REPORT & ACCOUNTS 2019

Millennium bcp

2019
REPORT & ACCOUNTS

Pursuant to article 8 of the Regulation 5/2008 of the CMVM, please find herein the transcription of the

2019 Annual Report

BANCO COMERCIAL PORTUGUÊS, S.A.

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

The 2019 Annual Report is a translation of the “Relatório e Contas de 2019” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas de 2019” prevails.

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

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

Nuno Amado
Chairman of the
Board of Directors

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

In 2019, Portugal's GDP grew 2.2%, exceeding the euro area average (1.2%). Dynamic private consumption and the acceleration of fixed investment, powered by the construction sector as the real estate market showed renewed activity, compensated for the slowdown in exports of goods and services. The improvement of the economic situation and lower financing costs for the Portuguese Republic proved crucial for the consolidation of public finances and for the reduction of the public debt-to-GDP ratio, which fell to 117.7% in 2019 from an historic high of 132.9% in 2014.

In Poland, despite robust domestic demand, GDP slowed to 4.1% in 2019 from 5.2% the previous year, penalized by the slowdown in external demand. Even so, the growth of the Polish economy remained nonethless among the highest in the European Union.

In Mozambique, GDP growth was the lowest since 2016 (2.2%), as a result of the weak performance of agricultural activity, following the cyclones that hit the country in early 2019, the restructuring of public debt, and the decrease in foreign direct investment flows. However, the ongoing reconstruction process and the planned natural gas exploration projects are expected to underpin the recovery of economic activity in the near future.

The financial sector continued to face important challenges that affected activity and profitability, in particular for banks with retail and commercial banking business models, dealing with a long-running negative interest rate environment and with a regulatory framework that is not always homogeneous, with specific differences at the domestic level that create asymmetries in a competitive context in which new external operators are increasingly active.

In this context of greater volatility and unpredictability, Millennium bcp delivered consolidated net profits of Euros 302 million for 2019, which, despite reflecting a 29% improvement in the activity-related earnings, were strongly influenced by non-usual items with an aggregate negative impact of 86.9 million euros. Of particular importance was the non-usual negative tax impact of 53.8 million euros in Portugal, related to the derecognition of deferred tax assets as a result of legislative changes in 2019, aggravated by the current interest rate environment.

Consolidated profit before tax grew 12.4% in 2019 compared to the previous year, to 627.3 million euros, with pretax profit in Portugal growing 79%.

The contribution of the activity in Portugal to the consolidated net profit for 2019 was 144.8 million euros, rising 25.4% from the previous year, together with a 6.6% grwoth in total customer funds and a prudent and balanced growth in loans, translated into a 1.1 billion euros increase in the performing loan portfolio, up 3.3% compared to 2018.

International operations contributed 143.8 million euros to consolidated net profit, a decrease of 23.1% compared to the previous year, influenced by non-recurring items in Poland and by the equity accounted earnings of the holding in Banco Millennium Atlântico in Angola.

Bank Millennium in Poland ended the year with net profit of 130.5 million euros and an ROE of 6.4%, with a 26% growth in core income, which, in addition to the full incorporation of Euro Bank SA acquired in May, confirms the capacity for growth implicit the bank's business model. The successful integration of Euro Bank SA, completed in a very short period (less than 6 months after the closing of the acquisition), was the result of proper planning and rigorous execution that allowed the bank to bring forward the achievement of synergies from this operation to 2020. In addition to the positive effect on the increase in business volumes, the incorporation of Euro Bank SA also had the expected negative impacts, with integration costs and with the constitution of additional impairments due to the initial recognition of the acquired loan portfolio.

Also in Poland, the financial year was unfavorably affected by the constitution of an extraordinary provision for risks arising from the litigation related to foreign currency mortgage loans, a product that ceased to commercialized in 2008. This provision is a precautionary measure aimed at mitigating a risk that in became more pronounced in 2019, as the subject gained intense judicial and media visibility. The bigger picture, however, remains unclear, as there remains a high degree of uncertainty about the outcome of the legal proceedings. The cases vary due to the different nature of the underlying contracts but also, even for contracts with very similar wording,they also depend on the judges who analyse them, which means there is still no solid statistical basis on which to infer trends in litigation.

In Mozambique, despite the economic environment of the previous year, Millennium bim's confirmed the trend seen in previous years, recording a net profit of 99.5 million euros, a 3.2% increase from 2018, and achieving an ROE of 20.3%.

In Angola, despite the important set of economic reforms implemented under the International Monetary Fund's assistance program, the economic situation remains challenging. The contribution of Banco Millennium Atlântico to the consolidated net profit in 2019 was 2.5 million euros, a reduction of 13 million euros compared to 2018, reflecting the reinforcement of coverage by impairments and provisions as well as the impact of the end of the application of IAS 29, as a result of Angola no longer qualifying as a hyperinflationary economy.

In 2019, Millennium bcp improved asset quality, reducing Non-Performing Exposures (NPEs) by 1.3 billion euros on a consolidated basis and by.6 billion euros in Portugal, thus continuing to accelerate the fulfillment of the objectives established in this area, which are of critical importance to consolidating confidence in the bank. At the same time, impairment coverage also increased, from 52% to 58%, with total coverage reaching 116% (109% as of December 31, 2018), together with a consistent decline in the cost of risk to 72 basis points in 2019 from 92 basis points in 2018.

The capital position adjusted to the Bank's business model, with the Common Equity Tier 1 (CET1) ratio on a fully-implemented basis at 12.2% at the end of 2019, an increase of 21 basis points compared to the previous year, and the total capital ratio at 15.6%, both ratios clearly above the regulatory requirements defined by SREP. Organic capital generation, and issues of Additional Tier 1 (AT1) in January 2019 and of Tier 2 (T2) in September 2019, more than compensated for the capital impacts of the acquisition of Euro Bank SA and the revision of the discount rate for the pension fund.

The consolidated regulatory liquidity coverage ratio stood at 216% at the end of December 2019, comfortably above the minimum requirement of 100%, while the net loans-to-deposits ratio remained relatively stable compared to 2018, standing at 86% on December 31, 2019, with a 10.3% increase in balance-sheet customer funds and an 11.1% increase in performing loans.

The integration of Euro Bank SA and the robust commercial dynamics across geographies allowed Millennium bcp to continue expanding its global customer base in 2019, adding 705,000 customers compared to December 31, 2018, including an increase of 141,000 customers in Portugal. This expansion reflects customer recognition and confidence, the significant growth in the number of mobile customers – which in global terms exceeded 2.2 million and represent 40% of the customer base – is an important sign for the future profitability and sustainability of the business model.

This increase in the bank's customer base, combined with the a deep commercial relationship, drove the main business indicators to improvement significantly, with net loans to customers growing 8.6%, reaching 52.2 billion euros and total customer deposits increasing 10.3%, to more than Euros 81.6 billion, of which 62.6 billion euros are on-balance sheet funds.

The improvement has been acknowledged by Stakeholders, including Rating Agencies, whose upgrades in 2019 atested the improvement of profitability, asset quality and business model of Millennium bcp, with emphasis on the investment grade ratings attributed by DBRS to the bank's senior debt and by Moody's to the bank's deposits.

