to the activity it pursues, allowing it to ensure a clear organizational structure, with lines of responsibility that the Bank observes.

All the members of the Board of Directors were evaluated, for the purpose of being qualified as independent, or not, by the Committee for Nominations and Remunerations which, for that purpose and besides the regulations mentioned above, took under consideration the Guide to fit and proper assessments (December 2021)" of the European Central Bank, as well as a group code on the assessment of the suitability and succession planning for the members of the management and supervisory bodies and other holders of Bank's key functions, having considered, apart from the profile of each one of the Directors, the following facts:

- Being an employee of the company over the last three years or of a company which is in a controlling or group relationship;
- Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person;
- be beneficiary of significant commissions or other benefits from any entity of the Group;

- Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes;
- Being the holder of a qualifying stake or representative of a shareholder with qualifying stake.
- be or have been, during the last year, a significant supplier or relevant customer of a Group entity;
- Having been re-elected for more than two mandates, that is, performed continuously functions in corporate bodies of the Bank for more than 3 mandates. corresponding to 12 years;
- Exercises or exercised in the last 5 years the position of member of the administration body, in its management function, in an institution included within the scope of the prudential consolidation.

Excluding the executive directors, 5 members of the Board of Directors, out of 11 members, are independent. In other words, 45% of the non-executive directors are independent, and BCP considers that, given their supervisory functions, the proportion of independent directors, versus the total number of directors, is adequate, taking into account the endorsed governance model and the size of the company. The Supervisory Body, which is the Audit Committee, is composed by 4 non-executive directors, 3 of them qualified as independent.

In addition, and according to CMVM Regulation 4/2013, Annex 1, nr. 18.1, in the recommendation III.4. of the Governance Code of the IPCG and item 89.a. of the joint guidelines ESMA35-36-2319 and EBA/GL/2021/06 of July 2, 2021, a member of the Board of Directors who is not associated with any specific interest group within the company, or under any circumstances capable of affecting their impartiality of analysing or decision making is considered to be independent.

Having been pondered the content of the Recommendations III.2 and III.3.of the IPCG Code, the art. 414 (5) (b), the provisions of article 31- A of the LFCIFC, the European legislation, namely the independence of mind criteria mentioned in the Guide to fit and proper assessments of the members of management bodies of the ECB (May 2018)", and the joint guidelines ESMA35-36-2319 and EBA/GL/2021/06 guidelines of 02 July 2021, applicable since 31 December 2021, the Committee for Nominations and Remunerations considered that the number of non-executive directors qualified independent ensures them the effective capacity to monitor, supervise and assess in a critical, impartial and adequate manner the activity developed by the executive directors.

The characteristics and competences of the independent Directors, namely at the level of the functions they perform in the different Committees of the Board of Directors show that, in practice, the respective autonomy is guaranteed and the independent directors, that represent 45% of the non-executive directors, never disclosed the need or even identified the advantage in having a coordinator (lead independent director), being considered that these reasons positively comply with the principle comply or explain.

On this matter, please see the table presented in item 17.

The Board of Directors promotes, in accordance with the requirements of Notice of Banco de Portugal no. 3/2020, periodic and independent assessments to be carried out by an external entity on the conduct and values of the Bank, the Board of Directors and its Committees. In that sense, it hired the advising company Ernst & Young, S.A., to carry out this study, and the conclusions reached regarding the 2021 financial year were that the policies and practices regarding values and conduct are adequate, without prejudice to identified opportunities for improvement.

19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, The Supervisory Board and of the Executive Board of Directors

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.

With exception of those identified in the table below, there are no habitual and significant family, domestic partnership or business relations between the members of the Board of Directors and of the Executive Committee with shareholders imputed with qualifying stakes above 2% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 2% are legal persons. Under these terms, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 2%. Furthermore, there are also no family relations between the members of the Bank's Board of Directors and the members of the Boards of Directors of the shareholders with a stake above 2%.

The Bank favoured the interaction between the independence of behaviour of each member and the principle of being independent in the face of conflicts of interest that create obstacles to the ability to perform their duties independently and objectively. For this purpose, the Board of Directors has confirmed in its Regulations that any member of the Board of Directors that accumulates with his/her office, any management functions in any company that pursues an activity which competes with that of the Bank, or with an entity of Group BCP or in a company in which the Bank holds a significant stake, is prevented from accessing any privileged or sensitive documentation related to the company in question or participate in the debate or resolve on any content related with that company. .

Furthermore, and in accordance with article 11 (3) of the Regulations of the Board of Directors, the directors are not allowed to vote or take part in the debate on issues, regarding which there is a direct or indirect conflict of interests with the company, on their own behalf or on behalf of third parties.

The Regulations of the Board of Directors, updated in March 2021, is available on the Bank’s website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2021, a qualifying stake above 2% of the voting rights is imputable are listed in the following table:

PROFESSIONAL OR BUSINESS RELATIONSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BCP WITH SHAREHOLDERS HOLDERS OF A QUALIFIED STAKE OF MORE THAN 2% OF VOTING RIGHTS

Members of the Bank’s Board of Directors	Professional or Business Relationship	Shareholders owning more than 2% of Voting Rights
Jorge Manuel Baptista Magalhães Correia	Chairman of the Board of Directors of Luz Saúde, S.A.	Fosun Group
Ana Paula Alcobia Gray		Sonangol Group
Lingjiang Xu	Non-Executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, SA	Fosun Group
Xiao Xu Gu (Júlia Gu)	Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd	Fosun Group
Valter Rui Dias de Barros	Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angolan State)	Sonangol Group

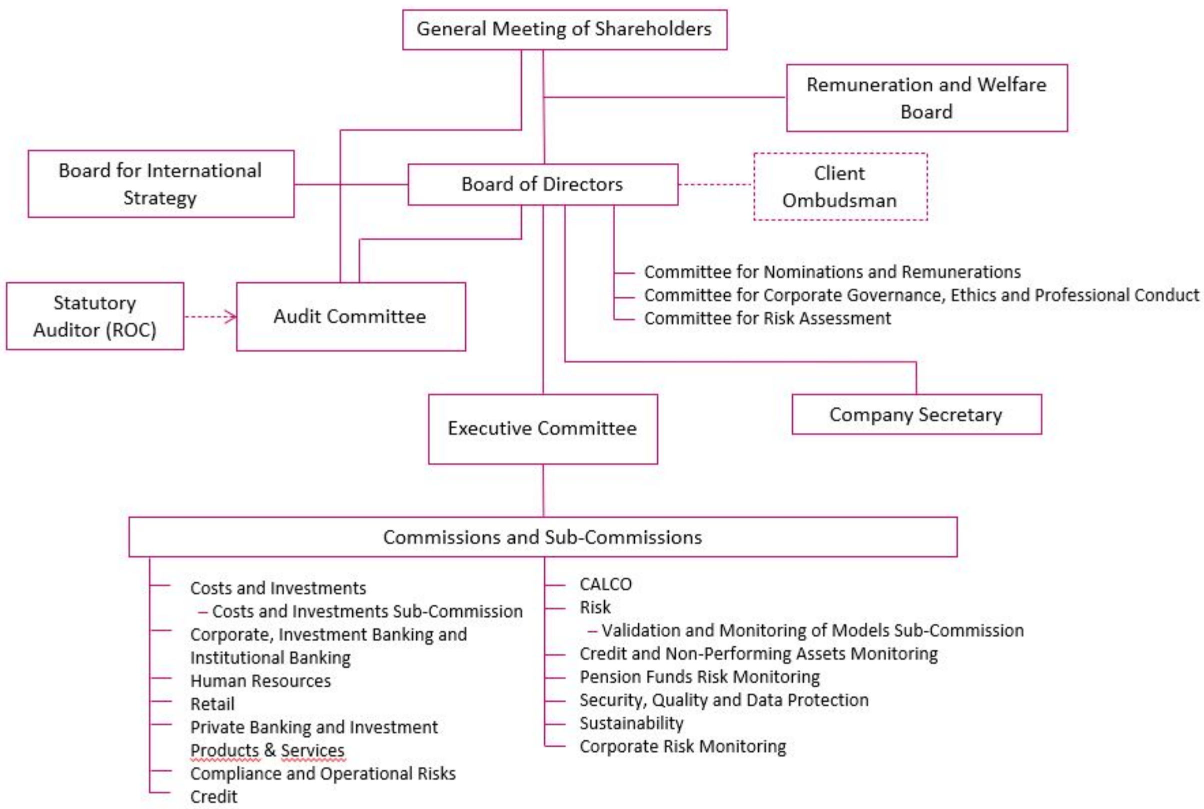
21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

Pursuant to the corporate governance model adopted by the Bank - the one-tier model - the company has a Board of Directors, which includes an Audit Committee elected by the General Meeting of Shareholders and composed solely of non-executive members, mostly qualified as independent and an Executive Committee to which the Board of Directors has delegated the Bank’s current management, as per the provisions of article 35 of the Articles of Association and articles 6 (6) (and 7 (2) of its Regulations.

The Board of Directors has appointed three other specialised committees, whose essential purpose is the permanent monitoring of certain specific or highly complex matters. It also has a Remuneration and Welfare Board also elected by the General Meeting of Shareholders.

To advise on daily management issues, the Executive Committee has also appointed different commissions and sub commissions of which, in addition to two or more Executive Directors, are also members several first-rank reporting Managers, permanently and with voting rights.

The organizational structure of the Bank's Corporate Governance Model structure in 2021 is represented in the table below:



Board of Directors

The Board of Directors is the governing body of the Bank vested with the amplest powers of management and representation of the company.

During the performance of their duties, the directors use their competences, qualifications, and professional experience to assure, in a permanent and responsible way, a sound, effective, rigorous and prudent management of the Bank, respecting the characteristics of the institution, its size and the complexity of the activity pursued.

The members of the Board of Directors observe duties of zeal, care and loyalty, reflecting high standards of diligence inherent to a careful and orderly manager, critically analysing the decisions taken in the best interests of the company and also the implemented procedures and policies.

The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the performance of their duties, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by legal provisions or decision of an administrative or judicial authority.

The Board of Directors is the corporate body with competence to define the company's general policies and strategy, being vested with full management and representation powers for both the Bank and the Group, maintaining the ability to have back the powers delegated on the Executive Committee or on any of its Specialized Committees, with exception of the powers attributed by law to the Audit Committee, which is the Bank's supervisory body, being elected by the General Meeting of Shareholders.

In accordance with the provisions of number 3 of article 7 of the Regulations of the Board of Directors (BoD) in effect since 31.12.2021, the latter reserved to itself the following competences:

General and not delegated competences

- choose its Chairperson and Vice-Chairpersons when these were not appointed by the General Meeting;
- appoint the members who are part of the Executive Committee and appoint its Chairperson and Vice-Chairpersons;
- appoint the members who compose the Committees for Risk Assessment, Nomination and Remunerations; and Corporate Governance, Ethics and Professional Conduct, appointing the respective Chairpersons;
- appoint, for a period of time coinciding with the term-of-office of the Board, the Company Secretary and his/her Alternate;
- appoint directors to fill in eventual vacancies;
- ask the Chairperson of the Board of the General Meeting to call the General Meeting;
- approve the proposals that the management body is responsible for submitting to the General Meeting, namely the proposal for the appropriation of profits;
- Resolve, in accordance with the law and the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;
- approve the dislocation of the company's registered office into another location inside the Portuguese territory;
- approve, after getting the prior opinion from the Audit Committee, merger projects, demerger and transformation of the company;
- approve, after listening to the Audit Committee, the annual and half-year Reports and Financial Statements;
- approve, after listening to the Committee for Corporate Governance, Ethics and Professional, the Corporate Governance Report and the Sustainability Report;
- approve the purchase, sale and encumbrance of immovable properties provided that the operation implies a negative impact above 0.5% on the total regulatory consolidated own funds;

- define and resolve, after obtaining the opinion from the Audit Committee, on the eventual introduction of changes to the group's corporate structure, namely the opening and closing of establishments when it represents a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the making of the decision;
- approve significant increases or reductions in the company's organization whenever these produce an impact above 5% on consolidated assets;
- provide bonds and personal or real guarantees on behalf of the company, except for those included in the Bank's current activity;
- approve or end cooperation agreements with other companies that, in accordance with the criteria of an internal norm, should be deemed as substantiating relevant and long-lasting relationships;
- approve, after obtaining the opinion from the Audit Committee, an annual self-assessment report on the suitability and efficiency of the organizational culture and on the internal control systems of the Group and an individual report on each one of the entities subject to the supervision on a consolidated or sub-consolidated basis, that pursue activities of a credit institution, as defined in article 4 (a to i) (p) and (q) of the Legal Framework for Credit Institutions and Financial Companies.

Concerning Internal Governance, Organizational Structure and Strategic Planning, the Board of Directors has the following responsibilities:

- Approve its own Regulations as well as the Regulations of the Audit Committee, in the aspects that exceed the powers granted to it by law, of the Executive Committee, of the Committee for Risk Assessment, of the Committee for Nominations and Remunerations, of the Committee for Corporate Governance, Ethics and Professional Conduct or of other committees it resolves to establish;
- approve and review, with a maximum periodicity of two years, the governance model of the Committees of the Board, including the competences and responsibilities of each;
- assess the individual and collective suitability of the Board of Directors, its respective needs at the level of its composition and organisation and convey the conclusions to the Remunerations and Welfare Board;
- ensure the adequate filing of the support documentation of each one of the items of the agenda of the meetings, as well as the making and filing of the minutes of each meeting, disposing of an IT system for the for the management of the meeting’s documentation., The Company Secretary will be in charge of implementing this system;
- appraise the activity reports of the Audit Committee, of the Committee for Nominations and Remunerations, of the Committee for Corporate Governance, Ethics and Professional Conduct or of other committees it resolves to establish;
- approve the Bank’s Strategic Plan;
- approve, after obtaining the opinion from the Audit Committee, the annual and pluri-annual budgets of the Bank, considering the macroeconomic prospects;
- approve, after obtaining the opinion from the Committee for Risk Assessment, the market Discipline Report;
- approve, after obtaining the opinion from the Committee for Nominations and Remunerations and from the Audit Committee, the Policies of for the Selection and Assessment and of Succession for the members of the Board of the management and supervisory bodies and holders of key-functions;
- approve, under proposal from the Executive Committee, the general functioning policies of the Bank and of the Group, namely the Group Codes, delegating, or not, to the Executive Committee or to any of its specialized Committees, the competences for altering the same;
- endeavour for the adequate implementation of the regulations mentioned in the paragraph above, delegating this competence to the Executive Committee;
- ensure, pursuant to a proposal made by the Executive Committee, the approval of the Policy of Assessment and Succession for of key functions holders which are not included in the control functions, delegating this competence to the Committee for Nominations and Remunerations;
- ensure the existence of specific policies on recruitment and selection, assessment of performance, promotion and management of careers, remuneration, training and development of competences, delegating this competence to the Executive Committee;

- Approve and review, at least every two years, the internal organizational model and inherent competences and responsibilities of the different organic units, delegating its execution to the Executive Committee, which will ensure the respective day-to-day management;
- ensure the operation and communication of the organisational structure, with the appropriate detail, on the members and of those responsible for corporate governance functions and structures, delegating this competence to the Executive Committee;
- ensure the existence of adequate procedures for obtaining, produce and process the information disclosed to the employees or to the public and of control mechanisms able of ensuring the reliability, integrity, consistency, completeness, validity, timeliness, accessibility, and granularity of all the information produced and its periodical independent assessment by an external company, delegating this competence to the Executive Committee;
- ensure the existence of procedures which are formal, transparent, relevant and adjusted to the Bank's needs, able of guaranteeing an efficient, opportune, comprehensive and understandable communication, facilitate the decision-making process and promote the required information flows amongst all relevant parties of a process and amongst the administration and supervisory bodies and the internal control functions, and the periodical independent assessment to be made by an external entity, of the information flows established at the Bank, delegating this competence to the Executive Committee;
- ensure the internal disclosure of the Policy for the Selection and Designation of the Statutory Auditor or Audit Company and Engagement of Services other than Audit, approved by the General Meeting of Shareholders under a proposal submitted by the Audit Committee, to all the employees at the bank's website, delegating this competence to the Executive Committee;
- Communicate to the Resolution Authority the decisions with a strategic nature, which may have a relevant impact on the resolvability of the Group and that, having been object of a prior assessment, on that in mind, by the organic unit responsible for the planning of the resolution, are approved by it, delegating this competence to the Executive Committee.

Concerning the issues connected with Related Parties, Conflicts of Interests and Communication of Irregularities, the Board of Directors has the following competences:

- approve the internal policy foreseeing the definition, identification and update of the parties related with the Bank, following a proposal made by the Executive Committee, and after obtaining the opinion from the Audit Committee;
- approve, complying with the law and with the internal regulations, transactions with related parties, guaranteeing that the same are made under market conditions, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee;
- approve the Policy for the Prevention and Management of Conflicts, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee;
- approve the Policy for the Communication of Irregularities, pursuant to a proposal made by the Compliance Officer and considering the opinion issued by the Audit Committee;
- ensure that the Bank identifies, in a list that is complete and updated every three months, its related parties, making this list known to the supervisory body and making it available to the supervisory authority whenever requested, delegating this competence to the Executive Committee.

Concerning Human Resources and Remuneration Policies, the Board of Directors has the following competences:

- approve and review, following a proposal made by the Committee for Nominations and Remunerations and after listening to the Remunerations and Welfare Board, the remuneration policy of the members of the management and supervisory bodies to be submitted every year to the General Meeting of Shareholders;
- approve and review, following a proposal made by Executive Committee and after obtaining the opinion from the Committee for Nominations and Remunerations, the employees remuneration policy, including the one of those in charge of the internal control functions;
- ensure that a report on the assessment and implementation of the remuneration policies is submitted, every year, to the General Meeting of Shareholders;

- ensure the annual submission to the General Meeting of Shareholders of a report assessing the impact of the remuneration practices adopted by the subsidiary companies abroad in terms of risk, especially capital and liquidity;
- ensure that the process for the individual assessment of the performance of employees, used in the definition of the variable component of the remuneration, is appropriate and consistent and communicated to the employees at a moment prior to the beginning of the assessment period, delegating its execution to the Executive Committee which, for that purpose, must obtain an opinion from the Committee for Nominations and Remunerations.

Concerning Conduct and Organizational Culture, and the Code of Conduct and the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, hereinafter referred to as Codes of Conduct, the Board of Directors has the following responsibilities:

- approve and review, at least every two years, the Code of Conduct, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee and from the Committee for Corporate Governance, Ethics and Professional Conduct;
- ensure, in what concerns all the members of the Board of Directors, that they are aware of the Codes of Conduct, prior to the moment they start exercising functions and promote the making of training sessions thereon;
- promote the external and internal disclosure and the application of the Codes of Conduct and guarantee that each employee expressly state that he/she is aware of the same, delegating this competence to the Executive Committee;
- ensure the debate with senior managers on the conduct and a organizational culture, delegating this competence to the Executive Committee;
- promote an organizational environment which does not adopt or tolerate aggressive management practices, delegating this competence to the Executive Committee;
- ensure the adoption of impartial, transparent and auditable internal procedures, namely when involving the engagement of services, the purchase and sale of assets by the institution, delegating this competence to the Executive Committee;
- develop periodical and independent assessments, to be carried out by an external entity concerning the conduct and values of the Bank, of the Board of Directors and its Committees, which may be carried out in articulation with the Audit Committee, delegating this competence to the Committee for Corporate Governance, Ethics and Professional Conduct.

Concerning Outsourcing, the Board of Directors has the following competences:

- approve the outsourcing of specific operational tasks of the risk management function, compliance, and internal audit, delegating this competence to the Executive Committee which, for that purpose, must obtain a prior favourable opinion from the Audit Committee;
- ensure the existence and update of a registry of all outsourced operational tasks of the internal control functions, delegating this competence to the Executive Committee.

Concerning the Monitoring of the Activity and Indicators, the Board of Directors has the following responsibilities:

- monitor the BCP share performance;
- monitor the performance of market shares and quality indicators;
- make, every six months, the comparative analysis of the annual indicators/earnings of the main banks of the Portuguese financial system;
- develop, every year, the IT/Digital Platform Transformation Plan;
- monitor, every year, the results achieved by the Business Areas in Portugal and in the subsidiary companies abroad, delegating, for that purpose, to the Executive Committee, the making of a summary-document;
- ensure the monitoring of the events with a significant impact on the Bank's activity or on the market where it operates and of the business policies which are consequently approved.

In accordance with the Regulations of the Board of Directors, in force since 31 December 2021, the members of the management or supervisory bodies cannot participate in the appraisal and decision on credit granting operations or the establishment of other contracts with companies owning a stake exceeding 2% of the Bank's share capital, of which they are managers or in which they own stakes. In all these situations the approval by, at least, two thirds of the remaining members of the management body as well as the favourable opinion of the Audit Committee, this one preceded by the opinion from the Risk Office and the Compliance Office, shall be required.

The delegation of powers by the Board of Directors to the specialized committees, including the Executive Committee, to which it delegates the day-to-day management of the Bank, does not exclude the competence of this corporate body to resolve on the same issues, nor does it waive, in accordance with the law, the responsibility of other directors for possible losses caused by acts or omissions occurred due to the exercise of duties received by delegation, in the extent that the members of the management body are ultimately, the ones responsible for the institution, its strategy and activities.

As a rule, information supporting Board meetings is made available at least 5 days before the date of the meeting, on a digital platform denominated Diligent Board.

The Bank produces and maintains permanently updated and hands out to each one of the members of the Board of Directors, the moment they are appointed or elected, several relevant information, namely the Regulations of the Board of Directors, of the Executive Committee and of the remaining Committees of the Board of Directors, on the organizational structure, the areas of responsibility and main internal rulings that guide the activity that it pursues, namely the Code of Conduct, the Code of Good Conduct for the Prevention and Fight against Harassment , compliance policies, policies for the prevention and management of conflicts of interest and of communication of irregularities, policy related with sustainability, management of claims and performance general principles and regulations guiding the activities performed by the Client Ombudsman. This information is also disclosed, in the Portuguese and English version, on the internal website and on the Bank's website with the following address.

The Regulations of the Board of Directors, and also the majority of the internal regulations mentioned above are available on the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

Audit Committee

The Audit Committee is composed of a minimum of three and a maximum of five non-executive members, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairperson.

The members of the Audit Committee, as is the case of all members of the governing bodies, are appointed for terms of office of four years, and may be re-elected.

The Bank's Audit Committee, elected at the General Meeting of Shareholders held on May 30, 2018 for the four-year term 2018-2021, ended the respective term-of-office on 31 December 2021, remaining in office until the forthcoming General Meeting of Shareholders electing a new Audit Committee, scheduled to take place on May 4, 2022. The majority of its members, including its Chairwoman, are qualified as independent. It has, among other, the competences foreseen in article 423-F of the Companies Code, in the Notice of Banco de Portugal 3/2020 of 15 July 2020, and in its own Regulations.

The Regulations of the Audit Committee. In force on 31 December 20 are available at the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

Within the scope of its activities, the mission of the Audit Committee is to observe the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

As the Bank's supervisory body, it is responsible for ensuring compliance with the law and articles of association, in force on 31.12.2021, and it is entrusted with the following duties:

In general terms

- Supervising the Bank's management;
- Monitor the Group's management, which is understood as covering all the entities within the consolidation perimeter of the Bank, notwithstanding the powers of the supervisory bodies of the local entities with autonomous legal personality;
- calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
- verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;
- Have access to the call notices and minutes of meeting of the Executive Committee and participate in the meetings of that Committee whenever any issue part of the meeting's agenda is deemed relevant for the exercise of the functions of the Audit Committee, attending the debate of the items it identifies as necessary;
- monitoring the entire procedure for preparing and disclosing financial information and presenting recommendations or proposals to ensure that such procedure is reliable;
- Ensure the legal review of the individual and consolidated financial statements, and supervise their compliance with the applicable legal framework, considering any analyses or guidelines from the relevant supervisory entity;
- Assess the Budgetary Control and the Financial Statements, the quarterly, half-yearly and annual Financial Statements, as well as the conclusions of the Statutory Auditor and External Auditor on the same, issuing an opinion, prior to approval by the Board of Directors, on the accuracy of the financial statements;
- Drawing up an annual report to inform the Board of Directors of the results of the audit to the financial statements, explaining how the audit contributed to the integrity of the procedure for preparing and disclosing financial information, as well as describing the role the Committee played in that procedure, clearly stating its concurrence with the contents of the legal certification of accounts, when applicable;
- Analyse and monitor, on a regular basis, the main prudential indicators, the risk report prepared by the Risk Office, the activity of the Compliance Office, the activity of the Audit Division, the handling of complaints and claims and the main correspondence exchanged with the Regulatory and Supervisory Authorities;
- Monitor exposure to Debtors with Increased Risk;
- Issue an opinion, prior to its submission to the Board of Directors, on the Bank's Annual and Multi-Annual Budgets, focusing particularly on compliance with the objectives set out in the Bank's Strategic Plan and on compliance with the capital requirements;
- issuing an opinion on the share capital increases resolved by the Board of Directors;
- Issue an opinion on the suspension and co-optation of directors in accordance with the law and with the Bank's articles of association;
- Issue an opinion or resolve on the Group Codes and respective annexes whenever this competence has been delegated to it by the Board of Directors;
- Approve the awarding of non-audit services to the External Auditor, safeguarding that these do not jeopardise their independence, under the terms of European and national laws and regulations.

Concerning the Internal Control System

- Ensure the existence and supervise the efficiency of the risk management, internal control system and internal audit and issue an opinion, prior to approval by the Board of Directors, on the respective design of the system. For this purpose, and as far as the risk management systems are concerned, the Committee for Risk Assessment should provide a prior evaluation;
- Issue an opinion, prior to approval by the Board of Directors, on the annual activity plans of the Risk Office and Compliance Office, and the annual and multi-annual activity plans of the Audit Division, monitoring their execution, ensuring that the internal control functions are performed independently,

without any constraints, and that the material and human resources necessary to carry out a comprehensive examination of all risks to which the Bank is or may be exposed are ensured;

- Issue an opinion, prior to approval by the Board of Directors, on the internal policy of prevention, communication, and resolution of conflicts of interests applicable to Directors, including members of the Audit Committee, other senior management members, key functions holders and remaining Bank employees, if this policy is not included in the Code of Conduct;
- Promote, at least in each mandate, periodic and independent assessments, to be carried out by an independent and external entity on the conduct and values of the body itself;
- analyse and comment on the periodic reports drawn up by the internal control functions, in particular those related with situations of conflict of interest and reporting irregularities;
- Issue an opinion, prior to approval by the Board of Directors, on the Service Orders relating to the organisational structure and mission of the Audit Division, of the Compliance Office and Risk Office;
- In the specific case of the Risk Office and of the Compliance Office, the latter concerning only financial crime risk issues and self-assessment duties, the Audit Committee should consider the prior assessment made by the Committee for Risk Assessment;
- Receive, as addressee, the reports issued by the Risk Office, Compliance Office and Audit Division;
- Participate in the process of assessing the performance of internal control functions and those responsible for them;
- Issue a binding reasoned opinion on decisions to appoint or replace those responsible for internal control functions, based on the evaluations made by the Committee for Nomination and Remuneration and also, in the case of the Risk Office, by the Committee for Risk Assessment.

Regarding the supervision of the risks management function

- Assessing the rationale considered by the Risk Office whenever it excludes from regular monitoring or assessment certain risk categories identified in the applicable legislation, regulations and guidelines, considering the risk taxonomy adopted by the Bank;
- Issuing a prior opinion on the policies and procedures drawn up with the aim of supporting the risks management system and its effective application;
- Supervise and assess, every year, the suitability and independence of the processes related with the Risk Appetite Statement;
- Issuing an opinion, prior to submission to the Board of Directors, on the following reports to be prepared by the Risk Office, considering the assessment previously made by the Committee for Risk Assessment:

    I. Report, which should be submitted at least once a year, containing:

        i. An assessment of the Bank's overall risk profile, detailing the individual exposure to each of the risk categories to which the institution is or may be exposed;

        ii. A summary of the deficiencies detected by any unit of the structure, within the scope of the implemented processes and controls, which are classified as F3 "high" or F4 "severe" deficiencies, considering the classification methodology in the annex to the Instruction of Banco de Portugal 18/2020

        iii. A summary of all the other flaws detected, by any of the structural units, in the implemented control actions, including flaws that are of little relevance on their own, but that could, as a whole, reveal a deterioration of the institution's organisational culture and of its governance and internal control systems;

        iv. Identification of the improvement recommendations issued, and the measures proposed regarding the deficiencies referred to in the previous paragraphs, indicating which ones were put into place and which were, or not, adopted.

    II. Annual report signed by the Head of the Risk Office including: (i) an assessment of the independence of the function; and (ii) a description of the deficiencies identified in relation to the risk management function.

Regarding the supervision of the compliance function

A. Issuing an opinion, prior to submission to the Board of Directors, on the following reports to be prepared by the Compliance Office:

   I. Report, which should be submitted at least once a year, containing:

      i. An assessment of the institution's overall compliance risk profile, detailing the exposure currently faced by the institution or which it may face in the future;

      ii. A summary of the deficiencies detected by any unit of the structure, within the scope of the implemented processes and controls, which are classified as F3 "high" or F4 "severe" deficiencies, considering the classification methodology in the annex to the Instruction of Banco de Portugal 18/2020;

      iii. A summary of all the other flaws detected, by any of the structural units, in the implemented control actions, including flaws that are of little relevance on their own, but that could, as a whole, reveal a deterioration of the institution's organisational culture and of its governance and internal control systems;

      iv. A summary of non-compliances identified in (i) of this paragraph;

      v. Identification of the recommendations issued, and of the measures proposed to remedy the deficiencies and non-compliances referred to in the previous paragraphs, indicating if the same were adopted, or not;

   II. Annual report signed by the Head of the Compliance Office including: (i) an assessment of the independence of the function; and (ii) a description of the deficiencies identified in relation to the compliance risk;

B. Issue an opinion, prior to the submission to the BoD, on the following reports to be prepared by the Audit Division:

   I. The report, which should be submitted at least once a year, should contain an overall assessment of:

      i. The adequacy and effectiveness, as a whole, of the organisational culture of the institution and its systems of governance and internal control;

      ii. The performance of the management and supervisory bodies and its committees regarding the adequacy and effectiveness, as a whole, of the organisational culture of the institution and its systems of governance and internal control;

      iii. The deficiencies classified as "high" or "severe" according to the Bank's classification and other deficiencies of low relevance which, taken together, may indicate deterioration in the organisational culture and in the governance and internal control systems;

      iv. The recommendations issued and plans proposed to remedy the deficiencies and non-compliances identified.

   II. Annual report signed by the Head of the Audit Division including:

      i. An assessment of the function’s independence;

      ii. A description of the deficiencies identified regarding the internal audit function;

      iii. when applicable, the main results of external evaluations made to the internal audit function.

