PRESS RELEASE

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Millennium bcp

26 July 2021

Millennium bcp Earnings release as at 30 June 2021

Profitability
Resilience of the business model; favourable performance of profit before impairment and provisions

- **Net income of the Group** amounted to **12.3 million euros** in the first half of 2021, including 214.2 million euros in provisions for legal risk on loans granted in Swiss francs in Poland and specific items of 87.2 million euros in Portugal, mainly related to restructuring costs.
- **Core income up** by **2.4%**; Recurring **operating costs down by 4.3%.**
- **Profit before impairment and provisions up 5.1%**, to 530.9 million euros. **Impairment and other provisions** totaled **461.9 million euros** in the first six months of 2021.

Capital and Liquidity
Capital at adequate levels; reinforced liquidity position

- Estimated **Fully-implemented Core Equity Tier 1 ratio** and **Total capital ratio** at **11.6%** and **14.9%**, respectively, both above regulatory requirements (11.8% and 15.1%, respectively, on a pro forma basis considering the expected impact of the ongoing sale of the Swiss subsidiary).
- **High liquidity levels**, comfortably above regulatory requirements. Eligible assets for ECB funding of 25.9 billion euros.

Business performance and Credit quality
Strong dynamics of growth in customer resources; continued increase of the loan portfolio; comfortable coverages levels

- **Performing loans up** by **1.9 billion euros** in **Portugal**, **+5.4%** from June 2020, with **NPE reduction** of **0.8 billion euros**, in adverse context. General improvement in credit quality indicators. **Total customer funds** of the Group **up** by **7.2 billion euros**. **Off- balance sheet customer funds** of the Group **up** by **14.2%**, to **20.7 million euros**.
- **Growing Customer base**, **mobile Customers standing out** (**+567,000**, of which **+211,000** in **Portugal**).
- **Leading bank** in **Customer satisfaction** with **digital channels** (Basef 5 largest banks).

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (Sociedade Aberta),
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto, with the single commercial and tax identification number 501 525 882
and the share capital of EUR 4,725,000,000.00.
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FINANCIAL HIGHLIGHTS (1)

Euro million

	30 Jun. 21	30 Jun. 20	Change 21/20
BALANCE SHEET			
Total assets	91,365	86,519	5.6%
Loans to customers (net)	55,885	53,687	4.1%
Total customer funds	90,351	83,163	8.6%
Balance sheet customer funds	69,621	65,009	7.1%
Deposits and other resources from customers	68,101	63,464	7.3%
Loans to customers (net) / Deposits and other resources from customers (2)	82.1%	84.6%	
Loans to customers (net) / Balance sheet customer funds	80.3%	82.6%	
RESULTS			
Net interest income	768.2	762.9	0.7%
Net operating revenues	1,122.6	1,053.4	6.6%
Operating costs	591.8	548.6	7.9%
Operating costs excluding specific items (3)	504.6	527.4	-4.3%
Loan impairment charges (net of recoveries)	156.9	237.3	-33.9%
Other impairment and provisions	304.9	114.0	167.4%
Income taxes	103.0	58.3	76.7%
Net income	12.3	76.0	-83.9%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.5%	2.5%	
Return on average assets (ROA)	-0.1%	0.2%	
Income before tax and non-controlling interests / Average net assets (2)	0.2%	0.4%	
Return on average equity (ROE)	0.4%	2.6%	
Income before tax and non-controlling interests / Average equity (2)	2.1%	4.5%	
Net interest margin	1.92%	2.05%	
Cost to core income (2) (3)	45.0%	48.2%	
Cost to income (2)	52.7%	52.1%	
Cost to income (2) (3)	44.9%	50.1%	
Cost to income (Portugal activity) (2) (3)	44.1%	51.6%	
Staff costs / Net operating revenues (2) (3)	25.6%	28.4%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	55	85	
Non-Performing Exposures / Loans to customers	5.2%	7.0%	
Total impairment (balance sheet) / NPE	66.6%	57.8%	
Restructured loans / Loans to customers	4.3%	5.5%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	270%	249%	
Net Stable Funding Ratio (NSFR)	148%	137%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.7%	12.1%	
Common equity tier I fully implemented ratio	11.6%	12.1%	
Total fully implemented ratio	14.9%	15.6%	
BRANCHES			
Portugal activity	458	493	-7.1%
International activity	876	967	-9.4%
EMPLOYEES			
Portugal activity	6,937	7,154	-3.0%
International activity (5)	9,984	11,016	-9.4%

Notes:

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at "Alternative Performance Measures" chapter, being reconciled with the accounting values published in the consolidated financial statements. Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the consolidated results of the Group is reflected as income from discontinued operations in the international activity and the historical information has been restated in order to ensure its comparability, as defined in the IFRS5. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. was not changed compared to the criteria considered in the financial statements published in previous periods. In this context, and taking into account the immateriality of the balance sheet balances of the Swiss subsidiary in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of that subsidiary were no longer considered interest earning assets in the current period or in historical information.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: negative impact of 87.2 million euros in the first half of 2021, mainly related to restructuring costs, recognized as staff costs in the activity in Portugal, including a provision to cover the costs related to the current adjustment of headcount in the amount of 81.4 million euros. In the first half of 2020, the impact was also negative, in the amount of 21.2 million euros, of which 13.2 million euros related to restructuring costs and compensation for temporary remuneration of employees cuts, both recognized as staff costs in the activity in Portugal and 7.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.4 million euros as staff costs, 2.3 million euros as other administrative costs and an 0.2 million euros as depreciation). In the efficiency indicators, the specific items included in the net operating revenues in the first half of 2020, in the amount of 0.1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.
(4) As at 30 June 2021 and 30 June 2020, capital ratios include the positive cumulative net income of each period. Ratios as of 30 June 2021 are estimated and non-audited.
(5) Of which, in Poland: 7,286 employees as at 30 June 2021 (corresponding to 7,148 FTE - Full-time equivalent) and 8,283 employees as at 30 June 2020 (corresponding to 8,141 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST HALF OF 2021

The results achieved by Millennium bcp, in the first half of 2021, demonstrate the resilience of the Bank in a challenging context, which still reflects some of the impacts caused by the pandemic associated with COVID-19, which emerged at the end of the first quarter of 2020. The lifting of the restrictive measures from the second half of March 2021, along with the ongoing vaccination process and the maintenance of initiatives to support the economy, have allowed, despite some uncertainty, an improvement in the economic activity. Millennium bcp showed, since the beginning, an enormous capacity for adaptation, reacting promptly to the evolution of the pandemic, remained at the forefront in supporting the economy, reinforcing its presence with companies, while ensuring constant support to families. The growth of the customer base and external recognition, materialized in the various awards and distinctions that the Bank has received, are proof of the resilience of the Bank's business model, whose digital capabilities are especially valued in times of pandemic. The Group will continuously assess the situation, in order to adapt itself to the evolution that the pandemic may assume, always bearing in mind the protection of employees and customers as well as the reinforcement of the social support.

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

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

Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

RESULTS

Millennium bcp showed a consolidated **net income** net income of 12.3 million euros in the first six months of 2021, lower than the 76.0 million euros achieved in the first half of 2020, with this evolution being determined by the contribution of the international activity, in particular the Polish subsidiary, strongly penalized by the significant increase of impairment and provisions booked for foreign exchange mortgage legal risk, which in the first half of 2021 amounted to 214.2 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.) compared to 38.0 million euros which had been recognised in the same period of the previous year. On the other hand, the contribution of the activity in Portugal to the consolidated net income of the Group was at a similar level to that recorded in the first half of the previous year, despite being strongly influenced by the recognition of a provision in the amount of 81.4 million euros, to cover restructuring costs, following the current adjustment of the headcount. This provision, considered as specific item resulted from the analysis of the needs of the Bank in relation to the existing capacity, also taking into account the adaptation of models and business processes to the new technologies. Although the need for adjustment of the headcount has already been identified under the Mobilising 2018/2021 strategic plan and this adjustment was foreseen for 2020, the emergence of the pandemic associated to COVID-19 and its effects on the economy and life of families led the Bank to postpone its implementation.