An exogenous, totally unexpected factor has recently emerged: the outbreak of the SARS-CoV-2 virus (Coronavirus), which has a high rate of contagion and resulted in the rapid spread of the COVID-19 disease on a global scale, with a significant mortality rate. This led to the declaration of a pandemic by the World Health Organization on March 11, 2020. The immediate impacts of this pandemic, particularly in the European Union, have already reached an unprecedented dimension, with health systems under extreme pressure and several countries implementing severe containment and combat measures, including the declaration of a state of emergency in Portugal on March 18, 2020, for the first time since the country's current Constitution was enacted.

All over the world, there has been a sudden slowdown in economic activity, as a result of the temporary confinement to which large proportions of the populations of the most-affected countries are subject, in which there are also strong restrictions to the economic activity of many companies in almost every sector, to contain the spread of the disease. The impacts of these measures, although still not totally clear, already point to a scenario of global recession.

In reaction to this unfavorable environment, the governments of countries in the main economic blocs and their Central Banks, including the ECB, have announced extraordinary fiscal measures and changes in monetary policy designed to mitigate the impacts of the crisis caused by the pandemic and to stimulate the resumption of the economy.

The increased complexity resulting from the impact of the Coronavirus does not change our course nor diminish Millennium bcp's determination to continue preparing and transforming the Bank, which is essential to capturing the opportunities for growth and sustainable profitability that we are certain will arise once the adversities we now face are overcome.

The significant investments made in new technology and in the strengthening of competences proved fundamental to amplifying the Bank's capacity for innovation and to provide solutions of excellence to our Customers, supported by new ways for them to interact and build relationships with Millennium bcp. We are on a journey, begun in 2018, to which we remain strongly committed.

We conclude with a word of gratitude from the Bank's Board of Directors to our customers, employees, shareholders and other stakeholders, for the trust they place in us.

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

Nuno Amado
Chairman of the Board of Directors

EXECUTIVE COMMITTEE

Maria José Campos
Vogal of the
Executive Committee

Rui Manuel Teixeira
Vogal of the
Executive Committee

Miguel Bragança
Vice-Chairman of the
Executive Committee

Miguel Maya
Chairman of the
Executive Committee

João Palma
Vice-Chairman of the
Executive Committee

José Miguel Pessanha
Vogal of the
Executive Committee

INFORMATION ON BCP GROUP

2019 Campaign | Personal Credit Solutions

BCP in 2019

Net income

Net income before income tax

Core income (net interest income + commissions)

Impairment and provisions

Improved asset quality

Significant decrease of NPEs **(-€1.3 billion from end-2018)** and of cost of risk (72bp in 2019); increased coverage (by loan-loss reserves and total)

*By loan loss reserves, expected loss gap and collaterals.
NPE include loans to Customers only.

Improved asset quality

Lower cost of risk

Strong capital

Capital ratio of 15.6%*, comfortably above SREP requirements. Organic capital generation and AT1+T2 issues (Jan.19 and Sep.19, respectively) more than compensate for the negative impacts of Euro Bank's acquisition and related to the pension fund

Increasing business volumes

Increasing business volumes, with **performing loans up by €5.0 billion and total Customers funds up by €7.7 billion** from end-2018

*Including unaudited earnings for 2019. | **Minimum phased-in prudential requirements from January 1, 2020, as communicated to the market on December 17, 2019. | ***Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

Main highlights (1)

Euro million

	2019	2018	2017	2016	2015 (2)	Chan. % 19/18
BALANCE SHEET						
Total assets	81,643	75,923	71,939	71,265	74,885	7.5%
Loans and advances to customers (net) (3)	52,275	48,123	47,633	48,018	51,022	8.6%
Total customer funds (3)(4)	81,675	74,023	70,344	65,522	67,754	10.3%
Balance sheet customer funds (3)	62,607	56,585	52,688	50,434	52,158	10.6%
Deposits and other resources from customers (3)	60,847	55,248	51,188	48,798	49,847	10.1%
Loans to customers (net) / Deposits and other resources from customers (3)(5)	86%	87%	93%	98%	102%	
Shareholders' equity and subordinated debt	7,697	6,853	7,250	5,927	6,269	12.3%
RESULTS						
Net interest income	1,549	1,424	1,391	1,230	1,191	8.8%
Net operating revenues	2,338	2,187	2,197	2,097	2,304	6.9%
Operating costs	1,169	1,027	954	780	1,017	13.8%
Impairment and Provisions	542	601	925	1,598	978	-9.9%
Income tax						
Current	101	106	102	113	91	
Deferred	138	32	-72	-495	-54	
Net income attributable to shareholders of the Bank	302	301	186	24	235	
PROFITABILITY AND EFFICIENCY						
Return on average shareholders' equity (ROE)	5.1%	5.2%	3.3%	0.6%	5.3%	
Income before tax and non-controlling interests / Average equity (5)(6)	8.9%	8.1%	4.8%	-4.5%	7.3%	
Return on average total assets (ROA)	0.5%	0.6%	0.4%	0.2%	0.5%	
Income before tax and non-controlling interests / Average net assets (5)(6)	0.8%	0.8%	0.4%	-0.3%	0.5%	
Net interest margin	2.2%	2.2%	2.2%	1.9%	1.8%	
Net operating revenues / Average net assets (5)(6)	2.9%	3.0%	3.0%	2.8%	3.0%	
Cost to income (5)(6)	50.0%	47.0%	43.4%	37.2%	44.2%	
Cost to income (5)(6)(7)	47.2%	45.6%	44.1%	46.1%	43.9%	
Cost to income - activity in Portugal (5)(6)(7)	47.5%	46.6%	44.5%	47.1%	41.1%	
Staff costs / Net operating revenues (5)(6)(7)	26.9%	25.9%	24.6%	25.9%	24.7%	
CREDIT QUALITY						
Overdue loans (>90 days) / Loans to customers (3)	2.7%	3.8%	5.8%	6.8%	7.3%	
Total impairment / Overdue loans (>90 days) (3)	164.8%	148.1%	113.2%	107.0%	86.2%	
Non-performing exposures (3)	4,206	5,547	7,658	9,374	10,581	
Non-performing exposures / Loans to customers (3)	7.7%	10.9%	15.0%	18.1%	19.4%	
Cost of risk (net of recoveries) (3)	72 p.b.	92 p.b.	122 p.b.	216 p.b.	150 p.b.	
Restructured loans (3)	3,097	3,598	4,184	5,046	5,393	
Restructured loans / Loans to customers (3)	5.7%	7.1%	8.2%	9.7%	9.9%	
CAPITAL (8)						
Common equity tier I phased-in (9)	12.2%	12.1%	13.2%	12.4%	13.3%	
Common equity tier I fully-implemented (9)	12.2%	12.0%	11.9%	9.7%	10.2%	
Total ratio fully implemented	15.6%	13.5%	13.7%	10.5%	11.3%	
Own Funds	7,036	5,688	5,932	5,257	6,207	
Risk Weighted Assets	45,031	41,883	40,171	39,160	43,315	
BCP SHARE						
Market capitalisation (ordinary shares)	3065	3,469	4,111	843	2,887	
Adjusted basic and diluted earnings per share (euros)	0.018	0.020	0.014	0.019	0.232	
Market values per share (euros) (10)						
High	0.2889	0.3339	0.2720	0.6459	1.2388	
Low	0.1771	0.2171	0.1383	0.1791	0.5374	
Close	0.2028	0.2295	0.2720	0.1845	0.6317	

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter, being reconciled with the accounting values. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A..