Regarding monitoring of the External Auditor and of the Statutory Auditor

- Submit to the General Shareholders Meeting, by means of a duly reasoned proposal, a policy for the selection and appointment of the Statutory Auditor or Audit Firm and the engagement of non-audit services that are not prohibited under the terms of the applicable legislation, assessing the need to review it at least every two years;
- Ensure that the Executive Committee promotes the adequate internal and external disclosure of the selection and appointment policy referred to in the preceding paragraph, as well as of its proper implementation;
- Submit to the Bank’s General Shareholders Meeting, by means of a duly reasoned proposal, the appointment of the Statutory Auditor and External Auditor or their re-appointment, in compliance with the applicable legal provisions;

- Issuing an opinion on the remuneration of the Statutory Auditor and of the External Auditor, and ensuring that both have all the conditions to exercise their functions;
- Supervise and assess, on an annual basis, the independence and performance of the Statutory Auditor and External Auditor;
- holding regular meetings with the external auditors and statutory auditor and, mandatorily, at the time of appraisal of the quarterly, half-year and annual financial statements of the Company;
- Approve the awarding of non-audit services to the External Auditor, safeguarding that these do not jeopardise their independence, under the terms of European and national and supervisory laws and regulations;
- Receive the additional report to the supervisory body, prepared by the Statutory Auditor in compliance with the provisions of Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Transactions with related parties and conflicts of interest

- Issue an opinion, prior to the approval by the Board of Directors, of the internal policies for the identification of transactions with related parties;
- Take cognizance of the complete and update list of related parties;
- Issue an opinion, prior to approval by the Board of Directors, on the assessment of transactions with related parties confirming that such transactions comply with the applicable legislation and are carried out under market conditions, ensuring that there are no conflicts of interest.

Regarding conduct and organizational culture

- Ensure, within the scope of its supervisory functions, the reliability, integrity, consistency, completeness, validity, timeliness, accessibility, and granularity of all the information provided by the Bank, whether it is to be used exclusively by the Bank or be disclosed to the public, including the information contained in the reports to be made to the respective supervisory authorities;
- Define a multi-annual action plan, under the terms of its legal and regulatory powers, which must be approved and updated on a biannual basis;
- receiving, handling, and recording the communications of serious irregularities (whistleblowing) related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies and remaining Portuguese and European legislation in effect, presented by shareholders, Bank employees or other;
- Issue an opinion on the internal service order that regulates the internal communication of irregularities, to be approved by the Board of Directors;
- Make an assessment report on the suitability of efficiency of the organizational culture in effect at the Bank and of its governance and internal control systems that include all the formalisms mentioned in article 56 of the Notice of Banco de Portugal 3/2020, which will be part of the annual self-assessment report mentioned by article 55 of said Notice, the timely preparation of which it must ensure, together with the Board of Directors;
- Prepare a summary of the self-assessment report for disclosure as an annex to the Bank’s annual financial statements, as provided for in article 60 of the Notice referred to in the previous paragraph;
- Assess the adequacy of the classification attributed to deficiencies classified as 'high' or 'severe' according to the methodology defined by the Bank and issue a statement expressly confirming its agreement with this classification;
- Assess in detail the adequacy and efficiency of the Group's internal control system, ensuring, among others, the control of risks associated with the activity of the subsidiaries; the processes and controls required to obtain relevant information for the consolidation process; the identification, evaluation and control of intra-group transactions, namely at the level of risk concentration; the consistency of the management information in the different entities of the group; and compliance, at all times, with the prudential ratios and limits on a consolidated basis, controlling the respective reporting;
- Assess the consistency between the internal control systems of the subsidiaries and the Bank’s internal control system; such assessment may be based on the evaluations prepared to this purpose by the supervisory bodies of each one of the subsidiary companies;
- Issue a reasoned opinion on the exclusion of subsidiaries from the self-assessment report;

- Issue an opinion, prior to its approval by the Board of Directors, on eventual changes in the group's corporate structure, namely the opening and closing of establishments when the same represent a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the one when the decision is made;
- Issue an opinion, prior to the approval by the Board of Directors, on the merger, scission and transformation of the Company;
- Identify and assess needs in terms of its composition and organisation, which should be reassessed at least at the beginning of the mandate or whenever it deems appropriate;
- Issue an opinion, prior to the approval by the BoD, on the code of conduct, as well as on the internal rules and policies that develop and implement it;
- Issue an opinion, prior to approval by the Board of Directors, on the policies for the selection, evaluation and succession of members of the management and supervisory bodies and holders of the control functions;
- Issue a prior and binding opinion on matters of organisational structure, to be approved by the Board of Directors, insofar as they relate to its own organisation.

Regarding contracting and outsourcing

- Issue prior consent for the outsourcing of operational tasks of the Internal Control Functions;
- hire experts to assist one or more of its members in the performance of its functions being the respective costs paid by the Bank.

Other skills

- Make a quarterly report addressed to the Board of Directors, informing on the work carried out by it and on the conclusions, it has reached and an annual report of its activities, to be presented to the Chairperson of the Board of Directors, without prejudice to the duty of reporting to it all situations the Committee finds and deems to be of high risk;
- summon or request information to any Employee of the Bank and hold regular meetings with the Heads of the Internal Audit Division, the Compliance Office, the Risk Office, the Accounting and Consolidation Division, the Tax Advisory Division and the Research, Planning and ALM Division and the Segments and Network Support Division;
- request at any time and directly to the different structural units or any employee of the institution, particularly to the internal control functions, any document or information, written or oral, that it deems relevant, without the need for any prior request or communication to the Board of Directors, and without this management body being able to prevent direct access to the information or documentation in question.

In the 2021 financial, during the 2018/2021 term-of-office, the Audit Committee had the following composition:

Chairwoman	Cidália Maria da Mota Lopes (Independent)
Members:	Valter Rui Dias de Barros (Non-Independent)
	Wan Sin Long (Independent)
	Fernando Costa Lima (Independent)

Within an universe of four members that compose the Audit Committee, three members (75%) are qualified as independent.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise the activities performed by the latter. All the members of this Committee have appropriate knowledge, competences and experience to clearly understand and monitor the risk strategy within a framework of governance coherent and compatible with the risk management systems.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report. These data are updated whenever justified and remain available at all times on the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Audit Committee received logistic and technical support from the Board of Directors' Support Office.

During the 2021 financial year, the Audit Committee met nineteen times and issued two unanimous resolutions in writing. The respective minutes of the meetings were drafted and approved. Participants in the meetings, who are not members of the Audit Committee, gave their formal agreement to the wording of the items on which they intervened, the same being attached to the documents in the minutes of the meeting.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

Members of the Audit Committee	Attendance in Person	Attendance by Representation	Total attendance
Cidália Maria da Mota Lopes	**19**	**0**	100%
Valter Rui Dias de Barros	**19**	**0**	100%
Wan Sin Long	**19**	**0**	100%
Fernando da Costa Lima	**19**	**0**	100%

Executive Committee

On 24 July 2018, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors (BofD) appointed an Executive Committee (EC) composed of six of its members. The Chairperson of the Executive Committee was indicated by the General Meeting of Shareholders. The BofD established the modus operandi of the EC and delegated to this committee the powers to conduct the Bank's current management. The Executive Committee is responsible for performing all of the Bank's day-to-day management functions, which have not been reserved by the Board of Directors.

At the level of internal control and risk management, the hierarchical responsibility for the second lines of defence was attributed to one executive director, who is a member of the Boards of Directors of the management and supervisory bodies of the most significant subsidiary companies operating abroad, this way extending the coordination and action scope of these Group's defence lines.

In accordance with the Regulations of the Executive Committee, in effect on 31.12.2021, the acceptance or exercise of functions, namely advisory functions or functions in executive corporate bodies of companies by any member of the Executive Committee must obtain the prior favourable opinion of the Committee for Nominations and Remunerations. None of the members of this Committee performs executive functions in entities outside the Group, as stated in the respective curricula attached to this report.

It must be pointed out that, in accordance with article 6 of the same regulations, the exclusivity regime applied to the Bank's executive directors, set forth in article 8 of the Regulations of the Board of Directors, does not apply whenever these members exercise management functions in third companies, pursuant to an indication of the Group or in representation of the Group or if, for such, they have been expressly and justifiably, authorised by the Committee for Nominations and Remunerations.

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each one of its members.

On 31 December 2021, the distribution of these areas of special responsibility was as follows:

BOARD OF DIRECTORS

Nuno Amado - Chairman

- Board of Directors' Support Office
- Company Secretary's Office
- Fundação Millennium bcp

Hierarchical reporting functionally dependent on the Audit Committee

- Audit Division

- Client Ombudsman's Office

Non-Executive Member of the Board of Directors of subsidiary companies

Bank Millennium (Poland)	Vice-chairman
Millennium BIM (Moçambique)	Vice-chairman

EXECUTIVE COMMITTEE

(In absences of Directors responsible for the areas, the respective alternate Directors shall be occasionally appointed by the CEO)

Miguel Maya - CEO **(MM)**

- CEO's Office
- Communication Division
- Human Resources Division
- Credit Division
- Economic Studies, Sustainability and Cryptoassets Division

MiguelBraganca - VC/CFO **(MB)**

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Legal and Litigation Advisory Division
- Tax Advisory Division
- Means of Payment and Acquiring Division

Joao Nuno Palma - VC **(JNP)**

- International, Treasury & Markets Division
- Large Corporates Division
- Investment Banking Division
- Corporate, Business & Institutional Marketing
- Private Banking Division
- Asian Desk
- Companies and Corporate Division - North
- Companies and Corporate Division - South

Rui Manuel Teixeira **(RMT)**

- Retail Banking Division
- Retail Marketing Division
- Segments and Network Support Division
- Wealth Management Division
- Specialized Credit and Real- Estate Division
- Specialised Monitoring Division

José Miguel Pessanha **(JMP)**

- Rating Division
- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Personal Data Protection Office

Hierarchical reporting functionally dependent for the Committee for Risk Assessment

- Risk Office

Hierarchical reporting being functionally dependent from the Audit Committee

- Compliance Office

Maria José Campos **(MJC)**

- Specialised Credit Recovery Division
- Retail and Small Amounts Recovery Division
- Direct Banking Division
- Operations Division
- IT Division
- Logistics & Procurement Division
- Information Security Division
- Corporate Direct Banking Division
- Digital Transformation Office

	Subsidiaries and Associated Companies (Board and Committees)					Not in the Aud.Com of BofD
	Chairman	Aud. Com.	Board M.	Board M.	Board M.	
Bank Millennium (Poland)			MM	MB*	JMP	
Millennium BIM (Mozambique)		JNP*	MM	JMP		
Millennium bcp Bank & Trust			JMP			JNP*
ActivoBank	MM		MB*			
Interfundos	RMT*					
BMA (Angola)		JMP*	MM			
Millennium bcp Prest.Serviços	MJC*					
Millennium bcp Ageas		JMP	RTM*			
SIBS			MB*			
UNICRE			MB*			

* Director with special responsability for monitoring the Subsidiary / Associated Company

Within the scope of the competences attributed to him/her, the Chairperson of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote and, in addition to direct accountability for the respective areas of responsibility, has the following duties:

- coordinating the activities of the Executive Committee, distributing special areas of responsibility among its members, and entrusting one or more with the preparation or follow-up of the issues appraised or decided on by the Executive Committee;
- Ensure, assisted by the Director responsible for that area of responsibility, the correct execution of the resolutions adopted by the Executive Committee;
- ensures that all the relevant information is provided to the non-executive members of the Board of Directors relative to the activity and resolutions adopted by the Executive Committee;
- ensures compliance with the limits of delegation of competences, the approved strategy for the Bank and Group, and the duties of collaboration with the Board of Directors and with its Chairperson.

The Regulations of the Executive Committee, updated in February 2021, are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

22. Existence and local where it may be consulted the regulations, as applicable, of the Board of Directors, the Supervisory Board and of the Executive Board of Directors.

The regulations of the Board of Directors, of the Executive Committee, of the Audit Committee and of the other Committees of the Board of Directors are available on the internal portal and at the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

All these documents as well as other deemed necessary or appropriate for the exercise of the respective function, may be consulted by the directors at the digital platform supporting the members of the corporate bodies, Diligent Boards.

23. Number of meeting held and degree of assiduity of each member, as applicable, of the Board of Directors, the Supervisory Board and the Executive Board of Directors, in the meetings held.

During the 2021 financial year, the Board of Directors met fourteen ties and all meetings the Company Secretary provided secretarial services to all meetings. The respective minutes of the meetings were drafted and approved. The participants in the meetings gave their formal agreement to the wording of the items on which they had interventions, remaining in the same annex of the minutes, being part of it.

The effective attendance level of each executive and non-executive member of the Board of Directors is shown in the following table:

Non-Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Total Attendance
Nuno Manuel da Silva Amado	14	0	100.00%
Jorge Manuel Baptista Magalhães Correia	14	0	100.00%
Valter Rui Dias de Barros	14	0	100.00%
Ana Paula Alcobia Gray	14	0	100.00%
Cidália Maria da Mota Lopes	14	0	100.00%
Fernando da Costa Lima	14	0	100.00%
José Manuel Alves Elias da Costa	14	0	100.00%
Julia Gu	14	0	100.00%
Lingjiang Xu	14	0	100.00%
Teófilo César Ferreira da Fonseca	14	0	100.00%
Wan Sin Long	14	0	100.00%

Executive Member of the Board of Directors	Attendance in Person	Attendance by Representation	Total Attendance
Miguel Maya Dias Pinheiro	14	0	100.00%
Miguel de Campos Pereira de Bragança	14	0	100.00%
João Nuno de Oliveira Jorge Palma	14	0	100.00%
José Miguel Bensliman Schorcht da Silva Pessanha	14	0	100.00%
Maria José Henriques Barreto de Matos de Campos	14	0	100.00%
Rui Manuel da Silva Teixeira	14	0	100.00%

During the 2021 financial year, the Executive Committee met sixty-two times having operated in a “rotation (teleworking and in person) regime" in different premises of the Bank. The Company Secretary acted as the meeting’s secretary and sent all the supporting documents to the Committee’s members. The respective minutes of the meetings were drafted and approved. The participants in the meetings gave their formal agreement to the wording of the items on which they had interventions, remaining in the same annex of the minutes, being part of it. The Chairpersons of the Board of Directors, Executive Committee, Audit Committee and of the Committee for Risk Assessment have access, through the platform Diligent Boards, to the agendas and the minutes of meetings of the Executive Committee and also to the respective supporting documents.

The attendance level of each member of the Executive Committee at meetings held is shown in the following table:

Members of the Executive Committee	Attendance in Person	Attendance by Representation	Total Attendance
Miguel Maya Dias Pinheiro	62	0	100.00%
Miguel de Campos Pereira de Bragança	62	0	100.00%
João Nuno de Oliveira Jorge Palma	62	0	100.00%
José Miguel Bensliman Schorcht da Silva Pessanha	61	0	98.39%
Maria José Henriques Barreto de Matos de Campos	62	0	100.00%
Rui Manuel da Silva Teixeira	61	0	98.39%

The composition, the number of annual meetings of the administration, supervisory bodies and of its committees are available for, at least, ten years on the Bank's website, at the following page:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

24. Details of competent corporate boards undertaking the performance appraisal of executive directors

In accordance with article 115-B (2) (d) of the Legal Framework for Credit Institutions and Financial Companies, the nominations committee is responsible for assessing, at least once a year, the knowledge, skills, and the experience of each one of the members of the management and supervisory bodies as a whole and report to them their findings.

The Board of Directors, using the competence vested by article 37 (1) of the Bank's Articles of Association and by article 6 (2) (b to d) and 7 (3.3., 3.5.and 3.6) of its own Regulations, has constituted specialised committees, exclusively composed by non-executive members of the Board of Directors, to whom attributed the duty to monitor certain specific matters on a permanent basis.

To this purpose, it created the Committee for Nominations and Remunerations and endowed it with competences to assess if all members of the management and supervision bodies have and ensure the competences and the suitability requirements necessary for the functions exercised or to be exercised.

The Committee for Nominations and Remunerations, within the scope of its competences, acts in accordance with article 30-A (1) and article 115-B (2.d) of the Legal Framework for Credit Institutions and Financial Companies, Instruction of Banco de Portugal nr. 23/2018 dated 05 November 2018 and the European legislation in effect, and also with item 4 of the Guide to fit and proper assessments of the members of management bodies from the European Central Bank of May 2018, as well as the Joint Guidelines from ESMA35-36-2319 and EBA/GL/2021/06, of July 2, 2021, applicable since 31 December 2021, on the assessment of the suitability of members of the corporate bodies and holders of key functions.

The Committee for Nominations and Remunerations is composed by three non-executive directors (see item 27.b), mostly qualified as independent.

The Committee for Nominations and Remunerations, within the scope of evaluation, has the following competences:

- Monitor the existence of specific policies on recruitment and selection, assessment of performance, promotion and management of careers, remuneration, training and development of skills;
- Make and provide to the Board of Directors recommendations on candidates to members of the Bank's management and supervisory bodies, ensuring the Fit and Proper Assessment process, evaluating, namely, the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Resolve on the appointment of members to the corporate bodies in credit institutions and financial companies of the group and inform the Board on such appointments;
- ensure that the process for the individual assessment of the performance of employees, used in the definition of the variable component of the remuneration is appropriate and consistent and communicated to the employees at a moment prior to the beginning of the assessment period, issuing, for that purpose, a prior opinion to the Executive Committee, which is responsible for carrying out this competence;

- Assess, every year, and for reporting to the Board of Directors for the purposes of being incorporated in the Group's annual Self-Assessment, in accordance with the provisions of Notice 3/2020, the consistency of the global policy of remuneration of subsidiaries abroad;
- Issue an opinion addressed to the Board of Directors, on the policies for the selection, evaluation and succession for members of the management, supervisory bodies and holders of control functions;
- Approve, pursuant to a proposal made by the Executive Committee, the Policy of Assessment and Succession for key functions holders who do not perform control functions;
- monitor, every year, the human resources, and staff management policies;
- receive and assess the results of the internal environment surveys.

In accordance with paragraph 2 of article 7 of the Regulations of the Committee for Nominations and Remunerations, for the proper performance of its duties, it may contract the provision of expert services, pursuant to article 6 paragraph 3, of the Regulations of the Board of Directors. Using this competence, the Committee contracted, through the Procurement and Logistics Division - Payment to Suppliers, the advising company Egon Zehnder which, in compliance with the internal rules established for this purpose, contractually agreed to provide the services independently and assumed the commitment that, until the end of the Committee's mandate, it would not be contracted to provide any other services to the Bank or to other companies that are in a controlling or group relationship with it, without the prior authorization of the Bank's Committee for Nominations and Remunerations.

In March 2021, the Committee for Nominations and Remunerations approved the fit and proper report on the members of the management and supervisory bodies made by Ernst & Young (EY), which includes the individual analysis and assessment of each member of the management and supervisory bodies, based on criteria and requirements imposed or recommended by national and European legislation, namely requirements of good repute, professional qualifications, independence, accumulation of positions and availability. The Committee for Nominations and Remunerations also appraised the institutional collective assessment of the above-mentioned management and supervisory bodies, made in strict compliance with the requirements of the "Questionnaire", attached to Instruction of Banco de Portugal 23/2018. The company EY also assumed the commitment that, until the end of the Committee's mandate, it would not be contracted to provide any other services to the Bank or to other companies that are in a controlling or group relationship with it, without the prior authorization of the Committee for Nominations and Remunerations.

25. Pre-determined criteria for the evaluation of the manner of appointment, profile, knowledge and performance of the executive directors and senior managers

On 30 May 2018, the General Meeting of Shareholders approved by a majority of 99.71% of the votes cast, the internal policy for the selection and evaluation of the suitability of the members of the management and supervisory bodies, including the "Succession Plan of the Board of Directors of the Bank" that establishes, among other provisions, the following:

- the power to elect the members of corporate bodies;
- the selection policy;
- composition of the Board of Directors;
- specific and minimum requirements for the exercise of management and supervisory functions;
- specialised committees of the Board of Directors.

The Bank has a Group Code-GR0043 that defines the framework for the assessment of the individual suitability of the individuals appointed to exercise positions in the management bodies and of other key-function holders in Banco Comercial Português and for the collective assessment of a given composition of a management body of Banco Comercial Português and other relevant Entities of the Group. The framework defined in this Group Code is adopted by all financial institutions (Group Entities), branches or subsidiaries, within the prudential consolidation perimeter of BCP when designing and performing their process for the individual and collective assessment of the management bodies, and its succession planning.

The Succession Plan for the Bank's Board of Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/

The Committee for Nominations and Remunerations is strongly convinced that the selection of the members of the corporate bodies is of the exclusive competence of the shareholders as owners of the capital and should not abdicate from the right to select the individuals that, at each moment, it considers more adequate to manage their assets.

The Committee for Nominations and Remunerations evaluates the candidates to members of the corporate bodies and senior managers proposed to it by the shareholders, by the Board of Directors or by the Executive Committee using clear and transparent rules, namely those from the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018 and updated in 2021 and the Guidelines from ESMA and EBA Guidelines on suitability of members of the management bodies and key function holders which entered into effect on 30 June 2018, together with the Banco de Portugal Instruction 23/2018 of November 5.

The process for the authorization for the exercise of functions concerning the members of the administration and supervisory bodies of credit institutions, among which is the Bank, remains subject to the supervision from Banco de Portugal and from the European Central Bank and, in that sense, and regarding the members of the administration and supervisory bodies, the effectiveness of the election made at the General Meeting of Shareholders may remain subject to the suspensive condition of obtaining authorization for the exercise of functions.

The curricula of candidates for members of the management and supervisory bodies and other documentation that, according to the law are given to shareholders, are available on the Bank's website, on the page with the following address.

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/modelo_organizacional.aspx

The Committee for Nominations and Remunerations is also competent to assess, at least once a year, the suitability, knowledge, competences, experience, the practical and theoretical experience, the professional qualification, independence, incompatibilities and the specific and minimum requirements for the exercise of the position of each one of the members of the administration and supervisory bodies, including the executive directors, assessing also the suitability of the whole administration body and senior managers.

In accordance with the requirements of art. 7.º of the respective Regulations, the Committee for Nomination and Remunerations also has the following competences:

- Monitor the existence of specific policies on recruitment and selection, assessment of performance, promotion and management of careers, remuneration, training and development of skills;
- ensure that the process for the individual assessment of the performance of employees, used in the definition of the variable component of the remuneration is appropriate and consistent and communicated to the employees at a moment prior to the beginning of the assessment period, issuing, for that purpose, a prior opinion to the Executive Committee, which is responsible for carrying out this competence;
- Assess, every year, and for reporting to the Board of Directors for the purposes of being incorporated in the Group's annual Self-Assessment report of the Group, in accordance with the provisions of Notice 3/2020, the consistency of the global policy of remuneration of subsidiaries abroad;
- Issue an opinion addressed to the Board of Directors, on the policies for the selection, evaluation and succession for members of the management, supervisory bodies and holders of control functions;
- Make and provide to the Board of Directors recommendations on candidates to members of the Bank's management and supervisory bodies, ensuring the Fit & Proper process, evaluating, namely, the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Approve, pursuant to a proposal made by the Executive Committee, the Policy of Assessment and Succession for key functions holders who do not perform control functions;
- monitor, ever year, the human resources management policy and the one regarding staff.

The Committee for Nominations and Remunerations promotes the assessment of the aptitude and performance of the members of the Board of Directors, including the Executive Committee, in accordance with the following specific and pre-determined criteria:

- good repute;
- qualification, theoretical training and practical experience;

- practical and theoretical professional experience, capacity to apply the competences acquired in previous positions;
- availability, diligence in the performance of the respective duties with the necessary commitment of time and attention;
- making of focused decisions;
- Independence, transparency and good repute or the exercise of the position;
- conflicts of interest and independence of mind;
- strategic vision, capacity to perceive risks and make decisions;
- drive towards institutional growth;
- collective aptitude;
- acting with loyalty and weighing up of the interests of the company and of all its stakeholders;
- proportionality and evaluation on a case-by-case basis;
- assessment of aptitude and performance on a continuous basis.
- fairness and respect for procedural guaranties;
- interaction with supervision.

Within the scope of the evaluation process, each one of the members of the Board of Directors filled in a self-assessment questionnaire aiming at assessing the compliance with legal suitability requirements for the exercise of the functions, namely, good repute, knowledge, experience, and availability. Based on the collected information and supplemented by a matrix of collective appraisal, Annex II of Banco de Portugal Instruction 23/2018, the Committee for Nominations and Remunerations updated the evaluation report prepared in 2020 in relation to the 2021 financial year, with the support provided by the advising company Ernst & Young.

In addition, the qualifications of the members of the management bodies have been improved through training actions by own initiative of the members or promoted by the Bank by resorting to external and internal trainers. The company provides in the digital platform of support to the members of the Board of Directors, denominated "Diligent Boards" a briefing on the most relevant domestic and EU legislation within the scope of the banking regulation and supervision.

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year.

According to the assessments made, it was found that each executive and non-executive member of the Board of Directors showed willingness and dedicated to the performance of his/her duties the necessary time, proportional to the importance of the matters to be addressed, assessed in the light of the interest that the different issues pose to the company, as well as of the specific tasks entrusted to each member, which are identified in the following tables:

A - Non-Executive Members of the Board of Directors and of the Audit Committee

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group	Positions in companies outside the BCP Group	Exercise of Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	Chairman of the Board of Curators of Fundação Millennium bcp		Member of the Board of Auditors of Fundação Bial	Non-independent (a)	Compliant
	Member for the International Strategy	Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)		Chairman of the Senior Board of the Alumni Clube ISCTE		
		Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.		Member of the Advising Board of Fórum para a Competitividade		
				Member of the Management of the Business Roundtable Portugal		
				Member of the General Board of AESE-Associação de Estudos Superiores de Empresa (Business School)		
Jorge Manuel Baptista Magalhães	1st Vice-Chairman of the Board of Directors		Member of the Board of Directors and member of the Corporate Governance Committee of REN - Redes Eléctricas Nacionais, SGPS, S.A.	Vice-Chairman of Associação Portuguesa de Seguradores	Not Independent (b)	Compliant
	Chairman of the Remuneration and Welfare Board		Chairman of the Board of Directors of Luz Saúde, S.A.	Member of the Advising Board of the faculty of Law of Lisbon		
			Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.			
			Non-Executive Member of the Board of Directors of Longrun Portugal, SGPS, S.A.			
Valter Rui Dias de Barros	2nd Vice-Chairman of the Board of Directors		Chairman of the Board of Directors of Recredit - Gestão de Ativos S.A. (Angola)		Not Independent (b)	Compliant
	Member of the Audit Committee					
	Member of the Committee for Corporate Governance, Ethics and Professional Conduct					
Ana Paula Alcobia Gray	Member of the Board of Directors				Not Independent (b)	Compliant
	Member of the Committee for Risk Assessment					
	Member of the Remunerations and Welfare Board					
Cidália Maria da Mota Lopes	Member of the Board of Directors		Professor at the Coimbra Business School- ISCAC on tax issues	Member of the Scientific Board of the Portuguese Fiscal Association (AFP)	Independent	Compliant
	Chairwoman of the Audit Committee		Invited Professor at Faculdade Economia/ IDET-Universidade de Coimbra			

Fernando da Costa Lima	Member of the Board of Directors Member of the Audit Committee		Non-Executive Director of Euronext Lisbon	of the General Meeting of OBEGEF - Observatório de Economia e Gestão de	Independent	Compliant
José Manuel Alves Elias da Costa	Member of the Board of Directors Chairman of the Committee for Nominations and Remunerations Member of the Committee for Corporate Governance, Ethics and Professional Conduct Member of the Committee for Risk Assessment				Independent	Compliant
Julia Gu	Member of the Board of Directors		Vice-Chairwoman of Group Fosun High Technology (Group) CO., Ltd. Member of the Executive Board of Directors - Mybank Chairwoman - Zhangxingbao (Network Technology Co., Ltd.) Non-executive member of the Boaof Directors of Chongqing Rural Commercial Bank Co. Ltd.		Not Independent (b)	Compliant
Lingjiang Xu	Member of the Board of Directors Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct Member of the Committee for Nominations and Remunerations	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-Executive Member of the Board of Directors of Fidelidade - Companhia de Seguros, SA Non-Executive Chairman of the Board of Directors of Logrun Portugal, SGPS, S.A. Chairman of the Board of Directors of Luz Saúde, S.A.		Not Independent (b)	Compliant
Teófilo César Ferreira da Fonseca	Member of the Board of Directors Chairman of the Committee for Risk Assessment Member of the Committee for Nominations and Remunerations			Adviser of the Strategic General-Board of the Chamber of Commerce for Small and Medium-sized companies Portugal-China Manager at Associação Portugal Moçambique Founding Adviser (Lifetime Advisory Position) at Fundação Xanana Gusmão	Independent	Compliant
Wan Sin Long	Member of the Board of Directors Member of the Audit Committee Member of the Committee for Risk Assessment		Chairman of the Executive Board of Directors of Great Win Consultancy Limited	Curator of Wynn Care Foundation	Independent	Compliant

(a) Exercised the position of executive director in the term-of-office (2015/2017). Non-independence is assessed based on Item 91.a. of the EBA/GL/2017/12 Guidelines, of September 26, 2017, current Item 89.a. of the EBA/GL/2021/06 Guidelines, of July 2, 2021.

(b) Related with a shareholder with a qualifying stake.

(c) Internal functions exercised under the work agreement with Group Fosun.
(d) In accordance with the letter of Banco de Portugal dated 31/08/2021 on non-opposition to the accumulation of positions

B - Executive Members of the Board of Directors

Executive Member of the Board of Directors	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside BCP Group	Exercise of other Relevant Activities	Qualification	Cumulation of Positions (art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	Chairman of the Executive Committee	Chairman of the Board of Directors of ActivoBank, S.A.	Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.	Member of the Senior Board - Alumni Clube ISCTE	Executive	Compliant
	3rd Vice-Chairman of the Board of Directors	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)		Member of the Advisory Board of BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável,		
	Member for the International Strategy Board	Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.		Member of the Advising Board of INDEG/ISCTE Executive Education		
		Manager of the company BCP África, SGPS, Lda.		Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, (representing Banco Comercial Português, S.A.)		
		Chairman of the Remunerations and Welfare Board of BIM - Banco Internacional de Moçambique, S.A.				
		Chairman of the Board of Curators of Fundação Millennium bcp				
Miguel de Campos Pereira de Bragança	Member of the Board of Directors	Manager of the company BCP África, SGPS, Lda.	Non-Executive Director of UNICRE - Instituição Financeira de Crédito, S.A., (representing Banco Comercial Português, S.A.)	Vice-Chairman of the General Board of AEM- Associação de Empresas Emitentes de Valores Cotados em Mercado;	Executive	Compliant
	Vice-Chairman of the Executive Committee	Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda	Non-executive member of the Board of Directors of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.			
		Vice-Chairman of the Board of Directors of ActivoBank, S.A.	Manager of Quinta das Almoinhas Velhas - Imobiliária, Lda.			
		Manager of the company BCP África, SGPS, Lda.				
João Nuno de Oliveira Jorge Palma	Member of the Board of Directors	Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.			Executive	Compliant
	Vice-Chairman of the Executive Committee	Chairman of the Committee for Nominations and Remunerations end member of the Remunerations and Welfare Board of BIM - Banco Internacional de Crédito				

José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. Member of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Member of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.		Executive	Compliant
Maria José Henriques Barreto Matos de Campos	Member of the Board of Directors Member of the Executive Committee	Chairwoman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE				
Rui Manuel da Silva Teixeira	Member of the Board of Directors Member of the Executive Committee	Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A. Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A. Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Chairman of the Board of Directors of Interfundos – Soc Gestora de Organismos de Investimento Coletivo, S.A.	Member of the Remunerations Commission of UNICRE – Instituição Financeira de Crédito, S.A., (representing Banco Comercial Português, S.A.)	Chairman of the Board of the General Meeting of Associação Porto Business School	Executive	Compliant

b) Specialized Committees of the Board of Directors (BoD)

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available.

