PRESS RELEASE

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Millennium bcp

27 October 2021

Millennium bcp Earnings release as at 30 September 2021

Profitability
Resilience of the business model

- **Net income of the Group** amounted to **59.5 million euros** in the first nine months of 2021, including 313.5 million euros in provisions for legal risk on loans granted in Swiss francs in Poland and specific items of 87.6 million euros in Portugal, mainly related to headcount adjustment costs.

- Excluding specific items, **core operating profit of the Group** reached **938.7 million euros**, corresponding to a **growth** of **8.3%**.

Capital and Liquidity
Capital at adequate levels, above regulatory requirements; reinforced liquidity position

- Estimated **Fully-implemented Total capital ratio** and **Core Equity Tier 1 ratio** at **15.2%** and **11.8%**, respectively (15.3% and 12.0%, 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. Loans-to-deposits ratio of 83%. Eligible assets for ECB funding of 25.2 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 of the Group up** by **3.1 billion euros**, **+5.8%** from September 2020 (**+2.2 billion euros** in **Portugal**). **NPE reduction** of **0.8 billion euros**, in adverse context. **Total customer funds** of the Group **up** by **7.3 billion euros**. **Off- balance sheet customer funds** of the Group **up** by **10.1%**, to **20.7 million euros**.

- **General improvement** in **credit quality indicators**. **Cost of risk** of **60 bp** for the **Group** (69 bp excluding one-off reversals) and of **68 bp** in Portugal (79 bp excluding one-off reversals).

- **Growing Customer base**, **mobile Customers** standing out (**+543,000**, of which **+196,000** 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
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FINANCIAL HIGHLIGHTS (1)

Euro million

	30 Sep. 21	30 Sep. 20	Change 21/20
BALANCE SHEET			
Total assets	91,463	85,980	6.4%
Equity	7,358	7,479	-1.6%
Loans to customers (net)	56,414	53,833	4.8%
Total customer funds	90,556	83,284	8.7%
Balance sheet customer funds	69,863	64,494	8.3%
Deposits and other resources from customers	68,321	62,997	8.5%
Loans to customers (net) / Deposits and other resources from customers (2)	82.6%	85.5%	
Loans to customers (net) / Balance sheet customer funds	80.7%	83.5%	
RESULTS			
Net interest income	1,168.6	1,153.7	1.3%
Net operating revenues	1,706.4	1,662.7	2.6%
Operating costs	851.7	812.7	4.8%
Operating costs excluding specific items (3)	764.1	785.2	-2.7%
Loan impairment charges (net of recoveries)	264.0	374.2	-29.4%
Other impairment and provisions	462.0	176.4	161.9%
Income taxes	143.1	121.6	17.7%
Net income	59.5	146.3	-59.3%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.5%	2.6%	
Return on average assets (ROA)	0.0%	0.3%	
Income before tax and non-controlling interests / Average net assets (2)	0.2%	0.5%	
Return on average equity (ROE)	1.4%	3.4%	
Income before tax and non-controlling interests / Average equity (2)	2.5%	5.8%	
Net interest margin	1.91%	2.03%	
Cost to core income (2) (3)	44.9%	47.5%	
Cost to income (2)	49.9%	48.9%	
Cost to income (2) (3)	44.8%	47.2%	
Cost to income (Portugal activity) (2) (3)	43.8%	47.6%	
Staff costs / Net operating revenues (2) (3)	25.2%	26.9%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	60	90	
Non-Performing Exposures / Loans to customers	4.9%	6.5%	
Total impairment (balance sheet) / NPE	67.9%	62.2%	
Restructured loans / Loans to customers	4.4%	5.2%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	264%	243%	
Net Stable Funding Ratio (NSFR)	147%	140%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.9%	12.4%	
Common equity tier I fully implemented ratio	11.8%	12.4%	
Total fully implemented ratio	15.2%	15.7%	
BRANCHES			
Portugal activity	447	489	-8.6%
International activity	865	927	-6.7%
EMPLOYEES			
Portugal activity	6,511	7,152	-9.0%
International activity (5)	9,884	10,708	-7.7%

Notes:

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary. Following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("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 87.6 million euros in the first nine months of 2021, mainly related to headcount adjustment 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 nine months of 2020, the impact was also negative, in the amount of 27.6 million euros, of which 15.8 million euros related to headcount adjustment costs and compensation for temporary remuneration of employees cuts, both recognized as staff costs in the activity in Portugal and 11.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (7.1 million euros as staff costs, 4.4 million euros as other administrative costs and an 0.4 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 September 2021 and 30 September 2020, capital ratios include the positive cumulative net income of each period. Ratios as of 30 September 2021 are estimated and non-audited.
(5) Of which, in Poland: 7,172 employees as at 30 September 2021 (corresponding to 7,035 FTE - Full-time equivalent) and 7,997 employees as at 30 September 2020 (corresponding to 7,846 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2021

In the first nine months of the year, Millennium bcp continued to demonstrate the resilience of its business model and its capacity for adaptation to a context strongly influenced by the evolution of the pandemic crisis. The Bank has been committed to meet Customers needs over this period, continuing to support companies and families, namely in the challenges faced in every moment. In this sense, it is important to highlight the increase of the total amount of credit granted by the Bank, under the COVID-19 lines guaranteed by the Portuguese State, and also the agreements established with the European Investment Fund. It should be noted that these credit lines mainly support small and medium-sized Portuguese companies, allowing to reinforce the presence of the Bank in this segment. At the same time, the Bank maintains its focus on constant technological innovation, aiming to strengthening its digital capabilities, which are increasingly valued by customers. In this context, it is important to mention the continued growth of the customer base of the Bank, with special emphasis on mobile Customers, as well as external recognition, materialized in the various awards and distinctions that the Bank has received, and which also reflect its commitment to people and the Society.

On 29 June 2021, Banco Comercial Português, S.A. informed, 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.

RESULTS

The consolidated **net income of** Millennium bcp stood at 59.5 million euros in the first nine months of 2021, below the 146.3 million euros achieved in the same period of the previous year. This evolution was determined by the performance of the international activity, strongly penalized by the significant increase of impairment and provisions booked for foreign exchange mortgage legal risk, by the Polish subsidiary. Net income of the activity in Portugal, in turn, increased from the amount reached in the first nine months of 2020, despite being strongly influenced by the recognition of a provision to staff costs, to cover headcount adjustment costs, following the current adjustment of the headcount. In addition to the main impacts mentioned, the evolution of the net income of the Group also reflects, albeit on a lower scale, the reduction in net trading income, in equity accounted earnings and in dividends from equity instruments. On the other hand, it should be noted the growth of core income, highlighting net commissions, the lower level of loans impairment and the evolution of other net operating income which were less negative than in the same period of 2020.

It should be noted that despite the extraordinary impact related to the provision for the adjustment of the headcount recognized as staff costs in the activity in Portugal, in the amount of 81.4 million euros, profit before impairments and provisions of the Group reached 854.7 million euros in the first nine months of 2021, standing slightly above (0.6%) the amount obtained in the same period of the previous year. It should be noted that, excluding this provision, considered as a specific item, and also excluding the remaining specific items[1] in both periods, profit before impairments and provisions of the Group grew 7.4% compared to the first nine months of 2020.

In the activity in Portugal, net income totaled 115.2 million euros till the end of September 2021, showing a 25.3% growth from the 91.9 million euros achieved in the same period of 2020. This evolution was, nevertheless, influenced by the recognition of the above-mentioned provision, in the amount of 81.4 million euros, to cover the costs of the ongoing staff adjustment plan, following 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. The good performance of net income in the activity in Portugal, was mainly due to the increase of core income, to the reduction of loans impairment (net of recoveries), and to the positive evolution of net trading income. Although with less expression, other net operating income also were less negative than in the first nine months of 2020. Conversely, the performance of net income in the activity in Portugal was mainly influenced by the increase in other impairment and provisions compared to the first nine months of 2020. It should also be noted that, excluding specific items[1], which incorporate the aforementioned provision to cover headcount adjustment costs, following the current adjustment of the headcount, operating costs reflect a 1.4% reduction in the period under review.