It should be noted that despite the extraordinary impact mentioned above related to the provision for the restructuring of the headcount recognised as staff costs, which greatly affected the net income of the activity in Portugal, profit before impairments and provisions of the Group reached 530.9 million euros in the first half of 2021, showing a growth of 5.1% compared to the same period of 2020, supported, on the one hand, by the resilience of core income and, on the other hand, by the favorable evolution of net trading income.

Consolidated **core operating profit** of Millennium bcp, excluding specific items[1], achieved 616.3 million euros in the first half of 2021, above the previous year.

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

[1] The specific items referred to totaled 87.2 million euros in the first half of 2021, were fully recognised in the activity in Portugal and are mainly related to restructuring costs, including the provision booked as a result of the current headcount adjustment that amounted to 81.4 million euros. In the first half of 2020, the specific items of the Group totaled 21.2 million euros, recognized both in the activity in Portugal and in the international activity, and they are associated respectively with restructuring costs and with compensation costs for the temporary adjustment of remuneration of the employees and costs with the acquisition, merger and integration of Euro Bank S.A.

In the activity in Portugal, despite the impact of the extraordinary situation, resulting from the pandemic caused by COVID-19, which is still felt in some business areas of the activity of the Bank, net income reached 45.1 million euros in the first half of 2021, remaining in line with the amount accounted in the same period of 2020. However, it should be noted that the result of the first half of 2021 is strongly penalised by the recognition of a provision in the amount of 81.4 million euros, associated with restructuring costs, following the current headcount adjustment.

Net income from the activity in Portugal was largely benefited by the increase in net trading income, but also by the increase in core income, namely both net interest income and net commissions. At the same time, the reduction of loans impairment (net of recoveries) also contributed positively to the evolution of net income in the activity in Portugal. Excluding specific items, which incorporate the aforementioned provision associated with the current adjustment of headcount, operating costs also showed a slight reduction, especially other administrative costs. Conversely, other impairment and provisions were above the amount recognised in the first half of 2020, which, together with the reduction in equity accounted earnings, other net operating income and dividends from equity instruments, partially offset the positive impacts mentioned above.

It should be noted that the expansion of core income and the reduction in recurrent operating costs, contributed to a core operating profit growth of 15.6%, excluding specific items, in the activity in Portugal, which went from 306.5 million euros recorded in the first half of 2020, to 354.4 million euros in the first six months of 2021.

In the international activity, net income fell significantly from the 30.8 million euros profits recorded in the first half of 2020, amounting to a negative amount of 32.9 million euros in the first half of 2021. This evolution was determined by the performance of the Polish subsidiary, which is largely influenced by the significative reinforcement of impairments and provisions for legal risk associated with the mortgage loans granted in foreign exchange, which in the first half of 2021 amounted to 214.2 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.), compared to 38.0 million euros which had been recognised in the same period of the previous year. At the same time, although not as significant, the contribution of Millennium bim in Mozambique to the result of the international activity was also lower than that recorded at the end of the first half of 2020, while the contribution of Banco Millennium Atlântico in Angola has evolved favourably, although still presenting a negative amount.

Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"), the contribution of this subsidiary to the results of the international activity and consequently to the consolidated net income of the Group (3.3 million euros in the first half of 2021 and 3.5 million euros in the same period of the previous year) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability.

Net interest income reached 768.2 million euros in the first half of 2021, compared to 762.9 million euros in the same period of the previous year. In this evolution, it is important to highlight the growth recorded in the activity in Portugal, which has been largely offset by the reduction observed in the international activity.

In the activity in Portugal, net interest income showed a 7.9% growth from the 379.2 million euros achieved at the end of the first half of 2020, reaching 409.3 million euros in the first six months of 2021. This performance was largely determined by the reduction in the cost of funding, namely through the positive impact from the additional funding obtained from the European Central Bank, through the participation in the new targeted longer-term refinancing operation (TLTRO III). The significant reduction in the funding cost, from the amount recognized in the first half of 2020, was possible thanks to the decision of the Bank to increase its participation in the aforementioned operation, first to 7,550 million euros in June 2020 and then to 8,150 million euros in March 2021, together with a remuneration, based on a more favourable negative interest rate, to incentivize lending to the economy. It is important to note that these gains were partially offset by the costs incurred by the Bank with the excess liquidity deposited with the European Central Bank.

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

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

In the international activity, net interest income totaled 359.0 million euros in the first half of 2021, compared to 383.7 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the Polish subsidiary, mostly penalized by the successive cuts in the reference interest rates imposed by the Polish Central Bank, in the first half of 2020, in response to the impacts from the COVID-19 pandemic, moved the interest rates close to zero. Net interest income of the subsidiary in Mozambique was also lower than in the first half of 2020, explained by the evolution of foreign exchange of the Metical against the Euro, since in local currency it remained at a higher level than that reached in the first six months of the previous year.

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

AVERAGE BALANCES

Euro million

	30 Jun. 21		30 Jun. 20	
	Amount	Yield %	Amount	Yield %
Deposits in banks	6,046	0.45	4,748	0.78
Financial assets	19,455	0.79	16,348	1.37
Loans and advances to customers	54,132	2.66	52,461	3.09
INTEREST EARNING ASSETS	**79,633**	**2.04**	**73,556**	**2.56**
Discontinued operations	**695**		**686**	
Non-interest earning assets	8,555		9,060	
	88,883		**83,302**	
Amounts owed to credit institutions	9,095	-0.80	7,345	0.01
Deposits and other resources from customers	65,239	0.12	61,151	0.43
Debt issued	3,349	0.78	3,159	1.15
Subordinated debt	1,284	4.69	1,500	4.86
INTEREST BEARING LIABILITIES	**78,967**	**0.12**	**73,154**	**0.51**
Discontinued operations	**742**		**731**	
Non-interest bearing liabilities	1,889		2,096	
Shareholders' equity and non-controlling interests	7,285		7,322	
	88,883		**83,302**	
Net interest margin		1.92		2.05

Note: Interest related to hedge derivatives was allocated, in June 2021 and 2020, to the respective balance sheet item.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, amounted to 30.0 million euros in the first half of 2021, compared to 46.4 million euros recorded in the same half of the previous year, driven by both the contribution from the activity in Portugal and from the international activity.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments amounted to 31.1 million euros in the first half of 2021, falling short of the 43.2 million euros recorded in the same period last year, mainly due to the lower contribution generated by Millennium Ageas, since, in the first half of 2020, it included an extraordinary positive impact resulting from the evaluation of liabilities of local insurance contracts following the alignment with the assumptions considered by Ageas Group. On the other hand, although with less expression, the income generated by the participation in SIBS was higher than that recorded in the first half of 2020. Dividends from equity instruments in turn were immaterial compared to the 2.8 million euros posted in the first half of 2020.

On the other hand, equity accounted earnings together with dividends from equity instruments in the international activity were 4.3 million euros lower than in the same period of previous year due to the lower appropriation of results generated by Banco Millennium Atlântico, influenced by the impacts caused by the weaknesses of the local economy.

Net commissions[2] reached 352.6 million euros, in the first half of 2021, standing 6.4% above the 331.5 million euros posted in the same period of the previous year. The good performance of net commissions, in the period under analysis, was observed both in the activity in Portugal and in the international activity, despite the negative impacts caused by the pandemic associated with COVID-19, which were felt in some types of commissions.

In the activity in Portugal, net commissions grew 6.4% compared to 232.4 million euros recorded in the first half of 2020, amounting to 247.3 million euros at the end of the first half of the current year. This evolution was made possible by the performance of both commissions related to the banking business, which increased by 4.7%, and commissions related to financial markets, which were 16.6% above the amount recorded in the first six months of 2020.

Commissions related to the banking business, in activity in Portugal, amounted to 208.9 million euros in the first half of 2021, which compared to 199.5 million euros recorded in the same period of the previous year, mainly benefiting from the increase in transfers commissions and management and maintenance of accounts commissions. Conversely, the decrease in activity after the onset of the pandemic was mainly reflected in the performance of commissions directly related to cards, mainly as a result of a reduction in commissions associated with cash advance transactions and in annuities charged.

On the other hand, market related commissions in the activity in Portugal increased from 32.9 million euros at the end of the first half of 2020, to 38.3 million euros at the same period of 2021, benefiting mainly from commissions associated with the distribution of investment funds, the performance of commissions related to stock exchange operations and commissions associated with portfolio management, whose growth was partially offset by the reduction in commissions related to the structuring and setting up of operations.