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, complying with the Legal Framework for Credit Institutions and Financial Companies and to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees exclusively composed by non-executive directors, responsible for monitoring specific matters, which are identified as follows:

a) **Committee for Risk Assessment**

The Committee for Risk Assessment, established in accordance the provisions of article 115-L of the Legal Framework for Credit Institutions and Financial Companies, is composed of three to five non-executive directors, appointed by the Board of Directors.

In the 2021 financial year, within the scope of the term-of-office 2018/ 2021, the Committee for Risk Assessment was composed as follows:

Chairman:	Teófilo César Ferreira da Fonseca (Independent)
Members:	Ana Paula Alcobia Gray (Non- Independent)
	José Manuel Alves Elias da Costa (Independent)
	Wan Sin Long (Independent)

Within an universe of four members that compose the Committee for Risk Assessment, three members (75%) are qualified as independent.

In accordance with the Bank's articles of association, the Committee for Risk Assessment follows-up and monitors the strategy and the appetite for risk of the company and advises the Board of Directors on strategies and policies regarding the assumption, management and reduction of the risks the Bank is facing or may be subject to.

All the members of this committee have appropriate knowledge, competences and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, appetite for risk and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Within the scope of its activities, the Committee for Risk Assessment must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences of the Committee for Risk Assessment, in force on 31.12.2021, the following are highlighted:

- advise and assist the Board of Directors on the appetite for risk and on the general, current and future, risk strategy of the Bank and in the supervision of their respective execution, in accordance with the powers conferred to it by the law and its own Regulations;
- Advise the Board of Directors on the strategy and policy regarding the assumption, identification, control and reduction of the risks to which the Bank in its group dimension is, or may be, subject, and their respective implementation;
- analyse if the conditions of the main products and services offered to customers take into consideration the Bank's business model and risk strategy;
- Assess if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income;
- monitor the management of material risks to which the Bank is exposed, particularly the large risks, using appropriate indicators and metrics;
- Support the Board of Directors in the assessment of the risk strategies of the main subsidiaries abroad;
- Assess the impact that eventual changes to the Bank's group perimeter may have on the Bank's risk profile and whether such changes are compatible with the approved risk appetite;
- Assess the effectiveness of policies, methodologies and models used to evaluate assets, observing the valuation results of the respective impairment;
- Issue an opinion on the policy that establishes the institution's overall objectives and the specific objectives for each structural unit, with respect to the risk profile and the risk tolerance level;
- monitor the process of identifying risks and developing the risk strategy, in the Bank and in the Group, issuing an opinion addressed to the Board of Directors on their adequacy and issuing an opinion to the Board of Directors on the process for the review of the Risk Appetite Framework of the Group;
- Follow-up the evolution recorded by the indicators of the Risk Appetite Statement;
- periodically monitor the report on the main risk indicators;

- Monitor the adequacy of the allocation of material and human resources to the management of the risks regulated in the Legal Framework for Credit Institutions and Financial Companies and with the remaining domestic and European legislation in effect;
- Issue an opinion or resolve on the Group Codes and respective annexes whenever this competence has been delegated to it by the Board of Directors;
- Ensure that the risks management activities are subject to periodical reviews;
- Issue an assessment for the Audit Committee on the Activities Plan of the Risk Office;
- Follow-up the Risk Office's Activity;
- Issue an opinion for the BoD on the capital planning processes (ICAAP) and on liquidity (ILAAP) and respective conclusions;
- Follow-up the ICAAP and ILAAP monitoring process;
- Approve the scenarios proposed in the internal stress tests, and analyse the respective results;
- Monitor the evolution of the process of preparation and execution of the plan for the reduction of Non-Performing Exposures, issuing an opinion addressed to the BoD on its suitability;
- Monitor the efficiency of the risk management systems;
- Appraise the reports issued, under the terms of Notice of Banco de Portugal no. 3/2020, by the Risk Office and by the Compliance Office, in the latter regarding the specific risks monitored by it, sending its assessment to the Audit Committee;
- Issue a reasoned opinion on the decisions for the appointment or replacement of the Head of the risks management function.

The Committee for Risk Assessment may engage the services of experts, under the terms of Article 6 (3) of the Regulations of the Board of Directors.

In the exercise of its functions, the Committee for Risk Assessment has the specific competences delegated by the Board of Directors, namely:

- Issue a prior opinion addressed to the Board of Directors on the Market Discipline Report;
- Issue an opinion on the policy that establishes the institution's overall objectives and the specific objectives for each structural unit, with respect to the risk profile and the risk tolerance level, especially the Risk Appetite Framework and the Risk Appetite Statement;
- Issue an opinion addressed to the Board of Directors on the ICAAP - Internal Capital Adequacy Assessment Process and the ILAAP - Internal Liquidity Adequacy Assessment Process;
- Issue of an opinion addressed to the Board of Directors on the plan for the reduction of Non-Performing Exposures;
- Issue an opinion addressed to the Board of Directors on the process for the review of the Recovery Plan;
- Issue an opinion addressed to the Board of Directors on the activity plans of the internal control functions, especially the Risk Office;
- monitor the approval by the Board of Directors of the report on the risk management function, indicated in paragraph s) of no. 1 of article 27 of Notice of Banco de Portugal no. 3/2020;
- follow-up the risk management function, especially through the report mentioned in article 27 (1) (r) of the Notice of Banco de Portugal 3/2020;
- Issue an opinion addressed to the Board of Directors on the decisions for the appointment or replacement of the Head of the risks management function.

For the exercise of its functions, the Committee for Risk Assessment has access to information on the Bank's risk situation and is entitled to determine the nature, quantity, format and frequency of the information concerning risks that it should receive and implements internal procedures to communicate with the Board of Directors and its other specialized Committees.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors all situations the Committee finds and deems to be of high risk.

During 2021, the Committee adopted one unanimous written resolution and held seventeen meetings, receiving the logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the head of this office. The respective minutes of the meetings were drafted and approved. Participants in the meetings, who are not members of the Committee for Risk Assessment, gave their formal agreement to the wording of the items on which they intervened, the same being attached to the documents in the minutes of the meeting.

Attendance of the Committee for Risk Assessment meetings by each of its members is shown in the following table:

Members of the Committee for Risk Assessment	Attendance in Person	Attendance by Representation	Total Attendance
Teófilo César Ferreira da Fonseca	17	0	100%
Ana Paula Alcobia Gray	17	0	100%
José Manuel Alves Elias da Costa	17	0	100%
Wan Sin Long	17	0	100%

The Regulations of the Board of Directors, updated in March 2021, are available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Reg_Comissao_Avaliacao_Riscos.pdf

b) Committee for Nominations and Remunerations

The Committee for Nominations and Remunerations, established in accordance the provisions of article 115-B and H of the Legal Framework for Credit Institutions and Financial Companies, is composed of three to five non-executive directors, appointed by the Board of Directors.

The composition of the Committee for Nominations and Remuneration is in accordance with the provisions of the Committee's regulations since all its members are non-executive directors and most of its members are independent. None of its members is a member of the Audit Committee of the Bank.

During 2021, the Committee for Nominations and Remunerations was composed as follows:

Chairman:	José Manuel Alves Elias da Costa (Independent)
Members:	Lingjiang Xu (Non Independent)
	Teófilo César Ferreira da Fonseca (Independent)

Within an universe of three members that compose the Committee for Nominations and Remunerations, two members (66.66%) are qualified as independent.

The members of the Committee for Nominations and Remunerations possess collectively, the specific qualification and experience for the exercise of the respective functions, namely suitable professional qualification and experience in terms of remuneration policies and practices as well as in risk management and remaining internal control functions. We should add that two members of the Committee for Nominations and Remunerations are also members of the Committee for Risk Assessment to guarantee that the committee has the adequate qualifications to ensure an effective alignment between the institution's remuneration structures the respective risk profile and the own funds base.

Within the scope of its activities, the Committee for Nominations and Remunerations must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences set forth in the regulations of the Committee for Nominations and Remunerations, in force since 31.12.2021, the following are highlighted:

- Monitor the existence of specific policies on recruitment and selection, assessment of performance, promotion and management of careers, remuneration, training and development of competences.;
- At least, annually, issue an opinion for the Board of Directors on the remuneration policy regarding the Members of the Management and Supervisory Bodies and its execution regulation;
- At least, annually, issue an opinion addressed to the Board of Directors on the remuneration policy for employees, including the one of those responsible for internal control functions, and its execution regulation;
- Identify, pursuant to a proposal made by the Executive Committee, the key function holders of the Bank and of the Group in Portugal;
- monitor, pursuant to a proposal made by the Executive Committee, the identification of the key function holders of the Group in international operations;
- Resolve on the appointment of members to the corporate bodies in credit institutions and financial companies of the group and inform the Board on such appointments;
- appoint, under a proposal made by the Executive Committee, the Managers reporting directly to the Board of Directors, with exception of those performing internal control functions;
- Issue an opinion on the appointment of the Client Ombudsman;
- Under proposal of the Executive Committee, approve the decisions regarding any type of remuneration of the Heads of Division reporting directly to the Board of Directors and of the employees responsible for risk taking and for control functions,
- ensure that the process for the individual assessment of the performance of employees, used in the definition of the variable component of the remuneration is appropriate and consistent and communicated to the employees at a moment prior to the beginning of the assessment period, issuing, for that purpose, a prior opinion to the Executive Committee, which is responsible for carrying out this competence;
- monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them;
- Verify the implementation of and compliance with the remuneration policies and procedures adopted;
- Assess, every year, and for reporting to the Board of Directors for the purposes of being incorporated in the Group's annual self Self-Assessment report of the Group, in accordance with the provisions of Notice 3/2020, the consistency of the global policy of remuneration of subsidiaries abroad;
- Promote, in articulation with the AudC, the assessment by an external adviser of the conduct and values of the Board of Directors and its committees;
- Issue an opinion addressed to the Board of Directors, on the policies for the selection, evaluation and succession for members of the management, supervisory bodies and holders of control functions;
- Make and convey to the Board of Directors recommendations on candidates to members of the Bank's management and supervisory bodies, ensuring the Fit & Proper process, evaluating, namely, the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Approve, pursuant to a proposal made by the Executive Committee, the Policy of Assessment and Succession for key functions holders who do not perform control functions;
- monitor, every year, the human resources, and staff management policies;
- receive and assess the results of the Organisational Environment Questionnaires;
- Issue an opinion or resolve on the Group Codes and respective annexes whenever this competence has been delegated to it by the BoD;
- Submit quarterly reports to the BoD.

In general, exercise all the competences attributed to the Committee for Nominations and Remunerations under the provisions of the Legal Framework for Credit Institutions and Financial Companies and remaining domestic and EU legislation in force.

The Committee for Nominations and Remunerations, for the adequate performance of its competences, may contract the provision of services by experts, in accordance with article 6 (3) of the Regulations of the Board of Directors.

Regarding the competences of the Committee for Nominations and Remunerations to carry out the assessment of the performance of the executive directors, please see the information provided in Item 24.

During 2021, the Committee adopted one unanimous written resolution and met seventeen times, being one of them a joint meeting with the Audit Committee. The respective minutes of the meetings were drafted and approved. The participants in the meetings gave their formal agreement to the wording of the items on which they had interventions, remaining in the same annex of the minutes, being part of it.

The Committee received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

Attendance of the Committee for Nominations and Remunerations meetings by each of its members is shown in the following table:

Members of the Committee for Nominations and Remunerations	Attendance in Person	Attendance by Representation	Total Attendance
José Manuel Alves Elias da Costa	17	0	100%
Lingjiang Xu	17	0	100%
Teófilo César Ferreira da Fonseca	17	0	100%

The Regulations of the Committee for Nominations and remunerations are available on the Bank’s website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Regimento_CNR_EN.pdf

c) Committee for Corporate Governance, Ethics and Professional Conduct

The Committee for Corporate Governance, Ethics and Professional Conduct is composed of three to five non-executive members, appointed by the Board of Directors.

During 2021, the Committee for Corporate Governance, Ethics and Professional Conduct was composed as follows:

Chairman:	Lingjiang Xu (Non Independent)
Members:	José Manuel Alves Elias da Costa (Independent)
	Valter Rui Dias de Barros (Non- Independent)

Within an universe of three members that compose the Committee for Corporate Governance, Ethics and Professional Conduct , one member (33.33%) is qualified as independent.

All the members of the Committee for Corporate Governance, Ethics and Professional Conduct have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to the present report.

Within the scope of its activities, the Committee for Nominations and Remunerations must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences set forth in the regulations of the Committee for Corporate Governance, Ethics and Professional Conduct, in force since 31.12.2021, the following are highlighted:

- Recommending to the Board of Directors the adoption of policies in line with a good professional conduct, ethical principles and the best corporate governance practices;
- Support the Board of Directors and its Committees in the evaluation of the systems that identify and solve conflicts of interest;
- Assess the compliance function in matters of its competence, analysing the procedures in place and the identified non-compliances;
- issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles;
- Every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles, and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these matters;
- Issue an opinion for the Board of Directors on the Annual Corporate Governance Report;
- issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible;
- Every time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. Proposing, particularly, guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and principles of social charity and environmental protection;
- Issue an opinion or resolve on the Group Codes and respective annexes whenever this competence has been delegated to it by the BoD.

The Committee for Nominations and Remunerations, for the adequate performance of its competences, may contract the provision of services by experts, in accordance with article 6 (3) of the Regulations of the Board of Directors.

During 2021, the Committee held four meetings. The respective minutes of the meetings were drafted and approved. The participants in the meetings gave their formal agreement to the wording of the items on which they had interventions, remaining in the same annex of the minutes, being part of it.

The Committee received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

Attendance of the Committee for Corporate Governance, Ethics and Professional Conduct meetings by each of its members is shown in the following table:

Members of the Corporate Governance, Ethics and Professional Conduct Committee	Attendance in Person	Attendance by Representation	Total Attendance
Lingjiang Xu	4	0	100%
José Manuel Alves Elias da Costa	4	0	100%
Valter Rui Dias de Barros	4	0	100%

The Regulations of the Committee for Corporate Governance, Ethics and Professional Conduct are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

28. Composition of the executive Board and/or details of the board delegate/s, where applicable.

The composition of the Bank's Executive Committee is as follows:

Chairman:	Miguel Maya Dias Pinheiro
Vice-Chairmen:	Miguel de Campos Pereira de Bragança
	João Nuno de Oliveira Jorge Palma
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria José Henriques Barreto Matos de Campos
	Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

Audit Committee - On this matter, see the information presented in item 21. - Audit Committee

Executive Committee - On this matter, see the information presented in item 21. - Executive Committee

Committee for Risk Assessment - On this matter, see the information presented in item 27. a).

Committee for Nominations and Remunerations - On this matter, see the information presented in items 24, 25 and 27 b).

Committee for Corporate Governance, Ethics and Professional Conduct - On this matter, see the information presented in item 27. c).

III. SUPERVISION

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision - the Audit Committee

See the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications, as applicable, of the members of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee and other curricula data deemed relevant, being allowed a remittance to an item of the report where that information is already disclosed.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

34. Availability and place where the rules on the functioning of the Board of Auditors, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears.

On this matter, see the information presented in item 21 - Audit Committee.

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these Boards throughout the financial year, and reference to the section of the report where such information already appears

On this matter, see the information presented in item 26.

c) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, Commission Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th EU Company Law Directive), on statutory audits of annual accounts and consolidated accounts, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Finally, at national level, the commercial legislation, the recommendations, and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law nr. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank’s Articles of Association explicitly list, among the competences of the Audit Committee, that of “supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services”.

In accordance with article 38 of the Notice of Banco de Portugal 3/2020, published on 15 July 2020, the Bank’s General Meeting of Shareholders is responsible for approving the policy for the selection and designation of the Statutory Auditor or Audit Firm and for the contracting of non-prohibited non-audit services. Accordingly, the Board of Directors, with the positive opinion of the Audit Committee, submitted to the appraisal of the General Meeting of Shareholders held on 20 May 2021, and this one approved, with a majority of 100% of the votes cast, the policy for the selection and designation of the Statutory Auditor or Audit Firm and for the contracting of non-prohibited non-audit services, which is currently in force.

The Audit Committee, as the Bank’s supervisory body promoted the adoption of rules, whose compliance it monitors and supervises every year, that ensure the independence of the external auditors, regarding the different entities of the Group and, at the same time, prevent situations of conflicts of interest within the entities providing the Group’s legal review of accounts or audit services to entities of the Group, creating preventive mechanisms for the approval of additional services and control of fees.

The Audit Committee is also responsible for proposing the contracting of external auditors or the renewal of its term-of-office by the Bank and by Group Banco Comercial Português, and for supervising the provision of the services foreseen in the Group Code – GR0022 – Selection and Designation of Statutory Auditor/Audit Firm and engagement of non-audit services.

Through said Regulations that embody the principles presented in the national and international regulations, complying with the requirements of Notice 3/2020 of Banco de Portugal, the Group endorses and systematises a series of rules regarding:

- the classification of the services rendered by the external auditors:
- the definition of the set of services that are not Audit which the external auditor is not allowed to provide to any entity of the Group;
- Definition of the number of services that are not Audit, which may be provided to the Group under specific stipulated circumstances;

- subjection of those involved in the application of the aforementioned Group Code to regular training actions on the responsibilities conferred on them;
- Approval by the Audit Committee of engagement of services other than audit to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question and defined limits;
- definition of a process for the selection and evaluation of proposals for the designation of the Statutory Auditor/Audit Firm, ensuring their independence and describing an evaluation methodology for the Statutory Auditor/Audit Firm proposed and carried out by the Audit Committee;
- Provision to the Audit Committee of internal control information on the established principles and guidelines.

The Audit Committee also continuously controls and monitors the effectiveness of the Internal Control System, of the Risk Management System, the process of preparation and disclosure of financial information, and the Internal Audit and Compliance functions.

The Audit Committee issues an opinion on the work plans and the resources allocated to the compliance and internal audit functions.

In line with the guidelines ESMA/-151/-1439/1439 of 05/04/2019, the Policy for the Prevention and Management of Conflicts of Interest (GR0038) is object of an annual review for confirmation of its adequacy to the respective legal and regulatory framework, without damaging eventual further revisions when deemed justified.

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

On this matter, see the information presented in item 21 – Audit Committee and preceding item 37.

IV. STATUTORY AUDITOR (including the Policy for the Selection and Evaluation of External Auditors and of the Statutory Auditor)

The Policy for the Selection and Evaluation of the External Auditors and of the Statutory Auditor is part of the internal service order no. 0022.

This one defines

(i) The criteria concerning the technical and professional competence and experience in the financial sector and the process to select the statutory auditor;

(ii) The methods used by the company to communicate with the statutory auditor;

(iii) The supervisory procedures designed to ensure the independence and the absence of conflicts of interests with the Statutory Auditor;

(iv) Other than auditing services, which cannot be provided by the statutory auditor.

The selection of the Statutory Auditor is based on the criteria and requirements mentioned below which are taken into account by the Audit Committee in the evaluations it carries out, either within the scope of the selection of candidates to present to the General Meeting of Shareholders, or in the subsequent evaluations it makes, at least once a year: and in the situations when it intends to propose the reappointment of the Statutory Auditor.

Thus, apart from the fees proposal, are also considered:

Technical Competence and Quality of the Service Provided

The Statutory Auditor must show that he/she has the sufficient knowledge, qualifications, and experience, namely in the financial sector, to provide a high-quality service, being, namely, relevant, the following criteria and requirements:

- The reputation of the statutory auditor/audit firm, being considered the way he/she/it exercises the profession as well as the capacity to make objective, weighted and assertive decisions, adopting an appropriate behaviour, enjoying a public reputation able of giving confidence to the market;

- Timeliness in meeting agreed timetables and deadlines, with the audited entity and the Regulator;
- Availability and accessibility for debating technical issues;
- Proactiveness in the search for information related with business risks or other issues that may have impact on its plan of action, to identify and resolve any issues in due time, adjusting itself rapidly to alterations in risks, studying and presenting credible alternatives for debate;
- Provision of quality audit services, at a controlled cost and with reasonable fees regarding any additional services provided;
- Proactiveness in recommending solutions to improve internal control and financial reporting systems;
- Suitability of the internal organisation of the Statutory Auditor/Audit Firm and its internal quality control system;
- Work methodology;
- Guarantees of professional and technical execution;
- Quality and proactiveness in the provision of services for the accomplishment of non-planned tasks.

Resources allocated to the Audit

Regarding the resources allocated to the services provided by the Statutory Auditor to BCP, the following should be evaluated:

- The balance, seniority and technical and professional suitability of the Team assigned to the audited entity, taking into account its size, the complexity of its activity and the risks to which it is exposed;
- The technical competence of the Statutory Auditor/Audit Firm, as well as their ability to apply their knowledge in order to provide a quality service within the contracted scope, as well as to ensure a realistic, technically based and independent analysis;
- The suitability of the knowledge of the business risks, processes, systems, and operations inherent to the activity of the audited entity, as well as the access to specialists in technical and specific subjects of its activity;
- The potential for access to sufficient additional specialised resources, as necessary to complete the work in a timely manner or, in cases of re-evaluation or evaluation for re-appointment, concrete access to these resources;
- Sufficiency of time and allocated resources;
- Number of hours spent to develop the work;
- The academic and professional Curriculum Vitae of the team;
- Identification of the names of the main responsible persons and members of the team and the allocation of time devoted by each one to the work.

Communication and Interaction

As regards communication and interaction between the Bank and the Statutory Auditor/Audit Firm, it shall demonstrate in particular:

- The capacity to communicate with the governing bodies of the appropriate entity, to be measured in terms of frequency, availability and accessibility;
- The suitability and sufficiency of meeting/discussion support materials, which must be made available with sufficient advance;
- The ability and concern in keeping the audited entity adequately informed of developments in accounting principles and regulations applicable to it, including any relevant impacts on the Statutory Auditor/Audit Firm activity;
- The experience and ability to appropriately discuss the quality of the audited entity's financial reporting, including the reasonableness of accounting estimates and judgements and the framing of accounting policies in the trends and best practices of similar companies.

Independence, Objectivity and Professional Scepticism

The Statutory Auditor must be independent, objective and demonstrate professional scepticism in the performance of its duties. In evaluating the performance of the Statutory Auditor/Audit Firm, the following aspects should be assessed:

- The integrity and objectivity of the Statutory Auditor, as well as its attentive and interrogative stance;
- the absence of conflicts of interests;
- Its independence, namely in the discussion of all matters that may reasonably be perceived to be likely to impact on it, any obstacles to compliance with independence requirements and the safeguards put in place;
- The ability and potential to address the most sensitive issues in a constructive manner and experience for identifying, communicating and adequately resolving technical issues that may arise in the course of the work;
- The guarantees of their good repute, objectivity and independence.

39. Identification of the statutory auditor and its representative partner statutory auditor.

The current effective Statutory Auditor is Deloitte & Associados – SROC, S.A., registered in the OROC under no. 43 and in CMVM with no. 231 represented by its partner Paulo Alexandre de Sá Fernandes, ROC nr. 1456 and alternatively by Jorge Carlos Batalha Duarte Catulo, ROC no. 992.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group.

The company Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016 and re-appointed for the three-year period 2021/2023 at the General Meeting of Shareholders held on 20 May 2021; therefore, it performs functions consecutively for 6 years and is currently in its third term-of-office.

41. Description of other services rendered by the statutory auditor to the company

On this matter, see the information presented in item 46.

V. EXTERNAL AUDITOR

The Policy for the Selection and Designation of the External Auditors is described in the Group Code - 002 - GR0022- Selection and Designation of Statutory Auditor/Audit Firm and engagement of non-audit services, already described in detail in Chapter IV and in Item 37.

42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number

The Bank's external auditor and the statutory auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in OROC under nr. 43 and registered in CMVM under nr. 2016/1389, represented permanently by its partner Paulo Alexandre de Sá Fernandes registered in OROC under nr. 1456 and in CMVM under nr. 2016/1066 and alternately by Jorge Carlos Batalha Duarte Catulo, registered in OROC under no. 992 and in CMVM under no.2016/0607.

43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group.

The company Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016 and re-appointed for the three-year period 2021/2023; therefore, it performs functions consecutively for 6 years and is currently in its third term-of-office.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The Bank complies with the rotation rules laid down in Article 17 of Regulation (EU) No. 537/2014 of the European Parliament and Council, of April 16, 2014 and Article 54 of Law No. 140/2015, of September 7, in the wording given by Law 99-A/2021 of December 31, 2021 and, therefore, its External Auditor and the Statutory Auditor will not perform functions for a period, considering the initial term of office, that exceeds the maximum duration of ten years.

45. Details of the Body responsible for assessing the external auditor and the regular intervals when said assessment is carried out.

The Audit Committee is the body responsible for assessing the quality of the services rendered by the external auditor and respective partner Statutory Auditor, under the terms referred to in items 21 - Audit Committee and 37. - A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

This assessment highlights the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner statutory auditor, in particular appraising in particular the conclusions of the audit to the financial statements, on an individual and consolidated basis, analysing the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters and the Limited Review of the half-year interim financial statements. It meets with External Auditor and with the Statutory Auditor on a regular basis and whenever necessary.

The procedures aimed at ensuring the independence of the external auditor are defined in the Policy for the Selection and Assessment of the External Auditors and in Group Code - GR0022, already approached in detail in Chapter IV and in Item 37.

The Audit Committee is the main interlocutor of the external auditor and of the statutory auditor of the bank, with whom it meets at least every month to carry out a close monitoring of their activity, and to analyse and debate the respective reports and conclusions therein stated.

The Audit Committee is also responsible for recommending to the General Meeting of Shareholders the appointment of the external auditor and the election of the statutory auditor, or the renewal of their respective terms-of-office, taking into consideration the respective technical ability and remaining conditions for the exercise of those functions.

The Audit Committee annually assesses the quality of the services provided by external auditors, regarding the quality of the service provided as well as of their independence, objectivity and critical requirements demonstrated in the performance of their duties. The Bank officials who maintain relevant contact with the External Auditors take part in this evaluation.

On this matter, see the information presented in item 21 – Audit Committee

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment. Apart from the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by the External Auditor include also the payment of the following services:

- Tax Advisory Services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- Services other than legal review of accounts, namely: (i) Reliability assurance services; and (ii) Other Services - other than legal review - provided within the scope of services other than legal review, which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee BCP.

With regard to the approval of the engagement of these services and indication of the reasons for their engagement, the bank maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP the company Deloitte & Associados, SROC, S.A. (hereinafter referred to as "External Auditors") complies with the rules on independence defined by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (By-Laws of the OROC).

In order to safeguard the independence of the External Auditors, and the national and international good practices and standards, the Audit Committee of BCP approved a series of regulatory principles, as described below:

- The External Auditor and the companies or legal persons belonging to the same network ("Network") cannot render to the Bank or to the Group the services that may be considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of External Auditor could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditor without jeopardising its independence. These services are validated by the Group's Compliance Office and subject to approval or ratification, depending on the amount of the fees, of the Audit Committee;
- the provision of services which are not discriminated in the above-mentioned set of services is object of specific approval by the Audit Committee prior to the signing of the contract in question. In relation to operations abroad, the Audit Committee only issues a non-opposition opinion. For that purpose, the proposals to be submitted to the appraisal of the Audit Committee of BCP must contain an opinion from the Compliance Officer of BCP, as set forth by the Group Code - GR0022 and a duly grounded decision recommendation.

On this matter, see the information presented in item 38.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The amount of the annual remuneration paid in 2020 by the Company and/or legal persons in controlling or group relations, to the external auditor (Deloitte) and other natural or legal persons belonging to the same network, detailed with their respective percentages, is reflected in the following table:

REMUNERATION PAID TO DELOITTE BETWEEN 1 JANUARY AND 31 December 2021

1) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2020	Euros					%			
Companies in Portugal	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Banco Comercial Portugues, S.A.	2,182,569	1,059,000		554,000	3,795,569	57.5%	27.9%		14.6%
Banco ActivoBank, S.A.	40,000	29,850		29,750	99,600	40.2%	30.0%		29,9%
Millennium BCP - Frestacao Servicos, ACE	28,000				28,000	100.0%			
Millennium bcp Imobiliaria, S.A.	20,000				20,000	100.0%			
Interfundos-Soc. Gestora de Organismos de Invest. Coletivo, S. A (1)	15,000	5,500			20,500	73.2%	26.8%		
BCP Capital Soc. Capital Risco	10,000	1,500			11,500	87.0%	13.0%		
Mllennium BCP Particpacoes Financeiras, SGPS, Soc. Unpessoal	6,000				6,000	100.0%			
BCP Africa, SGPS, Lda. (formerly BII Internacional, SGPS, Lda)	14,000				14,000	100.0%			
Mllennium bcp - Servicos de Comercio Electronico, S.A.	2,500				2,500	100.0%			
Millennium Fundo, FCR de Capitalização	10,000				10,000	100.0%			
FundaçãoMillennium BCP	6,150				6,150	100.0%			
Magellan 3	19,500				19,500	100.0%			
Total	2,353,719	1,095,850		583,750	4,033,319	58.4%	27.2%		14.5%

	Euros					%			
	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Bank Millennium, S.A. (Poland)	549,284	96,566			645,850	85.0%	15.0%		
Millennium BIM, S.A. (Mozambique)		71,170			71,170		100.0%		
Banque Privee BCP (Suisse), S.A.		5,000			5,000		100.0%		
Millennium BCP Bank & Trust (Cayman Islands)				5,000	5,000				100.0%
BCP Finance Bank, Ltd. (Cayman Islands)	6,000				6,000	100.0%			
BCP Finance Company (Cayman Islands)	5,000				5,000	100.0%			
BCP Investment, B.V. (Netherlands)	5,000				5,000	100.0%			
BCP International B.V. (Netherlands)	9,000				9,000	100.0%			
Magellan 3 (Ireland)	18,500			5,000	23,500	78.7%			
Total	592,784	172,736	–	10,000	775,521	76.4%	22.3%		1.3%

SUMMARY OF THE REMUNERATION PAID TO DELOITTE IN PORTUGAL AND ABROAD BETWEEN 1 JANUARY AND 31 December 2021

	Portugal	%	Abroad	%	Total	%
Legal review of accounts	2,353,719		592,784		2,946,503	
Reliability assurance services	1,095,850		172,736		1,268,586	
1. Total for Audit Services	**3,449,569**	**85.5%**	**765,520**	**98.7%**	**4,215,089**	**87.7%**
Tax Advisory Services	0		0		0	
Services Other than Legal Review of Accounts	583,750		10,000		593,750	
2. Total for Other Services	**583,750**	**14.5%**	**10,000**	**1,3%**	**593,750**	**12.3%**
	4,033,319	**100%**	**775,521**	**100%**	**4,808,840**	**100%**

C. INTERNAL ORGANISATION

I. Articles of Association

48. The rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum, above the legal one, of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

Regarding the resolution quorum, article 25 of the Articles of Association only deviates from the law regarding resolutions on merger, demerger and transformation of the Company, which must be approved by three-quarters of the votes cast, and regarding the dissolution of the Company, for which a majority of three-quarters of the paid-up capital is required.