[1] The specific items referred to totaled 87.6 million euros in the first nine months of 2021, were fully recognised in the activity in Portugal and are mainly related to headcount adjustment costs, including the provision booked as a result of the current headcount adjustment that amounted to 81.4 million euros. In the first nine months of 2020, the specific items of the Group totaled 27.6 million euros, of which 15.8 million euros recognized in the activity in Portugal, associated with headcount adjustment costs and with compensation costs for the temporary adjustment of remuneration of the employees and 11.8 million euros recognized in the international activity, related to costs with the acquisition, merger and integration of Euro Bank S.A.

In the international activity, net income totaled a negative amount of 55.7 million euros in the first nine months of 2021, showing a significative decrease from the 54.4 million euros profit posted in the same period of the previous year. This evolution was mainly due to the contribution of the Polish subsidiary, which was determined by the reinforcement of impairments and provisions for legal risk associated with the mortgage loans granted in foreign exchange, which in the nine months of 2021 amounted to 313.5 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.), considerably above the 67.2 million euros recognized in the same period of the previous year. Additionally, the performance of net income of the Polish subsidiary also includes the negative impact arising from foreign exchange mortgage loans negotiations, recognized as net trading income. On the other hand, it should be noted the lower level of provision of the loan portfolio of the Polish subsidiary and the evolution of other net operating income which were less negative than in the same period of 2020, largely due to the amount received from Société Générale following the contract for the acquisition of Euro Bank S.A. associated with foreign exchange mortgage legal risk. At the same time, net income of the international activity was influenced, although not as significant, by the contribution of Banco Millennium Atlântico in Angola which was also lower than in the first nine months of 2020, while Millennium bim in Mozambique showed a similar net income to that of the same period of the previous year.

It is also important to mention that following the agreement concluded on 29 June 2021 with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) 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 (4.7 million euros in the first nine months of 2021 and 4.5 million euros in the same period of 2020) is reflected as income from discontinued operations and the historical information has been restated in order to ensure its comparability.

Consolidated **core operating profit** of Millennium bcp, reached 851.1 million euros, standing 1.4% above the amount recorded in the same period of the previous year. It should be noted that, excluding specific items[1], core operating profit was 8.3% above the 866.7 million euros obtained in the first nine months of 2020, totalling 938.7 million euros by the end of September 2021, reflecting, on the one hand, the resilience of core income and, on the other hand, the favorable evolution of operating costs.

In the activity in Portugal, core operating profit (excluding specific items) stood 12.1% above the 483.9 million euros posted in the first nine months of 2020, reaching 542.7 million euros in the same period of the current year, mainly benefiting from the expansion of core income but also from the reduction in recurrent operating costs.

In the international activity, core operating profit (excluding specific items) amounted to 396.1 million euros in the first nine months of 2021, showing a 3.5% growth from the 382.7 million euros posted in the same period of the previous year.

Net interest income reached 1,168.6 million euros in the first nine months of 2021, evolving favourably from the 1,153.7 million euros posted in the same period of the previous year. This growth reflects the performance of the activity in Portugal, despite being largely offset by the reduction observed in the international activity, influenced by the reduction in the reference interest rates in Poland.

In the activity in Portugal, net interest income was 4.8% higher than the 591.2 million euros recorded until September 2020, amounting to 619.5 million euros in the first nine months of 2021. This performance was largely due to the significant reduction in the cost of funding, determined by 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). In addition to the increase in the amount of the aforementioned operation, first to

7,550 million euros in June 2020 and then to 8,150 million euros in March 2021, the Bank also benefited from a more favorable negative interest rate, to incentivize lending to the economy. At the same time, costs incurred with subordinated debt issue were lower than those recorded in the first nine months of 2020, reflecting the maturity of some debt issues during the period under review. The evolution of net interest income in the activity in Portugal also benefited from the reduction in the remuneration of the time deposit portfolio, despite the fact that there was an increase in the average balance of remunerated deposits from customers. On the other hand, historically low rates, continued to strongly influence the income generated by the performing loan portfolio, that in the first nine months of 2021 was lower than that recorded in the same period of the previous year. This situation was particularly noticeable in loans to households, since the income generated from loans granted to companies was slightly above that in the first nine months of 2020, benefiting from the increase in the volume of loans, including loans granted to companies under the credit lines guaranteed by the Portuguese State, following the pandemic caused by COVID-19. On the other hand, the significant pace of reduction of NPE and the lower gains in public debt calculated in the period under analysis contributed negatively to the evolution of net interest income.

In the international activity, net interest income amounted to 549.1 million euros in the first nine months of 2021, compared to 562.5 million euros recorded in the same period of the previous year. The Polish subsidiary was the main responsible for this evolution, influenced 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, that moved the interest rates close to zero. At the same time, the performance of net interest income in the international activity is also penalised by the evolution of foreign exchange of the Zloty and the Metical against the euro.

Net interest margin of the Group went from 2.03% in the first nine months of 2020 to 1.91% in the same period of the current year, reflecting both the performance of the activity in Portugal and the international activity. In the activity in Portugal, net interest margin stood below the 1.55% recorded in the first nine months of 2020, amounting to 1.45% in the same period of 2021, pressed by the increase in balance sheet volumes, with increased weight of the liquidity buffer, 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. Net interest margin in the international activity, in turn, went from 3.01% in the first nine months of 2020, to 2.99% in the same period of 2021.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totaled 43.0 million euros in the first nine months of 2021, compared to 59.0 million euros recorded in the same period of the previous year reflecting both the performance of the activity in Portugal and mainly the international activity.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments went from 48.5 million euros in the first nine months of 2020, to 43.9 million euros in the same period of 2021, mainly reflecting the performance of dividends from equity instruments, since they proved to be immaterial compared to the 4.0 million euros posted in the first nine months of 2020. Regarding equity accounted earnings, it should be noted that their evolution incorporates distinct dynamics. In this sense, the lower contribution generated by Millennium Ageas in the first nine months of 2021, due in large part to the extraordinary positive impact, resulting from the assessment of local insurance contract liabilities based on assumptions consistent with those used by the parent company in the first half of 2020, was largely offset by the increase in income generated by other participations, in particular by the participation in SIBS and Unicre.

In the international activity, equity accounted earnings together with dividends from equity instruments went from the positive amount of 10.5 million euros posted in the first nine months of 2020, to a negative amount of 0.9 million euros in the same period of the current year, due to the lower appropriation of results generated by Banco Millennium Atlântico in Angola, strongly influenced by the impacts of the economic situation of the country.

Net commissions[2] stood 7.2% above the 498.2 million euros obtained in the first nine months of 2021, reaching 534.2 million euros in the same period of the current year. The favourable evolution of net commissions occurred both in Portugal and in the international activity, regarding commissions related to the banking business and market related commissions, despite the impacts caused by the pandemic associated with COVID-19 in some types of commissions.

In the activity in Portugal, net commissions amounted to 376.6 million euros in the first nine months of 2021, showing an increase of 6.8% from the 352.5 million euros recorded in the same period of the previous year. Commissions related to the banking business stood 5.8% above the amount accounted in the first nine months of 2020, while market related commissions grew 12.7% in the period under review.

Till the end of September of the current year, commissions related to the banking business, in the activity in Portugal, totaled 318.2 million euros, with the increase from the 300.7 million euros posted in the same period of 2020, mainly due to the performance of transfers commissions, management and maintenance of accounts commissions and credit commissions. On the other hand, commissions directly related to cards stood below the amount posted in the same period of the previous year. Market related commissions in the activity in Portugal also increased, from 51.8 million euros in the first nine months of 2020, to 58.4 million euros in the same period of 2021, mainly due to the performance of commissions associated with the distribution of third party investment funds.