(2) In the scope of the merger process with Banco Privado Atlântico, Banco Millennium Angola was classified in accounting terms as discontinued operation in the first quarter of 2016, with effect on the same item in the exercises of 2016 and 2015, given that the information as at 31 December 2015 was restated in the consolidated financial statements of BCP. After the merger, the shareholding in Banco Millennium Atlântico, the entity resulting from the merger, was recorded as associate and the respective earnings were accounted using the equity method.

(3) In 2015, adjusted from the amounts related to Banco Millennium Angola classified in accounting terms as discontinued operations.

(4) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 31 December 2017, 31 December 2016 and 31 December 2015 is presented according to the new criteria.

(5) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 December 2019. Following the repeal in 2018 of the Instruction No. 22/2011 from the Bank of Portugal, which defined the criteria for calculating the amount of credit, the ratio "Loans to customers (net) / Deposits and other resources from customers", is now calculated in accordance with the management criteria used by the Group, and the historical figures have been restated accordingly.

(6) Given the booking of Banco Millennium Angola, in accounting terms, as a discontinued operation as at 31 March 2016, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in April 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income statement.

(7) Excludes the impact of specific items: negative impact of 66 million euros in 2019, of which 40 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 26 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as other administrative costs. In 2018, there was also a negative impact of 29 million euros, of which 27 million euros related to restructuring costs recognized as staff costs and 3 million euros associated with the ongoing digital transformation project, recognized as other administrative costs, both in the activity in Portugal. In 2017 and 2016, the impact was positive, recorded as staff costs in the activity in Portugal, arising from the gains from negotiation/revision of Collective Labour Agreement, in the amount of 14 million euros and 186 million euros respectively. In 2015, there was a negative impact in the amount of 6 million euros, accounted as staff costs in the activity in Portugal, related to the restructuring programme and early retirements. The profitability and efficiency indicators, in 2019, does not consider the specific items recognized in net operating revenues, in the amount of 1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A. in the Polish subsidiary.

(8) According to the requirements of CRD IV/CRR fot the phased-in period.

(9) The figures for 2019 include the cumulate net results of the year.

(10) Market value per share adjusted from the regrouping of shares, in October 2016, and the capital increase occurred in February 2017.

KEY INDICATORS (1

	Unid.	2019	2018	2017	2016	2015	Var. % 19/18
CUSTOMERS							
Total of Customers	Thousands	6,617	5,827	5,429	5,482	5,557	13.6%
Number of Active Customers (2)	Thousands	5,598					
Interest paid on deposits and interbak funding	Million euros	301	341	353	389	661	-11.6%
Claims registered (3)	Number	136,562	108,244	76,918	72,498	79,108	26.2%
Claims resolved	Percentage	92.2%	99.3%	97.7%	93.2%	97.2%	-7.2%
ACESSIBILITIES							
Branches	Number	1,536	1,101	1,120	1,163	1,342	39.5%
Activity in Portugal		505	546	578	618	671	-7.5%
International activity		1,031	555	542	545	671	85.8%
Branches opened on Saturday		143	122	118	112	144	17.2%
Branches with access conditions to people with reduced mobility		875	866	800	828	978	1.0%
Internet	Users number	2,214,885	1,980,905	1,665,987	1,700,114	1,541,811	11.8%
Call Center	Users number	431,169	429,982	353,003	261,620	273,610	0.3%
Mobile banking	Users number	2,601,401	2,106,289	1,520,378	1,268,804	929,401	23.5%
ATM	Number	2,988	2,952	2,950	2,965	3,115	1.2%
EMPLOYEES							
PORTUGAL EMPLOYEES	Number	7,204	7,095	7,189	7,333	7,459	-1.3%
INTERNATIONAL EMPLOYEES	Number	11,377	8,972	8,653	8,594	8,580	3.7%
LABOUR INDICATORS (4)							
Breakdown by professional category	Number						
Executive Committee (Portugal, Poland and Mozambique)		28	28	28	26	34	0.0%
Senior Management		221	178	150	146	171	24.2%
Management		2,157	1,728	1,642	1,669	1,702	24.8%
Commercial		10,664	9,446	9,424	9,453	10,406	12.9%
Technicians		4,388	3,682	3,531	3,459	3,609	19.2%
Other		1,116	1,027	1,061	1,167	1,330	8.7%
Breakdown by age	Number						
<30		3,350	2,393	2,235	2,225	3,029	40.0%
[30-50[		10,648	9,318	9,498	9,820	10,673	14.3%
>=50		4,583	4,350	4,103	3,875	3,550	5.4%
Average age	Years	41	41	41	41	38	0.0%
Breakdown by contract type	Number						
Permanent		16,840	14,685	14,668	14,876	15,904	14.7%
Temporary		1,681	1,376	1,168	1,044	1,035	22.2%
Trainees		453	339	208	0	313	33.6%
Employees with working hours reduction	Number	254	215	187	202	153	18.1%
Recruitment rate	Percentage	12.5%	12.3%	9.7%	8.2%	7.3%	---
Internal mobility rate	Percentage	16.3%	16.6%	18.5%	18.0%	16.4%	---
Leaving rate	Percentage	11.9%	11.0%	10.3%	9.1%	10.0%	---
Free association (5)	Percentage						
Employees under Collective Work Agreements		99.7%	99.7%	99.6%	99.6%	99.5%	---
Union Syndicated Employees		76.9%	78.6%	78.5%	78.9%	72.0%	---
Hygiene and safety at work (HSW)							
HSW visits	Number	184	159	376	194	180	14.5%
Injury rate	Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	
Death victims	Number	0	0	1	0	0	
Absenteeism rate	Percentage	4.8%	4.3%	4.2%	4.0%	3.6%	---
Lowest company salary and minimum national salary	Ratio	1.3	1.3	1.1	1.9	1.7	4.8%
ENVIRONMENT							
Greenhouse gas emissions (6)	tCO2eq	50,714	50,588	55,683	59,864	58,439	0.2%
Electricity consumption (7)	MWh	65,989	59,664	63,131	68,055	76,513	10.6%
Production of waste	t	617	677	605	555	1,180	-8.9%
Water consumption (8)	m3	276,460	281,666	366,872	372,409	229,012	-1.8%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	1	1	0.0%
Purchase from local suppliers	Percentage	91.4%	92.2%	86.4%	91.7%	92.8%	---
DONATIONS	Million euros	2.1	2.0	1.9	1.7	2.0	4.2%

(1) Data for 2016 na 2017 does not include Angola, whose operation ceased to be fully consolidated, being classified for accounting purposes as a discontinued operation in 2016.
(2) Primary holders with at least 1 product with a balance > 50 cents, in absolute value and with card transactions in the last 90 days, or holding financial assets ≥ 100 euros.
(3) It includes a structural change effect in the complaint handling process at Bank Millennium Poland, aiming at improving the Customer experience by optimizing the immediate treatment.
(4) Employees information (and not FTE) for: Portugal, Poland, Mozambique and Switzerland.
(5) The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal and Mozambique. Syndicate: Portugal and Mozambique.
(6) Dados não incluem Moçambique desde 2015.
(7) Data include eletricity from public grid. Does not include the cogeneration plant in Portugal neither energy consumption in Mozambique since 2015.
(8) Data does not include Mozambique neither Switzerland since 2015.