In the international activity, net commissions increased by 6.3% compared to 99.1 million euros in the first half of 2020, reaching 105.3 million euros at the end of the first half of 2021. This evolution was due to the performance of the Polish subsidiary, driven both by the increase in banking business commissions and by the growth of commissions related to financial markets. Conversely, net commissions in the operation in Mozambique were lower than those obtained in the first half of 2020, due to the exchange rate evolution of the Metical against the Euro.

In the first six months of 2021, **net trading income** stood at 79.8 million euros, more than doubling the 31.8 million euros achieved in the same period of the previous year due to the favorable performance of the activity in Portugal, although it was partially offset by the reduction in the international activity.

In the activity in Portugal, net trading income reached 68.0 million euros in the first six months of the year, showing a significant increase from the marginally positive amount of 3.1 million euros recorded in the first half of 2020. This performance reflects mainly the lower costs recognized with the revaluation of corporate restructuring funds, that amounted to 21.0 million euros in the first half of 2021, compared to 68.6 million euros that had been reflected in the P&L account in the first six months of 2020, incorporating mainly the impact of the review of the assumptions of the valuation of the underlying assets, following the adverse context caused by the COVID-19 pandemic. In addition, the gains recorded in the first half of 2021 with the sale of Portuguese and foreign public debt securities and of other securities, as well as the lower costs incurred with the sale of credits compared to the first half of 2020

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

contributed largely to the positive evolution observed. Conversely, in the first half of 2020, gains from foreign exchange operations were recognized, related to the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the Zloty, that were not repeated in the current year.

In the international activity, net trading income went from the 28.7 million euros accounted in the first half of 2020, to 11.7 million euros in the first half of 2021, mainly due to the performance of the Polish subsidiary, which in the first half of 2021 recorded lower gains from foreign exchange operations with customers and from sale of bonds, with these impacts being partially offset by the lower losses from the revaluation of the loan portfolio mandatorily classified at fair value through profit or loss.

Other net operating income[3], which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, showed a favorable evolution, from a negative amount of 119.2 million euros in the first half of 2020, to an also negative amount of 108.0 million euros in the same period of 2021, benefiting from the performance of the international activity, although it was partially offset by the contribution of the activity in Portugal.

In the activity in Portugal, other net operating income reached a negative amount of 71.3 million euros in the first half of 2021, that compares to an also negative amount of 66.9 million euros recorded in the first half of 2020. This performance was strongly influenced by the increase of 13.0 million euros in mandatory contributions, that went from 64.2 million euros posted in the first half of 2020, to 77.2 million euros in the first six months of 2021, of which 56.2 million euros related to mandatory contributions over the banking sector in Portugal and to the National Resolution Fund. The evolution in the total amount of mandatory contributions reflects largely the recognition of 6.2 million euros in the first half of 2021, related to the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic, which in the previous year, was recognized during the third quarter. On the other hand, it should be noted that other net operating income in the first half of 2021 benefited from the gains recognised from the sale of non-current assets held for sale, which contrast with the losses generated in the same half of the previous year.

In the international activity, other net operating income[3] totaled a negative amount of 36.7 million euros in the first six months of the year, compared to an also negative amount of 52.3 million euros recorded in the same period of the previous year. This evolution was mainly driven by the performance of the Polish subsidiary, which contrary to what happened in the activity in Portugal, largely reflects the reduction in mandatory contributions, to which this operation is subject. In the first half of 2021, the performance of other net operating income in the Polish subsidiary also benefit from a gain in the amount of 16.4 million euros corresponding to the amount to be reimbursed by Société Générale, S.A., following the acquisition contract of Euro Bank S.A., related to foreign exchange mortgage legal risk.

[3] The amount of other net operating income includes the specific items considered by the Polish subsidiary in the amount of 0.1 million euros in the first half of 2020 related to costs arising from the acquisition, merger and integration of Euro Bank S.A.

OTHER NET INCOME

Euro million

	6M21	6M20	Chg. 21/20
DIVIDENDS FROM EQUITY INSTRUMENTS	**0.7**	**3.5**	**-79.7%**
NET COMMISSIONS	**352.6**	**331.5**	**6.4%**
Banking commissions	298.8	284.2	5.1%
Cards and transfers	83.5	75.7	10.4%
Credit and guarantees	76.4	74.0	3.2%
Bancassurance	58.9	63.2	-6.8%
Management and maintenance of accounts	74.0	64.5	14.8%
Other commissions	5.9	6.8	-12.5%
Market related commissions	53.8	47.3	13.7%
Securities	28.0	26.7	4.8%
Asset management	25.9	20.6	25.2%
NET TRADING INCOME	**79.8**	**31.8**	**150.9%**
OTHER NET OPERATING INCOME	**(108.0)**	**(119.2)**	**9.4%**
EQUITY ACCOUNTED EARNINGS	**29.3**	**42.9**	**-31.7%**
TOTAL OTHER NET INCOME	**354.4**	**290.5**	**22.0%**
Other net income / Net operating revenues	31.6%	27.6%	

Operating costs, not considering the effect of specific items[4], totaled 504.6 million euros in the first six months of 2021, standing 4.3% below the 527.4 million euros recorded in the same period of the previous year. This evolution reflects the performance of both the activity in Portugal and mainly the international activity, evidencing the focus of the Group on the commitment made to improve efficiency.

In the activity in Portugal, operating costs, not considering the effect of the specific items (87.2 million euros in the first half of 2021 and 13.2 million euros in the same period of 2020), amounted to 302.2 million euros in the first half of 2021, showing a reduction of 1.0% from the 305.1 million euros accounted in the same period of 2020. It should be noted that the significant amount of specific items recognised in the first half of 2021 incorporates the impact of the adjustments to be made to the headcount, following the analysis of the needs of the Bank in relation to the existing capacity, also taking into account the adaptation of business models and processes to new technologies. The favorable evolution of operating costs, excluding specific items, was mainly due to the savings in staff costs, mitigated by the increase in depreciations.

In the international activity, operating costs, excluding the effect of the specific items (7.9 million euros in the first half of 2020), recorded a reduction of 9.0% from the 222.3 million euros accounted in the first six months of 2020, totalling 202.4 million euros in the first half of 2021. This evolution was mainly due to the performance of the Polish subsidiary, which reflects, on the one hand, the lower staff costs, due to the significant reduction in the number of

[4] Negative impact of 87.2 million euros in the first half of 2021, mainly related to restructuring costs, recognized as staff costs in the activity in Portugal. including a provision to cover the costs related to the current adjustment of headcount in the amount of 81.4 million euros. In the first half of 2020, the impact was also negative, in the amount of 21.1 million euros, of which 13.2 million euros related to restructuring costs and compensation for temporary remuneration cuts, both recognized as staff costs in the activity in Portugal and 7.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.4 million euros as staff costs, 2.3 million euros as other administrative costs and 0.2 million euros as depreciation).

employees and, on the other, a decrease in other administrative costs, partially, as a consequence of the efficiency improvement measures and the synergies obtained after the merger with Euro Bank S.A. In the operation in Mozambique there was also a reduction in operating costs in the same period, although it was determined by the exchange rate evolution of the Metical against the Euro. Operating costs in the international activity reflect the overall reduction of staff costs, other administrative costs and depreciations.

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

Staff costs, not considering the effect of specific items (87.2 million euros in the first half of 2021 and 18.6 million euros in the first half of 2020), totaled 287.1 million euros in the first six months of 2021, showing a 4.0% reduction from 299.1 million euros accounted in the same period of 2020, benefiting from the favourable performance of both the activity in Portugal and above all the international activity. The specific items previously mentioned are, in both periods, mainly related to restructuring costs in the activity in Portugal, and in the first half of 2020 also incorporate the costs of compensation for the temporary adjustment of staff remuneration in the activity in Portugal and the costs of the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary. It should be noted that in the first half of 2021, the amount associated with restructuring costs, in the activity in Portugal, includes the impact of adjustments to the headcount, following the analysis of the Bank's needs in relation to existing capacity, also taking into account the adaptation of business models and processes to new technologies. Although the need for adjustment of the headcount had already been identified under the Mobilising 2018/2021 strategic plan and this adjustment was foreseen for 2020, the emergence of the pandemic associated to COVID-19 and its effects on the economy and life of families led the Bank to postpone its implementation.