In the international activity, net commissions totaled 157.6 million euros in the first nine months of 2021, growing 8.2% from the 145.7 million euros obtained in the same period of 2020, essentially due to the performance of commissions related to the banking business in the Polish subsidiary and also, even on a smaller scale, in the subsidiary in Mozambique.

[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.

NET COMMISSIONS

Euro million

	9M21	9M20	Chg 21/20
Banking commissions	452.7	423.6	6.9%
Cards and transfers	131.0	116.3	12.7%
Credit and guarantees	114.3	109.5	4.5%
Bancassurance	87.3	90.7	-3.8%
Management and maintenance of accounts	110.9	97.6	13.6%
Other commissions	9.2	9.5	-3.4%
Market related commissions	81.5	74.6	9.3%
Securities	42.1	41.7	0.9%
Asset management	39.4	32.9	19.9%
NET COMMISSIONS	**534.2**	**498.2**	**7.2%**
Of which:			
Portugal activity	376.6	352.5	6.8%
International activity	157.6	145.7	8.2%

Net trading income stood at 71.0 million euros in the first nine months of 2021, that compares to 95.2 million euros recorded in the same period of the previous year, with this evolution being determined by the performance of the international activity, which fully absorbed the growth recorded in the activity in Portugal.

In the first nine months of 2021, net trading income in the activity in Portugal reached 64.1 million euros, standing 37.1% above the 46.8 million euros posted in the same period of the previous year. This performance was possible thanks to the lower costs recognized with the revaluation of corporate restructuring funds, that amounted to 38.3 million euros in the first nine months of 2021, compared to 66.9 million euros that had been accounted in the same period of the previous year, which incorporates 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 good performance of net trading income also reflects the lower costs incurred with the sale of credits and higher gains, associated with the sale of securities compared to the amount posted in the same period of the previous year. Conversely, the evolution of net trading income was penalized by the fact that the significant gains from foreign exchange operations recognized in the first nine months of 2020, related to the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the Zloty, were not repeated in the current year.

In the international activity, net trading income stood at 6.9 million euros in the first nine months of 2021, significantly below the 48.4 million euros recorded in the same period of the previous year. The performance of the Polish subsidiary was decisive in this evolution, influenced by the costs incurred in converting mortgage loans granted into Swiss francs, following the agreements closed in the meantime with customers holding those credits. The performance of net trading income in the Polish subsidiary also reflects the lower gains from the sale of bonds.

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 143.3 million euros in the first nine months of 2020, to an also negative amount of 110.4 million euros in the same period of 2021. This evolution mainly reflects the good performance of the international activity, also benefiting, although on a smaller scale, from the performance of the activity in Portugal.

In the activity in Portugal, other net operating income reached a negative amount of 68.6 million euros in the first nine months of 2021, that compares to an also negative amount of 72.2 million euros recorded in the same period of the previous year. This evolution reflects, on the one hand the gains recognized from the sale of non-current assets held for sale in the first nine months of 2021, which contrast with the losses generated in the same period of the previous year, and on the other hand the increase of 7.2 million euros in the costs incurred by mandatory contributions, which increased from 70.1 million euros, to 77.2 million euros in the same period. It should be worth noting that of the total mandatory contributions calculated by the end of September 2021, 56.2 million euros refers to mandatory contributions over the banking sector in Portugal and to the National Resolution Fund.

In the international activity, other net operating income[3] showed a very favourable evolution, from a negative amount of 71.0 million euros in the first nine months of the year, to an also negative amount of 41.9 million euros recorded in the same period of the previous year. The Polish subsidiary was largely responsible for this evolution, reflecting mainly the reimbursement from Société Générale, S.A., in the amount of 32.8 million euros, following the acquisition contract of Euro Bank S.A. related to foreign exchange mortgage legal risk. At the same time, the reduction in costs with mandatory contributions to which the Polish operation is subject also contributed favourably to the evolution of other net operating income in the international activity.

Operating costs, not considering the effect of specific items[4], totaled 764.1 million euros in the first nine months of 2021, showing a 2.7% reduction from the 785.2 million euros recorded in the same period of the previous year. This evolution reflects the focus of the Group on the commitment made to improve efficiency, both in the activity in Portugal and in the international activity.

In the activity in Portugal, operating costs, not considering the effect of the specific items totaled 453.5 million euros in the first nine months of 2021, standing 1.4% below the 459.7 million euros accounted in the same period of 2020. The abovementioned specific items totaled 87.6 million euros in the first nine months of 2021 and 15.8 million euros in the same period of 2020, with the significant amount recognized until September of the current year mainly incorporating the impact of the ongoing adjustment to the headcount. The good performance of operating costs in the activity in Portugal, excluding specific items, was due to the savings in staff costs, since other administrative costs were at a similar level to that observed in the first nine months of 2020, and depreciation increased in the same period.

[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 nine months of 2020, related to costs arising from the acquisition, merger and integration of Euro Bank S.A.

[4] Negative impact of 87.6 million euros in the first nine months of 2021, recognized as staff costs in the activity in Portugal, mainly related to headcount adjustment costs, 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 nine months of 2020, the impact was also negative, in the amount of 27.6 million euros, of which 15.8 million euros related to headcount adjustments costs and compensation for temporary remuneration cuts, both recognized as staff costs in the activity in Portugal and 11.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (7.1 million euros as staff costs, 4.4 million euros as other administrative costs and 0.4 million euros as depreciation).

In the international activity, operating costs, excluding the effect of the specific items (11.8 million euros recognized by the Polish subsidiary in the first nine months of 2020, related to acquisition, merger and integration of Euro Bank S.A.), recorded a reduction of 4.5% from the 325.4 million euros accounted in the first nine months of 2020, standing at 310.6 million euros in the same period of 2021. The Polish subsidiary was primarily responsible for this performance, regarding staff costs and other administrative costs and depreciation. This evolution reflects, on the one hand, the impact of the synergies obtained after the merger with Euro Bank S.A. and on the other hand the effect of the efficiency improvement measures, among which stands out the significant reduction in the number of employees and branches.

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 stand below the levels shown in the first nine months of 2020 (47.2% and 47.5%, respectively) reaching 44.8% and 44.9% respectively.

Staff costs showed a 3.7% reduction from the 447.1 million euros accounted in the first nine months of 2020, totaling 430.7 million euros in the same period of the current year, due to the favourable performance of both the activity in Portugal and the international activity. This evolution does not consider the effect of specific items in the amount of 87.6 million euros in the first nine months of 2021 and 22.8 million euros in the same period of the previous year. In the first nine months of 2021, the specific items are entirely related to the activity in Portugal being mainly associated to headcount adjustment costs. The amount referred to mainly includes the impact of the ongoing adjustment 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. It should be noted that this need for adjustment of the headcount had already been identified under the Mobilising 2018/2021 strategic plan and was expected to be implemented by 2020, having been postponed due to the effects of the COVID-19 pandemic on the economy and life of families. In the first nine months of 2020, the specific items incorporate, in addition to headcount adjustment costs, the costs of compensation for the temporary adjustment of staff remuneration of the activity in Portugal and the costs of the acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary.

In the activity in Portugal, staff costs, showed a reduction of 3.3% compared to the 273.9 million euros posted in the first nine months of 2020, amounting to 264.9 million euros in the same period of the current year. This evolution does not consider the impact of specific items, in the amount of 87.6 million euros in the first nine months of 2021 and 15.8 million euros in the same period of 2020. In the first nine months of 2021, specific items include the provision accounted in June of the current year, associated to the ongoing headcount adjustment, in the amount of 81.4 million euros. The favourable evolution of staff costs in the activity in Portugal, excluding the impact of specific items, mainly reflects the reduction, in net terms, in the number of employees, that went from 7,152 employees as at 30 September 2020, to 6,511 employees as at 30 September 2021.