The Bank and the shareholders that approved the Articles of Association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

Also regarding the deliberative quorum, it is the understanding of the Bank and the shareholders that approved the current Articles of Association, that certain structuring issues such as the merger, demerger or transformation of the Company should not, for the sake of the shareholding stability and transparency in the decisions, be able to be taken on first call without the broad consensus of the shareholders.

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company and prevention of conflicts of interest

The Bank upholds a culture of responsibility and compliance, preventing conflicts of interest and recognising the importance of the appropriate framework for reporting and processing irregularities. For this purpose, BCP implements suitable means for receiving, treating and filing communications of irregularities, allegedly committed by members of governing bodies and employees of the Bank of companies included in the BCP Group.

The policy of communication of irregularities is regulated in an internal service order (OS0131 - Communication and reporting of irregularities) and this one is currently being updated according to the Notice from Banco de Portugal 3/2020 and is available at the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/RegComunicacaoIrregularidades.pdf

According to the Bank's policy for reporting irregularities, are considered irregularities acts and omissions, wilful or negligent, completed, being executed or which, in light of the available information, may be reasonably expected to be executed, related to the administration, accounting organisation and internal supervision, serious evidence of breaches of duties provided for in the General Regime or in Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of July 26 or any other sphere of activity of the Bank which, in a serious manner, are liable in particular to:

- violate the law, the articles of association, the regulations and other rules in force;
- directly or indirectly cause any pecuniary damage to the Shareholders or the Bank;
- cause reputational damage to BCP.

The Bank implements the appropriate means for the reception, handling and archive of the communications of irregularities, allegedly committed by members of the corporate bodies or by Employees of the companies included in Banco Comercial Português Group or any other person within the scope of the provision of services to any of the companies included in Banco Comercial Português Group.

For that purpose, the Bank observes, on an ongoing basis, the principles and requirements set forth in article 116-AA of the Legal Framework for Credit Institution and Financial Companies, in article 305-F of the Securities Code, in article 35 of the Notice of Banco de Portugal 3/2020, and in section 13 of the guidelines, issued by EBA, on internal governance (EBA/GL/2021/05) of July 2, 2021.

Hence, in accordance with the Internal Regulations OSO131, the persons entitled to communicate irregularities, also subject to reporting irregularities, are:

- the employees, agents, commissioners or any other person that renders services, either permanently or occasionally, to the Bank or to any entity of the Group;
- the shareholders;
- any other persons.

The employees have the duty to report to the Audit Committee any irregularity occurred that they are aware of , in particular those who manage people or exercise functions in the areas of the three defence lines of the bank, internal audit, risk management and compliance.

The communication of irregularities may, as an option, be made anonymously, or not, being addressed to the Audit Committee of BCP, and the same must be made in writing through the channels made available for that purpose, namely the website or through any other written communication channel, addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-256 Porto Salvo, or by the e-mail: comunicar.irregularidade@millenniumbcp.pt. or through the specific channel on the Bank's Website (anonymous mode).

In 2021, in accordance with Notice 3/2020 of Banco de Portugal, a new method for reporting irregularities anonymously was also introduced. For this purpose, a specific channel was created in the Bank's Website, capable of encrypting the personal data of the author of the communication - the functionality "Report an Irregularity" with encrypted personal data, available in Corporate Services/Irregularities. In the case of this new method of reporting irregularities anonymously, is it allowed for the author not to identify himself/herself, and the anonymity of the author and the message is ensured. To make this possible, the Bank ensures that the logs of these communications are encrypted, so that the Audit Committee or any other entity of the Bank does not have access to any of the whistleblower's data (example: Employee identification number), except when otherwise determined by a court order.

The Audit Committee is responsible for managing the system for reporting irregularities, ensuring the reports confidentiality, being this Committee supported by the Compliance Office and the Audit Division.

Once a communication is received, the Audit Committee shall undertake all efforts deemed necessary to assess if there are sufficient grounds to open an investigation and may establish a prior contact with the author of the communication, if he/she is known. In case the author of the communication so required or whenever possible, the Audit Committee shall immediately communicate to him/her that the information has been received, within 7 days, at most, counting from the date the communication was received, except when the same is made anonymously. If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank. Once the investigation is over, the Audit Committee shall make a report for the internal transmission of its conclusions so that the appropriate diligences may be adopted to correct the irregularity and corresponding sanction, if need be, and it must also report it to external entities, whenever so is justified by the specific situation.

In the case of non-anonymous reporting, the reply to the whistleblower must be given no later than three months after sending the acknowledgement of receipt to which the Bank is obliged.

The communications received, as well as the reports to which they have given rise, are mandatorily kept on paper or on another durable support that allows their complete and unaltered reproduction for a minimum period of five years, and the Bank has its own archive and database where all the communications are registered.

The irregularities communication policy ensures that when the whistleblower's identity is known, the communication cannot serve as grounds for the initiation of any disciplinary, civil or criminal proceedings, unless it is found to be fraudulently false, nor for the adoption of legally prohibited discriminatory practices, as well as retaliatory measures, discrimination or any other type of unfair treatment.

The Bank prepares and submits to Banco de Portugal an annual report, which is an integral part of the Self-Assessment report. Additionally, and periodically, a summary of the reported cases is produced and included in the quarterly report addressed to the Audit Committee.

During 2021, 17 messages were received in the e-mail box addressed to the Audit Committee, of which 2 were not considered reports of irregularities under OS0131.

The Bank also sets forth the principle of participation of irregularities in its Code of Conduct and in its Code of Conduct for the Prevention and Fight against Harassment and promotion of Equality and Non-Discrimination, which are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas_regulamentos.aspx

The Bank's Code of Conduct establishes the fundamental principles and rules to be observed in the exercise of the activity developed by the entities that form Banco Comercial Português Group and the principles underlying the conduct, good practices and observance of the institutional values to be fulfilled by the universe of people that form the Group.

In its Code of Conduct and in the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, the Bank aims at regulating a behaviour of excellence by the members of the corporate bodies, of employees and of the service providers of Banco Comercial Português Group, establishing therein behavioural rules targeted at the consolidation of a brand of reference and prestige that it intends to preserve and perfect.

The Bank and its employees guide their actions on principles of respect for people's rights, of preservation of social and environmental sustainability, and of culture and institutional values, committing themselves to behave in an upstanding and honest manner in all relations they establish among themselves, with customers, or any other person or entity with whom they relate.

The Code of Conduct and the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, also set forth the main rules concerning values, behaviour standards and corporate responsibility to be observed by all companies part of BCP Group and describe the preventing measures aiming at depriving discriminating behaviours and harassment at work, which are better detailed in a specific document denominated Code of Conduct related with Equality, Harassment and Non-Discrimination, currently in effect.

The awareness of the Code of Conduct and of the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination by all their recipients is insured by the regular disclosure through internal means of communication, by their permanent publication in a prominent location at the bank's internal communication system via intranet, and by regular e-learning training sessions addressed to all their recipients.

The Bank's Audit Division, in its actions to supervise the Bank's functioning, guarantees the identification of irregular situations and issues recommendations to correct them.

The code of Conduct of Group BCP states mandatorily that, the members of the management and supervisory bodies, as well as the employees, should avoid any situation that may give rise to conflicts of interest within their functions, so that they may act with full independence of mind, impartiality and exemption and that the members of the management and supervisory bodies cannot intervene in the appraisal and approval of operations, professional status of employees and procedures for the acquisition of goods and services in which there is a risk of conflicts of interest.

Additionally, the Bank also has a Policy for the Prevention and Management of Conflicts of Interest (GR0038), which defines the fundamental principles and processes adopted for the identification and management of conflicts of interest occurring within the Group.

The Group Code above-mentioned implements, in the Bank and in Group BCP, namely, the guidelines issued by the European Banking Authority (EBA/GL/2021/05), on internal governance, identifies the control procedure to enable an efficient and prudent management of situations of conflict of interests at an institutional or personal level, including the segregation of functions, the information barriers and the specific process of transactions with the so called "related parties", in order to simultaneously defend and protect the interests of all stakeholders and the interests of the Bank and the Group.

GR0038 also formalises the governance principles applicable to the services provision and activities investment and ancillary services identified, respectively in Articles 290 and 291 of the Securities Code and formalises the governance principles applicable internally, within the scope of the policy for the management of conflicts of interest.

The Compliance Office is responsible for the development of the approaches and methods that allow for the identification of real or potential conflicts of interest, in compliance with the conflicts of interest policy of the institution. The Compliance Office, at least once a year, develops a global analysis to identify and assess the materiality of the situations of conflict of interests at an institutional level and reports to the Executive Committee and to the Audit Committee the respective conclusions, identifying the measures required to correct the identified situations.

The Group Code on the prevention and management of conflicts of interests is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas_regulamentos.aspx

In addition, the Regulations of the Board of Directors in its article 11 (4) determines, in the event that some of its members considers as being prevented from voting, due to any incompatibility or conflict of interests, that he/she has the duty to previously inform the Chairperson of that impediment and dictate for the minutes of meeting a statement regarding such situation.

III. Internal control and risk management

50. Individuals, boards, or committees responsible for the internal audit and/or implementation of the internal control systems.

The Group's internal control is based upon a risk management system that identifies, evaluates, follows-up and controls the risks the Group and the bank are exposed to. The same is based on an efficient information and communication system and on an effective monitoring process enabling to ensure the adequacy and efficiency of the internal control system.

In this context, the Bank, in accordance with the principles of Banco de Portugal's Notice 3/2020, has specific areas with the risk management functions, compliance and internal audit - the Risk Office, the Compliance Office and the Audit Division.

The coordinating-managers of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system through which the objectives outlined in Banco de Portugal's Notice 3/2020 are achieved, namely:

- the efficiency of the performance and of the activity, ensuring that the established strategies, policies, processes systems and procedures are appropriate, duly updated, correctly applied and effectively observed;
- the identification, assessment, follow-up and risks control which may influence the Group's strategy and goals;
- the achievement of the objectives established in the strategic planning, based on the efficient conduct of the operations, efficient use of the Group's resources and the safeguarding of its assets;
- the appropriate identification, assessment, monitoring and control of the risks to which the Group is or may become exposed in the future;
- the existence of complete, pertinent, reliable and timely financial and non-financial information;
- the adoption of sound accounting procedures;
- compliance with the legislation, regulation and guidelines that are applicable to the Group's activity, issued by the competent authorities, as well as the compliance with the internal rules, professional and deontological regulations and practices, and the conduct and relations rules with customers.

The internal control system covers the entire Group, including the responsibilities and functions of the management and supervisory bodies, all its activity segments, structural units, namely the internal control functions, outsourced activities and the product distribution channels.

In addition, the Executive Committee set up a Compliance and Operational Risks Commission. The competences concerning the internal control system of this commission are, among other:

- monitor the activity of the Bank and the other Group entities, coordinating and managing the policies and obligations of the Bank and its subsidiaries on a regular basis, so as to ensure compliance with legal and internal rules, guarantee the alignment of Group strategies and the definition of priorities in compliance matters;
- monitor the operational risk management framework, which includes management of IT (Information Technologies) and Outsourcing (subcontracting) risks;
- monitor exposures to operational risks, as well as the state of implementation and effectiveness of risk mitigation measures and measures to strengthen the internal control environment;
- monitor the management and improvement of the Bank's processes, with a view to monitoring and reducing the levels of exposure to compliance and operational risks.

The Divisions that are part of the internal control system have the technical and human resources that match the Bank’s size and also the degree of complexity and significance of the risks inherent to the several business and business support activities.

These Divisions are also dimensioned to operate within the scope of an extensive volume of regulation, external and internal, arising from regulations aimed at demarcating the banking activity within the limits of prudence, safety and control set by regulators and by the Bank's management body. Thus, when allocating resources to the mentioned areas, the Bank adopts the principle of proportionality, matching the mobilised resources to the size and granularity of the risks and other constraints of its activities, for the sake of effectiveness, business sustainability and scrupulous compliance with the established rules.

The number of employees placed in each one of the 3 areas specifically involved, under analysis, whose functions are executed in accordance with the highest standards of independence, objectivity, impartiality, integrity and professional competence, amounted on 31/12/2021, to:

- Risk Office: 72
- Compliance Office: 62
- Audit Division: 52

A. Risk Office

The primary function of the Risk Office is to support the Executive Committee and the Board of Directors in the development and implementation of risk management and internal control processes, ensuring that the Bank may achieve an overall view of all risks to which its activity is exposed to or may be exposed to in the future, as described in greater detail in the chapter on “Risk Management” of the Management Report 2021.

The Risk Office is an essential area of the second line of defence of the internal control system of the BCP Group, assuming supervisory functions, elaborating and implementing risk management policies and procedures, for example establishing limits to risk-taking, and monitoring their adequate execution and compliance in order to guarantee the alignment of the Bank's global objectives and the specific objectives of the organic units with the risk profile and appetite approved by the Board of Directors.

The head of the Risk Office is appointed by the Board of Directors, after obtaining the opinions from the Committee for Nominations and Remunerations, from the Audit Committee and from the Committee for Risk Assessment, being its suitability for the exercise of the functions subject to assessment and authorisation prior to his/her entrance into functions, by the competent supervisory authority.

In the performance of his/her duties, the Risk Officer reports hierarchically to the Executive Committee and functionally to the Committee for Risk Assessment.

Within the scope of functional reporting, the Risk Officer regularly reports to the Executive Committee, to the Committee for Risk Assessment, to the Audit Committee and to the Board of Directors management information covering the main risks at the Bank and the Group level.

The Risk Officer has direct access to the Chairpersons of the Board of Directors and of the Audit Committee and the Committee for Risk Assessment.

The Audit Committee and the Committee for Risk Assessment issue an opinion on the annual work plan of the Risk Office, being also the recipient of the current status reports on their making as well as on the performance shown by the resources allocated to the risk management function.

Risk Officer: Luís Miguel Manso Correia dos Santos

B. Compliance Office

The Compliance Office ensures the compliance function assigned to the "second line of defence", which includes control and regulatory compliance activities, analysing and advising the corporate bodies and the Bank's various divisions prior to taking decisions involving the assumption of specific risks under the monitoring of the compliance function in compliance with the responsibilities defined by Banco de Portugal's Notice 3/2020.

The Compliance Office is responsible for, in particular:

- ensuring corresponding compliance by all the Group's Institutions with the relevant contractual commitments and the ethical values of the organisation, guaranteeing the existence of an internal control culture, so as to contribute towards mitigating the risk of those Institutions being subject to sanctions or suffering significant financial or reputational damage;
- exercising the functions attributed to it by the Portuguese law or by another source of law;
- exercising the functions attributed to it by the Bank's statutory bodies.

In the exercise of the above-mentioned competences, the performance of the Compliance Office is based on a risk approach at the business, customers and transactions level.

The Compliance Office informs the Chairperson of the Board of Directors, within the maximum period of 2 business days, any situation where a high compliance risk is detected.

The Compliance Office, in the exercise of its powers, adopts the necessary actions and/or makes reports to respond adequately and timely to unintended or expected, present or future non-compliances, namely through the following mechanisms and activities:

- issuing decisions, with binding force for its addressees. These decisions issued by the Compliance Office, within the scope of the functions attributed by law or other normative source, are binding and may only be exceeded upon authorization by the Audit Committee, with the exception of those referring to the duties of abstention, refusal and communication, provided for in Law no. 83/2017, of August 18, and all others that are shown to be legally binding and cannot be reversed;
- issue determinations under the powers assigned to it by the corporate bodies, which are also considered binding, unless there is a decision to the contrary taken by the internal decision-making bodies empowered to do so and there is no binding legal provision relating thereto;
- in the exercise of its functions and within the scope of its powers, the Compliance Office has the power to suspend any transaction or process that it considers to be contrary to the rules in force, whether external or internal.

The Compliance Office is responsible for communicating to the management and supervisory bodies situations of non-compliance detected in the exercise of its functions that may cause the Bank to incur in an an administrative offence or other, or in significant damage to its assets or reputation. It also makes and sends to the Board of Directors, at least every six months, a report identifying the situations of non-compliance that occurred and the recommendations and rulings issued to correct the identified compliance issues or deficiencies.

The Compliance Office promotes, intervenes and participates in the training of Employees, namely through compliance training sessions for the entire Group, maintaining a high level of knowledge of compliance issues, namely prevention of money laundering / countering Financing of terrorism ((Anti-money laundering / countering Financing of terrorism – AML / CFT) and developing an internal control culture within the Group.

The Compliance Officer is appointed by the Board of Directors. As the head for the Compliance Office, the Compliance Officer hierarchically reports to the Executive Committee and functionally to the Audit Committee.

The Compliance Officer is part of the Compliance Office organizational structure and does not have, at any time, any kind of direct or indirect functional or hierarchical responsibility in the business areas.

The Audit Committee pronounces on the work plan of the Compliance Office, and this Committee is also the recipient of the work carried out by the compliance function, among which are those related to regulatory compliance, internal control system, including prevention and money laundering, conflicts of interest and detection of irregularities.
Compliance Officer: Pedro Manuel Francisco da Silva Dias

C. Audit Division

The Audit Division plays the role of 3rd line of defence of the Internal Control System of Banco Comercial Português (Bank) whose main mission is to assess, as a whole, and report to its stakeholders - in particular to the Audit Committee and to the Board of Directors - the adequacy and effectiveness of the organisational culture, the risk management process, the internal control system and the governance models of the Bank and the Group.

The internal audit function is permanent and independent, carrying out its mission by adopting the guidelines of the Institute of Internal Auditors (IIA), including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the guiding principles defined by the IIA, which translate into the issuance of recommendations focused on the strengthening of risk management, control and governance processes, and on the achievement of the Group's strategic interests, ensuring that:

- the risks are properly identified and managed and the controls implemented to monitor them are correct, adequate and proportional to their materiality;
- the methodologies for evaluating the Bank’s capital and liquidity positions are adjusted and make it possible to assess their adequacy regarding the levels of exposure to the risks;
- transactions are properly recorded and operational and financial information is true, appropriate, material, accurate, reliable and timely;
- the safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them, are duly ensured;
- Employees perform their functions in accordance with policies, group codes, including codes of conduct, internal standards and procedures, and other applicable laws and regulations;
- goods and services required for the Bank’s business are economically procured, efficiently used and appropriately protected;
- legal and regulatory provisions are recognised, clearly understood and appropriately addressed and integrated into the Bank's processes;
- programmes, plans and objectives defined by the management, in the Annual Budget and in the Strategic Plan, are followed;
- the Bank’s different governing bodies interact in an adequate, efficient and effective manner.

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal’s Notice 3/2020, ensuring the compliance of the functions of the internal control system, guaranteeing the existence of the following:

- an appropriate internal control environment;
- an appropriate environment of culture, conduct and values of the management body itself and its committees;
- a solid risk management system;
- an efficient information and communication system;
- an effective monitoring process.

The head of the Audit Division is appointed by the Board of Directors, after obtaining the opinion of the Committee for Nominations and Remunerations and the technical opinion of the Audit Committee, and his/her suitability for the performance of his/her duties is assessed and authorised prior to his/her taking up his/her duties by the competent supervisory authority, in line with the provisions of Notice 3/2020 of Banco de Portugal and the EBA guidelines on the assessment of the suitability of the members of management bodies and key function holders. The head of the Audit Division hierarchically reports to the Board of Directors, through its Chairperson, and functionally to the Audit Committee, and its performance evaluation process is ensured by both in articulation. The Committee for Nominations and Remunerations is responsible for deciding on the conditions of remuneration of the head of the Audit Division.

The Strategic Plan and the Multi-Annual Activity Plan of the Audit Division are approved by the Board of Directors, after opinions from the Audit Committee and the Executive Committee.

The Audit Division submits to the Executive Committee, the Audit Committee, the Board of Directors and its Chairperson reports on the monitoring of its activity, according to the periodicity defined at each moment, containing, namely, information on the execution of the audits plan, an overall assessment on the main deficiencies identified and respective recommendations, as well as on the status of the recommendations to be implemented and the corresponding implementation plans, as well as information on the activity of the subsidiaries abroad.

At least once a year, the monitoring report on the activity of the Audit Division also includes: an overall assessment of the adequacy and effectiveness of the Bank's organisational culture as a whole and of its governance and internal control systems, including the various components of both systems, and an overall assessment of the performance of the management and supervisory bodies and their supporting committees in the aforementioned context, on which the Board of Directors must issue an opinion, after hearing the opinion of the Audit Committee and the Executive Committee.

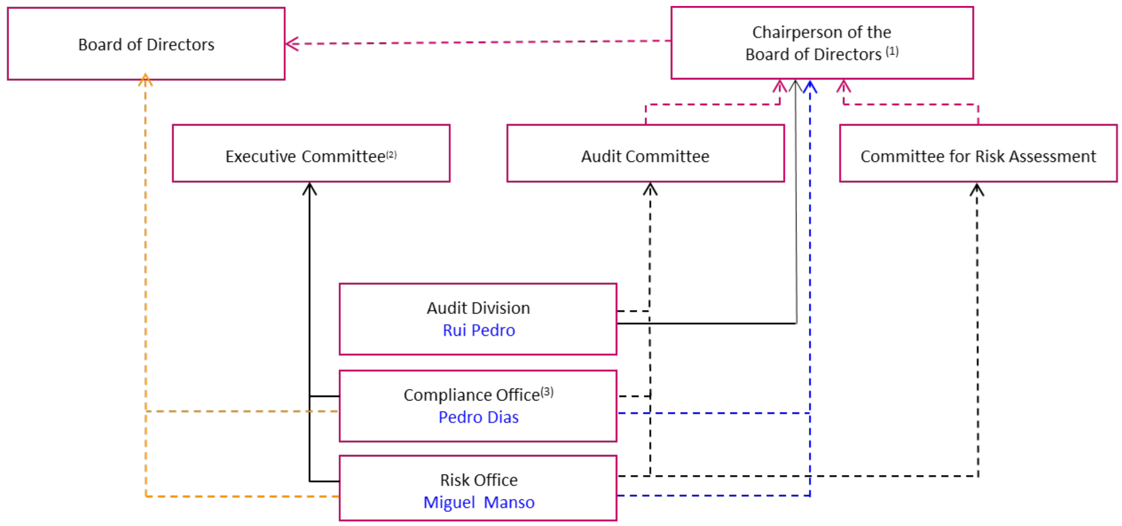
Additionally, the Audit Division informs the Chairperson of the Board of Directors, the Chairperson of the Audit Committee and the Chairperson of the Executive Committee on urgent matters under its responsibility that are materially relevant to the mission accomplishment of those bodies.

The Audit Division must also maintain and manage the Group’s disability database in order to ensure the timely availability of the information provided for, namely, in Article 31(13) of Banco de Portugal’s Notice 3/2020 and in Article 3(1) to (3) of Banco de Portugal’s Instruction 18/2020.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

The hierarchical and/or functional dependency of the Audit Division, the Compliance Office and the Risk Office in relation to other bodies or committees of the company, is shown in the following table:



(1) Audit Div: hierarchical reporting to the Board of Directors through its Chairman - Nuno Amado
(2) Compliance Office and Risk Office: hierarchical reporting to the Executive Committee; Director in charge - José Miguel Pessanha
(3) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Commission for Corporate Governance, Ethics and Professional Conduct.

hierarchical reporting
functional reporting
exceptional functional reporting

52. Other functional areas responsible for risk control.

In addition to the control areas that constitute the risk management system - the Risk Office and the Compliance Office (as defined in Section III of Chapter IV of Banco de Portugal's Notice 3/2020) - and the area responsible for assessing the adequacy and effectiveness of the organisational culture and governance and internal control systems - the Audit Division (as defined in Section V of Chapter IV of Banco de Portugal's Notice 3/2020) - there is an information and communication system that supports decision-making and control processes, both internally and externally, within the competence of the Accounting and Consolidation; Management Information; and Research, Planning and Assets and Liabilities Management Divisions; and the Economic Research, Sustainability and Cryptoassets Division, which guarantee the existence of substantive, current, coherent, timely and reliable information, enabling a global and comprehensive view of the financial situation, the activity development, the fulfilment of the defined strategy and objectives, the identification of the institution's risk profile and the behaviour and prospects for market evolution.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, according to the determinations and policies issued by the Executive Committee.

Thus, the Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Management Information Division, the Research, Planning and ALM Division and the Economic Research, Sustainability and Cryptoassets Division ensure the implementation of procedures and means needed to obtain all relevant information for the consolidation and information process at Group level - both of an accounting nature and to support management and the monitoring and control of risks - contemplating, namely:

- the definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, according to the accounting policies and guidelines defined by the Executive Committee, as well as the dates when the reports are required;

- the identification and control of the intra-Group operations;
- the assurance that the management information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the established objectives, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.

Still within the scope of the risks control environment, the role performed by several specialized offices which are first line structures directly reporting to the administration should be noted:

- the Office for the Validation and Monitoring of Models is a second line of defence unit within the model risk management framework, functionally independent from the areas responsible for internal models (model owners and developers) and from the Internal Audit Division, thus ensuring an adequate functions segregation. Its mission is to monitor and validate the methodologies and internal models for risk assessment used in the Bank and in the entities that integrate the Group in Portugal, as well as to ensure, in an independent manner, the assessment of the quality and adequacy of the risk management framework in terms of internal models, metrics and completeness of the associated records.
- the Office for Regulatory and Supervision Monitoring whose mission is to assist the Executive Committee in issues arising from the evolution shown by the regulatory framework and the practice of supervision and promote the coordination and/or participation, in articulation with other divisions of the Bank, in transversal projects and/or with external entities, promoting the knowledge dissemination and the involvement of the competent areas of the Bank, in order to achieve a specialized follow-up of the information and of interactions with authorities, definition of a positioning and compliance with information duties before supervisory and regulatory entities.
- the Personal Data Protection Office, whose head is the Data Protection Officer of the Bank and who has the mission of controlling the conformity of policies and procedures of the Bank with the ones from the Legal Framework of Data Protection and other data protection requirements from the EU or from State-Members, including awareness and training of employees involved in personal data processing operations.
- the Credit Division, responsible for performing the functions of risk assessment and control, according to its main competences: (i) appraise and issue opinions or decisions on credit proposals submitted by the Bank’s business areas, as well as credit restructuring proposals submitted by the Bank’s recovery areas, pursuant to the competences defined in internal regulations; (ii) monitor and follow-up of the credit portfolio of Clients managed in the commercial areas, anticipating possible default situations and promoting restructuring solutions whenever necessary and applicable; (iii) start up and/or participate in Bank-wide projects aimed at the improvement of credit and operating risk in the underlying internal processes/procedures, including opinions on products or services with credit risk; and (iv) develop, monitor, adjust or implement algorithms and automatic processes to support the credit decision, fraud detection, default prevention, efficiency in collection and recovery.
- the Rating Division (RATD) that participates in the control of risks associated to credit, has as its primary responsibility the attribution of risk levels to Companies which are Clients of the Bank, assuring that they are permanently assessed in an appropriate way. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely: Small, Mid and Large Corporate, Real Estate Promotion, Project Finance, State-owned Companies and Funds. The Rating Division periodically analyses the risk levels evolution in order to assess the suitability of the rating models used and to identify matters for their improvement, as owner of the specialised judgment models used by the Bank.

  The RATD actively collaborates in the Monitoring of the Bank’s loan portfolio, namely within the scope of the Corporate Risk Monitoring Commission (CRMC).

  The Rating Division develops and participates in many other activities of the Bank of which we highlight:

  - the individual impairment analysis of the Bank's corporate clients;
  - for exposures classified as Leverage or High Leverage, an analysis of the evolution of the respective ratio (calculated and registered in an application managed by the RATD).
  - analysis of the interest of potential Real Estate Development operations;
  - preparation of support reports for the Commercial Area for contacts with major Clients.

  The Real Estate Evaluation Unit is incorporated in the RATD and its mission is to ensure the operational procedures and functionalities inherent to the process of evaluating real estate and equipment, belonging to the Bank or given as collateral in credit operations.

- The Economic Research, Sustainability and Cryptoassets Division (ERSCD) aggregates different expertise, which includes the monitoring of the macroeconomic reality, sustainability issues and the crypto-active ecosystem. Specifically, the ERSCD's mission is to: (i) monitor developments in the Portuguese and global economy, as well as in international financial markets, aiming at supporting the Bank's management bodies and collaborating with the various business areas in promoting their respective activity; (ii) propose and execute global and coherent policies of sustainability and corporate social responsibility, which promote the development of the business with the incorporation of environmental, social and governance principles and enhance the growth of the institution's reputation and its capacity to add social and environmental value and respond to the needs and expectations of Stakeholders and (iii) monitor the evolution of the market and regulation of cryptoactives, in particular regarding central bank digital currencies, in order to support the management bodies to assess the potential of this ecosystem.

53. Details and description of the major risks (economic, financial and legal) to which the company is exposed in pursuing its business activity.

On this issue, see the information provided in the Management Report 2021, in the Chapter under the heading “Risk Management”.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, see the information provided in the Annual Report 2021, in the chapter under the headding on "Risk Management".

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors acknowledges the risk types to which the institution is exposed and of the processes used to identify, assess, monitor and control those risks, as well as the legal obligations and duties to which the Bank is subject, being responsible for ensuring that the Bank has effective internal control systems and defends the development and maintenance of an appropriate and effective risk management system.

Hence, the Management Body of Banco Comercial Português, namely through its Committees, Executive Committee (and respective specialised Commissions), Audit Committee and Committee for Risk Assessment:

- defines and reviews the overall and specific objectives regarding risk profile or level of tolerance to risk, as well as relative to the decision levels of the functional areas where these decisions are applicable;
- approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;
- verifies the compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the Bank's activity, so as to enable the detection and correction of any failures;
- ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
- issues opinions on the reports prepared by the Risk Management and Compliance functions, namely, on the recommendations for the adoption of corrective measures;
- ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The Board of Directors is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the Bank's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting.

Therefore and at a more operational level, it is responsible for approving the reporting or external disclosure information produced for this effect.

Regarding the annual self-assessment Report on the adequacy and effectiveness of the organisational culture, its governance and internal control systems provided for in Notice 3/202 of Banco de Portugal and Regulation 9/2020 of CMVM, the responsibilities of the management and supervisory bodies of the Bank, within the scope of their respective powers, are to ensure that an annual report is prepared, by reference to

November 30 of each year, concerning the group and an individual report concerning each of the entities subject to supervision on a consolidated or sub-consolidated basis, including the parent company and its Subsidiaries in Portugal and abroad, considering a proportionality criteria as for their relevance in the Group's activity. The said reports are reported to the aforementioned supervisory authorities, pursuant to Instruction of Banco de Portugal 18/2020.