In the activity in Portugal, staff costs, excluding the impact of specific items (87.2 million euros in the first half of 2021, including the provision in the amount of 81.4 million euros associated to the ongoing headcount adjustment, and 13.2 million euros in the first half of 2020), showed a reduction of 2.6% compared to the 181.4 million euros posted in the first half of 2020, amounting to 176.8 million euros in the same period of 2021.

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

In the international activity, staff costs stood 6.2% below the 117.6 million euros recorded in the first half of 2020, totalling 110.3 million euros at the end of the first half of 2021. The amounts referred to do not include the impact of the specific items, fully recognised in the first half of 2020 by the Polish subsidiary, in the amount of 5.4 million euros, related to costs of the acquisition, merger and integration of Euro Bank S.A.

The favorable evolution of staff costs in the international activity was mainly due to the performance of the Polish subsidiary, determined by the impact associated with the continued reduction in the total number of employees, which went from 8,283 employees (8.141 FTE - full time equivalent) on 30 June 2020, to 7,286 employees (7,148 FTE – full-time equivalent) on 30 June 2021. The challenging context that the Polish subsidiary has been facing since 2020, marked by a sharp reduction in interest rates and the risks related to the mortgage loans portfolio in Swiss francs, led the restructuring plan need to be accelerate, materialized in the termination of about 1,000 employees in the period under review. In the activity in Mozambique, there was also a reduction in the number of employees, from 2,646 on 30 June 2020, to 2,611 on 30 June 2021, with the favorable evolution of staff costs being determined by the exchange rate evolution of the Metical against the Euro.

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

Other administrative costs, not considering the impact of specific items, showed a favourable evolution with a 6.8% reduction from the 160.0 million euros accounted in the first half of 2020, standing at 149.2 million euros in the first six months of 2021. The specific items, in the amount of 2.3 million euros, were fully recognized by the Polish subsidiary, in the first half of 2020 following the process of acquisition, merger and integration of Euro Bank S.A.

The favourable evolution of other administrative costs, in consolidated terms, was essentially due to the savings reached by the international activity, since in the activity in Portugal, other administrative costs remain in line with the amounts recognized in the first half of 2020.

In the first six months of 2021, other administrative costs, in the activity in Portugal, amounted to 85.4 million euros, standing at a similar level to that of the same period of the previous year, since the savings achieved on some headings were absorbed almost entirely by the increase in costs that occurred in other components. Thus, the most significant reductions were in costs associated with water, energy and fuels, information technology services, travel, hotel and representation, training, communications and transportation, mostly reflecting the impacts of the pandemic associated with COVID-19, as they only began to be felt from the second quarter of 2020. Among these impacts stand out those resulting from the suspension or cancellation of certain projects and travelling, together with the permanence in telework of a very significant number of employees. At the same time, the reductions referred to also reflect the impacts of pursuing disciplined cost management, in particular those that arose from the resizing of the branch network, which decreased from 493 on 30 June 2020 to 458 on 30 June 2021. On the other hand, there was an increase in costs associated with advisory services, partly due to the lower number of projects that had been implemented in the first half of 2020, since with the emergence of the pandemic a relevant part of these projects was postponed and also of outsourcing costs, following the activity increase recorded in call centers. Advertising and legal expenses were also higher than in the first half of 2020, reflecting the gradual resumption of activity.

In the international activity, other administrative costs, not considering the impact of the specific items above mentioned, amounted to 63.8 million euros in the first half of 2021, standing 14.1% below the 74.2 million euros recorded in the same period of the previous year. This evolution was determined by the performance of the Polish subsidiary, where the ongoing restructuring measures allowed to obtain a set of synergies following the merger with Euro Bank S.A., including the cost savings associated with the optimization of the branch network, whose total number decreased from the 766 existing on 30 June 2020 to 676 at the end of June 2021, and the reduction in IT costs. Although in a smaller dimension, other administrative costs recognized by the subsidiary in Mozambique, were also lower than in the first half of 2020, mostly due to the devaluation of the Metical against Euro. As of 30 June 2021, the subsidiary in Mozambique had 199 branches, one less than on the same date of the previous year.

Depreciations, excluding the specific items recognized by the Polish subsidiary in the first half of 2020 which, in this context, are not significant, remained aligned with the amount recorded in the first half of 2020, amounting to 68.3 million euros in the first six months of 2021. This evolution incorporates, however, distinct dynamics since the increase in the activity in Portugal fully offset the reduction achieved in the international activity.

In the activity in Portugal, depreciations went from 37.9 million euros in the first half of 2020, to 40.0 million euros in the first six months of the current year, reflecting mostly the investment in software made during last years. The increase in investment in software reveals the commitment of the Bank to technological innovation and the ongoing digital transformation, providing the Bank with the necessary capacity to face the challenges imposed by the impact of the pandemic associated with COVID-19.

In the international activity, depreciations, excluding the specific items, of an immaterial amount, totaled 28.3 million euros in the first half of 2021, standing 6.9% below the 30.4 million euros recognized in the first half of 2020. This evolution was mainly due to the performance of the Polish subsidiary, reflecting partially the synergies obtained following the integration of Euro Bank S.A. by Bank Millennium, S.A. The exchange rate devaluation of both the Zloty and the Metical against the euro also contributes to the favorable evolution of depreciations in the international activity and has even been decisive in the case of the subsidiary in Mozambique.

OPERATING COSTS

Euro million

	6M21	6M20	Chg. 21/20
Staff costs	287.1	299.1	-4.0%
Other administrative costs	149.2	160.0	-6.8%
Depreciations	68.3	68.3	0.0%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**504.6**	**527.4**	**-4.3%**
OPERATING COSTS	**591.8**	**548.6**	**7.9%**
Of which (1):			
Portugal activity	302.2	305.1	-1.0%
International activity	202.4	222.3	-9.0%

(1) Excludes the impact of specific items.

In the first half of 2021, **impairment for loan losses (net of recoveries)** totaled 156.9 million euros, that compares favourably to 237.3 million euros recognized in the same period of the previous year, reflecting both the performance of the activity in Portugal and the international activity.

In the activity in Portugal, impairment for loan losses (net of recoveries) decreased by 19.6% compared to the 158.0 million euros recorded in the first six months of 2020, amounting to 127.0 million euros at the end of the first half of 2021. This reduction partly reflects the effect of the extraordinary impacts that had been recognised in June 2020, following the update of the credit risk parameters considered for the purposes of calculating collective impairment, in order to reflect the macroeconomic scenario dictated at the time by the risks associated with COVID-19 and which resulted in the recognition of additional impairments in the amount of 71.8 million euros in the first half of the previous year. Additionally, in the first half of 2021 there were extraordinary, unexpected positive impacts associated with the activity of an individual client that led to lower provisioning needs.

In the international activity, there was also a reduction of impairment charges (net of recoveries), from 79.3 million euros accounted in the first half of 2020, to 29.9 million euros recognized in the first six months of 2021. This evolution was determined by the performance of the Polish subsidiary, induced by the improvement in the level of implicit risk in loans subject to moratoriums, which have since expired, and to the risk of customers, both individuals and companies. It should be noted that the amount of impairment recognised by the Polish subsidiary in the first half of 2020 is also influenced by the extraordinary reinforcement of 15.7 million euros in the previous year to cover the risks implicit to the COVID-19 pandemic, also contributing to the decrease in the period. The subsidiary in Mozambique, despite less materiality, also contributed positively to the evolution of loans impairment in the international activity, influenced by the reversal of the impairment associated with an individual client motivated by the assets received as payment in kind.

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

Excluding the extraordinary impacts mentioned above (one-off reversals), both in the activity in Portugal and in the subsidiary in Mozambique, the cost of risk of the Group and of the activity in Portugal, at the end of the first half of 2021, would be 68 basis points and 81 basis points, respectively.

Other impairments and provisions stood at 304.9 million euros in the first six months of 2021, which compares to 114.0 million euros recorded in the same period of 2020, with this evolution being determined by the contribution of the international activity, namely the Polish subsidiary, strongly penalized by the increase of the extraordinary provision booked for foreign exchange mortgage legal risk. Additionally, in the activity in Portugal, other impairment and provisions were also higher than in the first six months of 2020.