In the international activity, staff costs amounted to 165.8 million euros in the first nine months of 2021, showing a 4.3% reduction from the 173.1 million euros accounted in the same period of the previous year. The impact of the specific items, in the amount of 7.1 million euros, fully recognised by the Polish subsidiary in the first nine months of 2020, related to costs of the acquisition, merger and integration of Euro Bank S.A. are not being considered in this evolution.

The decrease of staff costs in the international activity was mainly due to the performance of the Polish subsidiary, namely to the impact associated with the continued reduction in the total number of employees, which went from 7,997 employees (7,846 FTE - full time equivalent) on 30 September 2020, to 7,172 employees (7,035 FTE – full-time equivalent) at the end of September 2021. This reduction occurred in a challenging context, marked by a sharp reduction in interest rates and the risks related to the mortgage loans portfolio in Swiss francs, that led the efficiency improvement to be accelerated.

Other administrative costs totaled 230.6 million euros in the first nine months of 2021, showing a reduction of 2.4% from the 236.2 million euros accounted in the same period of the previous year. This evolution does not consider the impact of specific items, fully recognized by the Polish subsidiary, in the first nine months of 2020, following the process of acquisition, merger and integration of Euro Bank S.A., in the amount of 4.4 million euros. The favourable evolution of other administrative costs in consolidated terms reflects the savings reached by the international activity, since in the activity in Portugal, these costs remain in line with the amounts recorded in the first nine months of 2020.

In the activity in Portugal, other administrative costs amounted to 128.4 million euros in the first nine months of 2021. Although they stood at a similar level to that of the same period of the previous year, other administrative costs incorporate different dynamics with regard to the evolution of the different headings, since the savings obtained in some components were fully absorbed by the increase in costs observed in others. In this sense, we highlight the reductions in costs associated with other supplies and services, water, energy and fuels, communications and travel, hotel and representation, largely reflecting the impacts arising from the pandemic associated with COVID-19. On the other hand, the gradual resumption of activity in 2021, the greater number of projects to be implemented and a greater activity of call centers led to an increase in costs associated with rents (mainly software), advertising, advisory services, outsourcing and legal expenses. At the same time, aiming a disciplined cost management, the Bank continues to implement a series of measures, including the resizing of the branch network, which decreased from 489 as at 30 September 2020 to 447 on 30 September 2021.

In the international activity, other administrative costs stood 4.8% below the 107.4 million euros recorded in the first nine months of 2020, totaling 102.2 million euros in the same period of 2021. This evolution does not consider the specific items recognized by the Polish subsidiary in the first nine months of 2020, in the amount of 4.4 million euros. The reduction of other administrative costs in the international activity essentially reflects the performance of the Polish subsidiary, whose ongoing restructuring measures allowed a set of synergies following the merger with Euro Bank S.A. Among the synergies obtained is the cost savings associated with the optimization of the branch network, whose total number decreased from the 726 existing as of September 30, 2020 to 665 at the end of September 2021.

Depreciations amounted to 102.8 million euros in the first nine months of 2021, standing slightly above the amount recorded in the same period of the previous year (+0.9%, excluding the specific items recognized by the Polish subsidiary in the first nine months of 2020, in the amount of 0.4 million euros). 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 totaled 60.2 million euros till September 2021, increasing 5.5% from the 57.0 million euros recorded in the same period of 2020. This evolution reflects essentially the increase in investment in software made during last years, showing the commitment of the Bank to the ongoing digital transformation and to technological innovation, that provided 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 amounted to 42.6 million euros in the first nine months of 2021, showing a reduction of 5.0% from the 44.9 million euros (excluding the specific items, in the amount of 0.4 million euros, recognized by the Polish subsidiary) posted in the same period of the previous year. This evolution was mainly due to the performance of the Polish subsidiary, that partially benefited from the synergies obtained following the integration of Euro Bank S.A. by Bank Millennium, S.A.

OPERATING COSTS (1)

Euro million

	9M21	9M20	Chg. 21/20
Staff costs	430.7	447.1	-3.7%
Other administrative costs	230.6	236.2	-2.4%
Depreciations	102.8	101.9	0.9%
OPERATING COSTS	**764.1**	**785.2**	**-2.7%**
Of which:			
Portugal activity	453.5	459.7	-1.4%
International activity	310.6	325.4	-4.5%
Cost to core income of the Group	44.9%	47.5%	
Cost to income of the Group	44.8%	47.2%	

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) dropped 29.4% from the 374.2 million euros recognized in the first nine months of 2020, totaling 264.0 million euros at the end of September of the current year. The favourable evolution of impairment for loan losses was in both the activity in Portugal, where it decreased 21.8%, and in the international activity which reduction was of 47.0% in the period under analysis.

In the activity in Portugal, impairment for loan losses (net of recoveries) decreased from the 260.4 million euros posted in the first nine months of 2020, to 203.7 million euros in the same period of 2021. This reduction partly reflects the recognition of extraordinary impairments in the first nine months of 2020, in order to address the increased risks implicit to the adverse context that was experienced at that time, resulting from the pandemic associated with COVID-19. In this sense, the update carried out regarding the credit risk parameters considered for the purposes of calculating collective impairment led to the booking of additional charges in the amount of 71.7 million euros till the end of the third quarter of 2020. On the other hand, in the first nine months 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, impairment charges (net of recoveries), stood at 60.3 million euros in the first nine months of 2021, comparing quite favourably to the 113.8 million euros recognized in the same period of the previous year. This evolution was mainly due to the performance of the Polish subsidiary, that reflects 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. In addition, it is important to mention that the amount recognized by the Polish subsidiary in the first nine months of 2020 includes the extraordinary reinforcement of 15.7 million euros to cover the risks implicit to the COVID-19 pandemic, also contributing to the decrease in the period. The performance of the subsidiary in Mozambique also contributed, although less materially, to the good evolution of loans impairment in the international activity, benefiting from 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 (net of recoveries) to improve from the 90 basis points observed in the first nine months of 2020, to 60 basis points in the same period of 2021. The improvement in the cost of risk occurred both in the activity in Portugal, where it decreased from 90 basis points to 68 basis points, and in the international activity where there was a reduction from 88 basis points to 44 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 September 2021, would be 69 basis points and 79 basis points, respectively.

Other impairments and provisions totaled 462.0 million euros by the end of September 2021, which compares to 176.4 million euros recorded in the same period of the previous year, reflecting the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, other impairment and provisions increased from 72.3 million euros in the first nine months of 2020, to 103.3 million euros in the same period of the current year, strongly influenced by the reinforcement of provisions for other risks. Conversely, impairment for other assets and for other financial assets were lower than in the first nine months of 2020.

In the international activity, other impairment and provisions amounted to 358.7 million euros in the first nine months of 2021, more than doubling the 104.1 million euros posted in the same period of the previous year. The verified increase was largely due to the reinforcement in 346.3 million euros (67.2 million euros in the same period of 2020) of the extraordinary provision, booked by the Polish subsidiary for foreign exchange mortgage legal risk, reflecting the negative trends in court decisions, the inflow of new court cases and the more conservative assumptions applied in risk assessment. It is worth noting that in the first nine months of 2021, the impact of this provision was partially offset by the recognition of an income in the amount of 32.8 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 in the Polish subsidiary was influenced by the additional charges, in the amount of 13.7 million euros which had been recognized in the first nine months of 2020 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 addition, although in a smaller size, the evolution of other impairment and provisions in the international activity reflects the lower impairment for the investment in the participation in Banco Millennium Atlântico (including goodwill).