This annual self-assessment report shall, as a minimum and according to the law, consist of the following elements, without prejudice to the inclusion of others that the management and supervisory bodies deem relevant:

- assessment of the institution's supervisory body;
- assessment of the management body;
- reports from the heads of risk management, compliance and internal audit functions.

These Reports were issued and delivered in December 2021, with reference to November 2021.

IV. Investor Support

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details.

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world, Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of three employees who ensure the relation with the market.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- monitoring the update of the evolution of the shareholder structure;
- represent the Bank in conferences and other types of events targeting investors of debt or shares;
- collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2021, as in previous years, the Bank pursued a broad activity related to communication with the market, adopting the recommendations of the Portuguese stock market regulator (CMVM) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2021 the Bank made more than 460 communications to the market, around 31 of which regarding privileged information, participated in several events, having been present in 10 conferences, held virtually and 7 roadshows (also held virtually), through which it made institutional presentations and one-to-one meetings with investors, and held meetings with more than 210 investors, which is indicative of investors' interest in the Bank.

In order to deepen its relations with its shareholder base, the Bank keeps a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relationship with the Rating Agencies consisted, in 2021, in the holding of the following meetings:

- annual meetings with DBRS (April 14), with S&P (April 15), with Fitch Ratings (June 16) and with Moody's (September 9);
- 12 conference calls with the four above mentioned agencies that attribute rating to BCP, to debate the results disclosed every three months by BCP;
- 22 meetings with the above-mentioned rating agencies to debate on themes related with the impact of Covid-19 on BCP, strategic plan, legal risk in Poland, status of moratoria, performance evolution, asset and capital quality, as well as on other themes, namely, related to clarification of privileged information announcements and other materially relevant information;
- meetings to revise the Credit Opinions, Press Releases and Rating Reports issued by the Rating Agencies in the course of the year.

All the information of relevant institutional nature disclosed to the public is available on the Bank's website, in Portuguese and English, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

d) Investor Relations Division contact information

Phone: + 351 21 113 10 84

Fax: + 351 21 113 69 82

Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0 Ala B, 2740-256 Porto Salvo, Portugal

e-mail: investors@millenniumbcp.pt

The company's website: www.millenniumbcp.pt

57. Market Liaison Officer

The Bank's representative for market relations is Bernardo Roquette de Aragão de Portugal Collaço.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

During 2021, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. Such requests were all handled and replied to, mostly within two business days. By the end of 2021, there were no outstanding requests for information relative to previous years.

V. Website

59. Address(es)

The Bank's website address is as follows: www.millenniumbcp.pt

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available.

The above information is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details.

The information on the identity of the members of the corporate bodies is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

The information on the financial statements, relative to each financial year and semester of the last ten years (according to the provisions of article 29-G no. 1 and 29-J no. 1 of the Portuguese Securities Code) is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements.

The information on the financial statements, relative to each financial year and semester of the last ten years (according to the provisions of article 29-G no. 1 and 29-J no. 1 of the Portuguese Securities Code) is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). It is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.

Whenever a General Meeting is convened and on the date of the respective call, a temporary page is created on the portal (www.millenniumbcp.pt) to support the General Meeting containing all the preparatory information and support information for participation in the Meeting, and an electronic mailbox is opened - pmag@millenniumbcp.pt - to receive correspondence from shareholders, namely letters expressing the intention to participate and proxy letters.

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

The historical records, including the call notice, the share capital represented, the proposals submitted and results of the voting, relative to the last ten years are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

D. REMUNERATIONS

I. Competence for determination

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (RWB), pursuant to sub paragraphs a) and b) of article 14 of the Bank's Articles of Association and under its delegated competence, for the four-year period of 2018/2021, by the General Meeting, is the competent body to determine the remuneration of the corporate bodies, as well as the terms of the supplementary retirement pensions, due to old age or disability, of the executive directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations, is also competent to submit to the Bank's General Meeting of Shareholders, every year, a statement on the remuneration policy for the Bank's corporate bodies.

The Remunerations and Welfare Board, in accordance with the provisions of its Regulations, in force since 31.12.2021, is also competent to analyse the regulations for the execution of the remuneration policy of the members of the corporate bodies which it receives, every year, from the Committee for Nominations and Remunerations and regularly monitor the evolution of compliance with the Regulations for the Execution of the Remuneration Policy of the members of the corporate bodies, informing the Board of Directors of its conclusions.

The Board of Directors, according to the provisions of article 7, no. 3.5, paragraphs a) and b) of its Regulations and as established in article 115-C no. 5 of the LFCIFC, is the competent body to approve and review the remuneration policies and practices of the Bank's employees and senior executives. In this duty, it is assisted by the Committee for Nominations and Remunerations which formulates, and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

The Committee for Nominations and Remunerations validated the correct implementation of the remuneration policy, which it did with the support of the external consultant KPMG, who prepared a Report of factual conclusions issued within the scope of the validation of the remunerations established and received in 2021 by the members of the Bank's corporate bodies and Coordinating Managers, and concluded for the accuracy and legal conformity of the data communicated to the Remuneration and Welfare Board, the Committee for Nominations and Remunerations and the Audit Committee, as well as its conformity and adequacy to the resolutions taken by the corporate bodies with the power to do so.

II. Remuneration and Welfare Board

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor

The remunerations committee, mentioned by article 399 of the Companies Code is elected by the General Meeting and adopts at BCP the denomination of Remunerations and Welfare Board, being composed by three to five members.

Within the scope of its activity, the Remuneration and Welfare Board has the mission to observe the long-term interests of shareholders, investors and other stakeholders in the institution, as well as the public interest.

The Remuneration and Welfare Board was elected at the General Meeting of Shareholders held on May 30, 2018. To fill the vacancy that occurred in the meantime, Nuno Almeida Alves was elected on May 22, 2019, to exercise functions in the 2018/2021 four-year period.

The Remuneration and Welfare Board ended its mandate on December 31, 2021, remaining in office until the next General Meeting that elects a new Remuneration and Welfare Board.

In the year to which this Report refers, the Board had the following composition:

Chairman: Jorge Manuel Baptista Magalhães Correia

Members: Ana Paula Alcobia Gray

Nuno Maria Pestana de Almeida Alves

During the 2021 financial year, the Remuneration and Welfare Board met four times, with one of the meetings being joint with the Committee for Nominations and Remunerations. Minutes of the meetings were drawn up and approved. The participants invited to the meetings gave their formal agreement to the wording of the items on which they had spoken, which is attached to the minutes of meetings and forms an integral part thereof. The Remunerations and Welfare Board had the logistical and technical support of the Company's Secretary, being administered by the Company's Secretary.

Attendance of the Remuneration and Welfare Board meetings by each of its members is shown in the following table:

Members of the Remuneration and Welfare Board	Attendance in Person	Attendance by Representation	Total Attendance
Jorge Manuel Baptista Magalhães Correia	4	0	100%
Ana Paula Alcobia Gray	4	0	100%
Nuno Maria Pestana de Almeida Alves	4	0	100%

The Regulations of the Remuneration and Welfare Board are available on the Bank's website on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CRP_BCP.pdf

Traditionally, both the members of the Remunerations and Welfare Board and the members of the Committee for Nominations and Remunerations attend the Bank's General Meetings. At the Annual General Meeting, held on May 20, 2021, held through electronic means, attended in person, the Chairman of the Remunerations and Welfare Board, Jorge Magalhães Correia, the remaining members attending remotely by electronic means, as well as all the members of the Committee for Nominations and Remunerations.

All the members of the Remuneration and Welfare Board exercising functions are independent regarding the executive members of the administration body.

In 2021, the amount of €50.000,00 was paid to the Member, Nuno Maria Pestana de Almeida, an amount established at the General Meeting held on May 22, 2019, at the time of the respective election. The remaining members, who also act as directors, do not receive any remuneration as such.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The members of the Remunerations and Welfare Board exercised, in the past, top positions in banking and financial companies or large listed companies, a fact that gives them professional experience, knowledge and the adequate profile in what concerns the remunerations policy, as may be seen in the respective curricula, namely in Annex II.

III. Structure of remunerations

69. Description of the remuneration policy for the management and supervisory bodies

Remuneration Policy of the members of the management and supervisory bodies

The Remuneration Policy set out below applies to the members of the Board of Directors, including Audit Committee and Executive Committee, and was submitted with binding effect to the General Meeting of May 20, 2021, by the Remuneration and Welfare Board and by the Committee for Nominations and Remunerations, having been approved by 95.27% of the votes cast, with shareholders representing 64.88% of the share capital being present or represented.

"1. Basic Principles

This Remuneration Policy applies to the members of the management and supervisory bodies (MMSB) of Banco Comercial Português, S.A. ("BCP" or "Bank"), was made in compliance with the provisions of the Group Code GR0042 on remuneration policies and is based on a number of principles that aim to ensure:

a) a governance model that promotes the alignment of the interests of all stakeholders, namely in what concerns to compliance with the strategy defined for the Bank, the sustainability of short-, medium- and long-term results, together with a prudent risk management;

b) a competitive fixed remuneration enabling to attract and retain competent professionals and a variable remuneration intended to stimulate individual and collective performance, as well as reward the results achieved, in line with the current and future Bank's risk appetite;

c) the attribution of benefits, namely in what concerns the retirement supplement, aligned with market practices;

d) the compliance with the applicable regulations and guidelines in terms of procedures and remuneration policy;

e) behaviours and commercial practices in line with the interests and needs of the Group's Clients;

f) Alignment of the criteria used to assess the Bank's performance and the calculation of the variable remuneration values in the different Remuneration Policies.

For that purpose, the Committee for Nominations and Remunerations (CNR) is required to define and annually review the framework principles defining the remuneration policy of the MMSB and submit, together with the Remunerations and Welfare Board, such policy, for approval at the General Meeting of Shareholders of the Bank.

The Committee for Risk Assessment (CRA) is required to examine if the incentives established in the policy for the remuneration of MMSB take into consideration the risk, capital, liquidity and expectations concerning results at any given time.

Whenever the CNR does not have, at least, a member of the CRA in its composition, the latter must indicate a representative to participate in the CNR meetings having the Remuneration Policy in the agenda.

For the making of the proposal on the Remuneration Policy and supervision of its implementation, the CNR must obtain an opinion from the RWB and get contributions and support from BCP's different management areas of which the following we highlight:

a) Risk, which should be involved to ensure that limits are not exceeded in terms of risk, total equity and liquidity of the institution, contributing for the definition of the measures for implementing the variable remuneration based on risk, namely ex ante and ex post measures and verify if the variable remuneration structure is in line with the Group's risk profile and culture;

b) Human Resources, which must contribute for the making and assessment of the Remuneration Policy, namely regarding the remuneration structure and levels and calculation of the amounts of AVR to attribute, taking into consideration strategic and budgetary objectives, retention strategies and market conditions;

c) Compliance, which must analyse in what extent the principles and practices of the Remuneration Policy may affect the BCP Group's capacity to comply with legislation, regulations, rulings, internal requirements and the respect for the company's culture, as well as the absence of conflicts of interest, reporting to the RWB and the CNR any anomalous situation which might put at risk or compromise such compliance;

d) Internal Audit, which must develop independent annual mechanisms for the validation/revision of the design of the Remuneration Policy, its implementation, calculation and respective effects.

In the independent analysis for the implementation of the Remuneration Policy, the CNR, with the support from the Internal Audit, will verify the implementation and compliance with the remuneration policies and procedures adopted and will communicate its conclusions to the RWB.

While making the proposal for the Remuneration Policy, the CNR follows clear and transparent procedures, which are documented, the documents regarding the making of the proposal and decisions formulation must be kept by means of minutes of meetings, reports and other relevant documents.

The CNR may hire independent and qualified experts and external consultants to assist one or more of its members in the performance of his/her functions, complementing and supporting the development of his/her duties.

It is considered essential that the fixed remuneration represents a sufficiently high portion of the total remuneration, so as to ensure the adequate balance between the fixed and variable components of the total remuneration.

The variable remuneration is in line with the strategy defined for the Bank and with its objectives, values and long-term interests. This way, the Bank guarantees a sustainable performance, adjusted to its risk profile.

In accordance with these principles, the attribution of a variable remuneration is dependent on the performance and on the sustainable growth of the Bank's income and adequacy of its capital ratios, as well as on the market conditions and on the possible risks, current and future, able of affecting the business. This way, the Bank is able to guarantee a model that is financially sustainable and does not harm the institution, its depositors, employees, shareholders and remaining stakeholders.

The remuneration of the responsible director for Risk and Compliance Division translates the need to guarantee a greater independence versus the Bank's performance, so qualitative indicators must be privileged as well as quantitative indicators related with the compliance of behavioural and prudential rules in the calculation of the variable remuneration.

The definition of deferral deadlines for the variable remuneration payment and the payment of a significant part of its value in Bank shares is aimed at contributing to individual performance in line with the Bank's long-term and sustainability objectives, adapted to its risk profile.

There are also mechanisms for reducing (malus) or reversal (clawback) all or part of the variable remuneration, in order to comply with legal and regulatory requirements, as well as to observe the recommendations and guidelines issued by the competent entities. The ability to totally or partially reduce (malus) the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as to, partially or totally retain the payment of a variable remuneration, the payment of which is an acquired right (clawback), is limited to extremely significant events, duly identified and wherein the involved individuals had a direct participation.

The application of the reversal mechanism should be supplementary to the reduction mechanism; that is, in the event of an extremely significant event, the application of the reduction mechanism (malus) will be a priority and only when this is exhausted and insufficient or other criteria for the application of the reversal mechanism (clawback) resulting from the applicable legal framework and EBA guidelines are verified, should the use of this mechanism be considered.

Article 1

(Object)

This Policy establishes the rules for the attribution of the annual fixed remuneration, of the annual variable remuneration, long term variable remuneration and other benefits attributable to the members of the corporate bodies of the Company, including the Retirement Regime.

Article 2

(Definitions)

The following expressions and acronyms, when capitalized, shall have the following meaning:

i) BCP, Bank or Company – Banco Comercial Português, S.A.

ii) AudC - Audit Committee

iii) CRA - Committee for Risk Assessment

iv) CEO - Chairperson of the Executive Committee

v) CNR – Committe for Nominations and Remunerations

vi) CRO – Chief Risk Officer

vii) RWB – The Remuneration and Welfare Board

vii) Autonomous Document – Document containing, in the first part, the specific amounts of the remuneration of the different members of the corporate bodies, approved by the RWB, and in the second part, the calculation formulas, indicators or indexes to use for determination purposes, approved by joint resolution of the CNR and the RWB.

ix) Group or Group BCP – includes the Company and all the companies in a control or group relationship with the Company, Millenniumbcp Prestação de Serviços ACE, Fundação Millenniumbcp and Clube Millenniumbcp

x) AVR Evaluation Period – period from January 1 to December 31, 2019, 2020 and 2021 respectively.

xi) LTVR Evaluation Period - period of time from 1 January 2018 until 31 December 2021.

xii) AVR Attribution Price - corresponds to the average of closing prices of the shares of the Company recorded during the two months prior to the beginning of each AVR evaluation period.

xiii) LTVR Attribution Price - corresponds to the average of closing prices of the shares of the Company recorded during the two months prior to the beginning of each LTVR evaluation period.

xiv) PSI20 – Portuguese stock index – PSI20 Index composed of the companies chosen at each moment by the competent bodies of Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

xv) Retirement supplement – the Retirement Supplement regime due to old age or disability to be paid by the company, foreseen in article 17 of the Company's articles of association.

xvi) AFR - annual fixed remuneration.

xvii) AVR - annual variable remuneration.

xviii) Target AVR – Annual variable remuneration corresponding to 100% compliance with the quantitative and qualitative objectives mentioned in the applicable annexes.

xix) LTVR - long-term variable remuneration.

xx) Target LTVR - Long-term variable remuneration corresponding to 100% compliance with the objectives mentioned in the applicable annexes.

xxi) Stoxx Europe 600 Banks Index (SX7P) – Index of shares composed by large European Banks.

xxii) TSR – – total shareholder return, estimated by means of the following equation, the data of which are obtained through an independent and recognized market information platform (ex: Bloomberg or Reuters): [(Average of the closing prices of the shares for the two months prior to the end of the evaluation period – Average of the closing prices of the shares for the two months prior to the beginning of the evaluation period) + Dividends per share paid to the shareholders in that period] / Average of the closing prices of the shares for the two months prior to the beginning of the evaluation period, adjusting stock prices to reflect the effects of share capital increases, incorporation of reserves or similar transactions. The dividends to consider are those that, in relation to the approval date, have been more recently approved.

xxiii) Member - Member of the Executive Committee.

xxiv) VC - Vice-Chairperson of the Executive Committee.

Chapter I
Members of the Company's Management and Supervisory Corporate Bodies

Article 3

(Contracts duration and termination conditions)

1. The duration of the contracts of the members of the Management and Supervisory Bodies (MMSB) corresponds to the duration of the mandate for which they were elected by the General Meeting of Shareholders or, in case of co-optation, to the remaining period of the mandate in progress.

2. Should any member wish to terminate his/her contract, such termination shall only take effect at the end of the month following that in which the intention was communicated, and the Board of Directors may, with the favourable opinion of the AudC, dispense with this prior notice and no compensation shall be paid.

3. The Board of Directors or the AudC may decide to terminate the contract of any MMSB, without prior notice, and the compensation to be paid in case of termination without just cause shall correspond to the remuneration due until the end of the mandate, and the MMSB concerned may waive all or part of that compensation. If the termination of the contract is based on just cause, there will be no compensation payment.

Article 4
(Annual Fixed Remuneration,variable remuneration and benefits)

1. The setting of remuneration and benefits for the Members of the Governing Bodies is the competence of the RWB and, being fixed for the term of office, may, in admittedly exceptional situations, be reviewed by the RWB during the same.

2. The members of the Executive Committee and the non-executive Directors exercising functions under an exclusive regime, are also entitled to the benefits foreseen in article 12.

Chapter II

Members of the Board of the General Meeting

Article 5

(Annual Fixed Remuneration)

1. The members of the Board of the General Meeting of the Company are entitled to an annual fixed remuneration established by the RWB, paid in four quarterly payments and to corporate bodies health insurances subscribed by the Bank and at each moment in effect.

2. The remuneration referred to in 1. fixed at each moment is set out in the Autonomous Document.

Chapter III

Non-Executive Members of the Board of Directors

Article 6

(Annual Fixed Remuneration)

1. The non-executive members of the Board of Directors of the Company are entitled to a fixed annual remuneration, paid in 12 monthly instalments, and to the health insurance that is contracted by the Bank at any time for its Employees and Executive Directors.

2. The remuneration referred to in 1. fixed at each moment is set out in the Autonomous Document.

3. The RWB may, at its own request, decide not to award remuneration to non-executive member(s) of the Board of Directors of the Company who are related to shareholders with qualifying holdings.

Chapter IV

Executive Members of the Board of Directors

Article 7

(Annual fixed Remuneration)

1. The members of the Executive Committee are entitled to a fixed annual remuneration, paid in 14 monthly instalments and contained in the Autonomous Document.

2. The Retirement Supplement due to old age or disability mentioned in article 13 does not have a discretionary nature, so it is a fixed remuneration.

Article 8

(Variable Remuneration)

1. The members of the Executive Committee may also receive a variable remuneration, consisting of a component attributed with reference to the financial year to which it relates (AVR) and of a long-term component (LTVR), attributed with reference to the entire mandate.

2. The attribution and determination of the AVR and LTVR is the responsibility of the RWB upon proposal by the CNR and after obtaining the opinion of the CRA in matters within its competence for the purposes of the Base Principles above.

3. The process of calculating the AVR and LTVR, aiming at their subsequent approval, must be concluded by the end of March, and for this process the value of the Annual Variable Remuneration to be attributed to the Bank's Employees must also be considered.

4. The variable remuneration, both annual and long term, may be waived in exceptional cases, or conditionally postponed, namely if, after hearing the AudC and CRA, any of the following situations occurs: (i) there is no solid capital base; (ii) its attribution unduly limits the Company's ability to strengthen its equity; or (iii) such attribution is found not to be compliant with applicable laws, regulations or guidelines.

5. The sum of the parts of the annual and multi-annual variable remuneration of the various directors, due in each year, may not together exceed the amount established in the Bank’s articles of association.

6. The attribution of the variable remuneration is subject to the positive evolution of own funds value under a prudential perspective (value of capital for calculation purposes of the CET1 of the Group), and may, by decision of the RWB after listening to the CNR and the CRA, not be considered extraordinary operations that, by their size and/or impact, affect the capital.

7. No guaranteed variable remuneration shall be granted, except when hiring a new executive director and, in that case, only in the first year of office and it will only be granted by the RWB if, after hearing the AudC and the CRA, it is verified that the Company has a solid and strong capital base.

8. Only for purposes of estimating the attributable variable remuneration, the amounts corresponding to the Retirement Supplementary Regime are not considered AFR.

9. The variable component of the remuneration is associated with performance, so its total value may vary between zero, if the achievement degree of the objectives is below the minimum defined, and a maximum that may, each year and in compliance with the conditions set out in this document and in the law, reach twice the AFR.

10. The AVR will be paid 50% in cash and 50% in BCP shares, either in the deferred or the non-deferred component.

11. Unless expressly requested by the beneficiary director, the number of shares to be delivered to comply with the provisions of the preceding paragraph will correspond to the amount payable in shares net of income tax (IRS).

12. Under no circumstances may each beneficiary be awarded a variable remuneration which, after conversion of the number of shares (valued at the award price), totals an amount greater than 200% of the corresponding AFR, either in years when there is only AVR, or in years when AVR and LTVR coexist.

13. Whenever the variable remuneration, calculated pursuant to the preceding number, exceeds the AFR component, the amount that exceeds the AFR shall only be payable to the extent that it is less than 200% of the corresponding AFR and may only be paid after approval by the General Meeting of Shareholders (pursuant to article 115-F of the Legal Framework for Credit Institutions and Financial Companies), by proposal of the RWB, having heard the CNR, the CRA, the Risk Officer and the Compliance Officer.

14. The definition of the quantitative indicators is made by the CNR, after hearing the CRA, and is made based on the Bank's strategic objectives, being also considered as integral component of the process for the definition of the key-risk indicators, so as to ensure an alignment of the risk profile of the executive members of the Board of Directors with the tolerable risk level by the Bank.

15. The variable remuneration of the CRO privileges qualitative and quantitative indicators related with the compliance of the prudential and behavioural rules, as well as the evolution of the Bank's risk profile.

16. As foreseen in no. 15 of article 115-E of the Legal Framework for Credit Institutions and Financial Companies, no relevant hedging mechanisms may be used with the purpose of attenuating the effects of alignment with the risk inherent to the types of remuneration, and no variable remuneration can be paid by means of special purpose vehicles or other methods with an equivalent effect.

Article 9

(Long-Term Variable Remuneration)

1. The attribution of AVR depends on the verification of a weighted average equal to or greater than 80% of the achievement degree of the Corporate KPIs established for the overall performance of the Bank, which are set out in the Autonomous Document.

2. The overall value of the Annual Variable Remuneration to be attributed is subject to a maximum amount (Bonus-Pool), calculated under the terms defined in the Autonomous Document, and its overall value may not exceed 1.00% of the net profit for the year to which the AVR refers to. Should the sum of the calculated individual annual variable remunerations be greater than the maximum value calculated, an adjustment factor will be applied to the calculated individual values, so that their sum does not exceed the maximum value calculated.

3. The individual AVR considers the following values (without prejudice to the provisions of paragraphs 11 and 12 of Article 8):

i) Target LTVR – 42% of the corresponding total AFR (corresponding to 60% of the sum of the Target AVR and Target LTVR);

ii) Maximum AVR Attributable - 63% of the corresponding AFR.

4. The RWB, jointly with the CNR, after hearing the CRA and the AudC, may - by means of written explanation recorded in the minutes of meeting - adjust the AVR amounts resulting from the application of the percentages provided for in the preceding paragraph, as well as an adjustment factor to the overall amount of the annual variable remuneration provided for in paragraph 2, with a minimum of -25% and a maximum of +25%, namely to cope with any current or future risks, cost of own funds and liquidity required by the BCP Group, or to reflect exceptional factors affecting the performance of the Bank or to contribute to the cohesion of the Body.

5. When the adjustment factor implies a positive or negative variation equal to or greater than 12.5%, that is 50% of that indicated in paragraph 4 above, it must be the subject of written explanation.

6. The calculation of the AVR amount is based on the results of the performance evaluation throughout the AVR Evaluation Period in question and results from the sum of two autonomous and independent components:

i) 80% of the amount is based on the evaluation of the compliance level with the quantitative objectives (corporate KPIs);

ii) 20% of the amount is based on the evaluation of performance of each director regarding the qualitative objectives.

7. The corporate KPIs are established, each year, by the CNR, after hearing the RWB, based on the Business Plan or Budget for the respective period, previously approved by the Board of Directors and will be part of the Autonomous Document.

8. The KPIs mentioned in the preceding paragraph should be in line with the goals of the Strategic Plan and consider the risk appetite defined by the Bank and the capital and liquidity plans, KPIs being defined for the global performance of the Bank and differentiated KPIs for each director, adjusted to his/her areas of responsibility.

9. The values of the corporate KPIs defined for each year will be mentioned in the Autonomous Document.

10. The calculation of the AVR amounts shall be made by the Bank's Division in charge of planning and management control and shall be audited by the Internal Audit Division and, pursuant to a resolution adopted by the RWB, those calculations may be validated by an external independent entity.

11. The attribution of the AVR depends on the performance registered regarding each corporate KPI, and is calculated as follows (without prejudice to the provisions of Article 8, paragraphs 10 and 11):

i) If the recorded performance falls under 80% of the established KPI, no AVR shall be granted for that quantitative objective;

ii) If the recorded performance falls between 80% and 90% of the established KPI, the value falling within the range 70% to 80% of the Target AVR for that objective, as set forth in the Autonomous Document, is due;

iii) If the recorded performance falls between 90% and 110% of the established KPI, the value failing within the range 80% to 120% of the Target AVR for that objective, as set forth in the Autonomous Document, is due;

iv) If the recorded performance falls between 110% and 150% of the established KPI, the value failing within the range 120% to 150% of the Target AVR for that objective, as set forth in the Autonomous Document, is due;

v) If the recorded performance meets 150% of the fixed objective or more, the value corresponding to 150% of the Target AVR for that objective, as set forth in the Autonomous Document, is due.

12. The AVR owed to each executive member, by virtue of the corporate KPIs, results from the following equation: percentage of the Target AVR based on performance, in accordance with no. 8, multiplied by 80%.

13. The qualitative assessment of the members of the Executive Committee is the CNR's responsibility, after hearing the non-executive Chairperson and Vice-Chairperson of the Board of Directors and the Chairperson of the Executive Committee, who will only decide on the other members of the Executive Committee.

14. The annual weighted evaluation of the qualitative objectives will be measured and estimated according to a table/questionnaire approved by the CNR, after hearing the RWB, the Compliance Officer and the Head of Human Resources.

15. The global performance of the qualitative objectives is a result of the weighted average of the objectives set forth in the Autonomous Document (rounded to the unit), with the weight mentioned in no. 3 ii) of this article and according to the following parameters:

i) If the recorded global performance is lower than level 2 ("Somewhat Lower than Expected"), no excess regarding the AVR will be estimated, as such;

ii) If the recorded global performance is between level 2 ("Lower than Expected") and level 3 ("Meets the Expectations"), the amount placed in the interval 60% and 100% of the Target AVR for that objective, as set forth in the Autonomous Document, shall be attributed;

iii) If the recorded global performance is between level 3 ("Meets the Expectations") and level 4 ("Above Expectations"), the amount placed in the interval 100% and 130% of the Target AVR for that objective, as set forth in the Autonomous Document, shall be attributed.

16. The non-deferred component of the AVR is paid in the month following the date of approval of accounts by the Annual General Meeting of Shareholders ("AVR Payment Date").

17. Notwithstanding the provisions of paragraphs 10 and 11 of Article 8, the AVR shall be deferred by 40% over a period of 5 years, one fifth of which shall be paid each year, on the AVR Payment Date, with payment being made 50% in cash and 50% in Company's shares, for both the deferred and the non-deferred

component. If the AVR equals or exceeds two thirds of the AFR of each member, 60% of that amount must be paid in a deferred manner.

18. The number of Company's shares to attribute to each executive director results from the quotient between the AVR value estimated after the performance assessment and the AVR Attribution Price.

19. The Company's shares attributed as AVR, in accordance with no.16 above, are subject to a retention policy for a period of one year starting on the AVR Payment Date, so the executive director will not be able to sell them during the 12 months following their delivery, except for the provisions of the following number.

20. The executive director may sell or encumber the shares in an amount necessary to cover all taxes and contributions payable arising from the allotment of shares. As an alternative, the director will be able to choose the "sell-to-cover" regime, through which the number of shares that will be delivered to him/her will already be deducted from the number of shares which must be sold in order to pay taxes and contributions corresponding to the total value of the shares attributed.

21. If the member of the Executive Committee is not elected for a new term-of-office, the unavailability regime foreseen in article 17 above will continue to be in effect.

22. If the member of the Executive Committee leaves office, for any reason, with the exception of dismissal for just cause, after the end of the evaluation period, but before the AVR payment, the AVR corresponding to that evaluation period will be paid in full, corresponding to that evaluation period, in compliance with the deferment periods and composition (cash or shares).

23. The AVR payment corresponding to the evaluation period in which the member of the Executive Committee ceases functions will not be due, except if such cessation occurs by mutual agreement, retirement, death, disability or in any other case of termination of term-of-office for a reason not imputable or unrelated to the member of the Executive Committee, namely change of control of the Company, among others, following a takeover bid, in which cases there will be a proposal for the attribution of the AVR pro-rata temporis - after resolution by the RWB, after hearing the CNR -, and the maximum amount of the compensation shall consider the AVR average of the last 3 years, or a lower number of years in case the director has been in office for a period of less than 3 years.

24. If a new non-executive director begins his/her functions in the middle of the term of office, he/she is entitled to a pro-rata temporis payment of the AVR and the LTVR.

Article 10

(Long-Term variable remuneration)

1. The long-term variable remuneration ("LTVR") is exclusively paid through the award of Company's shares, considering the following reference values ("Target") and maximum limits (without prejudice to the provisions of paragraphs 10 and 11 of Article 7):

i) Target LTVR – 28% of the corresponding AFR of the LTVR evaluation period (corresponding to 40% of the sum of the Target AVR and Target LTVR);

ii) LTVR maximum value – 42% of the corresponding AFR of the LTVR evaluation period.

2. The CNR, after hearing the RWB, the Committee for Risk Assessment and the Audit Committee, may apply an adjustment factor of the percentages provided for in the preceding paragraph, with a minimum of -25% and a maximum of +25% namely, to cope with possible risks, current and future ones, cost of own funds and of liquidity required by the BCP Group, as well as to translate exceptional performances by the Bank.