The evolution of other impairment and provisions in the activity in Portugal, from 46.6 million euros in the first half of 2020, to 68.6 million euros in the first six months of the current year, was largely influenced by the reinforcement of provisions for other risks.

In the international activity, other impairment and provisions amounted to 236.3 million euros at the end of the first half of 2021, up from 67.4 million euros in the first half of 2020. The increase of 168.9 million euros in this period was mainly due to the performance of the Polish subsidiary, as it mainly reflects the reinforcement of the extraordinary provision of 230.6 million euros (38.0 million euros in the first half of 2020), booked for foreign exchange mortgage legal risk, reflecting the negative trends in court decisions, inflow of new court cases and the more conservative assumptions applied in risk assessment. In the first half of 2021, the impact of the aforementioned provisions was offset by the recognition of an income in the amount of 16.4 million euros (reflected in other net operating income), corresponding to the amount receivable from Société Générale, following the contract of acquisition of Euro Bank S.A. Conversely, the performance of other impairments and provisions was also influenced by the additional charges, in the amount of 13.7 million euros which had been recognised in the first half of 2020 by the Polish subsidiary, in order to cover the return of commissions charged to customers for the early repayment of consumer credit operations, following a decision taken by the Court of Justice of the European Union. In the first half of 2020, other impairment and provisions of the international activity also include impairments in the amount of 12.8 million euros (3.2 million euros in the first half of 2021), for the investment in the participation in Banco Millennium Atlântico (including goodwill), in order to cover the risks inherent to the context in which the Angolan operation operates. The subsidiary in Mozambique, in turn, although in a smaller size also recorded a higher amount in other impairment and provisions, compared to that recognized in the first half of 2020.

Income tax (current and deferred) amounted to 103.0 million euros in the first half of 2021, which compares to 58.3 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first half of 2021, current tax of 50.4 million euros (55.5 million euros in the first half of 2020) and deferred tax of 52.6 million euros (2.7 million euros in the first half of 2020).

Current tax expenses in the first six months of 2021 was strongly influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and mandatory contributions to the banking sector, both in the Polish subsidiary, non-deductible for tax purposes.

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

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 91,365 million euros as at 30 June 2021, showing an increase of 5.6% from 86,519 million euros recorded in the same date of the previous year. This increase was determined by the performance of the activity in Portugal, also benefiting from the favourable evolution of the international activity, although with less expression.

In the activity in Portugal, total assets totaled 64,631 million euros as at 30 June 2021, standing 7.4% above the 60,176 million euros posted at the end of June of the previous year. This evolution was mostly boosted by the increase in securities portfolio, with the reinforcement of eligible assets, namely Portuguese and foreign public debt portfolio, that allowed the application of the existing liquidity surplus. At the same time, the loans to customers portfolio (net of impairment) also contributed significantly to the increase of total assets, standing at a higher level than in the previous year. The most significant reduction, despite with a lesser magnitude, were in loans and advances to credit institutions and in non-current assets held for sale, namely in the portfolio of real estate properties received as payment.

In the international activity, total assets amounted to 26,734 million euros as at 30 June 2021, comparing favorably (+1.5%) with the 26,343 million euros recorded in the same date of the previous year.

Consolidated **loans to customers (gross)** of Millennium bcp, as defined in the glossary, reached 57,885 million euros as at 30 June 2021, showing a 3.4% growth from the 55,960 million euros achieved in the same date of 2020, benefiting from the favourable performances of both the activity in Portugal and the international activity.

In the activity in Portugal, the balance of loans to customers (gross) stood 2.9% above the 38,402 million euros posted at the end of June of the previous year, reaching 39,515 million euros as at 30 June of the current year. To this evolution contributed in a large way the credit granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated to COVID-19, allowing at the same time the reinforcement of the presence of the Bank with the Portuguese companies. It is important to highlight that this growth was possible despite the reduction of 813 million euros in NPE, following the success of the divestment strategy in this type of assets, carried out by the Bank in recent years, since this reduction was more than offset by the growth of 1,926 million euros of the performing loan portfolio.

As at 30 June 2021, the total amount of credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State was 2,642 million euros, representing an increase of 16.8% compared to the amount of 2,262 million euros which, at the end of 2020, the Bank had disbursed under these lines. It should be noted that the credit lines were made available mainly to small and medium-sized Portuguese companies, having allowed to support more than 18,000 customers. At the end of the first half of 2021 they represented about 7% of the total loans portfolio of the activity in Portugal.

Having lapsed, at the end of the first quarter, the deadline for applications to moratoriums 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 and after the significant impact of the decrease in the value of exposures subject to moratorium in the Private Sector under the private moratorium, during the second quarter of 2021 there was a progressive reduction by cancellation/expiration of moratoriums or settlement of exposures.

MORATORIUMS*

Euro million

	30 Jun. 21		31 Mar. 21	
	Active	Expired	Active	Expired
Families	3,269	934	3,421	862
Companies	4,066	711	4,597	270
Total	**7,336**	**1,645**	**8,018**	**1,132**

* Excludes extensions of grace periods on capital repayment and of maturity dates in loans operations that had benefited from guarantees from Mutual Guarantee Societies or Fundo de Contragarantia Mútuo, under the Decree-Law 22C/2021 of March 22.

As of 30 June 2021, the total amount of the portfolio subject to a moratorium amounted to 7,336 million euros, showing a reduction of 8.1% and 15.5%, respectively, compared to the 8,018 million euros at the end of March 2021 and the 8,679 million euros recorded at the end of 2020.

Contrary to what occurred in the first quarter, in which the reduction of active moratoriums was almost entirely in the segment of individuals, in the second quarter about 78% of the reduction was in the business segment. It should also be said that of the total amount of active moratoriums as at 30 June 2021, 55% are related to credit to companies and 45% to households.

In the international activity, loans to customers (gross) reached 18,370 million euros as at 30 June 2021, standing 4.6% above the 17,558 million euros posted at the same date of 2020, mostly reflecting the growth in the Polish subsidiary.

The structure of the consolidated customer loans portfolio (gross) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 57.2% and 42.8% of the total portfolio as at 30 June 2021, in line with the ratios of 56.9% and 43.1% posted at the same date of 2020.

LOANS TO CUSTOMERS (GROSS)

Euro million

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

The **quality of the credit portfolio** continues to be one of the priorities of the Group, which has maintained the focus on selectivity and monitoring of the credit risk control processes materialized through the various initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years.

In this sense, it is important to highlight the 23.7% reduction in the amount of the NPE portfolio, which went from 3,934 million euros on 30 June 2020 to 3,004 million euros at the end of the first half of the current year. Notwithstanding the current adverse context, there was a net decrease in the NPE portfolio of 931 million euros in consolidated terms, of which 813 million euros in Portugal.

The NPE ratio as a percentage of the total loan portfolio, also showed a favourable performance, decreasing from 7.0% on 30 June 2020, to 5.2% on the same date in 2021, highlighting the performance of the domestic loan portfolio, which NPE ratio decreased from 7.6% to 5.3% in the same period.

Coverage indicators also showed a general improvement in the last year, highlighting the increase in the coverage levels in the activity in Portugal, namely the reinforcement in the coverage of NPE by impairments which stood at 67.3% as at 30 June 2021, compared to 56.5% at the same date of the previous year. The coverage of NPL by more than 90 days, in the activity in Portugal, in turn and despite the actual pandemic situation, went from 111.6% at the end of June 2020, to 146.0% as at 30 June 2021.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Jun. 21	30 Jun. 20	Chg. 21/20	30 Jun. 21	30 Jun. 20	Chg. 21/20
STOCK (M€)						
Loans to customers (gross)	57,885	55,960	3.4%	39,515	38,402	2.9%
Overdue loans > 90 days	1,126	1,416	-20.5%	753	953	-21.0%
Overdue loans	1,250	1,528	-18.2%	763	969	-21.3%
Restructured loans	2,512	3,055	-17.8%	1,965	2,541	-22.7%
Non-performing loans (NPL) > 90 days	1,463	2,100	-30.3%	965	1,473	-34.5%
Non-performing exposures (NPE)	3,004	3,934	-23.7%	2,095	2,908	-28.0%
Loans impairment (Balance sheet)	2,000	2,274	-12.0%	1,409	1,644	-14.3%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.9%	2.5%		1.9%	2.5%	
Overdue loans / Loans to customers (gross)	2.2%	2.7%		1.9%	2.5%	
Restructured loans / Loans to customers (gross)	4.3%	5.5%		5.0%	6.6%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	2.5%	3.8%		2.4%	3.8%	
Non-performing exposures (NPE) / Loans to customers (gross)	5.2%	7.0%		5.3%	7.6%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	177.7%	160.6%		187.1%	172.5%	
Coverage of overdue loans	160.0%	148.8%		184.6%	169.6%	
Coverage of Non-performing loans (NPL) > 90 days	136.7%	108.3%		146.0%	111.6%	
Coverage of Non-performing exposures (NPE)	66.6%	57.8%		67.3%	56.5%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	3.5%	4.8%		3.6%	5.3%	

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

Total customer funds reached 90,351 million euros as at 30 June 2021, standing 8.6% above the 83,163 million euros recorded on the same date of the previous year, benefiting from the good performance of the favourable evolution practically across all items, both in the activity in Portugal and in the international activity.