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite an adverse banking sector in Portugal. This position reflects a relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction of more than 60% of the Group's NPEs since 2013 (from Euros 13.7 billion to Euros 4.2 billion in December 2019). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Governance

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

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

At the General Shareholders' Meeting held on May 22, 2019, a non-executive Director, Mr. Fernando da Costa Lima, was co-opted to perform duties in the current term, which ends in 2021, to fill a vacancy of vowel of the Audit Committee; Prof. Cidália Lopes was appointed Chairman of the Audit Committee, who was elected on May 30, 2018 as a member of this Committee, and Mr. Nuno Alves was elected a member of the RWB, filling a vacancy in this social body.

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

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

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

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. At the end of 2019, the Board of Directors was composed of 17 members, of which 6 are executive and 11 are non-executive, of whom 5 are qualified as independent.

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

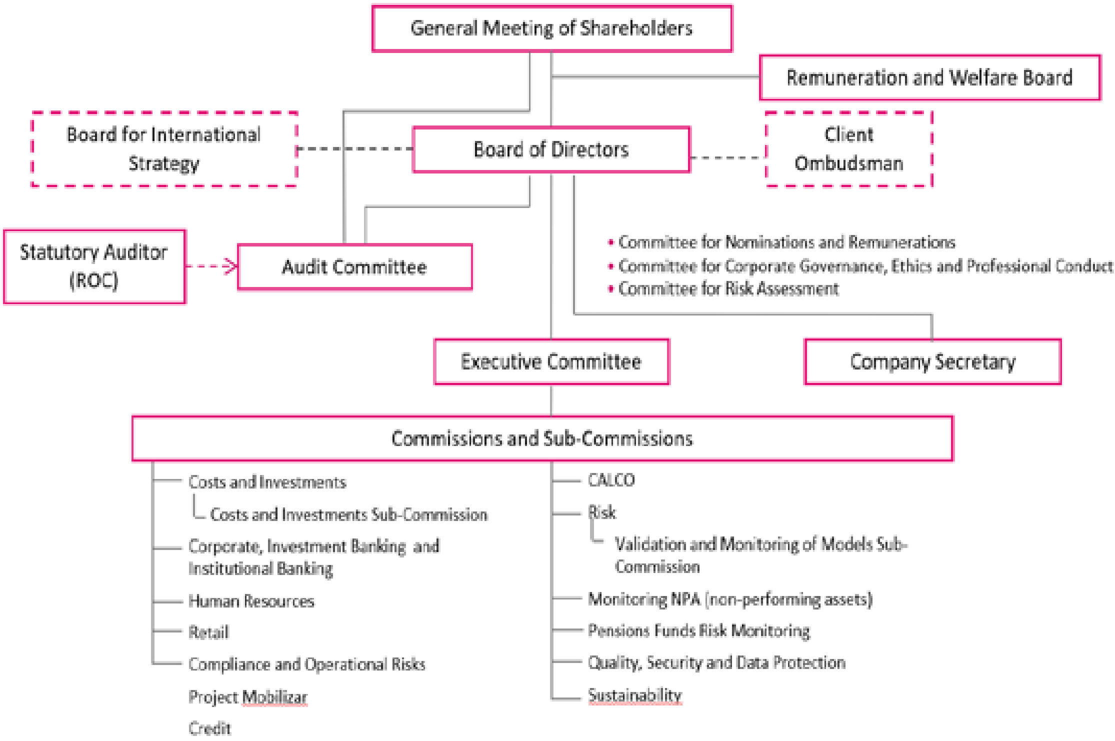
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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

The RWB is elected by the General Meeting.

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

Coporate Governance Model



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

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

* Chairman and Vice-chairman to be nominated.
** Pending authorization from BdP/ECB to exercise the respective functions

Main events in 2019

JANUARY

- Issue of perpetual subordinated notes qualified as Additional Tier 1, in the amount of Euro 400 million and with no defined tenor, with a call option from the end of the fifth year and an interest rate of 9.25% per year during the first 5 years.
- Bank Millennium has received the consent of Poland's Office for Competition and Consumer Protection to take over control of Euro Bank.
- Millennium bcp and the Development Finance Institution have established an agreement for a Euro 60 million lending line to finance medium-sized companies.

FEBRUARY

- In a joint initiative with the Municipality of Cascais, more than 50 Millennium volunteers planted 400 trees in the natural reserve of Sintra Cascais.

MARCH

- Upgrade by one notch of the long-term deposit ratings by DBRS, reflecting the introduction of full depositor preference in bank insolvency and resolution proceedings in Portugal, following the implementation of Law No. 23/2019 from 14 March 2019.
- Millennium bcp and the European Investment Fund (EIF) have signed two agreements under the European Commission's COSME and InnovFin programs, providing a Euro 500 million financing line, for more than 1,150 Small and Medium-sized Enterprises (SMEs) in Portugal. An extension of the InnovFin agreement, providing an additional Euro 400 million to more than 750 innovative SMEs and mid-caps in Portugal was also signed.
- Millennium bcp and Credit Insurer COSEC signed an agreement to distribute credit insurance in Millennium bcp's branches.
- Millennium bcp was in the first line of emergency response to the victims of the cyclone Idai in Mozambique. To complement the financial aid granted by the Bank, in the amount of 50.000 Euros, the Employees of Millennium bcp also participated in this collective effort through a partnership with the Association HELPO by collecting tons of essential goods to be donated to the people affected by this natural disaster.

APRIL

- Upgrades of deposit ratings to Ba1 and senior debt rating to Ba2 made by Moody's on April 1.
- Bank Millennium in Poland was awarded with the "POLITYKA CSR Silver Leaf 2019", an award attributed to companies that implement Corporate Social Responsibility policies and practices in their daily activities.
- Millennium bim offered a drinking fountain to the population of Namialo in the Province of Nampula, in Mozambique, providing access to drinking water to a population of more than 5.000 inhabitants.

MAY

- Annual General Meeting of Shareholders, on May 22, with 64.59% of the share capital represented and the following resolutions: approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report and the proposal for the appropriation of profits for the 2018; approval of the cooptation of Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021; appointment of Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021; election of Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board; election of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020; selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period.
- On May 31, Bank Millennium S.A., a subsidiary in which BCP owns a 50.1% stake, announced having completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.
- Millennium bcp volunteers participated, in the nation-wide food collection promoted by the Food Bank.

JUNE

- On June 19, BCP announced, that it was evaluating the merger of its wholly-owned subsidiary Banco de Investimento Imobiliário, S.A. by incorporation into Banco Comercial Português, S.A., to be effective until year-end 2019.
- Upgrade of issuer rating to investment grade, made by DBRS, on June 3.
- Bank Millennium in Poland, one of the leading companies in the management of Corporate Social Responsibility policies and practices, was part of the Socially Responsible Companies ranking, once again in 2019.