Income tax (current and deferred) totaled 143.1 million euros in the first nine months of 2021, which compares to 121.6 million euros obtained in the same period of the previous year.

The recognized taxes include, in the first nine months of the year, current tax of 68.7 million euros (86.2 million euros in the first nine months of 2020) and deferred tax of 74.4 million euros (35.5 million euros in the first nine months of 2020).

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

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 91,463 million euros as at 30 September 2021, standing 6.4% above the 85,980 million euros recorded in the same date of the previous year, mainly reflecting the performance of the activity in Portugal.

Total assets in the activity in Portugal showed an increase of 4,864 million euros from the 60,257 million euros recorded at the end of September 2020, reaching 65,121 million euros as at 30 September 2021. This evolution was mainly due to the increase in securities portfolio, namely foreign public debt portfolio, corresponding to the existing liquidity surplus, allowing at the same time, the reinforcement of eligible assets. At the same time, the loans to customers portfolio (net of impairment) and deposits at Central Banks also stood at a higher level than in the previous year, contributing significantly to the increase of total assets. The most significant reductions, despite with a lesser magnitude, were in non-current assets held for sale, namely in the portfolio of real estate properties received as payment and other assets.

In the international activity, total assets amounted to 26,342 million euros as at 30 September 2021, standing 2.4% above the 25,723 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 58,336 million euros as at 30 September 2021, standing 4.0% above the 56,110 million euros achieved in the same date of 2020, due to the favourable performance of both the activity in Portugal and the international activity.

The good performance of loans to customers (gross) in the activity in Portugal resulted in an increase of 3.7% from the 38,558 million euros posted in 30 September 2020, reaching 39,998 million euros at the end of September 2021. It should be noted that this growth was possible despite the reduction of 771 million euros in NPE, following the successful disinvestment strategy in this type of assets, carried out by the Bank in recent years. In this sense, the growth of 2,211 million euros recorded in performing loans portfolio, more than offset the reduction mentioned, largely due to the credit granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated to COVID-19, and under the lines covered by the guarantees of the European Investment Fund, which allowed at the same time the reinforcement of the presence of the Bank with the Portuguese companies.

As at 30 September 2021, the total amount of credit granted by the Bank under the COVID-19 lines guaranteed by the Portuguese State was 2,632 million euros, representing an increase of 16.4% 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 third quarter of 2021 they represented about 7% of the total loan 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 impact of the decrease in the value of exposures subject to moratorium in the Private Sector under the private moratorium, there was a reduction of greater magnitude with the end at the end of September of the State moratorium (Decree-Law 10-J/2020 of March 26 and subsequent amendments).

MORATORIUMS*

Euro million

	30 Sep. 21		30 Jun. 21	
	Active	**Expired**	**Active**	**Expired**
Families	106	3.995	3.269	934
Companies	624	4.026	4.066	711
Total	**730**	**8.022**	**7.336**	**1.645**

* 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.

The total amount of the portfolio subject to a moratorium that moves to the period after the end of September 2021 amounted to 730 million euros, showing a reduction of 90% and 91.6%, respectively, compared to the 7,336 million euros at the end of June 2021 and the 8,679 million euros recorded at the end of 2020.

The aforementioned significant decrease occurred both in the segment of households and of companies. From the total amount of moratoriums that remain active for October, 85% are related to credit operations contracted by companies and 15% by households.

In the international activity, loans to customers (gross) reached 18,339 million euros as at 30 September 2021, showing a 4.5% growth from the 17,552 million euros posted at the same date of the previous year, mostly reflecting the growth in the Polish subsidiary.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Sep. 21	30 Sep. 20	Chg. 21/20
INDIVIDUALS	**33,474**	**31,911**	**4.9%**
Mortgage	27,498	26,099	5.4%
Personal loans	5,976	5,812	2.8%
COMPANIES	**24,863**	**24,198**	**2.7%**
Services	8,724	8,570	1.8%
Commerce	4,261	4,037	5.6%
Construction	1,516	1,733	-12.5%
Others	10,362	9,859	5.1%
TOTAL	**58,336**	**56,110**	**4.0%**
Of which:			
Portugal activity	39,998	38,558	3.7%
International activity	18,339	17,552	4.5%
Loans to Individuals/Total Loans	57.4%	56.9%	
Loans to Companies/Total Loans	42.6%	43.1%	

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

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

Despite the more unfavorable context arising from the pandemic, there is still a widespread improvement of the various loan quality indicators, highlighting the net reduction in the amount of the NPE portfolio, from 3,663 million euros on 30 September 2020, to 2,832 million euros at the end of September 2021 (-831 million euros, of which -771 million euros in Portugal).

The NPE ratio as a percentage of the total loan portfolio, also showed a favourable performance, from 6.5% on 30 September 2020, to 4.9% on the same date in 2021, highlighting the performance of the domestic loan portfolio, for which the NPE ratio decreased from 7.0% to 4.8% in the same period.

Coverage indicators, in turn, also showed a general improvement in the last year, highlighting the performance of the activity in Portugal, whose coverage level of NPE by impairments, increased from 60.9% at the end of September 2020, to 68.6% on the same date of 2021, with the coverage of NPL by more than 90 days, evolving from 122.1%, to 149.9% in the same period.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 21	30 Sep. 20	Chg. 21/20	30 Sep. 21	30 Sep. 20	Chg. 21/20
STOCK (M€)						
Loans to customers (gross)	58,336	56,110	4.0%	39,998	38,558	3.7%
Overdue loans > 90 days	1,008	1,376	-26.7%	636	939	-32.3%
Overdue loans	1,129	1,497	-24.6%	650	957	-32.1%
Restructured loans	2,539	2,913	-12.8%	1,996	2,408	-17.1%
Non-performing loans (NPL) > 90 days	1,380	1,939	-28.8%	884	1,348	-34.4%
Non-performing exposures (NPE)	2,832	3,663	-22.7%	1,931	2,701	-28.5%
Loans impairment (Balance sheet)	1,923	2,277	-15.6%	1,324	1,646	-19.5%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	1.7%	2.5%		1.6%	2.4%	
Overdue loans / Loans to customers (gross)	1.9%	2.7%		1.6%	2.5%	
Restructured loans / Loans to customers (gross)	4.4%	5.2%		5.0%	6.2%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	2.4%	3.5%		2.2%	3.5%	
Non-performing exposures (NPE) / Loans to customers (gross)	4.9%	6.5%		4.8%	7.0%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	190.7%	165.5%		208.2%	175.3%	
Coverage of overdue loans	170.3%	152.1%		203.8%	171.9%	
Coverage of Non-performing loans (NPL) > 90 days	139.3%	117.4%		149.9%	122.1%	
Coverage of Non-performing exposures (NPE)	67.9%	62.2%		68.6%	60.9%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	3.3%	4.5%		3.3%	4.9%	

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

Total customer funds amounted to 90,556 million euros as of September 30, 2021, 8.7% above the 83,284 million euros recorded on the same date of the previous year, driven by the performance of both the international activity and mainly the activity in Portugal, in both cases regarding balance sheet customer funds and off-balance sheet customer funds.

In consolidated terms, the growth in total customer funds mainly reflects the performance of deposits and other resources from customers that increased from 62,997 million euros as of September 30, 2020, to 68,321 million euros at the end of September 2021. At the same time, off-balance sheet customer funds also contributed to the good performance of total customer funds by evolving from 18,790 million euros to 20,693 million euros in the same period. The evolution of the off-balance sheet customer funds reflects the growth of both assets placed with customers and assets under management, partially offset by the reduction in insurance products (savings and investment).