3. When the adjustment factor implies a positive or negative variation equal to or greater than 12.5%, that is 50% of that indicated in paragraph 2 above, it must be the subject of written explanation.

4. The calculation of the number of shares corresponding to the LTVR to be awarded is based on the results of the performance evaluation during the LTVR Assessment Period and is assessed in accordance with the Autonomous Document.

5. The attribution of LTVR regarding the performance foreseen in the previous paragraph depends on the degree of compliance with the objectives as of December 31, 2021, set forth in the Autonomous Document.

6. The performance evaluation components are of a quantitative nature and are established by the CNR, after listening to the RWB and set out in the Autonomous Document.

7. In case there is an operation altering the perimeter of BCP with relevant impact and the Board of Directors approves the alteration of the objectives of the Strategic Plan, the evaluation components must be revised accordingly by the CNR, after hearing the RWB.

8. The LTVR should be paid in the month following the date of approval of the accounts by the General Meeting of Shareholders ("LTVR Payment Date"), by attributing the Company's shares in accordance with the terms and conditions foreseen in the Policy.

9. Notwithstanding the provisions of article 8, paragraphs 10 and 11, the LTVR shall be deferred by 40% over a 3 year period and one third shall be paid each year on the LTVR Payment Date. If the LTVR is, regarding each member, equal to or greater than two-thirds of the AFRs due for the LTVR Assessment Period, the deferred amount shall be 60%.

10. The number of shares to attribute to each executive director results from the the quotient between the value of the LTVR, estimated after the assessment of the performance and the LTVR Attribution Price.

11. The LTVR payment requires the full exercise of the term-of-office or of its remaining period for which the executive member was appointed, except in situations of termination of functions by mutual agreement, retirement, death, disability or in any other case of early termination of the term-of-office for a reason not imputable or unrelated to the member of the Executive Committee, including change of control of the Company, among others, following a takeover bid, in which cases there will be a proposal for the attribution of the pro rata temporis LTVR, after resolution by the RWB, after hearing the CNR, at the end of the term of the LTVR Assessment Period.

12. If a member of the Executive Committee leaves the office, for whatever reason, with the exception of dismissal for just cause, after the end of the evaluation period but before payment of the LTVR, it will be paid in full for the evaluation period, subject to the limits and deferral periods and composition (in cash or shares) established in the applicable regulations.

13. The shares of the Company attributed as LTVR are subject to a retention policy for a one-year period starting from the LTVR Payment Date (mentioned in item 8) so that, during the 12 months following their delivery, the director is unable to sell them, except in the cases mentioned in the following number.

14. The beneficiary may sell or encumber the shares in an amount necessary to cover all taxes and contributions payable arising from the allotment of the shares. Alternatively, the director will be able to choose the "sell-to-cover" regime, through which the number of shares that will be delivered to him/her will already be deducted from the number of shares which must be sold in order to pay taxes and contributions corresponding to the total value of the shares attributed.

15. If the member of the Executive Committee is not elected for a new term-of-office, the unavailability regime foreseen in article 13 above will continue to be in effect.

16. Notwithstanding the provisions of this Article 10, the determination of the LTRV final amount shall consider the AVR amount and the limitations set out in Article 8(11) and (12)..

Article 11

(Termination of functions before the end of the annual term-of-office)

1. The Director who terminates his/her office before the end of the term of office, other than by resignation or removal with just cause, shall be entitled to an indemnity to be calculated by the CNR and decided by the RWB after hearing the Committee for Risk Assessment.

2. The compensation to be attributed in compliance with the provisions of the preceding paragraph shall not qualify as fixed remuneration, and its payment shall be subject to the signing of a non-competition commitment, for a period corresponding to the term-of-office in progress at the date of the dismissal.

3. The amounts to be attributed in compliance with the provisions of paragraph one may not exceed the global fixed remuneration that would be due until the end of the term-of-office, increased, in the case of Executive Directors, by an amount corresponding to the average of the AVRs that have been attributed to them in the years in which they have been in office during the term-of-office in which they cease.

Article 12

(Malus and clawback clauses)

1. The total variable remuneration, regardless of whether or not acquired rights have already been constituted, is subject to reduction or reversal mechanisms whenever it is proven that the Executive Director, with intent or gross negligence, participated in or was responsible for actions that resulted in significant losses for the Group or failed to comply with criteria of adequacy and suitability up to the date of the last payment of the variable remuneration in the case of the reduction mechanism and up to 3 years after payment of the deferred remuneration in the case of the reversal mechanism.

2. The option to reduce (malus), totally or partially, the payment of deferred remuneration, the payment of which is not yet an acquired right, as well as the return of variable remuneration paid, the payment of which constitutes an acquired right (claw-back), is limited to significant events, duly identified, in which the persons covered have had an active participation, with intent or gross negligence.

3. The reduction or reversion of the variable remuneration should always be related with the performance or the risk and should respond to the effective results of risks or alterations in the continuing risks faced by the Group, the Bank or by the areas under special responsibility of the executive director in question and should not be based on the number of dividends paid or on the shares price performance.

4. The application of the claw-back mechanism shall be supplementary to the reduction mechanism; that is, in the event of a significant event, the application of the reduction mechanism (malus) shall take priority and only when this is exhausted, is insufficient, or arises from the verification that the director has significantly contributed to the negative financial performance of the Group or to the application of regulatory sanctions, or in the event of fraud or other serious misconduct or negligence that has caused significant losses, should recourse to the claw-back mechanism be considered.

5. In any circumstance and concerning the application of malus or claw-back mechanisms, the EBA guidelines (European Banking Authority) that are in effect at the time will always have to be observed and complied with.

6. The verification of the situations described in this Article shall be the responsibility of the CNR, and its application shall be decided after hearing the RWB, the CRA, the AudC and the Chairperson of the Board of Directors.

Article 13

(Benefits)

The members of the Executive Committee and the non-executive directors exercising functions under an exclusive regime, are entitled to the following benefits:

i. Health insurance, credit card and mobile phone, in line with what is attributed to the remaining bank employees.

ii. Retirement Supplement.1. The directors shall benefit from the social security regime applicable in each case.

Article 14

(Supplemental retirement pension for disability or old age)

1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a Retirement Supplement, formed by capitalization insurance contracts of which each director will be the beneficiary.

3. Pursuant to an agreement established with each director, the capitalization insurance contract may be replaced by contributions to pension funds with a defined contribution.

4. The annual amount of the Bank's contributions, within the scope of the two previous paragraphs, is established by the RWB, after hearing the CNR.

5. The Bank's annual contribution for the plan set forth in the previous paragraph is equal to the value, before applying any income tax deductions for individuals, corresponding to 20% of the annual gross fixed remuneration defined at any given time by the RWB.

6. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

7. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the applicable social security regime.

8. At the time of the retirement, the beneficiary may choose to redeem the capital if and to the extent that the contract underlying the alternative chosen by him/her, so allows.

9. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law.

Article 15

(Pension discretionary benefits)

No discretionary pension benefits based on the performance of the Bank or individual performance, or any other factors of a discretionary nature are expected, although the General Meeting may approve the attribution of an extraordinary contribution under the terms of Article 13(6) above.

Article 16

(Remuneration earned due to the performance of other functions related with BCP)

1. Bearing in mind that the remuneration of the executive members of the Board of Directors, as well as of the non-executive members in an exclusive regime of functions, is intended to compensate activities that they develop in BCP directly, as well as in companies related to it (namely companies in a controlling or group relationship with BCP), or corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remuneration earned annually for such functions by each executive member of the Board of Directors and each non-executive member in an exclusive regime of functions, shall be deducted from the AFR's respective value.

2. It is the obligation and responsibility of each member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above.

Article 17

(Insurances)

1. The Directors must subscribe to a bond insurance in abidance by article 396 of the Companies Code.

2. In addition, the Bank subscribes to a Directors & Officers insurance policy following market pratice."

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

On this issue, see item 69. - articles no. 7 and 8.

71. Reference, where applicable, to there being a variable remuneration component and information on any potential impact of the performance appraisal on this component.

On this issue, see item 69. - articles no. 7 to 9.

72. The deferred payment of the remuneration's variable component and specify the relevant deferral period.

On this issue, see item 69. - article no. 8, no. 16.

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

On this issue, see item 69. - article no.8, no. 1 to 14 ad 17 to 19).

74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price.

During the financial year to which this report relates to, the Bank did not attribute a variable remuneration on options to the executive members of the Board of Directors.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

The remuneration conditions for directors are set out in items 69 and 77. - A and B. Apart from health insurance under the same regime as all the Bank's Employees, which applies to all directors, and the right to use a car and mobile phone for executive directors or directors with exclusive rights regime, the Bank's directors do not receive any other non-pecuniary benefits.

Some directors with labour contracts with the Bank have mortgage loans granted prior to their election under the conditions set out in the Collective Work Agreement (CWA) - of the BCP Group, as referred to in note 51 to the consolidated financial statements, which also identifies the ceilings and conditions of the corresponding private credit cards.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis.

The Retirement Regime for old age or disability of the members of the Executive Committee is defined in article 17 of the Company's Articles of Association and in the document approved in the General Meeting held on May 20,2021, which is transcribed below:

"1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a Retirement Supplement formed by capitalization insurance contracts of which each director will be the beneficiary.

3. Pursuant to an agreement established with each director, the capitalization insurance contract may be replaced by contributions to pension funds with a defined contribution.

4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, is established on a yearly basis by the Remunerations and Welfare Board, after hearing the Committee for Nominations and Remunerations.

5. The Bank's annual contribution for the plan set forth in the previous paragraph is equal to the value, before applying any income tax deductions for individuals, corresponding to 20% of the annual gross fixed remuneration defined at any given time by the Remunerations and Welfare Board.

6. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

7. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the applicable social security regime.

8. At the time of the retirement, the beneficiary may choose to redeem the capital if and to the extent that the contract underlying the alternative chosen by him/her, so allows.

9. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law."

The attribution of pension discretionary benefits based on the Bank's performance or on the individual performance or on any other factors with a discretionary nature is not envisaged. However, the General Meeting of Shareholders may approve the attribution of an extraordinary contribution.

The costs with the retirement supplements paid the the 2020 financial year are described in the following table:

Chairman and Executive Members of the Board of Directors	Position	Retirement Supplement (€)	IRS withheld from Retirement Supplement (€)	Amount transferred to the Pension Fund (€)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	138,000.00	60,996.00	77,004.00
Miguel Maya Dias Pinheiro	Vice-Chairman of the BoD and Chairman of the EC	129,999.96	57,192.00	72,807.96
Miguel de Campos Pereira de Braganca	Vice-Chairman of the Executive Committee	103,999.98	44,396.00	59,603.98
João Nuno de Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	103,999.98	45,026.00	58,973.98
Rui Manuel da Silva Teixeira	Member of the Executive Committee	91,000.00	40,222.00	50,778.00
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	91,000.00	40,222.00	50,778.00
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	91,000.00	18,200.00	72,800.00
	Total	**748,999.92**	**306,254.00**	**442,745.92**

The Retirement Regulations of the Executive Directors is available on the Bank’s website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

IV. Disclosure of remunerations

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same, as well as quantitative information on the remuneration paid to the different categories of employees, foreseen in article 115-C (2) of the Legal Framework for Credit Institutions and Financial Companies

In the financial year of 2021, the amount of the fixed remuneration paid as a whole and individually to members of the company's board of directors (executive and non-executive) is shown in the following table:

A - Annual Fixed Remuneration

		Annual Fixed Remuneration			
		A	B	A + B	
Non-Executive Members of the Board of Directors	Position	Directly paid by BCP (€)	Received Through Other Companies (a) (€) Received	Remuneration of the Corporate Bodies set BCP (€)	IRS tax withheld from the fixed Remuneration (€)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	657,203.13	32,796.87	690,000.00	290,478.00
Jorge Manuel Baptista Miagalhaes Correia	Vice-Chairman of the Board of Directors	110,000.04	0.00	110,000.04	42,348.00
Ana Paula Alcobia Gray	Member of the Board of Directors	125,000.04	0.00	125,000.04	41,364.00
Jose Manuel Alves Elias da Costa	Member of the Board of Directors	144,999.96	0.00	144,999.96	49,872.00
Julia Gu(*)	Member of the Board of Directors	0.00	0.00	0.00	0.00
Lingjiang Xu	Member of the Board of Directors	125,000.04	0.00	125,000.04	49,368.00
Teofilo Cesar Ferreira da Fonseca	Member of the Board of Directors	155,000.04	0.00	155,000.04	62,148.00
	Sub-total	**1,317.203.25**	**32,796.87**	**1,350,000.12**	**535,578.00**

Members of the Audit Committee					
Cidália Maria da Mota Lopes	Chairwoman of the Audit Committee	155,000.04	0.00	155,000.04	62,148.00
Fernando da Costa Lima	Member of the Audit Committee	125,000.04	0.00	125,000.04	49,368.00
Valter Rui Dias de Barros	Member of the Audit Committee	135,000.00	0.00	135,000.00	33,744.00
Wan Sin Long	Member of the Audit Committee	150,000.00	0.00	150,000.00	37,500.00
	Sub-total	**565,000.08**	**0.00**	**565,000.08**	**182,760.00**
Members of the Executive Committee					
Miguel Maya Dias Pinheiro	Vice-Chairman of the BoD and Chairman of the EC	622,731.21	27,268.77	649,999.98	274,003.00
Miguel de Campos Pereira de Braganca	Vice-Chairman of the Executive Committee	474,047.81	45,952.23	520,000.04	202,421.00
João Nuno Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	520,000.04	0.00	520,000.04	225,160.00
Rui Manuel da Silva Teixeira	Member of the Executive Committee	455,000.00	0.00	455,000.00	201,110.00
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	419,984.99	35,015.01	455,000.00	185,628.00
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	455,000.00	0.00	455,000.00	91,000.00
	Sub-total	**2,946,764.05**	**108,236.01**	**3,055,000.06**	**1,179,322.00**
	Total amounts of the Board of Directors of BCP	**4,828,967.38**	**141,032.88**	**4,970,000.26**	**1,897,660.00**

(*) Ceased to the remunerated, at her own request, since May 2018

In the 2021 financial year, the amount of variable remuneration attributed to the executive members of the Board of Directors (Executive Committee) of the Bank is shown in the following table:

B - Annual Variable Remuneration

		Remuneração Variável Anual (RVA)											
		RVA atribuída em 2021 (referente ao exercício de 2020)			RVA paga em 2021 (referente ao exercício de 2020)			RVA diferida de 2020 [a] (referente ao exercício de 2019)		RVA diferida de 2019 (referente ao exercício de 2018)			
Membros da Comissão Executiva	Cargo	Valor atribuído em Cash (€)	Nº Ações[b] atribuídas (quant.)	Valor total atribuído (€)	Pagamento efetuado em Cash (€)	Nº Ações[b] disponibilizadas (quant.)	Pagamento efetuado em Ações[c] (€)	Pagamento efetuado em Cash (€)	Pagamento efetuado em Ações (€)	Pagamento efetuado em Cash (€)	Nº Ações[d] disponibilizadas (quant.)	Pagamento efetuado em Ações[d] (€)	IRS retido da RVA (Cash + Ações) (€)
Miguel Maya Dias Pinheiro	Vice-Presidente do CA e Presidente da CE	83 500,00	411 330,00	167 000,00	50 100,00	246 798,00	35 094,55	0,00	0,00	18 851,00	73 236,00	10 414,28	50 364,00
Miguel de Campos Pereira de Bragança	Vice-Presidente da Comissão Executiva	72 500,00	357 143,00	145 000,00	43 500,00	214 286,00	30 471,60	0,00	0,00	17 072,58	66 327,00	9 431,57	42 906,00
João Nuno Oliveira Jorge Palma	Vice-Presidente da Comissão Executiva	72 000,00	354 680,00	144 000,00	43 200,00	212 808,00	30 261,18	0,00	0,00	17 072,58	66 327,00	9 431,82	43 285,00
Rui Manuel da Silva Teixeira	Vogal da Comissão Executiva	55 500,00	273 399,00	111 000,00	36 300,00	178 818,00	25 427,92	0,00	0,00	15 075,67	58 569,00	8 328,51	37 628,00
José Miguel Bensliman Schorcht da Silva Pessanha	Vogal da Comissão Executiva	60 500,00	298 030,00	121 000,00	33 300,00	164 039,00	23 326,41	0,00	0,00	15 075,67	58 569,00	8 328,45	35 372,00
Maria José Henriques Barreto de Matos de Campos	Vogal da Comissão Executiva	66 000,00	325 123,00	132 000,00	39 600,00	195 074,00	27 739,51	0,00	0,00	6 281,50	24 404,00	3 470,26	15 418,00
	Total	**410 000,00**	**2 019 705,00**	**820 000,00**	**246 000,00**	**1 211 823**	**172 321,17**	**0,00**	**0,00**	**89 429,00**	**347 432**	**49 404,89**	**224 973,00**

[a] - remuneração a pagar no ano em que for retomado o pagamento de dividendos aos acionistas, de acordo com deliberação do Conselho de Remunerações e Previdência de 3 de julho de 2020.

[b] - cotação média de fecho de 1 novembro 2019 a 31 dezembro 2019 das ações BCP: **€ 0,2030**.

[c] - cotação de fecho da sessão do dia 23-06-2021 das ações BCP: **€ 0,1422**

[d] - cotação média de fecho de 1 novembro 2017 a 31 dezembro 2017 das ações BCP: **€ 0,2574**.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

Bearing in mind the provisions of the remuneration policy for members of the Board of Directors, transcribed in previous item 69, which establishes that the net value of the remuneration earned annually by each Director on an exclusive basis by virtue of duties performed in companies or corporate bodies to which they have been appointed by indication or in representation of the Bank, shall be deducted from the amounts of their respective fixed annual remuneration, reference is made to the Table in previous item 77-A, which quantifies such deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

During the financial year to which this Report refers, no indemnity was paid or owed to former directors relative to their termination of office during the year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

Given that Law 28/2009 of June 19 was revoked by Law 50/2020 of August 25, reference is made to the table presented in item 77.A - Fixed Annual Remuneration.

82. Indication of remuneration paid in the reference year to the members of the Board of the General Meeting

The Remuneration and Welfare Board took into consideration, for the term of office that began in May 2020, the market practices concerning the major listed companies based in Portugal and similar in size to BCP, having established the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 Euros and the one of the Vice-Chairperson at 27,600 euros.

82.1 Quantitative information concerning the remuneration paid by the Bank to the different employees categories foreseen in article 115-C (2) of the Legal Framework for Credit Institutions and Financial Companies and other Employees in accordance with Article 47 of Banco de Portugal's Notice 3/2020B)

i) Responsible for the assumption of risks (7 employees)

In 2021, the amount of the remuneration paid by the Bank to those responsible for the assumption of risks, is stated in the following table:

		(Euros)
Remunerations		
	Fixed Remuneration	633,642.80
	Annual Variable Monetary Remuneration	17,798.19
	Annual Variable Remuneration in Shares	14,772.45
	Sub-Total	**666,213.44**
Mandatory Social Expenses		
	Social Security	146,585.52
	SAMS / Médis	12,658.66
	Supplementay Pension Plan	0.00
	Sub-Total	**159,244.18**
Remuneration Costs + Mandatory Social Expenses		**825,457.62**

ii) Responsible for control functions (22 employees)

In 2021, the amount of the remuneration paid by the Bank to those responsible for the control functions, is stated in the following table:

Remunerations		(Euros)
	Fixed Remuneration	2,099,981.54
	Annual Variable Monetary Remuneration	57,867.40
	Annual Variable Remuneration in Shares	39,753.73
	Sub-Total	**2,197,602.67**
Mandatory Social Expenses		
	Social Security	487,859.12
	SAMS / Médis	39,784.36
	Supplementay Pension Plan	2,396.06
	Sub-Total	**530,039.54**
Remuneration Costs + Mandatory Social Expenses		**2,727,642.21**

iii) Senior management, composed of first line managers who were not included in the previous paragraphs (47 employees)

In 2021, the amount of the remuneration paid by the Bank to the first line employees, not included in the categories indicated in i. and ii., is stated in the following table:

Remunerations		(Euros)
	Fixed Remuneration	6,888,134.91
	Annual Variable Monetary Remuneration	190,264.00
	Annual Variable Remuneration in Shares	221,506.53
	Sub-Total	**7,299.905.44**
Mandatory Social Expenses		
	Social Security	1,610,750.80
	SAMS / Médis	84,864.69
	Supplementay Pension Plan	10,810.95
	Sub-Total	**1,706,425.82**
Remuneration Costs + Mandatory Social Expenses		**9,006,331.26**

iv) Employees whose total remuneration places them in the same remuneration bracket that is foreseen for the members of the management and supervisory bodies or of any of the categories indicated in i) to iii) above and whose professional activities have a material impact on the Bank's risk profile

There aren't employees in this category.

82.2 Remuneration policy of the employees and subsidiary companies operating in Portugal

The remuneration policy of the Employees and subsidiary companies operating in Portugal was approved by the Board of Directors on 28 April 2021 and appears in the Group Code GR0042 - Framework of the Remuneration Policies and is available at the Bank's website, with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/Politicas-de-Remuneracao/

82.3 remunerations policy of the employees and companies operating in Portugal

1. Remunerations Report mentioned by article 26-G Of the Securities Code

This Report was made in accordance and for the purposes of article 26-G of the Securities Code with the goal of providing the shareholders of Banco Comercial Português, S.A. (Bank, BCP) with a comprehensive view of the remunerations and benefits, regardless of their form, attributed to each one of the members of the Board of Directors, including the Audit Committee and the Executive Committee, in the 2021 financial year.

a) Total remuneration detailed by the different components, including the proportion relating to the fixed remuneration and to the variable remuneration

Members of the Board of Directors (BoD)	Position	Annual Fixed Remuneration (€)	Weight on Remun. Total %	Retirement Supplement (€)	Weight on Remun. Total %	Variable Remuneration attributed in 2021 (€)	Weight on Remun. Total %	Annual Total Remuneration (€)	Total Income tax withheld (€)	Deferred Variable Remuneration (€)	Total of Annual Remuneration paid net from income tax withheld(€)
Nuno Manuel da Silva Amado	Chairman (CA)	690 000	83,3%	138 000	16,7%	n.a	n.a	828 000	351 474	n.a	476 526
Jorge Manuel Baptista Magalhães Correia	Chairman (CA)	110 000	100,0%	0	0,0%	n.a	n.a	110 000	42 348	n.a	67 652
Ana Paula Alcobia Gray	Member of the BoD	125 000	100,0%	0	0,0%	n.a	n.a	125 000	41 364	n.a	83 636
José Manuel Alves Elias da Costa	Member of the BoD	145 000	100,0%	0	0,0%	n.a	n.a	145 000	49 872	n.a	95 128
Julia Gu	Member of the BoD	0	0,0%	0	0,0%	n.a	n.a	0	0	n.a	0
Lingjiang Xu	Member of the BoD	125 000	100,0%	0	0,0%	n.a	n.a	125 000	49 368	n.a	75 632
Teófilo César Ferreira da Fonseca	Member of the BoD	155 000	100,0%	0	0,0%	n.a	n.a	155 000	62 148	n.a	92 852
	Sub-total	**1 350 000**	**90,7%**	**138 000**	**9,3%**	**0**		**1 488 000**	**596 574**	**0**	**891 426**
Members of the Audit Committee (AudC)											
Cidália Maria Mota Lopes	Chairwoman of the AudC	155 000	100,0%	0	0,0%	n.a	n.a	155 000	62 148	n.a	92 852
Fernando da Costa Lima	Member of the AudC	125 000	100,0%	0	0,0%	n.a	n.a	125 000	49 368	n.a	75 632
Valter Rui Dias de Barros	Member of the AudC	135 000	100,0%	0	0,0%	n.a	n.a	135 000	33 744	n.a	101 256
Wan Sin Long	Member of the AudC	150 000	100,0%	0	0,0%	n.a	n.a	150 000	37 500	n.a	112 500
	Sub-total	**565 000**	**100,0%**	**0**	**0,0%**	**0**		**565 000**	**182 760**	**0**	**382 240**
Members of the Executive Committee (EC)											
Miguel Maya Dias Pinheiro	Chairman (EC)	650 000	68,6%	130 000	13,7%	167 000	17,6%	947 000	381 559	66 800	512 901
Miguel de Campos Pereira de Bragança	Vice-Chairman (EC)	520 000	67,6%	104 000	13,5%	145 000	18,9%	769 000	289 723	58 000	434 753
João Nuno Oliveira Jorge Palma	Vice-Chairman (EC)	520 000	67,7%	104 000	13,5%	144 000	18,7%	768 000	313 471	57 600	410 495
Rui Manuel da Silva Teixeira	Member of the EC	455 000	69,3%	91 000	13,9%	111 000	16,9%	657 000	278 960	44 400	352 172
José Miguel Bensliman Schorcht da Silva Pess:	Member of the EC	455 000	68,2%	91 000	13,6%	121 000	18,1%	667 000	261 222	48 400	364 809
Maria José Henriques Barreto Matos de Camp	Member of the EC	455 000	67,1%	91 000	13,4%	132 000	19,5%	678 000	124 618	52 800	498 473
	Sub-total	**3 055 000**	**68,1%**	**611 000**	**13,6%**	**820 000**	**18,3%**	**4 486 000**	**1 649 553**	**328 000**	**2 573 602**
Total values of Management and Supervisory Bodies		**4 970 000**	**76,0%**	**749 000**	**11,5%**	**820 000**	**12,5%**	**6 539 000**	**2 428 887**	**328 000**	**3 847 268**

b) The remunerations coming from companies belonging to the same group

The Chairman of the Board of Directors, the Chairman of the Executive Committee and two members of the Executive Committee received fixed remunerations from the subsidiary Bank Millennium, S.A. (Poland) in the amount presented as follows. We warn that this amount is included in the amounts of fixed remunerations indicated in the previous table since, in accordance with the provisions of article 16 of the Policy for the Remuneration of members of the Management and Supervisory Bodies of the Group, transcribed hereinafter, the same is deducted from the fixed remuneration paid to them annually by the Bank.

Article 16

"Considering that the remuneration of the executive members of the Board of Directors, as well as the one of the non-executive directors exercising functions under an exclusive regime is intended to directly compensate the activities they carry out directly at BCP or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each executive member of the Board of Directors and each non-executive member exercising functions under an exclusive regime will be deducted from their respective AFR."

Members of the Board of Directors (BoD)	Position	Annual Fixed Remuneration (€)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	32 796,87
	Sub-total	32 796,87
Members of the Executive Committee (EC)		
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	27 268,77
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	45 952,23
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	35 015,01
	Sub-total	108 236,01
	Sub-total	141 032,88

c) Shares attributed in 2021 and the main conditions for the exercise of the rights, including the price and the date of that exercise and any alteration in those conditions

As per the provisions of the Policy for the Remuneration of members of the Management and Supervisory Bodies, approved at the General Meeting of Shareholders held on 20 May 2021, the attribution to the members of the Executive Committee of an annual variable remuneration must be made 50% in BCP shares. In relation to the Long-Term Variable Remuneration, the same is attributed 100% in BCP shares.

As set forth in the Remunerations Policy, the number of shares attributed to each member of the Executive Committee in 2021 was calculated on 50% of the amount of the variable remuneration attributed being adopted as reference price for this purpose, the value of 0,2030 euros, corresponding to the average closing price of BCP shares from 1 November 2019 to 31 December 2019. The number of shares estimated for each member of the Executive Committee is delivered as follows: 60% in June 2021 and 8% in June of each one of the following five years. After the delivery in each year, the shares are subject to a one-year unavailability period.

In 2021, the annual variable remuneration for the 2020 financial year was attributed to the Executive Committee, under the following attribution conditions defined in the Remunerations Policy:

- Payment in June 2021 of 60% of the amount attributed, being 50% of that amount paid in cash and 50% delivered in BCP shares, in a number corresponding to 60% of the number of shares attributed in 2021;
- Payment deferred in the following 5 years of 40% of the amount attributed, that is, 8% of the amount attributed in each one of the following five years, in June. The annual deferred payments shall be made by means of the payment of 50% in cash and 50% delivered in BCP shares, in a number corresponding to 8% of the number of shares attributed in 2021.

As set forth in the Remunerations Policy, the number of shares attributed to each member of the Executive Committee was calculated on 50% of the amount of the variable remuneration attributed being adopted as reference price for this purpose, the value of 0,2030 euros, corresponding to the average closing price of BCP shares from 1 November 2019 to 31 December 2019. The number of shares estimated for each member of the Executive Committee is delivered as follows: 60% in June 2021 and 8% in June of the following five years. After the delivery in each year, the shares are subject to a one-year unavailability period.number of shares attributed in 2021 to each member of the Executive Committee was the following:

The number of shares attributed in 2021 to each member of the Executive Committee was the following:

Members of the Executive Committee (EC)	Position	Variable Remuneration attributed in 2021 (€)	Variable Remuneration attributed in shares (€)	No of Shares attributed (quant.)
Miguel Maya Dias Pinheiro	Vice-Chairman of the BoD and Chairman of the EC	167 000,00	83 500,00	411 330
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	145 000,00	72 500,00	357 143
João Nuno Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	144 000,00	72 000,00	354 680
Rui Manuel da Silva Teixeira	Member of the Executive Committee	111 000,00	55 500,00	273 399
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	121 000,00	60 500,00	298 030
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	132 000,00	66 000,00	325 123
	Total	**820 000,00**	**410 000,00**	**2 019 705**

As defined in the Policy for the Remuneration of members of the Management and Supervisory Bodies, the attribution of a Long-Term Variable Remuneration is only planned to take place in 2022, regarding the term-of-office of 1 January 2018 to 31 December 2021.

In June 2021, BCP shares were also delivered to the members of the Executive Committee, regarding the deferred component of the annual variable remuneration attributed in 2019.

Members of the Executive Committee (EC)	Position	No of Shares delivered in 2021 (quant.)
Miguel Maya Dias Pinheiro	Vice-Chairman of the BoD and Chairman of the EC	73 236
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	66 327
João Nuno Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	66 327
Rui Manuel da Silva Teixeira	Member of the Executive Committee	58 569
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	58 569
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	24 404
	Total	**347 432**

The conditions for the attribution of shares to the members of the Executive Committee comply with the approved Remunerations Policy.

d) Variation during the last five years in remuneration, BCP performance and average remuneration of employees

The table below shows the variation during the last five years (2017 to 2021) of the remuneration granted to the management and supervisory bodies, the average remuneration of the Bank's employees, excluding members of the management and supervisory bodies and the Bank's performance, as measured by the indicators, at a consolidated level: adjusted Net Income, Operating Income and total consolidated Asset Value, as well as Net Income from the activity in Portugal.