JULY

- Upgrade of deposits rating to investment grade, made by Moody's.
- The 5th edition of the "Financial ABC" financial literacy program from Bank Millennium in Poland, aimed to children in pre-school age came to an end. This program provided knowledge to more than 10.000 students from 120 kindergartens throughout the country;
- Millennium bim in Mozambique, held the 14th edition of the Mini Basketball Tournament, involving more than 2,000 athletes, aged between 6 and 11 years old, from 11 'provinces of Mozambique.
- Millennium bcp, within the scope of its sustainability strategy, subscribed the “Engagement Letter for the Sustainable Funding in Portugal”, an initiative targeted at contributing for the promotion and development of the financing of Carbon Neutrality until 2050.

AUGUST

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A., on 27 August 2019, on the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders participated, representing 78.53% shares in the Bank’s shareholders’ equity.
- Launching of an innovative new service in Portugal that allows the opening of accounts using only the Portuguese Citizen ID Card.
- Within the scope of its corporate volunteering program, Bank Millennium rehabilitates another elementary school for children with special needs, this time in Mońki, Poland.

SEPTEMBER

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A. by the Polish supervisor (KNF).
- Pursuant to the negotiation process with the unions that subscribed to the collective bargaining agreements of the BCP Group for the revision of the salary tables and other cash clauses for 2018 and 2019, an agreement was reached with the “Sindicato dos Bancários do Sul e Ilhas” and the “Sindicato dos Bancários do Centro”.
- Agreement reached for the mediation proposal presented by the “Direção-Geral do Emprego e das Relações de Trabalho”, resulting on the update of the 2018 salary tables and cash clauses of the employees affiliated with the “Sindicato dos Bancários do Norte”, the “Sindicato Nacional dos Quadros Técnicos Bancários” and the “Sindicato Independente da Banca”. The agreement for the revision of the 2019 salary tables and cash clauses is still pending with these unions.
- Notification by the Portuguese Competition Authority of the decision to impose a fine in proceedings related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions, in the mortgage lending, consumer lending and corporate credit segments. The fine imposed on BCP amounted to 60 million euros.
- New issue of medium-term subordinated notes in the amount of 450 million euros, with a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an annual interest rate of 3.871 per cent. (corresponding to a spread of 4.231 per cent over the 5.5-year mid-swap rate), as part of the Millennium bcp’s strategy of optimizing its capital structure and of reinforcing its presence in the international capital markets.
- As part of its sustainability strategy, Millennium bcp has signed the “CEO Guide for Human Rights”, an initiative of the World Business Council for Sustainable Development and the Business Council for Sustainable Development (Portugal).
- Millennium bim sets-up a library in the Elementary School of Siaia, in the province of Gaza, Mozambique, for more than 3.000 students. This is the result of another volunteering action under the 10th edition of the Banking Olympics.
- Millennium bim sponsored the first Mozambican Opera, - "O Grito de Mueda" -, which has premiered at the Cultural Centre of Eduardo Mondlane University, in Maputo.

OCTOBER

- The legal merger of Bank Millennium S.A., with Euro Bank S.A. was completed on 1 October 2019;
- The long-term issuer rating was affirmed by S&P at BB and the outlook was revised to positive from stable on 10 October 2019;
- Long-term issuer default rating was affirmed by Fitch at BB and the outlook was revised to positive from stable on 30 October 2019.
- Millennium bim rehabilitated an elementary school destroyed by Cyclone Idai, in the district of Búzi, with funds raised through a solidarity campaign launched with customers and employees of the bank in Mozambique.

NOVEMBER

- Conpetion of the integration of Eurobank S.A. into Bank Millennium S.A.;
- Confirmation of Millennium bcp in the index of the 200 most sustainable companies in Europe, according to the sustainability index “Ethibel Sustainability Index (ESI) Excellence Europe”.
- Millennium bcp launched an internal inititive for the collection of colourful child sticking plasters, painting books and pencils for the children supported by the association ACREDITAR.

DECEMBER

- Decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from January 1st, 2020, based on the results of the Supervisory Review and Evaluation Process (SREP) with the Pillar 2 requirement for BCP set at 2.25%, the same value as for 2019.
- Bank of Portugal informed on its capital buffer requirement as “other systemically important institution” (O-SII), 1.00%, to be complied with from January 1st, 2022 (currently this requirement stands at 0.563%, being subject to a phased-in period).
- On December 27, 2019, the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter, was signed, thus concluding process of incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
- Bank Millennium in Poland was included in the WIG-ESG index of the Warsaw Stock Exchange as a recognition for the work developed in environmental, social, economic and corporate governance issues.
- Millennium bcp participated with 120 volunteers in the nation-wide food collection campaign promoted by the Food Bank and held every six months.
- Millennium bcp launches the internal action for the collection of donations “Millennium Solidário – Campanha de Natal 2019", in favour of the children supported by Fundação Make-A-Wish.
- Millennium bcp subscribes the Business Mobility Pact for the City of Lisbon, a joint initiative from the Municipality of Lisbon and BCSD Portugal wherein it assumes the commitment to specific actions for a more sustainable mobility in the region of Lisbon.

BCP Share

The EuroStoxx 600 Banks Index apreciated 8.2% in 2019, notwithstanding the uncertainties surrounding the trade war, particularly between the US and China, the slowdown in global activity and political uncertainties related to Brexit and Spain. The loss of dynamism in the global economy and the uncertainty caused by the so-called trade war led to a slowdown in the US economy, which led the Federal Reserve to lower its benchmark interest rate in September for the second time this year (to 2.00%). Falling inflation and the deceleration of the euro area economy motivated the European Central Bank to implement a broad set of monetary policy measures, including the cut in the deposit facility rate (to -0.50%), the esumption of public and private debt purchase program and the introduction of a partial negative interest rate exemption mechanism for commercial bank deposits with the central bank (tiering). The last quarter of the year brought positive developments around the USA-China trade war, with both countries announcing the signing of a partial agreement. In the United Kingdom, the Conservative Party won a parliamentary majority in the elections, which brought greater clarity around Brexit. Finally, good indicators of global activity and job creation in the USA were also catalysts for stock market appreciation.

BCP SHARES INDICATORS

	Units	2019	2018
ADJUSTED PRICES			
Maximum price	(€)	0.2889	0.3339
Average price	(€)	0.2282	0.2662
Minimum price	(€)	0.1771	0.2171
Closing price	(€)	0.2028	0.2295
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,125	5,780
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,125	5,780
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.018	0.020
Book value (4)	(€)	0.379	0.382
MARKET INDICATORS			
Closing price to book value	(PBV)	0.50	0.60
Market capitalisation (closing price)	(M€)	3,065	3,469
LIQUIDITY			
Turnover	(M€)	2,528	3,259
Average daily turnover	(M€)	9.9	12.8
Volume (3)	(M)	11,144	11,976
Average daily volume (3)	(M)	43.7	47.0
Capital rotation (5)	(%)	73.7%	79.2%

(1) Shareholder's Equity attributable to the group minus Preference shares
(2) Based on the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017
(4) Based on the average number of shares minus the number of treasury shares in portfolio
(5) Total number of shares traded divided by the average number of shares issued in the period

BCP shares closed 2019 having deppreciated 11.6%, which compares with an 8.2% appreciation of the European banks index (EuroStoxx 600 Banks).