In the activity in Portugal, total customer funds increased by 5,638 million euros from the 58,842 million euros on September 30, 2020, amounting to 64,480 million euros on the same date of the current year. This performance was largely due to the growth of 4,286 million euros recorded in deposits and other resources from customers, which reached 46,120 million euros at the end of the third quarter of 2021, reaffirming its weight in the assets financing structure. The growth of customer deposits reflects a greater trend of money saving by Portuguese families partly due to the feeling of insecurity brought up by the pandemic crisis, which also led to the postponement of some consumer decisions of durable goods. Off-balance sheet customer funds, in turn, also evolved favourably compared to the 15,600 million euros recorded on September 30, 2020, setting at 16,827 million euros on the same date of 2021, reflecting the growth of assets placed with customers and assets under management, although this was partially absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds amounted to 26,076 million euros as of September 30, 2021, standing 1,633 million euros above the 24,442 million euros recorded on the same date of the previous year, reflecting the contribution of the Polish, Swiss and Mozambican branches. The performance of total customer funds in the international activity was driven mainly by the widespread growth of customer deposits and the increase in assets under management, in this case only in the Polish and Swiss subsidiaries.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 82.6% on 30 September 2021, that compares to 85.5% at the end of September of the previous year. The same ratio, considering on-balance sheet customers' funds, went from 83.5% in 30 September 2020, to 80.7% in the same date of 2021.

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 21	30 Sep. 20	Chg. 21/20
BALANCE SHEET CUSTOMER FUNDS	**69,863**	**64,494**	**8.3%**
Deposits and other resources from customers	68,321	62,997	8.5%
Debt securities	1,542	1,498	2.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	**20,693**	**18,790**	**10.1%**
Assets under management	7,297	5,733	27.3%
Assets placed with customers	6,333	4,738	33.7%
Insurance products (savings and investment)	7,063	8,319	-15.1%
TOTAL	**90,556**	**83,284**	**8.7%**
Of which:			
Portugal activity	64,480	58,842	9.6%
international activity	26,076	24,442	6.7%
Balance sheet customer funds/Total customer funds	77.1%	77.4%	
Deposits and other resources from customers/Total customer funds	75.4%	75.6%	

The **securities portfolio** of the Group, as defined in the glossary, stood at 21,614 million euros as at 30 September 2021, showing an increase of 9.4% from the 19,759 million euros recorded in the same date of the previous year, with its weight representing 23.6% of total assets(23.0% as at 30 September 2020).

The performance of the securities portfolio of the Group was mainly due to the increase in the activity in Portugal, whose balance increased from 13,473 million euros at the end of September 2020, to 15,868 million euros as of

September 30, 2021, reflecting the strengthening of foreign sovereign debt portfolios (French, Belgian and Irish), possible thanks to the existing liquidity surplus.

On the other hand, the securities portfolio of the international activity showed a reduction from the 6,286 million euros posted on 30 September 2020, standing at 5,746 million euros on the same date of 2021. This evolution was mainly due to the disinvestment in Polish public debt by the subsidiary in Poland, although this impact was partially offset by the increase in the securities portfolio of the subsidiary in Mozambique in the same period.

LIQUIDITY MANAGEMENT

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 264% at the end of September 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 (243%) 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 September 2021 to stand at 147% (140% as at 30 September 2020).

The period between 30 September 2020 and 30 September 2021 showed a significant growth in the deposits base of the three main operations of the Group, supported mainly by the growth in the retail segment, thus extending the trend started right after the outbreak of the COVID-19 crisis, in March of last year.

With impact on the strengthening of the medium-long-term financing component, and after the ECB's decision to extend the use of the Targeted Extended Term Refinancing Operation III (“TLTRO III”) to 55% of loans eligible, BCP took in the first quarter of 2021 an additional tranche of 600 million euros, in addition to the 7.55 billion euros taken in June 2020, thus raising the total gross amount taken to 8.15 billion euros in this instrument.

Also within the same scope, BCP benefited from the favourable market conditions prevailing during the first quarter of 2021 to anticipate the execution of a senior preferred issue in the amount of 500 million euros, foreseen in the Liquidity Plan only for the third quarter of 2021, to fulfil the requirements designated as “MREL”.

At the end of the third quarter, but only with settlement in October 2021, BCP placed, under its Euro Note Programme and in the amount of 500 million euros, the first issue carried out by a Portuguese issuer of securities representing senior preferred social debt. It is also the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, the net proceeds of the issue will be used as a priority to finance and/or refinance loans granted by the Bank under the COVID-19 lines, according to the terms of its Green, Social and Sustainability Bond Framework. This is a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, especially in financing the micro and small and medium-sized companies most affected by the recent pandemic context. The issue will have a term of 6.5 years, with an early repayment option by the Bank at the end of 5.5 years. The issue is part of the financing plan defined by the Bank within the scope of its Strategic Plan 2021-24, specifically aimed at meeting the requirements of the MREL (Minimum Requirements for Own Funds and Eligible Liabilities). It also serves the strategy of strengthening its presence in the capital markets and broadening its investor base, which in this case involved a diverse set of European institutional investors, many of whom are committed to ESG investments.

The liquidity generated by the operations described above, added to that resulting from the sustained reduction in the commercial gap in Portugal, due to the growth of customer deposits, continued to be applied to support the real economy and, given its materiality, to the reinforcement in 2.4 billion euros in the securities portfolio in Portugal and an increase of 1.6 billion euros (to 4.4 billion euros) in reserves deposited with Banco de Portugal.

The placements in securities, mainly concentrated in sovereign debt portfolios, contributed to an increase of 2.7 billion euros in the balance of eligible assets available for discount at the ECB, to 25.2 billion euros. Taking into account that net funding from the ECB, in the same period, decreased 1.1 billion euros, to 3.8 billion euros, the discountable liquidity buffer with the ECB increased by 3.8 billion euros, to 21.4 billion euros.

The ECB's response to the COVID-19 crisis involved, in addition to providing additional liquidity to the banking system through the creation of the aforementioned LTRO III, a transversal reduction in haircuts applicable to all types of assets eligible for discount, in the case of portfolios of credit rights on a permanent basis. Unless otherwise decided by that entity, the temporary measures should be in force until June 30, 2022, and its reversal is not expected to have material consequences on the size of the buffer held by BCP with the ECB, given its current magnitude.

Between 30 September 2020 and 30 September 2021, the liquidity positions of Bank Millennium (Poland) and Millennium bim (Mozambique), the two main subsidiaries of BCP, showed a favorable evolution, with the reinforcement of the respective deposit bases allowing the growth of the discountable liquidity buffers at the respective central banks. As a result, both are positioned in the comfort zone of the 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 the repayment, thus meaning a negligible loss of liquidity.

CAPITAL

The estimated CET1 ratio as at 30 September 2021 stood at 11.9% in phased-in and at 11.8% in fully implemented, reflecting a change of -49 and -54 basis points, respectively, compared to the 12.4% 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 headcount adjustment costs in Portugal. 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. 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 Sep. 21	30 Sep. 20
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,514	5,703
Tier 1	6,047	6,234
Total Capital	**7,080**	**7,260**
Risk weighted assets	**46,649**	**46,138**
Solvency ratios		
CET1	11.8%	12.4%
Tier 1	13.0%	13.5%
Total capital	15.2%	15.7%
PHASED-IN		
CET1	11.9%	12.4%

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

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2021

In the first nine months 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 Auditor in the triennial 2021/2023;
- Approval of the maintenance of the voting limitations foreseen in articles 25 and 26 of the Banks's Articles of Association.

On **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.