	Var. 17'16	Var. 18'17	Var. 19'18	Var. 20'19	Var. 21'20
Performance indicators					
Adjusted consolidated net income (1)	>100%	61,5%	8,9%	-21,2%	56,6%
Adjusted consolidated operating profits (2)	-5,6%	-6,8%	0,8%	1,5%	2,7%
Consolidated Total Assets	0,9%	5,5%	7,5%	5,1%	8,3%
Net Earnings Activity in Portugal	>100%	>100%	25,4%	-7,1%	28,5%
Employees annual average remuneration	8,7%	-0,9%	7,2%	-2,3%	-0,3%
Remuneration of the members of the management and supervisory bodies					
Executive Committee - Potential total remuneration	63,7%	105,9%	-49,5%	3,4%	-8,4%
Of which : potential variable remuneration (3)	n.a	n.a	n.a	14,8%	-33,4%
Board of Directors - Non-Executive	49,4%	54,6%	59,9%	5,4%	0,2%
Annual Total Remuneration (€)	61,5%	98,3%	-36,9%	4,0%	-5,9%

Notes: (1) Net income excluding impacts associated with credits in Swiss Francs in Bank Millennium (Poland)
(2) Income before impairments and provisions
(3) Variable Remuneration attributed in the year, regarding the previous financial year

Notes to the presented values:

Annual Variable Remuneration was awarded to the Executive Committee in the years 2019, 2020 and 2021, on performance in the respective previous financial year.

The payment of the Variable Remuneration awarded in 2020 is subject to the payment of dividends.

The fixed remuneration of the management and supervisory bodies and the average remuneration of employees was influenced in 2017 by the end of the salary adjustment imposed by the recapitalisation scheme for financial institutions from which the Bank benefited, which states that: "*the beneficiary credit institutions shall set for all members of the management and supervisory bodies a remuneration which, when adding together the fixed and variable components, does not exceed 50% of their average remuneration over the previous two years...* "...that, for the duration of the public investment, the sum of the fixed and variable components of the remuneration of all members of the management and supervisory bodies does not exceed 50% of their average remuneration over the previous two years.

In 2018 the fixed remuneration of the Executive Committee was influenced by the attribution of an extraordinary, special, non-recurring retirement supplement, approved by the General Meeting of Shareholders.

The fixed remuneration of the non-executive members of the Board of Directors was influenced in 2018 and 2019 by the evolution of the remuneration attributed to the Chairman of the Board of Directors who took office in June 2018, as a result of the fact that he performs these duties on an exclusive basis.

e) How the total remuneration complies with the adopted remuneration policy, the way it contributes to the long-term performance of the company and information on how the performance criteria were applied

The total remuneration granted to members of the management and supervisory bodies complies with the provisions of the Remuneration Policy for Members of the Management and Supervisory Bodies in force, namely on the following principles:

- Adequacy of the fixed remuneration amounts to the level of involvement and exclusivity of functions of each member and the amounts carried out by other Portuguese Companies of comparable complexity and size;

- Attribution of Retirement Supplements to the Chairman of the Board of Directors and to the executive members, given the exclusivity of their functions;
- Attribution of variable remuneration only to the executive members;
- The system for setting and attributing Annual Variable Remuneration and Long Term Variable Remuneration, designed to safeguard the long term performance of the company;
- Maximum total Annual Variable Remuneration attributed to the executive members according to BCP's performance, measured by the achievement degree of the objectives defined for a set of management indicators and the net profit obtained;
- Individual Annual Variable Remuneration of each executive member, calculated according to an individual qualitative and quantitative assessment, where the individual quantitative assessment is based on the achievement degree of the objectives defined for a set of management indicators, individualised for each member of the executive committee according to their areas of responsibility;
- Long-term Variable Remuneration attributed at the end of a 4-year period, based on BCP's performance as measured by the degree of achievement of the objectives defined for a set of management indicators and the evolution of shareholder returns in comparison with a market benchmark, thus promoting the long-term performance and valuation of BCP;
- Variable Remuneration granted in cash and BCP shares, with deferral periods of 5 years for its attribution, to promote BCP's long-term performance;
- The total variable remuneration, regardless of whether or not rights have already been acquired, is subject to reduction or reversal mechanisms, in the cases set out in the Remuneration Policy. The power to reduce, totally or partially, the payment of deferred remuneration and whose payment is not yet an acquired right, as well as to reverse, totally or partially, variable remuneration paid or whose payment constitutes an acquired right, is limited to extremely significant events, duly identified, in which the persons covered have had a direct participation.

f) Information on the application of the Remuneration Policy in 2021

In 2021, the provisions of the Remuneration Policy for the members of the Management and Supervisory Bodies in force were fully applied, namely in the definition and attribution of the Annual Variable Remuneration for the financial year 2020, there having been no derogation or departure from the defined procedures.

G) Possibility of requesting the refund of a variable remuneration

According to the Remuneration Policy in force, the return of variable remuneration paid is limited to significant events in which the persons covered have had, with malice or serious negligence, an active participation.

2. Report on the Impact on BCP Group of the Remuneration Practices Implemented by the Subsidiaries Abroad (Article 53 of Notice of the BdP No. 3/2020)

For the purposes of article 53 of Notice of Banco de Portugal no. 3/2020, the Compliance Office, the Risk Office and the Committee for Nominations and Remunerations assessed the impact of the remuneration practices of subsidiaries abroad, with regard to risk management, with special emphasis on the Bank's capital and liquidity risks.

The assessment reads as follows:

"OBJECTIVE OF THIS REPORT

The objective of this report is to comply with Article 53 of Banco de Portugal Notice no. 3/2020, as shown below, which assumes that the parent company (Banco Comercial Português,S.A.) ensures that its subsidiaries implement consistent remuneration policies and that a report shall be submitted to the general meeting, the management body and the supervisory body of BCP Group (number 4. of the Article), as follows:

Article 53.º Financial Groups' Remuneration Policies

1. Pursuant to the provisions of Article 115-C(1) of the LFCIFC, the parent company of a financial group subject to supervision on a consolidated basis ensures that all its subsidiaries, including foreign subsidiaries and offshore establishments, implement remuneration policies that are consistent with each other.

2. Compliance with the provisions of this Notice must be ensured for the total remuneration paid to the categories of employees laid down in Article 115-C(2) of the LFCIFC, by all the institutions, financial or otherwise, integrated within the perimeter of supervision on a consolidated basis.

3. The risk management and compliance functions and the Remuneration Commission shall carry out, in coordination with each other, at least once a year, an assessment of the impact of the remuneration practices of the subsidiaries abroad and offshore establishments, particularly on risk management, with special emphasis on the institution's capital and liquidity risks.

4. The report with the results of the assessment referred to in the preceding paragraph shall be submitted to the general meeting, the management body and the supervisory body of the parent company, which shall, in particular, identify the measures aimed at correcting any deficiencies detected.

WORK PERFORMED

The present report, prepared by the risk management function (Risk Office), compliance function (Compliance Office) and the Remuneration Commission (Commission for Nominations and Remunerations – CNR) is based on an assessment conducted during December 2021, by an external consultant (KPMG), within the scope defined in the number 3. of Article 53 of the Notice, referred to above.

In order to assess the adequacy of the BCP Group Entities' remuneration policies, the methodology was based on the following approach:

- Analysis of the Group Code "GR0042 - Remuneration Policy Framework, (version 4), which entered into force on April 28, 2021, and which aims to define the framework for the remuneration policies that must be approved by all Group Entities within the prudential consolidation perimeter of BCP.
- Benchmark analysis of this group code with the policies applied in Bank Millennium and Millennium bim.

Following this methodology, after identifying the GR0042 provisions, applicable to the Group Entities, the benchmarking assessment comprised the analysis of the following aspects:

- Identification of local remuneration policies.
- Maximum ratio between the variable and fixed components of the remuneration.
- The way performance is assessed in relation to the risks incurred.
- How bonus pools are defined and allocated.
- Definition of non-deferred and deferred parts of the variable remuneration.
- The definition of the deferral period.
- Criteria for awarding variable remuneration.
- How risks are taken into consideration ex post, including malus and clawbacks.
- Comparison of the impact of remunerations on the BCP Group's Own Funds.

ASSESSMENT CONCLUSIONS

Based on the report issued in December 2021, as a result of the work described above to address the provisions defined in Notice 3/2020, of Bank of Portugal, in Article 53, number 3. and 4., the conclusions of the assessment of Risk Office and Compliance Office on the impact of the remuneration practices, particularly on risk management, with special emphasis on the institution's capital and liquidity risks of the Group Entities abroad, are the following:

1. Pursuant to the provisions of Article 115-C(1) of the LFCIFC, the Group Entities, in general, have implemented remuneration policies that are, namely for all the aspects included in the benchmark

analysis mentioned above, generally consistent with the remuneration policy defined by BCP Group, in the Group Code "GR0042 – Remuneration Policy Framework", which entered into force on April 28, 2021.

2. The impact of the remuneration policies of the Group Entities on capital and liquidity risk management is not significant considering both the individual Group Entities and BCP Group, based on the Staff Costs weight on the Common Equity Tier 1 capital as well as on the Total Assets and on the irrelevant impact on the comfortable liquidity position of all the entities of the Group. Additionally, the referred weight is uniform between the Group Entities and BCP Group and over time, for recent years.
3. Without prejudice to the conclusion presented in point 1., we draw attention to the following aspects: version 4 of Group Code 0042 introduced a set of changes to this policy in relation to the previous version, namely by establishing a threshold above which variable remuneration may be deferred (60%) and by defining a minimum threshold of variable remuneration below which it cannot consist of financial instruments. The Group Entities Bank Millennium and Millennium bim have remuneration policies aligned with those of the parent company, although they do not yet reflect the new aspects introduced by version 4 of the group code on the date of this statement. According to information provided to Risk Office and Compliance Office the introduction of these changes in their policies is already underway.

Porto Salvo, 16, March, 2022

Risk Officer

Compliance Officer

Nominations and Remunerations Committee"

3. Assessment of Compliance with Remuneration Policies and Procedures Adopted by the Bank (Article 44 of Notice of Banco de Portugal No. 3/2020)

To comply with the provisions of Art. 44 of the Notice of Banco de Portugal 3/2020, the Committee for Nominations and Remunerations appraised the assessment on the compliance with the remuneration policies and procedures adopted by the Bank, made by the Bank's Audit Division.

This assessment is transcribed below:

"Assessment of the Compliance with the Remuneration Policies and Procedures adopted by the Bank

(Art.44 of Notice of Banco de Portugal 3/2020)

To comply with the provisions of Art. 44 of the Notice of Banco de Portugal 3/2020, the Committee for Nominations and Remunerations, under delegation from the Board of Directors, appraised the annual assessment on the implementation and compliance with the remuneration policies and procedures adopted by the Bank, made in an independent manner by the Bank's Audit Division.

The analysis of the audit focused on the application of the Policy for the Remuneration of the Members of the Management and Supervisory Bodies (MMSB), of the employees of the Bank and of the subsidiaries operating in Portugal and its objective was to assess the compliance of the remuneration policy of the Bank with the requirements set forth in the Legal Framework for Credit Institutions and Financial Companies, the Guidelines from the European Banking Authority EBA/GL/2015/22 and EBA/2021/04 and also with the remaining legal and regulatory requirements related with the preparation, approval, disclosure, application and control of the Remuneration Policy.

The overall assessment of the Bank's remuneration policies undertaken by the Audit Division and by the Human Resources Division concluded that both the one applicable to Members of the Management and Supervisory Bodies (MMSB) and the one applicable to employees are in line with the provisions of the Group Code - GR0042 - which defines the concepts, principles, rules and the governance model for the preparation, approval and monitoring of remuneration policies and respect the applicable legislation and regulations, having all detected application deficiencies been timely rectified;

The main conclusions reached by the analysis are focused on:

- **Remuneration Policy of the Bank**: BCP has a Policy for the Remuneration of MMSB, approved at the General Meeting of Shareholders and an Employee Remuneration Policy, approved by the Board of Directors, which applies to all employees of the Bank and its subsidiaries in Portugal, including BCP employees who are members of the governing bodies of these entities. From the analysis made, we may conclude that the versions currently in force of the Policy for the Remuneration of the Members of the Management and Supervisory Bodies and the Policy for the Remuneration of Employees of the Bank observe the guidelines from the Group Code GR0042, as well as with the applicable legislation and regulations, namely the guidelines from EBA on remuneration policies, the Directive 2013/36/EU, the Regulation (EU) 575/2013, the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and the Notice of Banco de Portugal 3/2020;
- **Remuneration Policies at the Group's level**: the assessment concluded that the remuneration policies of subsidiaries located in other countries are in line with the Group Code GR0042;
- Remunerations paid to members of the members of the management and supervisory bodies and first-rank Managers: the correct implementation of fixed and variable remuneration was analysed by the Human Resources Division and by an external auditor who, at the request of the Committee for Nominations and Remunerations, prepared a report on validation of factual conclusions, and no divergences were identified in the execution of the remuneration policies and the resolutions adopted on this theme;
- **Variable Remuneration of the members of management and supervisory Bodies**: The calculation of the amounts of the Annual Variable Remuneration (AVR) to attribute to the MMSB regarding 2020, was verified by the Audit Division which confirmed the correction of the calculation of the values in relation to the Annual Variable Remuneration of the MMSB's for the year 2020 and the amounts to be paid individually to each Director. The compliance with the distribution of the payment of those amounts between cash and BCP shares was also confirmed, as well as the determination of the conditions for deferring the payment of the AVR;
- **2020 Annual Variable Remuneration (AVR) of the Employees**: The attribution of AVR to the Employees is foreseen in articles 2(1), 3 (1) and (6) (1) of the Policy for the Remunerations of Employees of Banco Comercial Português S.A., and subsidiaries operating in Portugal, distinguishing the employees with key-functions (KFH) from the remaining employees in what concerns the form the AVR is calculated and paid. It was found that the total attributed was in accordance with the bonus pool calculated and that the amounts assigned to each employee were, as a rule, correctly calculated in accordance with internal regulations;
- **Payment of Incentives regarding 2020**: The commercial incentives system is currently aimed at employees who establish direct contact with the Bank's customers and consists in the attribution of a variable remuneration based on the degree of fulfilment of the goals defined for the period. This system is specifically applied to the Commercial Networks (Retail, Private, Companies, Corporate, Large Corporate and ActivoBank) as well as to employees from other Divisions of the Bank who comply with the established criteria (Investment Banking, Treasury, Markets & International, Credit Recovery, Specialized Recovery, Specialised Monitoring and Specialised and Real Estate Credit). The assessment concluded that the models used are adequate to assess the performance of the employees involved. Based on a representative sample of employees covered by commercial incentive systems, it was concluded that the amounts attributed were correctly calculated in accordance with the rules defined.

Lastly, the analysis carried out by the Audit Division concluded that the Bank complies with the reporting duties to Banco de Portugal provided for in the information duties relating to the remuneration policy and that the shortcomings observed, either due to their specific nature or their materiality, do not jeopardize the stability and consistency of the internal control system, and for this reason no recommendation was made, having the Audit Division also concluded that the annual assessment on the implementation and compliance with the remuneration policies and procedures adopted by the Bank is considered “Good”.

Porto Salvo, 16 March 2022

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Committee for Nominations and Remunerations"

V. Agreements with remunerative implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations’ variable component.

This issue is ruled by the provisos of article 403 (5) of the Companies Code. herein transcribed: “If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected.”

Similar to the provision above, the article 10 of the Policy for the Remuneration of the Management and Supervisory Bodies, states that the Director who terminates functions before the end of the term-of office for reasons other than due to renunciation or dismissal with just cause, will be entitled to a compensation to be estimated by the Committee for Nominations and Remunerations and resolved by the Remunerations and Welfare Board, after listening to the Committee for Risk Assessment.The compensation due for a removal from office without a just cause cannot be quantified as a fixed remuneration and its payment must be subject to the subscription of a non-competition commitment for a period of time corresponding to the end of the term-of-office underway on the date of the removal.

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause.

On these issues, see items 71 and 72.

84. Reference to the existence and description, with indication of the amounts involved, of agreements between the company and members of the management board and directors, in observance of number 3 of article 248-B of the Securities Code, which establish compensation in the case of resignation, dismissal without fair grounds or termination of the work relation following a change in the control of the company (article 245-A/1/l))

There are no agreements between the Company and members of the management board, directors, pursuant to number 3 of article 248-B of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law and by article 10 of the Policy for the Remuneration of the Management and Supervisory Bodies.

VI. Plans for the attribution of shares or stock options

85. to 88.

There are no plans with these features; hence, this chapter VI does not apply to the Bank.

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

In accordance with internal procedures and regulations, the Bank has customer databases and IT records that identify and signal its related parties.

The internal rules related to transactions with related parties foresee specific procedures to process proposals regarding these entities, namely approval by the Board of Directors and the prior opinion of the Audit Committee which, in turn, receives the opinions of the Compliance Office and the Risk Office regarding the conformity of the proposed operations with the internal rules, legal and regulatory provisions and other constraints that may be applicable, namely at the level of risk.

Proposals regarding this universe are submitted to the Audit Committee by the Executive Committee, which in turn receives them from the Credit Commission or from the Costs and Investments Sub-Commission, in the case of contracting the provision of services or purchases of goods and services.

This commission's functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation ('Credit Granting, Monitoring and Recovery'). Moreover, this commission also issues advisory opinions on credit proposals from Group subsidiary companies abroad.

The Credit Commission is composed of the totality of the members of the Executive Committee and may function with a minimum of three directors and one of them should be responsible for the proponent area. Apart from these, the Risk Officer, the Compliance Officer (both without voting rights) the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas are also part of the Credit Commission. The Heads of the following Divisions are also members of this commission: Credit, Specialised Monitoring, Legal Advisory and Litigation; Investment Banking, Real Estate Specialised Credit, Rating; Specialised Recovery and Retail Recovery.

The Director with the responsibility on Risk (Chief Risk Officer), the Risk Officer, the Compliance Officer and the Head of Internal Audit are not entitled to vote but have the right to veto.

The Board of Directors, in accordance with its competences, conferred to it by its Regulations, reserved for itself the necessary and sufficient powers for the following acts:

- to approve the internal policy that provides for the definition, identification and updating of parties related to the Bank, upon proposal of the Executive Committee and after obtaining the opinion of the Audit Committee;
- to approve, in compliance with the law and internal rules, transactions with related parties, ensuring that they are carried out under market conditions, upon proposal of the Executive Committee and after obtaining the opinion of the Audit Committee;
- to ensure that the Bank identifies, in a complete list and updated quarterly, its related parties, making it available to the supervisory authority whenever requested, delegating this power to the Executive Committee.

With regard to credit operations, reference is made here to item 10.

The operations involving related parties are approved at a meeting of the Board of Directors by a majority of, at least, two thirds of the members.

All the members of the Audit Committee are part of the Board of Directors and, as such, participate at the meeting and in the adoption of the resolution. Therefore, this Committee takes cognizance in loco of the decision made by the Board of Directors, since this being justified for being redundant, any other communication to the Audit Committee.

When an operation with a related party is being debated, the Chairwoman of the Audit Committee, qualified as independent member of the Board of Directors, or in her absence (which never occurred) a member appointed for that purpose, informs the Board with detail on the contents of the prior opinion of the Audit Committee.

Lastly , and also in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors and o the supervisory bodies cannot take part in the analysis and in the decision-making process of credit granting operations to companies mentioned in the previous paragraph of which they are managers or wherein they hold stakes and any of these situation requires the approval by, at least, a majority of two thirds of the remaining members of the administration body and a favourable opinion from the Audit Committee.

90. Details of transactions that were subject to control in the referred year.

In 2021 fifteen proposals for credit operations, including revisions or extensions of limits, and ten proposals for the contracting of goods or services relating to related parties of the Bank were subject to the opinion of the Audit Committee and approval by the Board of Directors.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.

The business deals to be conducted between the Bank and related parties are subject to assessment and approval by the Board of Directors, supported by analyses and technical opinions issued by the Audit Committee, which in turn takes into consideration the assessments made by the Executive Committee, based on opinions issued by the Credit Division, in the case of credit operations, or by the Costs and Investments Sub-Commission and/or other areas involved in the contract, in the case of supply of goods and services contracts. All operations proposed, regardless of their value and in accordance with Item 10, require a prior opinion from the Compliance Office as to the compliance of internal rules, legal and regulatory provisions and other constraints that may be applicable to them, and an opinion of the Risk Office with the evaluation of the risks inherent to the operation.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, see the information provided in the Annual Report for 2021 in appraisal 51 of the Notes to the Consolidated Financial Statements.

Part II

Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.

The Bank assesses the compliance and justifies the non-compliance with the recommendations and sub-recommendations of the Corporate Governance Code from IPCG in the following table:

EVALUATION OF THE COMPLIANCE WITH THE RECOMMENDATIONS AND SUB-RECOMMENDATIONS FROM THE CORPORATE GOVERNANCE CODE FROM IPCG

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
I.1.1.(1) I.1.1.(2) I.1.1.(3)	I.1.1. The company must establish mechanisms to ensure, in an adequate and strict manner, the production, handling and timely disclosure of information addressed to its corporate bodies, shareholders, investors and remaining stakeholders, to the financial analysts and to the market in general.	Items: 21- Board of Directors, 55 to 65 and Recommendations: I.3.1. and I.3.2.	Compliant
I.2.1.(1) I.2.1.(2)	I.2.1. The companies should establish criteria and requirements concerning the profile of the new members of corporate bodies, that match the function to perform, being that, beyond individual attributes (such as competence, independence, integrity, availability and experience), those profiles must consider diversity requirements, particularly gender, able of contributing for a better performance of the body and for achieving balance in the respective composition.	Items:16, 17, 19, 24, 26, 33 and 36 and Recommendation: V.4.1.	Compliant
I.2.2.(1) I.2.2.(2) I.2.2.(3) I.2.2.(4) I.2.2.(5) I.2.2.(6)	I.2.2. The management and supervisory bodies and its internal commissions must have internal regulations - namely on the exercise of the respective attributions, chairmanship, frequency of the meetings, functioning and duties of its members, fully disclosed on the website of the company, and minutes should be drawn from their meetings.	Items: 20 to 23, 27, 34, 61 and 67	Compliant
I.2.3.(1) I.2.3.(2) I.2.3.(3)	I.2.3. The composition, the number of annual meetings of the management, supervisory bodies and of its internal commissions should be disclosed through the company's website.	Items: 21, 23, 27 and 67	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
I.2.4.	I.2.4. The company must adopt a policy for the communication of irregularities (*whistleblowing*), able of ensuring the proper means to communicate and process the same, safeguarding the confidential nature of the information conveyed and of the informant, whenever such is requested.	Item: 49	Compliant
I.3.1.	I.3.1. The articles of association or other equivalent methods adopted by the company must set up mechanisms to ensure that, within the boundaries of the applicable legislation, it is permanently ensured to the members of the management and supervisory bodies, the access to all information and employees of the company to assess the performance, the standing and development prospects of the company, including, namely, the minutes of meetings, the documents supporting the decisions made, the call notices and the filing of the documents relating to the meetings of the executive management body, without damaging the access to any other documents or to people to whom explanations may be requested.	Items: 21, 23,26 and Recommendation: I.1.1.	Compliant
I.3.2.	I.3.2. Each body and committee of the company must ensure, in a timely and adequate manner, the flow of information, from the respective call notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.	Items: 21, 22 and 27	Compliant
I.4.1.	I.4.1. By an internal regulation or equivalent mean, the members of corporate bodies and committees are bound to inform, in a timely manner, their respective body or committee of the facts that may constitute or give cause to a conflict between their interests and the company's interest.	Items: 10, 20 to 22, 27, 49, 89 to 91	Compliant
I.4.2.	I.4.2. Procedures must be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without harming the duty of providing the information and clarifications that the body or commission or the respective members may eventually ask.	Item: 20	Compliant
I.5.1.	I.5.1. The management body must disclose, in the corporate governance report or by other mean available to the public, the internal procedure to verify transactions with related parties.	Items 10, 37, 89 to 91	Compliant
I.5.2.(1) I.5.2.(2)	I.5.2. The management body must communicate the results of the internal procedure to verify transactions with related parties to the supervisory body, at least every six months.	Items:10, 89 to 91	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
II.1.(1) II.1.(2)	II.1. The company must not establish an excessively high number of share required to confer the right to one vote and must explain in the corporate governance report its option whenever the same implies a deviation to the principle that to one share shall correspond one vote.	Items: 5, 12, 14 and 48 Not applicable	Compliant
II.2.	II.2. Companies should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Items: 5, 12, 14, 48	Non-compliant but explained
II.3.	II.3. The company must implement the appropriate means for the participation of the shareholders at the general meeting by electronic means, under terms proportionate to their size.	Item: 12	Compliant
II.4.	II.4. The company must also implement adequate resources for the exercise of the right to use the remote vote, including by mail and by electronic means.	Item: 12 (first part)	Non-compliant but explained
II.5.(1) II.5.(2)	II.5. The articles of association of the company which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting - without requirement of a quorum larger than that legally established - and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Items: 5 and 13	Non-compliant but explained
II.6.(1) II.6.(2)	II.6. Defensive measures should not be adopted if they imply payments or the assumption of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the free transferability of shares and the free appraisal by the shareholders of the performance of members of the management body.	Item: 4	Compliant
III.1.	III.1. Without damaging the legal functions of the chairperson of the board of directors, if this one is not independent, the independent directors should appoint from amongst them a a coordinator to, namely: (i) act, whenever necessary, as the interlocutor with the chairperson of the board of directors and with the remaining directors; (ii) make efforts so that they dispose of the necessary means and conditions to be able to perform their functions; and (iii) coordinate them in the assessment of the performance by the management body as foreseen i recommendation V.1.1.	Item: 18	Non-compliant but explained

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
III.2.(1)	III.2. The number of non-executive members of the management body, as well as the number of members of the supervisory body and the number of members of the commission for financial matters must match the size of the company and the complexity of the risks inherent to its activity and enough to efficiently ensure the functions entrusted to them and this value judgement must be described in the governance report.	Items:18 and 21	Compliant
III.2.(2)		Item 21 - Audit Committee	
III.2.(3)		(Not applicable)	
III.3.	III.3. In any case, the number of non-executive directors must exceed that of executive directors.	Item: 18	Compliant
III.4.	III.4. Each company must include a number not inferior to one third, but always plural, of non-executive directors complying with the independence requirements. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to: i. Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company; ii. Being an employee of the company over the last three years or a company which is in a controlling or group relationship; iii. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person; iv. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a director; V. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes; vi. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.	Item: 18	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
III.5.	III.5. The provisions of paragraph (i) of recommendation III.4 shall not preclude the qualification of a new director as independent if, between the termination of his duties in any company body and his new designation, at least three years have elapsed (cooling-off period).	Item: 18	Not applicable
III.6.(1) III.6.(2)	III.6. In compliance with the powers conferred upon it by law, the supervisory body should, in particular, monitor, assess and give opinion on the strategic guidelines and risk policy prior to their approval by the management body.	Item: 21 - Audit Committee, 27 a) and 37	Compliant
III.7.(1) III.7.(2) III.7.(3)	III.7. The companies must set up specialized internal commissions to deal, separately or cumulatively, with the matters on corporate governance and assessment of performance. In case the remunerations commission foreseen by article 399 of the Companies Code has been set up and such is not forbidden by law, this recommendation may be complied with through the attribution to this commission of competences on said matters.	Items: 22, 24, 27 and 29	Compliant
IV.1.(1) IV.1.(2)	IV.1. The management body must approve, through an internal regulation or an equivalent mean, the performance regime of the executive directors and their exercise of executive functions in entities outside the group.	Item: 21 - Executive Committee and 26-B	Compliant
IV.2.(1) IV.2.(2) IV.2.(3)	IV.2. The management body should assure that the company acts in accordance with its objectives, and should not delegate its competence, namely, with respect to: i) definition of the strategy and general policies of the company; ii) organization and coordination of the entrepreneurial structure; iii) issues which should be considered strategic due to their amount, risk or special features.	Item: 21 - Board of Directors	Compliant
IV.3.(1) IV.3.(2)	IV.3. In the annual report, the management body explains in what terms the strategy and the major policies defined seek to ensure the long-term success of the company and which are the main contributions thar result for the community in general	Item: 21 - Board of Directors and Audit Committee and 27 a) Committee for Risk Assessment and Annual Report - Business Model, Strategy, Risk and Outlook and non-financial information, etc.	Compliant
V.1.1.(1) V.1.1.(2) V.1.1.(3)	V.1.1. The management body must assess every year its performance as well as the performance of its commissions and of delegated directors taking into account the compliance with the company's strategic plan and with the budget, the management of risks, the internal functioning of the management body and the contribution given by each member for that purpose as well as the relations established between the company's bodies and commissions.	Items: 24 and 25	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
V.2.1	V.2.1. The company must set up a remunerations commission, the composition of which ensures its independence versus management. It may be a remunerations commission appointed in accordance with article 399 of the Companies Code.	Items: 66 and 67	Compliant
V.2.2	V.2.2. The setting up of the remunerations should be a responsibility of the remunerations commission or of the general meeting, pursuant to a proposal made by that commission.	Items: 66 and 67	Compliant
V.2.3.(1) V.2.3.(2)	V.2.3. For each mandate, the remuneration commission or the general meeting, pursuant to a proposal made by that commission, must also approve the maximum amount of all the compensations to be paid to a member of any body or commission of the company due to the respective termination of functions and that situation and respective amounts must be disclosed by means of the governance report or the remunerations report.	Items: 66, 69, 76, 80, 83 and 84	Compliant
V.2.4.	V.2.4. In order to be able to provide information or explanations to the shareholders, the chairperson or, in his/her impediment, other member of the remunerations commission must attend the annual general meeting of shareholders and in any other of the respective agenda includes an item related with remuneration of the members of the company's bodies and commissions or if such attendance is required by shareholders.	Items: 66 and 67	Compliant
V.2.5.	V.2.5. Within the budgetary limitations of the company, the remuneration commission must be able to freely decide the engagement by the company of the advising services that are required or convenient for the exercise of its functions.	Items: 25, 27-b) and 67	Compliant
V.2.6.	V.2.6. The remunerations commission must guarantee that these services are provided with independence and that the respective service providers will not be engaged for the provision of any other services whatsoever to the company itself or to others that are in a controlling or group relationship, without its express authorisation	Items: 25, 27-b) and 67	Compliant
V.2.7.	V.2.7. Bearing in mind the alignment of interests between the company and executive directors, a portion of their remuneration should be of a variable nature to reflect the sustained performance of the company and does not encourage excessive risk-taking.	Items: 69, 71 and 73	Compliant
V.2.8.(1) V.2.8.(2)	V.2.8. A significant portion of the variable component must be partially deferred in time for a period not inferior to three years, associating it to the confirmation of the performance sustainability, in accordance with the terms defined by the company by means of a regulation.	Items: 69 and 72	Compliant
V.2.9	V.2.9. When the variable remuneration comprehends the attribution of options or other instruments that are directly or indirectly dependent on the value of the shares, the beginning of the exercise period must be deferred for a period of time not inferior to three years.	Item: 85	Not applicable