In consolidated terms, the good evolution of total customer funds mostly reflects the performance of deposits and other resources from customers which showed an increase of 4,637 million euros, from 63,464 million euros at the end of the first half of 2020, to 68,101 million euros as at 30 June 2021. Additionally, total customer funds also benefited from the growth of 2,576 million euros in off-balance sheet customer funds, which went from 18,154 million euros to 20,731 million euros in the same period.

In the activity in Portugal, total customer funds achieved 64,039 million euros at the end of June 2021, showing an increase of 5,587 million euros from the 58,451 million euros recorded at the same date of the previous year. This evolution reflects mainly the performance of deposits and other resources from customers, which grew from 41,847 million euros, to 45,696 million euros in the same period, reaffirming its weight in the assets financing structure. This evolution shows the current trend of money saving by Portuguese families, in response either to the natural feeling of insecurity brought up by the pandemic or to the delay of consumption of durable goods. At the same time the growth of total customer funds was also boosted by off-balance sheet customer funds that stood 1,661 million euros above the amount recorded at the end of June 2020, mainly due to the growth of assets placed with customers, particularly through the placement of investment funds. Although more modestly, assets under management also showed an increase compared to the same date of the previous year, despite it was entirely absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds totaled 26,313 million euros as at 30 June 2021, standing 1,601 million euros above the 24,712 million euros recorded at the same date of the previous year. This evolution was induced by both balance sheet customer funds and off-balance sheet customer funds, which growths were of 685 million euros and 915 million euros, respectively. The Polish subsidiary was the main responsible for the good evolution of customer funds in the international activity, also worth noting the contribution of the Swiss and Mozambican operations in what concerns to the increase in assets under management and deposits and other resources from customers, respectively.

On a consolidated basis, balance sheet customer funds, as at 30 June 2021, represented 77% of total customer funds (78% at the same date of the previous year), while the weight of deposits and other resources from customers in total customer funds was 75% (76% as at 30 June 2020).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 82% on 30 June 2021, that compares to 85% at the end of June of the previous year. The same ratio, considering on-balance sheet customers' funds, went from 83% in 30 June 2020, to 80% in the same date of 2021.

TOTAL CUSTOMER FUNDS

Euro million

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

The **securities portfolio** of the Group, as defined in the glossary, reached 22,837 million euros as at 30 June 2021, showing an increase of 16.4% from the 19,625 million euros recorded in the same date of the previous year, increasing its weight in total assets from 22.7% to 25.0% in the same period.

The securities portfolio of the Group reflects above all the performance of the portfolio of the activity in Portugal, that went from 12,784 million euros at the end of June 2020, to 16,871 million euros as at 30 June 2021. This growth of 4,087 million euros reflects the increase in the Portuguese and foreign public debt portfolio, namely French, Spanish, Belgian and Irish, that allowed the application of the existing liquidity surplus. The securities portfolio of the international activity, in turn, recorded a decrease of 875 million euros from 30 June 2020, induced essentially by the divestment in Polish public debt by the subsidiary in Poland.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 270% at the end of June 2021, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (249%) which already reflected a high coverage level.

In consistent with the BCBS' stable funding standard, in June 2021, came into effect the minimum regulatory requirement of 100% for the NSFR (Article 428 of Regulation (EU) 2019/876). The Group reinforced the disposition of the stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 30 June 2021 to stand at 148% (137% as at 30 June 2020).

The Group's three main operations showed a significant reinforcement of the respective deposit bases over the annual period ended 30 June 2021, thus continuing the trend observed in the quarter following the outbreak of the COVID-19 crisis, which occurred in March 2020.

Regarding the financing structure, after the ECB's decision to extend the use of the Targeted longer-term refinancing operations III (T LTRO III) to 55% of eligible loans, BCP added in the first quarter of 2021 a tranche of 600 million euros to the one of 7.55 billion euros taken in June 2020, bringing the total gross amount taken in this instrument to 8.15 billion euros.

Still with an impact on strengthening its liquidity position, BCP took advantage of favorable 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, and forecasted in the Liquidity Plan only for the third quarter of 2021, to comply with the requirements designated by "MREL".

The additional liquidity thus obtained, added to that resulting from the aforementioned reduction in the commercial gap in Portugal, continued primarily to be used in the support to the real economy and also, given its magnitude, in the reinforcement by 4.1 billion euros of the securities portfolio in Portugal. The liquidity deposited at Banco de Portugal remained at 3.4 billion euros.

The growth in sovereign debt portfolios contributed to the increase of 4.4 billion euros of the balance of eligible assets available for discount at the ECB, to 25.9 billion euros. Considering that net funding from the ECB, in the same period, grew by 534 million euros, to 4.8 billion euros, the liquidity buffer with the ECB increased by 3.9 billion euros, to 21.1 billion euros.

In response to the COVID-19 crisis, and on top of the increased liquidity provision to the banking system through the creation of the aforementioned T LTRO III, the ECB carried out a transversal reduction in the haircuts applicable to all types of assets eligible for discount, in the case of the 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 its reversal is not expected to have material consequences considering the current size of the buffer held by BCP with the ECB.

Similarly, in the annual period ended 30 June 2021, the main subsidiaries, Bank Millennium and Millennium bim, showed very robust liquidity positions, combining the reinforcement of their respective deposit bases with discountable buffers in central banks of material dimension, which allowed them to position themselves in the comfort zone of liquidity risk indicators adopted across the Group, as well as in all regulatory indicators.

In consolidated terms, the refinancing risk of medium-long-term instruments will remain at very low levels in the coming years, given that it will only reach 1.0 billion euros in 2022. Even in this case, it will involve the payment of an issue of covered bonds in that exact amount, whose collateral will be integrated into the discountable liquidity buffer at the ECB after its repayment, thus meaning a negligible loss of liquidity.

CAPITAL

The estimated CET1 ratio as at 30 June 2021 stood at 11.7% in phased-in and at 11.6% in fully implemented, reflecting a change of -46 and -54 basis points, respectively, compared to the 12.1% phased-in and fully implemented, reported in the same period of 2020 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 the ongoing restructuring costs. Despite these negative impacts, the ratios would have maintained similar levels to those recorded in the same period of the previous year, save for the asymmetric treatment in terms of regulatory capital of deviations arising from changes in the discount rate of the Pension Fund's liabilities. In fact, on 30 June 2021, the Pension Fund had an excess coverage of liabilities for assets of 287 million euros, not reflected in capital. Therefore, the CET1 ratio decreased from the figure presented in the same period of 2020, standing below the bank's medium-term goals, without jeopardizing the prospect of convergence towards such goals.

SOLVENCY RATIOS

Euro million

	30 Jun. 21	30 Jun. 20
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,488	5,602
Tier 1	6,024	6,135
Total Capital	**7,047**	**7,176**
Risk weighted assets	**47,302**	**46,141**
Solvency ratios		
CET1	11.6%	12.1%
Tier 1	12.7%	13.3%
Total capital	14.9%	15.6%
PHASED-IN		
CET1	11.7%	12.1%

Note: The capital ratios of June 2021 and June 2020 include the positive accumulated net income of the respective periods.
The capital ratios of June 2021 are estimated and non-audited.