Quarterly analysis of the BCP share evolution

1.st Quarter: 0.3% appreciation

Relevant developments:

- Disclosure of FY18 results, which reached EUR 301.1 million (+61.5% vs 2017);
- Upgrade of the Portuguese Republic rating by S&P.

2.nd Quarter: 18.1% appreciation

Positive developments:

- Optimistic news about the Portuguese economy;
- 1Q19 earnings release (EUR 153.8 million, +79.7% vs 1Q18);
- Upgrade of BCP's rating by Moody's and DBRS, on April 1st and June 3rd, respectively.

Negative developments:

- Geopolitical environment.

3.rd Quarter: 29.9% depreciation

Positive developments:

- Upgrade of BCP's ratings by Moody's, July 24th;
- 2Q19 earnings (EUR 15.9 million) with many extraordinary items mainly due to the context of low interest rates, however aligned with the expectations of analysts.

Negative developments:

- Investor fears related to the operation in Poland, given the opinion of the ECJ regarding the case of credits granted in foreign currency by the Polish financial system, which Bank Millennium stop granted since 2008;
- Change in the ECB's position with respect to interest rate expectations, following what was announced by Mario Draghi in June.
- Revision of the STOXX600 index occurred in September 20, with BCP exiting the index.

4.th Quarter: 6.4% appreciation

Positive developments:

- Earnings without extraordinary effects (EUR 100.5 million);
- In the UK, the Conservative Party won a parliamentary majority in the elections, bringing more clarity to Brexit, with Boris Johnson ensuring that the British would leave the European Union by January 31st, 2020.;
- Partial agreement between the USA and China, preventing the implementation of new tariffs scheduled for December 15th, contributing to the stability of financial markets at the end of the year.

Negative developments:

- Expectation that the ECB would continue its strategy of low interest rates beyond 2020.

PERFORMANCE

Index	Change 2019
BCP share	-11.6%
Eurostoxx 600 Banks	+8.2%
PSI20	+10.2%
IBEX 35	+11.8%
CAC 40	+26.4%
DAX XETRA	+25.5%
FTSE 100	+12.1%
MIB FTSE	+28.3%
Dow Jones Indu Average	+22.3%
Nasdaq	+38.0%
S&P500	+28.9%

Source: Euronext, Reuters, Bloomberg

Liquidity

During the first half of 2019, Euros 2,528 million in BCP shares were traded, corresponding to an average daily turnover of Euros 9.9 million. 11,144 million shares were traded during this period of time, corresponding to a daily average volume of 43.7 million shares. The capital turnover index stood at 73.7% of the average annual number of shares issued.

Indexes listing BCP shares

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

Index	Weight
Euronext 150	0.94%
PSI 20	10.64%
PSI Geral	4.87%

Sourcee: Euronext, 31 December 2019

Additionally, at the end of 2019, Millennium bcp was also part of the following Sustainability indices: "Ethibel EXCELLENCE Investment Register", "Ethibel Excellence Europe" and "European Banks Index". Bank Millennium in Poland is also part of the "WIG-ESG" of the Warsaw Stock Exchange. In 2020, the BCP Group became part of the Bloomberg Gender-Equality Index.

Sustainability Indexes

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

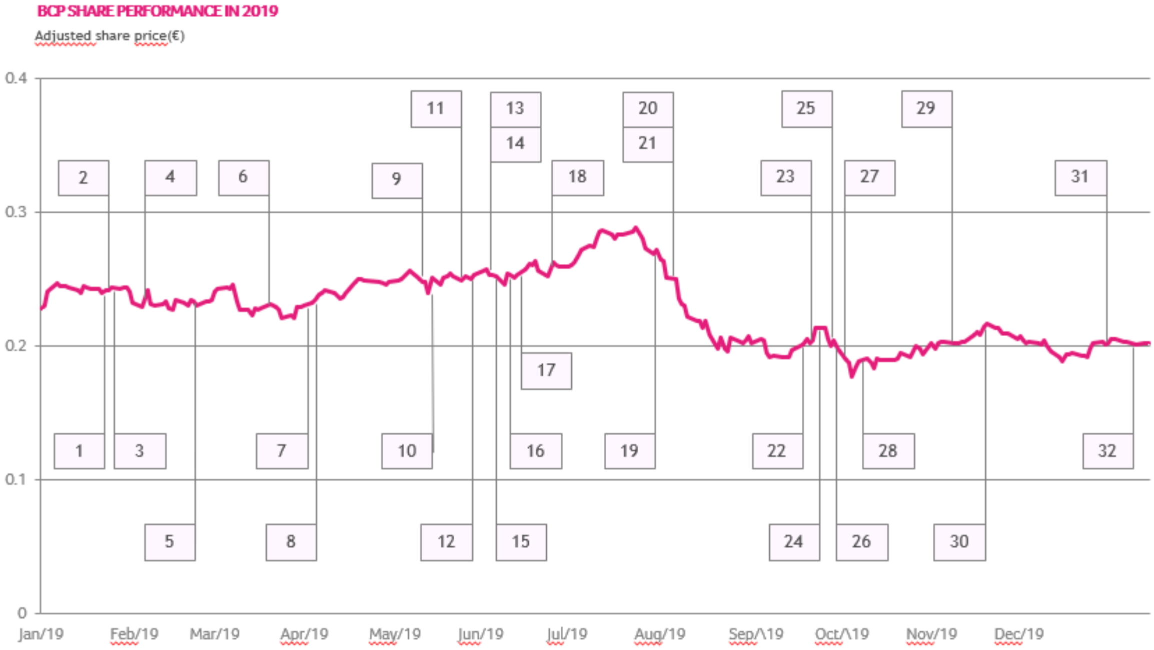
The following table summarizes the material information directly related with Banco Comercial Português announced in 2019, as well as the price variations occurred on the following day and on the 5 subsequent days and the relative evolution versus the main reference domestic and European indexes during the mentioned periods of time.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	22/Jan	Banco Comercial Português, S.A. informs about potential issue of perpetual subordinated notes	0.8%	0.5%	0.5%	1.7%	0.8%	1.3%
2	24/Jan	Banco Comercial Português, S.A. informs about issue of perpetual subordinated notes	1.0%	0.0%	-0.6%	-0.2%	-0.7%	1.4%
3	25/Jan	Banco Comercial Português, S.A. informs about notices of acquisition of perpetual subordinated notes	-0.3%	0.9%	1.3%	-4.5%	-3.8%	-0.9%
4	5/Feb	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 2018	2.5%	1.7%	1.5%	-0.6%	0.1%	-0.6%
5	21/Feb	Millennium bcp earnings release as at 31 December 2018	-1.4%	-1.2%	-1.5%	18.8%	12.0%	14.6%
6	18/Mar	Banco Comercial Português, S.A. informs about Deposit ratings upgrade by DBRS to investment grade	-0.3%	-0.7%	-0.5%	-3.8%	-1.2%	1.1%
7	29/Mar	Banco Comercial Português, S.A. informs about new market relations representative	1.1%	0.1%	-1.6%	4.9%	2.9%	0.1%
8	1/Apr	Banco Comercial Português, S.A. informs about outcome of Board of Directors' meeting	0.9%	0.4%	0.2%	3.1%	2.1%	1.4%
9	8/May	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1Q 2019	-3.3%	-1.5%	-1.0%	1.7%	3.0%	4.5%
10	9/May	Millennium bcp earnings release as at 31 March 2019	4.6%	3.5%	4.4%	6.0%	5.6%	5.6%
11	20/May	Banco Comercial Português, S.A. informs about notice of acquisition of bonds by an entity closely related to its officers	1.4%	0.9%	0.7%	3.0%	2.2%	4.6%
12	22/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	-0.1%	0.9%	1.1%	1.0%	2.2%	3.4%
13	28/May	Banco Comercial Português, S.A. informs about non-objection by the Polish Financial Supervision Authority to the acquisition of Euro Bank S.A. by Bank Millennium S.A.	-1.5%	-0.3%	-0.4%	-0.9%	-0.2%	-0.3%
14	28/May	Banco Comercial Português, S.A. informs about dividend payment for 2018	-1.5%	-0.3%	-0.4%	-0.9%	-0.2%	-0.3%
15	31/May	Banco Comercial Português, S.A. informs about acquisition of Euro Bank S.A. by Bank Millennium S.A.	-2.5%	-1.3%	-2.0%	0.5%	-1.4%	0.2%
16	3/Jun	Banco Comercial Português, S.A. informs about upgrade of issuer rating to investment grade, made by DBRS	3.7%	1.9%	1.7%	4.9%	1.2%	3.1%