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

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

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

On **29 September 2021**, Banco Comercial Português, S.A. ("Millennium bcp" or "Bank") informed that it has set the conditions for an issue of social senior preferred debt securities under its Euro Note Programme, the first of this type to be carried out by a Portuguese issuer. The issue, in the amount of 500 million euros, has a tenor of 6.5 years, with an option for early redemption by the Bank at the end of 5.5 years, an issue price of 99.527% and an interest rate of 1.75% per year for the first 5.5 years. From the 5th year and a half, the interest rate will result from the sum of the 3-month Euribor with a spread of 2.00%. This will be the first issue carried out by the Bank in the ESG (Environmental, Social and Governance) segment, focusing on the social component. Thus, an amount equivalent to the net proceeds of the Issue will be applied as a priority to the financing and/or refinancing of loans granted by the Bank under the COVID-19 lines, under the terms of the Bank's Green, Social and Sustainability Bond Framework, representing a clear demonstration of the commitment assumed by Millennium bcp in supporting the economy, in particular in financing the micro and, small and medium-sized companies most affected by the recent pandemic context. The issue is part of the funding plan defined by the Bank within the scope of its Strategic Plan 2021-2024, specifically aimed at meeting the MREL requirements (Minimum Requirements for Own Funds and Eligible Liabilities) and the strategy of strengthening its presence in capital markets and broadening its investor base. The transaction, which followed a successful roadshow, was placed with a very diversified group of European institutional investors, many of which are dedicated to ESG investments, which indicates, on one hand, the market's confidence in the Bank and, on the other, the recognition of Millennium bcp's commitments in terms of sustainable financing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) foresees a strong recovery of the world economy in 2021, which is expected to be heterogeneous among the main economies and subject to a high degree of uncertainty related to the dynamic of the pandemic.

In the USA, the GDP has recovered in the second quarter to levels above the ones recorded before the pandemic outbreak in the beginning of 2020, boosted by the domestic demand. In the Euro Area, the economic recovery should scale up in the third quarter, after the year-on-year growth rate of 14.3% in the second quarter, making it likely that the GDP will resume pre-pandemic levels by the end of the year. Conversely, in emerging markets, the recovery is proceeding at a more moderate pace, hindered, on one hand, by idiosyncratic reasons, and on the other hand, by difficulties in containing the pandemic.

The fast normalization of economic activity in the main world economies led to a resurgence of concerns linked to rising inflationary pressures, against a background of escalating commodity prices, particularly in the energy segment, steep increases in the costs of intermediate goods, resulting from constraints in global production chains, and higher transportation costs, namely within shipping. In this context, long term interest rates have been on an ascending trajectory, with a focus on the movement observed in US government debt securities, driven by expectations of a less accommodative monetary policy stance, which also contributed to the appreciation of the US Dollar. On the other hand, stock indexes corrected, albeit moderately, while the main cryptocurrencies exhibited expressive market gains.

In Portugal, the easing of containment measures contributed to a strong recovery of economic activity in the third quarter, which translated into a quarter on quarter GDP growth rate of 4.5%. In the coming quarters, the economic rebound should proceed apace, supported by the expansion of consumption, which benefits from high levels of accumulated savings and the resilience of the labour market. Moreover, investment should remain dynamic, boosted by the execution of the Recovery and Resilience Plan (RRP). Regarding the tourism sector, the signals of recovery seen in the third quarter suggest an improvement of the performance of service exports in the coming quarters, which should contribute to strengthen the aggregate demand's recovery trend. In this context, the Bank of Portugal forecasts that the Portuguese GDP should reach levels similar to the end of 2019 by the current year's end. The progressive improvement of economic conditions should contribute to mitigate the risks associated with the removal of measures to support households and companies income.

In Poland, economic activity returned to pre-pandemic levels in the second quarter, fostered by consumption dynamism amid a more controlled sanitary situation. The strong recovery of GDP, together with inflationary pressures due to higher commodity prices in international markets, resulted in a significant increase of the inflation rate, which propelled the central bank to raise the reference interest rate from 0.10% to 0.50%. However, a more restrictive monetary policy stance was not sufficient to revert the erratic performance that the Zloty has been exhibiting against the Euro due to the uncertainty in global financial markets and the institutional divergences between Poland and the European Union.

In Mozambique, the pace of GDP growth steepened in the second quarter (from 0.1% to 2.0%, year on year), reflecting the recovery across all sectors of activity due to increased global demand. The expectations of a continuing trend of economic recovery for the next quarters, together with the softening of military instability in the north of the country and the implementation of the ongoing programs of structural reforms, have contributed to the maintenance of foreign exchange stability. In Angola, the GDP registered a positive growth rate in the second quarter for the first time in the last two years, boosted by the expansion of the non-oil sector.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Sep. 21	Sep. 20	Chg 21/20	Sep. 21	Sep. 20	Chg 21/20	Sep. 21	Sep. 20	Chg 21/20
INCOME STATEMENT									
Net interest income	1,168.6	1,153.7	1.3%	619.5	591.2	4.8%	549.1	562.5	-2.4%
Dividends from equity instruments	0.9	4.8	-81.7%	0.1	4.0	-97.1%	0.8	0.8	-5.4%
Net fees and commission income	534.2	498.2	7.2%	376.6	352.5	6.8%	157.6	145.7	8.2%
Net trading income	71.0	95.2	-25.4%	64.1	46.8	37.1%	6.9	48.4	-85.8%
Other net operating income	(110.4)	(143.3)	22.9%	(68.6)	(72.2)	5.1%	(41.9)	(71.0)	41.1%
Equity accounted earnings	42.1	54.2	-22.3%	43.8	44.5	-1.6%	(1.7)	9.7	-117.5%
Net operating revenues	**1,706.4**	**1,662.7**	**2.6%**	**1,035.6**	**966.7**	**7.1%**	**670.8**	**696.0**	**-3.6%**
Staff costs	518.3	469.9	10.3%	352.6	289.7	21.7%	165.8	180.2	-8.0%
Other administrative costs	230.6	240.6	-4.1%	128.4	128.8	-0.3%	102.2	111.8	-8.5%
Depreciation	102.8	102.2	0.5%	60.2	57.0	5.5%	42.6	45.2	-5.7%
Operating costs	**851.7**	**812.7**	**4.8%**	**541.1**	**475.5**	**13.8%**	**310.6**	**337.2**	**-7.9%**
Operating costs excluding specific items	764.1	785.2	-2.7%	453.5	459.7	-1.4%	310.6	325.4	-4.5%
Profit before impairment and provisions	**854.7**	**850.0**	**0.6%**	**494.5**	**491.2**	**0.7%**	**360.2**	**358.8**	**0.4%**
Loans impairment (net of recoveries)	264.0	374.2	-29.4%	203.7	260.4	-21.8%	60.3	113.8	-47.0%
Other impairment and provisions	462.0	176.4	161.9%	103.3	72.3	42.8%	358.7	104.1	>200%
Profit before income tax	**128.6**	**299.4**	**-57.0%**	**187.5**	**158.4**	**18.4%**	**(58.9)**	**140.9**	**-141.8%**
Income tax	143.1	121.6	17.7%	72.0	66.4	8.4%	71.1	55.2	28.8%
Current	68.7	86.2	-20.2%	8.3	10.4	-20.4%	60.5	75.8	-20.2%
Deferred	74.4	35.5	109.8%	63.7	56.0	13.8%	10.7	(20.6)	151.8%
Income after income tax from continuing operations	**(14.5)**	**177.7**	**-108.2%**	**115.5**	**92.0**	**25.5%**	**(130.1)**	**85.7**	**<-200%**
Income arising from discontinued operations	4.7	4.5	5.8%	–	–	-	4.7	4.5	5.8%
Non-controlling interests	(69.3)	35.9	<-200%	0.3	0.1	139.2%	(69.6)	35.8	<-200%
Net income	**59.5**	**146.3**	**-59.3%**	**115.2**	**91.9**	**25.3%**	**(55.7)**	**54.4**	**<-200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	91,463	85,980	6.4%	65,121	60,257	8.1%	26,342	25,723	2.4%
Total customer funds	**90,556**	**83,284**	**8.7%**	**64,480**	**58,842**	**9.6%**	**26,076**	**24,442**	**6.7%**
Balance sheet customer funds	**69,863**	**64,494**	**8.3%**	**47,653**	**43,242**	**10.2%**	**22,209**	**21,252**	**4.5%**
Deposits and other resources from customers	68,321	62,997	8.5%	46,120	41,834	10.2%	22,201	21,162	4.9%
Debt securities	1,542	1,498	2.9%	1,533	1,408	8.9%	9	90	-90.4%
Off-balance sheet customer funds	**20,693**	**18,790**	**10.1%**	**16,827**	**15,600**	**7.9%**	**3,866**	**3,190**	**21.2%**
Assets under management	7,297	5,733	27.3%	4,398	3,469	26.8%	2,899	2,265	28.0%
Assets placed with customers	6,333	4,738	33.7%	5,785	4,233	36.7%	548	505	8.5%
Insurance products (savings and investment)	7,063	8,319	-15.1%	6,644	7,898	-15.9%	419	421	-0.3%
Loans to customers (gross)	**58,336**	**56,110**	**4.0%**	**39,998**	**38,558**	**3.7%**	**18,339**	**17,552**	**4.5%**
Individuals	**33,474**	**31,911**	**4.9%**	**20,225**	**19,413**	**4.2%**	**13,249**	**12,498**	**6.0%**
Mortgage	27,498	26,099	5.4%	18,136	17,346	4.6%	9,362	8,753	7.0%
Personal Loans	5,976	5,812	2.8%	2,089	2,067	1.1%	3,886	3,746	3.8%
Companies	**24,863**	**24,198**	**2.7%**	**19,773**	**19,145**	**3.3%**	**5,090**	**5,054**	**0.7%**
CREDIT QUALITY									
Total overdue loans	1,129	1,497	-24.6%	650	957	-32.1%	479	539	-11.1%
Overdue loans by more than 90 days	1,008	1,376	-26.7%	636	939	-32.3%	372	437	-14.8%
Overdue loans by more than 90 days / Loans to customers	1.7%	2.5%		1.6%	2.4%		2.0%	2.5%	
Total impairment (balance sheet)	1,923	2,277	-15.6%	1,324	1,646	-19.5%	598	631	-5.1%
Total impairment (balance sheet) / Loans to customers	3.3%	4.1%		3.3%	4.3%		3.3%	3.6%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	190.7%	165.5%		208.2%	175.3%		160.9%	144.4%	
Non-Performing Exposures	2,832	3,663	-22.7%	1,931	2,701	-28.5%	901	962	-6.3%
Non-Performing Exposures / Loans to customers	4.9%	6.5%		4.8%	7.0%		4.9%	5.5%	
Total impairment (balance sheet) / NPE	67.9%	62.2%		68.6%	60.9%		66.4%	65.6%	
Restructured loans	2,539	2,913	-12.8%	1,996	2,408	-17.1%	543	505	7.5%
Restructured loans / Loans to customers	4.4%	5.2%		5.0%	6.2%		3.0%	2.9%	
Cost of risk (net of recoveries, in b.p.)	60	90		68	90		44	88	