SIGNIFICANT EVENTS IN THE FIRST SIX MONTHS OF 2021

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

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

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

- Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2020, including the Corporate Governance Report and of the proposal for the appropriation of profit regarding the 2020 financial year;
- Approval of the Dividend Policy;
- Approval of the remuneration policy of Members of Management and Supervisory Bodies;
- Approval of the policy for the selection and appointment of the statutory auditor or Audit Firm and well as for the engagement of non-audit services that are not prohibited under the terms of the applicable legislation;

- Re-appointment of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as the Single Auditor, that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the triennial 2021/2023;
- Re-appointment of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., to perform functions of External in the triennial 2021/2023;
- Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association.

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

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

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

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

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

Millennium bcp integrates the ranking of "Europe's Climate Leaders in 2021" prepared by the Financial Times in partnership with the German company of market and consumer research – Statista. This index highlights European companies that have made the most progress in reducing greenhouse gas emissions.

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

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

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

AWARDS

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

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

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

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

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

Millennium bcp distinguished by Global Finance magazine as "Best Investment Bank" in Portugal in 2021.

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

BCP Group ellected "Best Foreign Exchange Provider" in Portugal, Mozambique and Poland in 2021.

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

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

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

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

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

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

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

MACROECONOMIC ENVIRONMENT

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

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

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

In Portugal, the removal of the restrictive measures in March led to a marked improvement in economic activity. As a result, the GDP is expected to recover strongly in the second quarter (after the year-on-year drop of 5.3% observed in the prior quarter), benefiting from the increase in private consumption, the dynamism in investment and a favorable contribution of the foreign demand. For the whole year, the Bank of Portugal forecasts a GDP growth of 4.8%, which is, however, subject to risks, namely related to the adverse effects of the pandemic on the tourist activity. In the following quarters, the execution of the Recovery and Resilience Plan, approved in June by the European Commission (EC), should contribute to boost public and private investment, and to raise the potential growth of the Portuguese economy in the medium term. Concerning the public finances, the maintenance of measures aimed at supporting households and firms should continue to lift the government debt, which should, however, be gradually mitigated by the positive effects of the economic recovery.

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

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

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Jun. 21	Jun. 20	Change 21/20	Jun. 21	Jun. 20	Change 21/20	Jun. 21	Jun. 20	Change 21/20
INCOME STATEMENT									
Net interest income	768.2	762.9	0.7%	409.3	379.2	7.9%	359.0	383.7	-6.5%
Dividends from equity instruments	0.7	3.5	-79.7%	0.1	2.8	-95.9%	0.6	0.7	-19.4%
Net fees and commission income	352.6	331.5	6.4%	247.3	232.4	6.4%	105.3	99.1	6.3%
Net trading income	79.8	31.8	150.9%	68.0	3.1	>200%	11.7	28.7	-59.1%
Other net operating income	(108.0)	(119.2)	9.4%	(71.3)	(66.9)	-6.6%	(36.7)	(52.3)	29.8%
Equity accounted earnings	29.3	42.9	-31.7%	31.0	40.4	-23.3%	(1.7)	2.5	-170.4%
Net operating revenues	**1,122.6**	**1,053.4**	**6.6%**	**684.4**	**591.0**	**15.8%**	**438.2**	**462.4**	**-5.2%**
Staff costs	374.2	317.7	17.8%	263.9	194.7	35.6%	110.3	123.0	-10.4%
Other administrative costs	149.2	162.3	-8.1%	85.4	85.7	-0.4%	63.8	76.6	-16.7%
Depreciation	68.3	68.5	-0.3%	40.0	37.9	5.6%	28.3	30.6	-7.5%
Operating costs	**591.8**	**548.6**	**7.9%**	**389.4**	**318.3**	**22.3%**	**202.4**	**230.2**	**-12.1%**
Operating costs excluding specific items	504.6	527.4	-4.3%	302.2	305.1	-1.0%	202.4	222.3	-9.0%
Profit before impairment and provisions	**530.9**	**504.9**	**5.1%**	**295.1**	**272.7**	**8.2%**	**235.8**	**232.2**	**1.5%**
Loans impairment (net of recoveries)	156.9	237.3	-33.9%	127.0	158.0	-19.6%	29.9	79.3	-62.2%
Other impairment and provisions	304.9	114.0	167.4%	68.6	46.6	47.2%	236.3	67.4	>200%
Profit before income tax	**69.0**	**153.5**	**-55.1%**	**99.5**	**68.0**	**46.2%**	**(30.5)**	**85.5**	**-135.6%**
Income tax	103.0	58.3	76.7%	53.9	22.6	138.4%	49.0	35.7	37.5%
Current	50.4	55.5	-9.3%	7.9	5.6	39.6%	42.5	49.9	-14.8%
Deferred	52.6	2.7	>200%	46.1	17.0	171.3%	6.5	(14.2)	145.9%
Income after income tax from continuing operations	**(34.0)**	**95.3**	**-135.7%**	**45.5**	**45.4**	**0.3%**	**(79.5)**	**49.9**	**<-200%**
Income arising from discontinued operations	3.3	3.5	**-7.7%**	–	–	-	3.3	3.5	**-7.7%**
Non-controlling interests	(43.0)	22.8	<-200%	0.4	0.2	89.0%	(43.4)	22.6	<-200%
Net income	**12.3**	**76.0**	**-83.9%**	**45.1**	**45.2**	**-0.1%**	**(32.9)**	**30.8**	**<-200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	91,365	86,519	5.6%	64,631	60,176	7.4%	26,734	26,343	1.5%
Total customer funds	**90,351**	**83,163**	**8.6%**	**64,039**	**58,451**	**9.6%**	**26,313**	**24,712**	**6.5%**
Balance sheet customer funds	**69,621**	**65,009**	**7.1%**	**47,202**	**43,276**	**9.1%**	**22,419**	**21,733**	**3.2%**
Deposits and other resources from customers	68,101	63,464	7.3%	45,696	41,847	9.2%	22,406	21,617	3.6%
Debt securities	1,519	1,545	-1.6%	1,506	1,428	5.4%	13	116	-88.5%
Off-balance sheet customer funds	**20,731**	**18,154**	**14.2%**	**16,837**	**15,176**	**10.9%**	**3,894**	**2,978**	**30.7%**
Assets under management	7,055	5,465	29.1%	4,186	3,327	25.8%	2,870	2,139	34.2%
Assets placed with customers	6,191	4,242	45.9%	5,612	3,822	46.8%	578	420	37.6%
Insurance products (savings and investment)	7,485	8,447	-11.4%	7,039	8,027	-12.3%	446	419	6.3%
Loans to customers (gross)	**57,885**	**55,960**	**3.4%**	**39,515**	**38,402**	**2.9%**	**18,370**	**17,558**	**4.6%**
Individuals	**33,106**	**31,863**	**3.9%**	**19,916**	**19,403**	**2.6%**	**13,189**	**12,460**	**5.9%**
Mortgage	27,206	26,038	4.5%	17,873	17,343	3.1%	9,333	8,695	7.3%
Personal Loans	5,900	5,825	1.3%	2,043	2,060	-0.8%	3,856	3,765	2.4%
Companies	**24,779**	**24,097**	**2.8%**	**19,599**	**18,999**	**3.2%**	**5,180**	**5,098**	**1.6%**
CREDIT QUALITY									
Total overdue loans	1,250	1,528	-18.2%	763	969	-21.3%	487	559	-12.9%
Overdue loans by more than 90 days	1,126	1,416	-20.5%	753	953	-21.0%	373	463	-19.6%
Overdue loans by more than 90 days / Loans to customers	1.9%	2.5%		1.9%	2.5%		2.0%	2.6%	
Total impairment (balance sheet)	2,000	2,274	-12.0%	1,409	1,644	-14.3%	591	630	-6.2%
Total impairment (balance sheet) / Loans to customers	3.5%	4.1%		3.6%	4.3%		3.2%	3.6%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	177.7%	160.6%		187.1%	172.5%		158.6%	136.0%	
Non-Performing Exposures	3,004	3,934	-23.7%	2,095	2,908	-28.0%	908	1,026	-11.4%
Non-Performing Exposures / Loans to customers	5.2%	7.0%		5.3%	7.6%		4.9%	5.8%	
Total impairment (balance sheet) / NPE	66.6%	57.8%		67.3%	56.5%		65.0%	61.4%	
Restructured loans	2,512	3,055	-17.8%	1,965	2,541	-22.7%	547	513	6.6%
Restructured loans / Loans to customers	4.3%	5.5%		5.0%	6.6%		3.0%	2.9%	
Cost of risk (net of recoveries, in b.p.)	55	85		64	82		33	92	