(Continues)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
17	7/Jun	Banco Comercial Português, S.A. informs about approval of merger plan of Bank Millennium S.A. with Euro Bank S.A.	1.8%	1.2%	0.7%	1.4%	1.6%	1.9%
18	19/Jun	Banco Comercial Português, S.A. informs about evaluation of merger with Banco de Investimento Imobiliário, S.A.	-0.6%	-0.6%	0.7%	0.2%	0.5%	2.2%
19	24/Jul	Banco Comercial Português, S.A. informs about upgrade of deposits rating to investment grade, made by Moody's	0.0%	0.4%	0.3%	-12.6%	-8.9%	-8.5%
20	29/Jul	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1H 2019	-6.0%	-3.9%	-3.6%	-12.5%	-6.9%	-5.3%
21	29/Jul	Millennium bcp earnings release as at 30 June 2019	-6.0%	-3.9%	-3.6%	-12.5%	-6.9%	-5.3%
22	9/Sep	Banco Comercial Português, S.A. informs of the notification from the Competition Authority	2.2%	1.6%	0.1%	6.4%	4.2%	2.2%
23	12/Sep	Banco Comercial Português, S.A. informs about approval of merger project with Banco de Investimento Imobiliário, S.A.	4.4%	3.7%	1.6%	0.0%	-0.5%	-1.0%
24	13/Sep	Banco Comercial Português, S.A. informs on agreement with unions subscribing to the collective bargaining agreements of the BCP	0.3%	-0.2%	1.5%	-7.2%	-6.6%	-6.2%
25	19/Sep	Banco Comercial Português, S.A. informs about potential issue of subordinated notes	-3.1%	-2.7%	-3.9%	-9.8%	-7.2%	-7.9%
26	20/Sep	Banco Comercial Português, S.A. informs about issue of subordinated notes	-4.1%	-3.2%	-2.0%	-4.8%	-3.2%	-3.1%
27	23/Sep	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-1.3%	-1.0%	-0.7%	0.4%	0.4%	-0.5%
28	1/Oct	Banco Comercial Português, S.A. informs about legal merger of Bank Millennium S.A. and Euro Bank S.A.	-2.0%	-0.7%	1.0%	1.6%	2.3%	5.8%
29	28/Oct	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in the first 9 months of 2019	0.2%	0.6%	0.6%	2.9%	1.0%	3.0%
30	7/Nov	Millennium bcp earnings release as at 30 September 2019	0.6%	0.4%	1.8%	-2.4%	-2.0%	0.6%
31	17/Dec	Banco Comercial Português, S.A. informs about minimum prudential requirements	0.5%	0.9%	0.4%	1.1%	0.9%	1.2%
32	27/Dec	Banco Comercial Português, S.A. informs about the conclusion of the merger process with Banco de Investimento Imobiliário S.A.	0.6%	1.3%	1.0%	1.7%	2.2%	1.2%

The performance of the BCP share during 2019 is shown in the following chart:



Dividend policy

The dividend policy of BCP Group is based primarily on the retention of own funds that are consistent with its Risk Appetite Statement (RAS), its internal capital needs assessment (ICAAP) and the existence of a buffer on the amounts required by the regulator in its Bank' risk assessment (SREP).

Due to the strategic objectives presented and the corresponding evolution in terms of capital needs, there is an aspirational objective of a payout ratio of 40%, in seady state, but the final decision is always the result of the aforementioned policy.

Follow-up with Investors

The Bank participated in various events during 2019, having attended 13 conferences and 8 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings and group meetings with investors. More than 300 meetings were held with analysts and institutional investors, demonstrating significant interest in the Bank.

Own shares

As at 31 December 2019, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2018: 323,738 shares) owned by Customers. Since for some of these Customers there is evidence of impairment, the shares of the Bank owned by these Customers were considered as treasury shares, and, in accordance with accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

Regarding treasury shares owned by associated companies of the BCP Group, as at 31 December 2019, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2018: 142,601,002 shares) in the amount of Euros 28,891,000 (31 December 2018: Euros 32,727,000), as referred in note 51.

Shareholder structure

According to Interbolsa, Banco Comercial Português had of 152,180 Shareholders at 31 December 2019.

At the end of December 2019 there were four Shareholders with a qualifying shareholding, two of which with a stake above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,727	0.26%
Other	144,846	22.73%
COMPANIES		
Institutional	323	21.90%
Qualified Shareholders	4	52.20%
Other companies	4,280	2.91%
TOTAL	**152,180**	**100%**

Shareholders with more than 5 million shares represented 75.81% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	121	75.81%
500,000 a 4,999,999	1,086	8.02%
50,000 a 499,999	12,674	10.94%
5,000 a 49,999	39,713	4.64%
< 5,000	98,586	0.58%
TOTAL	**152,180**	**100%**

During 2019, the Bank’s shareholding structure remained stable in terms of geographical distribution. On 31 December 2019, Shareholders in Portugal held 30.5% of the total number of shares of the Bank.

	Nr. of Shares (%)
Portugal	30.5%
China	27.3%
Africa	19.7%
UK / EUA	14.9%
Other	7.6%
Total	**100%**

Qualified Holdings

On 31 December 2019, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

			31 December 2019
Shareholder	**Nr. of shares**	**% of share capital**	**% of voting rights**
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	**4,118,502,618**	**27.25%**	**27.25%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	**512,328,512**	3.39%	3.39%
TOTAL FOR BLACKROCK	**512,328,512**	**3.39%**	**3.39%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**7,888,801,188**	**52.20%**	**52.20%**

* In accordance with the announcement on March 5, 2018 (last information available).