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021 AND 2020

(Thousands of euros)

	30 September 2021	30 September 2020 (restated)
Interest and similar income	1,255,371	1,395,974
Interest expense and similar charges	(86,763)	(242,323)
NET INTEREST INCOME	1,168,608	1,153,651
Dividends from equity instruments	870	4,750
Net fees and commissions income	534,236	498,163
Net gains / (losses) from financial operations at fair value through profit or loss	(20,533)	(47,188)
Net gains / (losses) from foreign exchange	20,337	82,072
Net gains / (losses) from hedge accounting operations	4,361	(4,011)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(3,039)	(14,958)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	69,889	79,321
Net gains / (losses) from insurance activity	7,076	7,978
Other operating income / (losses)	(122,022)	(146,965)
TOTAL OPERATING INCOME	1,659,783	1,612,813
Staff costs	518,332	469,910
Other administrative costs	230,611	240,592
Amortisations and depreciations	102,804	102,242
TOTAL OPERATING EXPENSES	851,747	812,744
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	808,036	800,069
Impairment for financial assets at amortised cost	(266,267)	(377,322)
Impairment for financial assets at fair value through other comprehensive income	(7,199)	(13,552)
Impairment for other assets	(41,268)	(50,371)
Other provisions	(411,331)	(109,381)
NET OPERATING INCOME	81,971	249,443
Share of profit of associates under the equity method	42,128	54,236
Gains / (losses) arising from sales of subsidiaries and other assets	4,511	(4,307)
NET INCOME BEFORE INCOME TAXES	128,610	299,372
Income taxes		
Current	(68,741)	(86,161)
Deferred	(74,404)	(35,468)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(14,535)	177,743
Income arising from discontinued or discontinuing operations	4,747	4,487
NET INCOME AFTER INCOME TAXES	(9,788)	182,230
Net income for the year attributable to:		
Bank's Shareholders	59,469	146,292
Non-controlling interests	(69,257)	35,938
NET INCOME FOR THE YEAR	(9,788)	182,230
Earnings per share (in Euros)		
Basic	0.002	0.011
Diluted	0.002	0.011

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

	30 September 2021	31 December 2020 (restated)	30 September 2020 (restated)
ASSETS			
Cash and deposits at Central Banks	5,557,434	5,303,864	3,843,817
Loans and advances to credit institutions repayable on demand	411,776	262,395	238,986
Financial assets at amortised cost			
Loans and advances to credit institutions	664,230	1,015,087	845,082
Loans and advances to customers	54,900,939	52,022,357	51,592,649
Debt securities	8,364,163	6,234,545	6,167,104
Financial assets at fair value through profit or loss			
Financial assets held for trading	1,063,910	1,031,201	1,782,616
Financial assets not held for trading mandatorily at fair value through profit or loss	1,011,557	1,315,467	1,326,297
Financial assets at fair value through other comprehensive income	13,156,651	12,140,392	13,289,274
Hedging derivatives	86,627	91,249	138,844
Investments in associated companies	458,275	434,959	428,963
Non-current assets held for sale	850,803	1,026,481	1,181,388
Investment property	5,722	7,909	12,578
Other tangible assets	603,486	640,825	647,296
Goodwill and intangible assets	242,780	245,954	235,924
Current tax assets	13,672	11,676	11,546
Deferred tax assets	2,651,949	2,633,790	2,624,868
Other assets	1,419,011	1,296,812	1,612,744
TOTAL ASSETS	91,462,985	85,714,963	85,979,976
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	9,072,047	8,898,759	9,071,694
Resources from customers	68,320,742	63,000,829	62,419,063
Non subordinated debt securities issued	1,745,641	1,388,849	1,419,971
Subordinated debt	1,205,389	1,405,172	1,419,473
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	368,412	278,851	350,622
Financial liabilities at fair value through profit or loss	1,508,684	1,599,405	1,882,970
Hedging derivatives	238,006	285,766	260,460
Provisions	473,769	345,341	319,383
Current tax liabilities	8,469	14,827	12,019
Deferred tax liabilities	9,358	7,242	9,515
Other liabilities	1,154,323	1,103,652	1,335,472
TOTAL LIABILITIES	84,104,840	78,328,693	78,500,642
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)	(749)
Reserves and retained earnings	828,967	642,397	742,602
Net income for the year attributable to Bank's Shareholders	59,469	183,012	146,292
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,289,435	6,221,304	6,284,080
Non-controlling interests	1,068,710	1,164,966	1,195,254
TOTAL EQUITY	7,358,145	7,386,270	7,479,334
TOTAL LIABILITIES AND EQUITY	91,462,985	85,714,963	85,979,976

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

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

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

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

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

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

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

Other net operating income – 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).

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

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

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

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

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

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

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

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

Disclaimer

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

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

The interim condensed consolidated financial statements, for the nine months ended at 30 September 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 nine months of 2021 and 2020 were not audited.