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of euros)

	30 June 2021	30 June 2020 (restated)
Interest and similar income	826,257	964,964
Interest expense and similar charges	(58,009)	(202,034)
NET INTEREST INCOME	768,248	762,930
Dividends from equity instruments	709	3,488
Net fees and commissions income	352,577	331,488
Net gains / (losses) from financial operations at fair value through profit or loss	(9,269)	(60,422)
Net gains / (losses) from foreign exchange	26,942	73,295
Net gains / (losses) from hedge accounting operations	1,424	(3,438)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(2,993)	(11,198)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	63,658	33,548
Net gains / (losses) from insurance activity	4,841	6,043
Other operating income / (losses)	(113,855)	(119,681)
TOTAL OPERATING INCOME	1,092,282	1,016,053
Staff costs	374,241	317,722
Other administrative costs	149,168	162,310
Amortisations and depreciations	68,342	68,519
TOTAL OPERATING EXPENSES	591,751	548,551
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	500,531	467,502
Impairment for financial assets at amortised cost	(158,774)	(242,536)
Impairment for financial assets at fair value through other comprehensive income	(4,192)	(10,569)
Impairment for other assets	(26,781)	(23,080)
Other provisions	(272,107)	(75,160)
NET OPERATING INCOME	38,677	116,157
Share of profit of associates under the equity method	29,286	42,897
Gains / (losses) arising from sales of subsidiaries and other assets	1,038	(5,519)
NET INCOME BEFORE INCOME TAXES	69,001	153,535
Income taxes		
Current	(50,374)	(55,542)
Deferred	(52,592)	(2,734)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(33,965)	95,259
Income arising from discontinued or discontinuing operations	3,260	3,531
NET INCOME AFTER INCOME TAXES	(30,705)	98,790
Net income for the period attributable to:		
Bank's Shareholders	12,266	75,958
Non-controlling interests	(42,971)	22,832
NET INCOME FOR THE PERIOD	(30,705)	98,790
Earnings per share (in Euros)		
Basic	(0.001)	0.008
Diluted	(0.001)	0.008

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2021 AND 2020 AND 31 DECEMBER 2020

(Thousands of euros)

	30 June 2021	31 December 2020 (restated)	30 June 2020 (restated)
ASSETS			
Cash and deposits at Central Banks	4,688,434	5,303,864	4,302,644
Loans and advances to credit institutions repayable on demand	256,424	262,395	350,218
Financial assets at amortised cost			
Loans and advances to credit institutions	671,309	1,015,087	1,085,970
Loans and advances to customers	53,994,754	52,022,357	51,210,450
Debt securities	8,330,961	6,234,545	5,742,472
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,704,537	1,031,201	2,335,697
Financial assets not held for trading mandatorily at fair value through profit or loss	1,290,058	1,315,467	1,305,443
Financial assets at fair value through other comprehensive income	13,882,942	12,140,392	13,285,390
Hedging derivatives	55,853	91,249	133,590
Investments in associated companies	436,290	434,959	429,589
Non-current assets held for sale	905,016	1,026,481	1,201,651
Investment property	6,714	7,909	13,165
Other tangible assets	620,831	640,825	671,477
Goodwill and intangible assets	242,660	245,954	238,140
Current tax assets	14,333	11,676	21,043
Deferred tax assets	2,663,653	2,633,790	2,661,955
Other assets	1,599,737	1,296,812	1,529,676
TOTAL ASSETS	91,364,506	85,714,963	86,518,570
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	9,056,077	8,898,759	9,055,226
Resources from customers	68,101,260	63,000,829	62,475,176
Non subordinated debt securities issued	1,751,893	1,388,849	1,475,762
Subordinated debt	1,199,743	1,405,172	1,440,353
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	372,225	278,851	411,227
Financial liabilities at fair value through profit or loss	1,481,477	1,599,405	2,287,682
Hedging derivatives	173,690	285,766	265,447
Provisions	404,940	345,341	308,055
Current tax liabilities	6,590	14,827	5,656
Deferred tax liabilities	7,253	7,242	6,593
Other liabilities	1,423,094	1,103,652	1,337,709
TOTAL LIABILITIES	83,978,242	78,328,693	79,068,886
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	400,000
Legal and statutory reserves	259,528	254,464	254,464
Treasury shares	-	(40)	(70)
Reserves and retained earnings	855,470	642,397	760,842
Net income for the period attributable to Bank's Shareholders	12,266	183,012	75,958
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,268,735	6,221,304	6,232,665
Non-controlling interests	1,117,529	1,164,966	1,217,019
TOTAL EQUITY	7,386,264	7,386,270	7,449,684
TOTAL LIABILITIES AND EQUITY	91,364,506	85,714,963	86,518,570

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 has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the abovementioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

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

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

Euro million

		30 Jun. 21	30 Jun. 20
Loans to customers (net) (1)		55,885	53,687
Balance sheet customer funds (2)		69,621	65,009
	(1) / (2)	**80.3%**	**82.6%**

2) Return on average assets (ROA)

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

Euro million

	6M21	6M20
Net income (1)	12	76
Non-controlling interests (2)	-43	23
Average total assets (3)	88,883	83,302
[(1) + (2), annualised] / (3)	**-0.1%**	**0.2%**

3) Return on average equity (ROE)

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

Euro million

	6M21	6M20
Net income (1)	12	76
Average equity (2)	5,805	5,775
[(1), annualised] / (2)	**0.4%**	**2.6%**

4) Cost to income

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

Euro million

		6M21	6M20
Operating costs (1)		592	549
of which: specific items (2)		87	21
Net operating revenues (3)*		1,123	1,053
	[(1) - (2)] / (3)	**44.9%**	**50.1%**

* Excludes the specific items, recognized in the Polish subsidiary, in the first half of 2020, related to costs with the acquisition, merger and integration of Euro Bank S.A., of an immaterial amount.

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

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

Euro million

		6M21	6M20
Loans to customers at amortised cost, before impairment (1)		57,488	55,602
Loan impairment charges (net of recoveries) (2)		157	237
	[(2), annualised] / (1)	**55**	**85**

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

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

Euro million

		30 Jun. 21	30 Jun. 20
Non-Performing Exposures (1)		3,004	3,934
Loans to customers (gross) (2)		57,885	55,960
	(1) / (2)	**5.2%**	**7.0%**

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

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

Euro million

		30 Jun. 21	30 Jun. 20
Non-Performing Exposures (1)		3,004	3,934
Loans impairments (balance sheet) (2)		2,000	2,274
	(2) / (1)	**66.6%**	**57.8%**

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

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

Loans impairment (P&L)

Euro million

	6M21	6M20
Impairment of financial assets at amortised cost (accounting P&L) (1)	159	243
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	1
Impairment of financial assets at amortised cost not associated with credit operations (3)	2	4
Loans impairment considering management criteria (1)-(2)-(3)	**157**	**237**

Balance sheet customer funds

Euro million

	30 Jun. 21	30 Jun. 20
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,481	2,288
Debt securities at fair value through profit or loss and certificates (2)	1,481	1,298
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**0**	**989**
Resources from customers at amortised cost (accounting Balance sheet) (4)	68,101	62,475
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**68,101**	**63,464**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,752	1,476
Debt securities at fair value through profit or loss and certificates (7)	1,481	1,298
Non subordinated debt securities placed with institucional customers (8)	1,714	1,230
Debt securities placed with customers considering management criteria (9) = (6) + (7) - (8)	**1,519**	**1,545**
Balance sheet customer funds considering management criteria (10) = (5) + (9)	**69,621**	**65,009**

Securities portfolio

Euro million

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

Profit before impairment and provisions – net operating revenues deducted from operating costs.

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

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

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

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

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

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

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

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

Other net operating income – net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Performing loans - loans to customers (gross) deducted from Non-performing exposures (NPE).

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.
Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

Disclaimer

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

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

The interim condensed consolidated financial statements, for the six months ended at 30 June 2021, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU.

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

The figures for the first six months of 2021 and 2020 were not audited.