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
V.2.10.	V.2.10. The remuneration of the non-executive members of the management body should not include any component whose value depends on the performance or value of the company.	Item: 69	Compliant
V.3.1.	V.3.1. The company should, under such terms as it deems appropriate, but in a manner that can be demonstrated, promote that proposals for the election of members of corporate bodies are accompanied by a justification on the suitability of the profile, expertise and curriculum to the function of each candidate.	Items: 17, 24 and 25	Compliant
V.3.2.	V.3.2. Unless the size of the company does not justify it, the function of follow-up and support to the appointment of senior managers must be attributed to a nominations commission	Item: 27-b)	Compliant
V.3.3.	V.3.3. This commission includes a majority of independent non-executive members.	Items: 17 and 27-b)	Compliant
V.3.4.	V.3.4. The nominations commission must make available its terms of reference and must induce, in the extent of its competences, transparent selection processes that include effective mechanisms for the identification of potential candidates and that those presenting the greatest merit, are better suited for the demands of the function are selection to be included in the proposal. It must also promote, within the organization, an adequate diversity, including of gender.	Items: 17, 24 and 25	Compliant
VI.1.(1) VI.1.(2)	VI.1. The management body must debate and approve the strategic plan and the risk policy of the company, including the definition of risk levels deemed acceptable.	Items: 21- Board of Directors, 27-a), 53 and 54	Compliant
VI.2.(1) VI.2.(2) VI.2.(3)	VI.2. The supervisory body must set out its internal organization by implementing periodical control mechanisms and procedures aiming at ensuring that the risks effectively incurred by the company are consistent with the objectives established by the management body	Items: 21 - Audit Committee, and 50 to 54	Compliant
VI.3.(1) VI.3.(2)	VI.3. The internal control system, comprising the risk management function, compliance and internal audit, should be structured in terms that match the size of the company and the complexity of the risks inherent to its activity and the supervisory body must assess it, within the scope of its competence to supervise the effectiveness of this system and propose the required adjustments.	Items: 50 to 54	Compliant
VI.4.	VI.4. The supervisory body must issue an opinion on the work plans and on the resources allocated to the services of the internal control system, including the risk management functions, compliance and internal audit and may propose the adjustments deemed necessary.	Items: 21 - Audit Committee, 50 to 55	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
VI.5.	VI.5. The supervisory body must be the recipient of the reports made by the internal control services, including the risk management functions, compliance and internal audit at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.	Items: 21 - Audit Committee, 50-a) and 55	Compliant
VI.6.(1) VI.6.(2) VI.6.(3)	VI.6. Based on its risk policy, the company must establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity; (ii) the probability of their occurrence and their impact; (iii) the instruments and measures to be adopted with for the purpose of their mitigation; (iv) monitoring procedures for their follow-up.	Item: 54	Compliant
VI.7.(1) VI.7.(2)	VI.7. The company must establish supervision procedures, periodical assessment and of adjustment of the internal control system, including an annual assessment of the degree of internal compliance and the performance of that system, as well as the projections to change the previously defined risk framework.	Items: 21 - Board of Directors and 54	Compliant
VII.1.1.	VII.1.1. The internal regulations of the supervisory body must impose that it supervises the adequacy of the process for the preparation and disclosure of financial information by the management body, including the adequacy of the accounting policies, of estimations, of judgements, of relevant disclosures and their consistent application in the different financial years, in a duly documented and communicated way.	Items: 21 - Audit Committee, 37 and 55	Compliant
VII.2.1.	VII.2.1. Through an internal regulation, the supervisory body must define, in accordance with the applicable legal requirements, the supervision procedures aimed at ensuring the independence of the statutory auditor.	Items: 21 - Audit Committee, IV. Statutory Auditor and 45	Compliant
VII.2.2.(1) VII.2.2.(2)	VII.2.2. The supervisory body should be the main item of contact of the external auditor and the first receiver of the respective reports, being entrusted, in particular, with proposing the respective remuneration and ensuring that the company provides the appropriate conditions for the provision of the audit services.	Items: 21-Audit Committee, 37, Title IV- Statutory Auditor and 45	Compliant
VII.2.3.	VII.2.3. The supervisory body should evaluate annually the work, independence and suitability for the performance of duties carried out by the statutory auditor and propose, to the competent body, the auditor's dismissal or the termination of the work contract whenever there is just cause for that.	Items: 21 - Audit Committee, 37 and 45	Compliant

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, please see table 26 of this Report)

Non-Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/)

Nuno Manuel da Silva Amado

Personal Data

- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank

- Chairperson of the Board of Directors
- Member for the International Strategy Board

Direct Responsibilities

- Board of Directors' Support Office
- Company Secretary's Office
- Audit Division
- Fundação Millennium bcp

Positions held in the Group

- Vice-Chairman of BIM - Banco Internacional de Moçambique, S.A.
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Curators of Fundação Millennium bcp

Positions outside the Group

- Member of the Board of Auditors of Fundação Bial
- Member of the Advising Board of Universidade de Lisboa
- Chairman of the Senior Board of the Alumni Clube ISCTE
- Member of the Board of Directors of the Business Roundtable Portugal Association
- Member of the General Council of AESE - Associação de Estudos Superiores de Empresa (Business School)
- Member of the Advisory Board of the Forum for Competitiveness

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional experience in the last 10 years relevant to the position

- From August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal
- From August 2006 to January 2012 – General-Manager and Member of the Management Committee of Banco Santander Central Hispano

- From 2006 to January 2012 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Santander Totta, S.A.
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From 28 February 2012 to 30 May 2018 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- From March 27, 2015 until June 16, 2018 - Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.
- From 4 April 2016 to 27 March 2019 - Effective member of the Plenary, of the Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- On 30 May 2018 elected Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Other

- On November 9, 2018 - Presented with Order of Infante D. Henrique - Grand Cross of Merit

Jorge Manuel Baptista Magalhães Correia

Personal Data

- Date of Birth: 05 November 1957
- Nationality: Portuguese

Positions held at the Bank

- 1st Vice-Chairman of the Board of Directors
- Chairman of the Remuneration and Welfare Board

Positions held outside the Group

- Member of the Board of Directors and member of the Corporate Governance Committee of REN – Redes Elétricas Nacionais, SGPS, S.A.
- Chairman of the Board of Directors of Luz Saúde, S.A.
- Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- Chairman of the Board of Directors of Longrun, SGPS, S.A.
- Member of the Advising Board of Faculdade de Direito de Lisboa
- Vice- Chairman of Portuguese Insurers Association

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School
- Participation in multiple relevant professional training actions throughout the career in Portugal and abroad, namely with certification in "Enforcement Training Program 1994" da U.S. Securities and Exchange Commission (SEC), Washington, DC

Professional Experience in the Last Ten Years Relevant to the Position

- Since 1983 – Lawyer – Member of the Portuguese Lawyers Association I
- From May 2014 to August 2011 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From January 2008 to May 2014 - Chairman of the Board of Directors of Companhia de Seguros Fidelidade - Mundial, S.A.
- From April 2011 to January 2016 - Chairman of the Board of Directors of Universal Seguros, S.A. (Angola)

- From October 2011 to March 2013 - Chairman of the Boards of Directors of HPP – Hospitais Privados de Portugal, S.A.
- From October 2011 to May 2013 - Vice-Chairman of the Board of Directors of Caixa Seguros e Saúde SGPS, S.A.
- From May 2014 to March 2017 - Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Companhia de Seguros Fidelidade, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Fidelidade Assistência Auto, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Multicare - Seguros de Saúde, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property International, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property Europe, S.A.
- From March 2017 to June 2020 - Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.
- On 30 May 2018 elected 1st Vice-Chairman of the Board of Directors and Chairman of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021.

Ana Paula Alcobia Gray

Personal Data

- Date of Birth: 16 March 1962
- Nationality: Portuguese / South- African

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Member of the Remunerations and Welfare Board

Academic and Specialised Qualifications

- Masters Degree in Business Management (MBA) from University of Witwatersrand
- Chartered Accountant (South Africa) - registered in the Ordem dos Revisores Oficiais de Contas (South African Chartered Accountants Association).
- Honours (post graduate) in Commerce from University of South Africa
- Honours (post graduate) In Accounting Science from University of South Africa
- Bachelor of Commerce from the University of South Africa

Professional Experience in the Last Ten Years Relevant to the Position

- From November 1996 to September 2015 – Group BAI (Lisbon, Portugal and Luanda, Angola) where she performed the functions of non-executive Vice-Chairwoman and executive director at the Group’s banks.
- On 30 May 2018, elected Member of the Board of Directors and Member of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021

José Manuel Alves Elias da Costa

Personal Data

- Date of Birth: 13 October 1952
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Nominations and Remunerations
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Risk Assessment

Academic and Specialised Qualifications

- Licentiate Degree in Finance by Instituto Superior de Economia de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2002 to May 2016 - Member of the Executive Committee - Banco Santander Totta
- From May 2017 to August 2018 - Advisor - Banque de Dakar (BDK), Senegal
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Xiaoxu Gu (Julia Gu)

Personal Data

- Date of Birth: 05 September 1970
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors

Positions held outside the Group

- Since 2011 - Executive Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd.
- Since June 2015 - Non-Executive Member of the Board of Directors - Mybank
- Since January 2016 – Non-executive Chairwoman - Zhangxingbao (network Technology Co., Ltd)
- Non-executive Chairwoman of Chongquing Rural Commercial Bank Co. Ltd.

Academic and Specialised Qualifications

- Masters in Business Management - East China Normal University
- Bachelor’s Degree in Transportation Management - University Tongji (former Shanghai Tiedao University)

Professional Experience in the Last Ten Years Relevant to the Position

- From March 2010 to October 2011 - Non-Executive Director of Allinfinance (Allinpay's Subsidiary) and General Manager of Marketing Services Department of All in Pay Network Services Co., Ltd.
- From 2015 to 15 May 2018 – Chairwoman of the Board of Directors - Great China Finance Leasing (Shanghai) Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Shanghai Hongkou Guangxin Microcredit Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Guangzhou Fosun-Yuntong Microcredit Co., Ltd (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 –Member of the Board of Directors – Zhejiang Zheshang International Financial Asset Exchange Co., Ltd.
- From 2015 to 08 June 2018 – Chairwoman of the Board of Directors - Shanghai Xinglian Commercial Factoring Co., Ltd.
- From 2015 to July 2018 - Member of the Board of Directors - Zhejiang Mybank Co., Ltd.
- From 2015 to 28 July 2018 – Member of the Board of Directors - Minsheng E-Comerce Co., Ltd.

- From 2015 to 28 July 2018 – Chairwoman of the Board of Directors - Shanghai Fosunling Asset Management Co., Ltd. (Subsidiary of Zhangxingbao)
- From 2016 to 28 July 2018 – Chairwoman of the Board of Directors - SUM Payment Services Co., Ltd
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Lingjiang Xu

Personal Data

- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Nominations and Remunerations

Positions held in the Group

- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions held outside the Group

- Non-Executive member of the Board of Directors of Fidelidade - Companhia de Seguros, SA
- Non-Executive Chairman of the Board of Directors of Longrun Portugal, SGPS, S.A.
- Non-executive member of the Board of Directors - Luz Saúde, S.A.

Academic and Specialised Qualifications

- Bachelor’s Degree in German Language of the Foreign Studies University, Beijing, China
- Master’s Degree in World Economy - Nan kai University, Tianjin, China
- Master in Finance – London Business School, London

Professional Experience in the Last Ten Years Relevant to the Position

- From September 2011 to March 2012 - Director of Vermilion Partner LLP (London)
- From March 2012 to December 2013 - Partner to RH Regent Investment Management Co Ltd (Shanghai;)
- From February 2015 to February 2017 - Non-Executive Director of Luz Saúde, S.A.
- From May 2015 to February 2017 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Assistência - Companhia de Seguros, S.A.
- From September 2015 to February 2017 - Non-Executive Director of the Board of Directors of Multicare - Seguros de Saúde, S.A.
- From October 2016 to March 2017 - Non-Executive Director of the company Chiado (Luxembourg), S.à.r.l.
- On 9 January 2017 he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the current triennial (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Teófilo César Ferreira da Fonseca

Personal Data

- Date of Birth: 03 October 1966
- Nationality: Portuguese and Angolan

Positions held at the Bank

- Member of the Board of Directors
- Chairperson of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Positions held outside the Bank

- Adviser of the Strategic General-Board of the Chamber of Commerce for Small and Medium-sized companies Portugal-China (As from January 2021)
- Founder and Advisor (Lifetime consultative position) at the Xanana Gusmão Foundation
- Director at the Portugal Mozambique Association

Academic and Specialised Qualifications

- Attendance of the Intensive Management General Program (50 hours), from the Porto Business School
- Licentiate Degree in Financial Management - ISAG-Instituto Superior de Administração e Gestão, Porto
- Post-graduate degree in International Business; Porto Business School
- Master's degree in Regional Economic in Integration and European Policies; Porto; Universidade Católica do Porto
- Post-Graduate degree in Management Audit; Lisbon; INDEG/ISCTE, Lisbon
- Bachelor's Degree in SME Management – ISVOUGA, Santa Maria da Feira

Professional Experience in the Last Ten Years Relevant to the Position

- From October 2010 to October 2014 - Advisor of the Executive Committee (Chief of Transformation Officer) - Banco Caixa Geral Totta Angola
- From November 2014 to November 2017 - Deputy Manager - International Division of Group CGD
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Members of the Board of Directors (Members of the Audit Committee)

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/)

Cidália Maria da Mota Lopes

Personal Data

- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairwoman of the Audit Committee

Positions held outside the Group

- Professor at the Coimbra Business School – ISCAC on tax issues

- Invited Professor at Faculty of Law/IDET– Universidade de Coimbra Coimbra
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)

Academic and Specialised Qualifications

- Doctorate in Management from the Faculty of Economics of the University of Coimbra
- Master's Degree in European Economics from the School of Economics of the University of Coimbra
- Licentiate Degree in Economics from the School of Economics of the University of Coimbra.
- Graduated degree in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra.
- Program for Non-Executive Directors from Instituto Português de Corporate Governance

Professional Experience in the Last Ten Years Relevant to the Position

- From 1999 to 2021 - Published books and articles on tax issues, namely: Intangíveis – perspetiva contabilística e fiscal (2020) (co autora) Editora Almedina.; A Fiscalidade das Sociedades Insolventes (2015) (co-autora), 1ª edição e (2017), 2.ª edição, Editora Almedina; Fiscalidade – Outros Olhares (2013) (coordenação); Quanto custa pagar impostos em Portugal? Os custos da tributação do rendimento (2008), Editora Almedina; A Fiscalidade das Pequenas e Médias Empresas – Estudo comparativo na União Europeia (1999), Editora Vida Económica

- From 2010 to 2014 - Director of Coimbra Business School - Escola de Negócios de Coimbra
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A.
- On 30 May 2018 elected Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A. And in 22 May 2019, elected Chairwoman of the Audit Committee for the term of office 2018/2021

Other

- 2009/2010 - Received the Award Professor Doutor António de Sousa Franco, granted by the Portuguese Chartered Accountants Association (OCC), due to her paper: "Quanto custa pagar impostos em Portugal? – Os custos de cumprimento da tributação do rendimento" (How much does it cost to pay taxes in Portugal?)

Fernando da Costa Lima

Personal Data

- Date of Birth: 19 December 1956
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

Positions held outside the Group

- Non-Executive Director of Euronext Lisbon
- Chairman of the General Meeting of OBEGEF - Observatory of Economics and Fraud Management, Angola

Academic and Specialised Qualifications

- Licentiate Degree in Economics, from the Faculty of Economics of the University of Porto
- Master in Business Administration from Universidade Nova de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From 2006 to 2017 – Central-Manager - Banco Português de Investimento S.A.

- From 2009 to 2017 - Responsible for Coordinating the Investment Banking Area at Banco de Fomento de Angola
- From 2012 to 2017 – Non-Executive Director of Banco Português de Investimento, S.A.
- From 2018 to 31 December 2019 - Non-Executive Director of Netinvoice, S.A.
- On 23 April 2019 was co-opted as Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021 (initiated functions on 06.12.2019)

Valter Rui Dias de Barros

Personal Data

- Date of Birth: 19 September 1963
- Nationality: Angolan

Positions held at the Bank

- 2nd Vice-Chairman of the Board of Directors
- Member of the Audit Committee
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions held outside the Group

- Since November 2019 - Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angola)

Academic and Specialised Qualifications

- Corporate Senior Management Programme - AESE and IESE, Luanda (Angola)
- Licentiate Degree in Electronic Engineering and Computing from the Faculty of Engineering of University of Porto
- Licentiate degree in Mathematics Applied to Computer Science - Faculdade de Ciências da Universidade do Porto

Professional Experience in the Last Ten Years Relevant to the Position

- From 1998 to 2011 - Professor at School of Economics and Management of Universidade Católica de Angola, Luanda (Angola)
- From December 2006 to December 2016 – Executive Director of Banco de Desenvolvimento de Angola, Luanda (Angola)
- From 2011 to 2012 - Professor in the Human Behaviour Area of the Organizations - ASM-Angola School of Management, Luanda (Angola)
- Since June 2017 to March 2018 - Advisor of the Minister of Finance - Ministry of Finance, Luanda (Angola)
- From June 2018 to November 2019 - Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado (IGAPE), Angola
- On 30 May 2018 elected 2nd Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Wan Sin Long

Personal Data:

- Date of Birth: 20 May 1965
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

- Member of the Committee for Risk Assessment

Positions held outside the Group

- Since March 2018 – Chairman of the Executive Board of Directors of Great Win Consultancy Limited
- Curator of Wynn Care Foundation

Academic and Specialised Qualifications:

- Master in Economics with specialization in International Finance - Graduate School of People's Bank of China, currently called PBC School of Finance - Tsinghua University
- Bachelor's Degree in Economics with specialisation in Banking and Public Finance - Anhui Institute of Finance and Trade, currently named University of Finance and Economy of Anhui

Professional Experience

- From September 2004 to August 2016 - Executive Director of the Board of Directors and member of the Advising Board of the Monetary Authority of Macau (AMCM), Macau Motor and Maritime Fund, Deposits Guarantee Fund of Macau, Advising Board for the Management of the Fiscal Reserve of the Special Administrative Region of Macao (in the last two, since 2012)
- From July 2012 to July 2015 - Member of the Experts Specialised Committee for the Implementation of the New Basel Agreement in the Chinese Banking Sector of China Banking Regulatory Commission
- From March 2017 to September 2018 – Chairman and CEO of Great Win Consultancy Limited and Vice-Chairman of Ultra Resource Technology Limited
- From March 2017 to 22 September 2018 - Chairperson & CEO of Great Win Investment Limited
- From March 2017 to September 30, 2018 - Chairperson & CEO of G&W Limited
- From July 2017 to 24 October 2019 – Chairman (non-executive) of the Board of Directors of Great Win Investment (Hengqin) Limited
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Executive Members of the Board of Directors

(Detailed curricula are available at the Bank’s website, on the page with the following address: http://www.millenniumbcp/institucional/governação/)

Miguel Maya Dias Pinheiro

Personal Data

- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank

- Chairman of the Executive Committee
- 3rd Vice-Chairman of the Board of Directors
- Member for the International Strategy Board

Direct Responsibilities

- CEO’s Office
- Communication Division
- Human Resources Division
- Credit Division
- Economic Research, Sustainability and Cryptoassets Division

Positions held in the Group

- Chairman of the Board of Directors of Banco Activobank, S.A.
- Manager of the company BCP África, SGPS, Lda.
- Member of the Board of Directors and Chairman of the Remunerations and Welfare Board of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Vice-Chairman of the Board of Curators of Fundação Millennium bcp.

Positions held outside the Group

- Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Member of the Senior Board of the Alumni Clube ISCTE
- Member of the Advising Board of INDEG/ISCTE Executive Education
- Member of the Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português, S.A.
- Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) - AESE
- Advanced Management Programme - INSEAD
- Corporate Governance Programme

Professional Experience in the Last Ten Years Relevant to the Position

- From 03 November 2009 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 11 November 2009 to 18 April 2011 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From December 2009 to May 2011 - Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From March to June 2012- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From March 2015 to March 2018 - Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique
- From 23 April 2012 to 28 April 2016 - Chairman of the Board of Directors of Banco Millennium Angola, S.A.
- From 15 June 2012 to 16 June 2015 - Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.
- From May 2013 to May 2018 - Chairman of the Remunerations Commission of Seguradora Internacional de Moçambique
- From 11 May 2015 to 30 May 2018 - member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office
- From May 2015 to May 2018 - Chairman of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A.
- From January to May 2018- Member of the Restructuring Committee of PNCB – Plataforma de Negociação Integrada de Créditos Bancários, ACE

- From 12 May 2015 to 30 October 2018 - Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco S.A.
- From 2 August 2012 to 14 October 2019 - Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA
- On 30 May 2018 was elected 3rd Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Miguel de Campos Pereira de Bragança

Personal Data

- Date of Birth: 25 June 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Legal and Litigation Advisory Division
- Means of Payment and Acquiring Division
- Bank Millennium (Poland)
- Banco Activobank, S.A.

Positions held in the Group

- Vice-Chairman of the Board of Directors of Banco Activobank, S.A.
- Manager of the company BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.

Positions held outside the Group

- Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.
- Non-Executive Director of UNICRE – Instituição Financeira de Crédito, S.A., on behalf of Banco Comercial Português, S.A.
- Manager of Quinta das Almoínhas Velhas – Imobiliária, Lda.
- Vice-Chairman of the General Board of AEM- Associação de Empresas Emitentes de Valores Cotados em Mercado

Academic and Specialised Qualifications

- Licentiate Degree in Business Administration from Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA Programme. Henry Ford II Award, attributed to the students with the highest final grade point average

Professional Experience in the Last Ten Years Relevant to the Position

- From 2008 to February 2012 – Director responsible for the Finance, Accounting and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta SGPS, S.A.

- From 3 September 2010 to 11 February 2012 - Non-executive director of UNICRE – Instituição Financeira de Crédito, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 30 May 2018 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 26 June 2012 to 30 December 2019 - Member of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From 13 February 2013 to 21 February 2020 - Member of the Board of Fundação Casa de Bragança
- On 30 May 2018 elected Member of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

João Nuno de Oliveira Jorge Palma

Personal Data

- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- International, Treasury & Markets Division
- Large Corporates Division
- Investment Banking Divisions
- Corporate and Business Marketing Divisions
- Private Banking Division
- Asian Desk
- Companies and Corporate Division - North
- Companies and Corporate Division - South
- Millennium BIM (Mozambique)
- Millennium bcp Bank & Trust

Positions held in the Group

- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL).
- Postgraduate studies in Business - PDE-VII Programa de Direcção de Empresas (Companies Management Programme) from AESE Business School in collaboration with IESE - Instituto de Estudos Superiores de Empresa of the University of Navarra (PADE) - AESE.

Professional Experience in the Last Ten Years Relevant to the Position

- From March 2010 to December 2011 - Member of the Executive Board of Directors of (Chief Financial Officer), of Ren – Redes Energéticas Nacionais, SGPS, S.A.
- From January 2012 to July 2013 - Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013 - Non- executive Chairman of the Board of Directors of Caixa Imobiliário, S.A.

- From January 2012 to July 2013 - Non- executive Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 - Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 - Non-executive Member of the Board of Directors of PT - Portugal Telecom, S.A.
- From April 2012 to November 2016 - Non-executive Member of the Board of Directors of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From September 2013 to August 2016 - Non- executive Chairman of the Board of Directors of Banco Caixa Geral, S.A., Spain
- From January 2014 to August 2016 - Non-Executive Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Multicare – Seguros de Saúde, S.A
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 - Non-Executive Member of the Board of Directors of Parcaixa, S.A.
- From November 2014 to August 2016 - 1st Non-Executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (later renamed Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 - Non-Executive Member of the Board of Directors of Partang, S.A.
- From December 2014 to August 2016 - Non- executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil S.A.
- On 9 January 2017 he was co-opted by the Board of Directors to exercise the functions of Member of the Board of Directors and Vice-Chairman of the Executive Committee until the end of the term-of office (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021
- From July 2018 to February 2020 - Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique S.A

José Miguel Bensliman Schorcht da Silva Pessanha

Personal Data

- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Risk Office
- Compliance Office
- Rating Division

- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Personal Data Protection Office
- BMA(Angola)

Positions held in the Group

- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas - Sociedade Gestora de Fundos de Pensões, S.A.
- Member of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions held outside the Group

- Member of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.

Academic and Specialised Qualifications

- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Master's Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 - Master's Degree in Economics from Université Catholique de Louvain (Belgium)
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- Received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional Experience in the Last Ten Years Relevant to the Position

- From 2003 to 2015 - Group Risk Officer of Millennium BCP
- 2014 – Lecturer of the chair "Banking in a Global Context" at Universidade Católica Portuguesa
- On 11 May 2015 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2015/2017
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Maria José Henriques Barreto Matos de Campos

Personal Data

- Date of Birth: 21 August 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Specialised Recovery Division
- Retail and Small Amounts Recovery Division
- Direct Banking Division
- Operations Division
- IT Division
- Procurement and Logistics Division
- Information Security Division
- Direct Banking Division Companies
- Digital Transformation Office
- Millenniumbcp Prestação de Serviços, ACE

Positions held in the Group

- Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering and Telecommunications from Universidade de Aveiro

Professional Experience in the Last Ten Years Relevant to the Position

- From November 2001 to July 2011 - Head of IT of Bank Millennium S.A. , (Poland)
- From July 2006 to July 2011 - Director in charge for IT Europe of Millennium BCP
- From July 2011 to April 2018 - Member of the Board of Directors of Bank Millennium, S.A. (Poland).
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Rui Manuel da Silva Teixeira

Personal Data

- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Retail Divisions
- Retail Marketing Division
- Segments and Network Support Division
- Wealth Management Division
- Specialized Credit and Real Estate Division
- Specialised Monitoring Division
- Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
- Millennium bcp Ageas

Positions held in the Group

- Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A.
- Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A.

- Member of the Board of Directors of Ageas – Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.)
- Chairman of the Board of Directors of Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Positions held outside the Group

- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of SIBS, SGPS, S.A. (Em representação do Banco Comercial Português, S.A.)
- Chairman of the Board of the General Meeting of the Associação Porto Business School, in representation of Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering from the Faculty of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2010 to April 2011 – Head of the Marketing Division, Member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 19 April 2011 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 21 January 2012 to 19 October 2017 - Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- From 2012 to 2018 Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 19 December 2012 to 18 May 2015 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 25 January 2013 to 20 July 2017 - Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and of the Executive Committee
- From 26 May 2015 to 31 December 2018 - Chairman of the Supervisory Board of Banco ActivoBank, S.A.
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: : http:// www.millenniumbcp/institucional/governação/

Jorge Manuel Baptista Magalhães Correia

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Ana Paula Alcobia Gray

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Nuno Maria Pestana de Almeida Alves

Personal Data

- 62 years

Academic and Specialised Qualifications

- Licentiate degree in Naval Architecture and Maritime Engineering (1980)
- Master in Business Management by the University of Michigan (1985)

Professional Experience in the Last Ten Years Relevant to the Position

- From 2006 to April 2018 – Chief Financial Officer da EDP (Energias de Portugal)
- From 2006 to April 2018 - Member of the Board of Directors of the main subsidiary companies of EDP, EDPR (Renováveis), EDP Brasil and EDP Espanha

ANNEX III

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: : http://www.millenniumbcp/institucional/governação/

Pedro Miguel Duarte Rebelo de Sousa

Position Held at the Bank

- Chairman of the Board of the General Meeting (term of office: 2020/2023)

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Law of Universidade Clássica de Lisboa
- Post-graduate degree in Commercial and Corporate Law - Universidade Pontifícia Católica, Brasil
- Master's degree in Companies Management, from Fundação Getúlio Vargas – Business Administration School, São Paulo, Brazil

Management and Supervision positions held in other companies

- Non-Executive members of the Board of Directors of Cimpor – Cimentos de Portugal, SGPS, S.A.

Other Relevant Positions

- Founder and senior partner of Sociedade Rebelo de Sousa & Advogados (SRS)
- Member of the Sub-Committee for Latin America of the Atlantic Council, Washington DC
- Chairman of the Board of the General Meeting of Grémio Literário
- Chairman of the Board of the General Meeting of A. Santo, SGPS (Group Santo)
- Chairman of Círculo Eça de Queiroz – an institution serving the public interest
- Chairman of the Portuguese Institute of Corporate Governance
- Member of the Remunerations Commission of Novabase S.A.
- Director of the Câmara de Comércio Portugal-Holanda
- Chairman of the Board of the General Meeting of Sumolis Group Refrigor
- Chairman of the General Meeting of CTT
- Chairman of the General Meeting of COSEC
- Chairman of the Board of the General Meeting of several Institutions and Associations

Professional Experience in the Last Ten Years Relevant to the Position

- From 1985 to 2017 – Curator of the Câmara de Comércio Portuguesa, São Paulo, Brasil
- From 2004 to 2006 - Chairman of the Board of the General Meeting of PT Internacional
- From 2005 to 2006 - Chairman of the Board of the General Meeting of Galp, S.A.
- From 2005 to 2011- Chairman of the Supervisory Board of Banif Investimento, S.A
- From 2007 to 2012 – Director of the Portuguese Chamber of Commerce & Industry
- From 2009 to 2013 – Chairman of the Supervisory Board of Banco Caixa Geral Brasil. S.A.
- From 2011 to 2013 – Non-executive Director, Chairman of the Evaluation and Strategy Committee and member of the Board of Auditors of Caixa Geral de Depósitos, S.A.
- From 2012 to 2018 - Non-Executive member of the Board of Directors of Cimpor – Cimentos de Portugal, SGPS, S.A.

- From 2017 to 2019 - Chairman of the Board of the General Meeting of Banco Comercial Português, S.A.

Octávio Manuel de Castro Castelo Paulo

Position Held at the Bank

- Vice-Chairman of the Board of the General Meeting (term of office: 2020/2023)

Academic and Specialised Qualifications

- Licentiate Degree in Law from Universidade Lusíada de Lisboa

Management and Supervision positions held in other companies

- Independent non-executive Director of Standard Bank de Angola, currently exercising the position of Chairman of the Audit and Risk Commissions

Other Relevant Positions

- Partner of the law firm Rebelo de Sousa & Advogados (SRS), responsible for the Division of M&A, Corporate and Commercial, a division that also includes the practice area of TMT (Telecommunications, Media and Technology)
- Chairman of the Board of the General Meeting of several Portuguese and Angolan companies being also part of the Board of Auditors of several companies
- Advisory services to companies for capital markets operations and in mergers and acquisitions

Professional Experience in the Last Ten Years Relevant to the Position

- Member of the Lawyers Association of Portugal since 1988 and of the Lawyers Association of Angola since 2010
- From 2009 to 2011 - Chairman of the Portuguese Institute of Corporate Governance
- Member of ICC - International Chamber of Commerce
- Coordinated operations for the privatization of state-owned companies, to be listed in the Stock Exchanges of Lisbon, London and New York
- Advisory services to companies, open to public investment, or not, in Corporate Governance issues
- Chairman of the Audit Board of several companies
- Author and co-author of several works in the areas of Corporate Law and of Telecommunications Law
- From 2017 to 2019 - Vice-Chairman of the Board of the General Meeting of Banco Comercial Português, S.A.

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Banco Comercial Português, S.A.,

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Praça D. João I, 28
4000-295 Porto

Share Capital:
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