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

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

BUSINESS MODEL

2019 Campaign | Millennium Generation | New App

Regulatory, economic and financial system environment

Regulatory environment

The regulatory agenda in 2019 was characterized by (i) the publication of Regulation (EU) 2019/876, amending Regulation (EU) No 575/2013, as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 2019/877 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms; (ii) the process of implementing compatible procedures with the Payment Services Directive (PSD2) requirements, namely related to the strong authentication of the client; (iii) developments in the definition of compatible indices and benchmarks within the framework of financial instruments and financial contracts, including interest rate benchmarks, namely the new interbank market rate benchmark, defined by the ECB, for overnight operations ("€STR").

At a national level, relevance to (i) Banco de Portugal's information on significant loans in compliance with Law 15/2019; (ii) follow-up of Banco de Portugal's macroprudential recommendation on credit to individuals; (iii) the publication of Law 23/2019 on the position of the unsecured debt instruments in the insolvency hierarchy that reinforced the protection of bank deposits in insolvency or resolution scenarios and established a new class of debt instruments - senior non preferred debt instruments and, (iv) Law no 98/2019, amending the Corporate Income Tax Code (IRC), with regard to impairments of credit institutions and the special regime applicable to deferred tax assets.

Work has continued towards further integration of capital markets at an European level (Capital Markets Union) and for the implementation of the third pillar of the Banking Union (European Deposit Guarantee Scheme and financial support for the Single Resolution Fund). Additionally, initiatives related to the 'Sustainable finance' package have moved a step further after the European Commission presented a proposal setting out uniform criteria for determining whether an economic activity is environmentally sustainable ("taxonomy") as well as new regulation on sustainability-related disclosures in the financial services sector.

Under the action plan and policies towards the reduction of non-performing loans (NPL) the amendment to the regulation of capital requirements that establishes the minimum coverage for impairments for losses on unproductive assets entered into force in April 2019. In June, the EU directive on preventive restructuring schemes and insolvency was published. Member States have until July 2021 to transpose it into national laws, regulations and administrative provisions.

The European Commission continues with the preparatory work on the transposition and implementation in the EU of Basel III reforms, with several impact assessment studies being performed by the EBA. The proposed amendments have the purpose of reducing the variability of risk-weighted assets by introducing a higher degree of risk sensitivity in the standardised approaches to measure credit and operational risks and by requiring an output floor on capital requirements for institutions that apply internal modelling approaches.

Other relevant issues on the regulatory agenda relating to the Portuguese financial system that took place in 2019:

- Instruction no. 5/2019, defining the information requirements in relation to the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;
- Instruction no. 20/2019, on disclosure of information on NPL and foreclosed assets;
- Amendment to the macroprudential recommendation on new credit agreements for consumers, tightening some of the lending criteria;
- The General Data Protection Regulation (EU Regulation no. 679/2016) has been transposed (Law no. 58/2019);
- Law no 69/2019, laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation;
- Instruction no. 5/2020, on reporting on payment systems and instruments, including information regarding fraud that was published on 17 February 2020;
- At the macroprudential level, the percentage of countercyclical reserve applicable to credit exposures to the domestic non-financial private sector remained unchanged at 0% of the total amount of the positions at risk;

- In early 2020, Banco de Portugal has submitted a revision of the internal control framework for public consultation and introduced additional requirements for exposures to riskier debtors.

Regarding supervision, priority is being given not only to the monitoring of credit quality - NPL reduction - but also to its origination; fighting money laundering and terrorist financing; strengthening of the IT frameworks against IT and cyber risks; monitoring of internal control and risk management as well as of governance frameworks. The EBA's stress tests will take place in 2020, providing a common analytical framework to consistently compare and assess the resilience of EU banks to severe economic shocks.

The overall environment continues to be demanding in terms of (i) binding capital and liquidity requirements, (ii) governance, internal control, adequacy of procedures and overall conduct, (iii) supervisory and stakeholder reporting and disclosure, (iv) security of operations and (v) adequacy of products and services regarding potential impacts on the business. Therefore, the Bank has implemented, or has in place, strategic projects, action plans and measures aiming at equipping the Bank with the necessary resources, capacity and agility to face the challenges and comply with the ongoing changes and requirements posed by the changing regulatory environment.

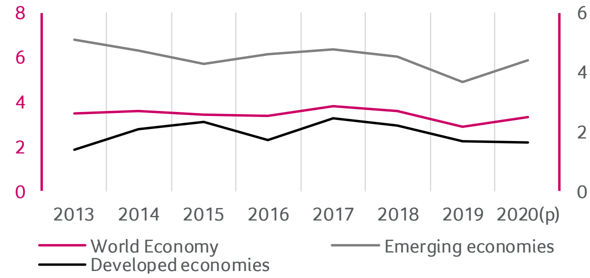
Economic environment

Global economic environment

According to the International Monetary Fund (IMF) the world's economy should have slowed down significantly in 2019 (from 3.6% to 2.9%) as a result of disturbances in the external trade, the intensification of geopolitical tensions and the loss of vigour of some important emerging markets.

For 2020, the IMF projected a scenario of recovery of the global economic activity based on the expectation of an acceleration of the emerging market economies, since the aggregate GDP of the developed countries should slow down again. This forecast is nevertheless subject to important downside risks, namely related to the performance of the Chinese economy.

GLOBAL ECONOMIC GROWTH DECELERATED IN 2019
Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan 2020)

Global financial markets

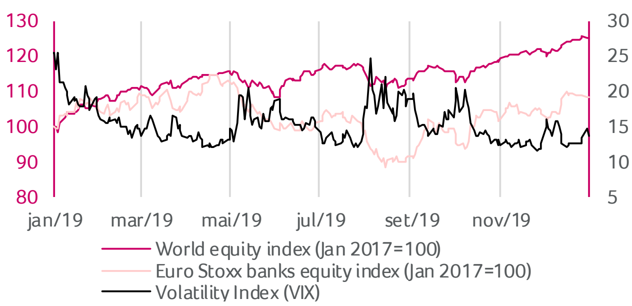
The evolution of the financial markets in 2019 was very much influenced by the reversion of the trend of normalisation of the global monetary policy that ensued from the weakening of global economic growth. Particularly in the US, where the process of raising interest rates was more advanced, the

Federal Reserve cut its key rate from 2.50% to 1.75% and reintroduced a program of securities purchase. In a similar fashion, the European Central Bank (ECB) announced the reduction of the deposit rate to even more negative values (from -0.40% to -0.50%) and relaunched its asset purchase program.

Consequently, there was a substantial appreciation of most of the asset classes, including equities, sovereign and corporate bonds and gold. In the foreign exchange front, a pattern of relative stability was observed among the currencies of the developed countries alongside a generalized depreciation of emerging market currencies.

Regarding the evolution of Euribor interest rates, the reduction of the ECB's deposit rate favoured the persistence of the whole Euribor curve below the zero level.

THE WORLD EQUITY INDEX APPRECIATED



Source: Datastream

Outlook for the Portuguese economy

In 2019, the Portuguese economy grew 2.2%, which came above the expectations of a more moderate expansion pace amid the global economic slowdown. In fact, the deceleration of goods and services' exports throughout the year was offset by the dynamics of private consumption, in an environment of improving labour market conditions, and from the acceleration of fixed investment, which was spurred by the construction sector.

The improvement of the economic situation together with the reduction of the funding costs of the Republic of Portugal have been contributing to strengthen the process of consolidation of the public finances. The overall fiscal balance is likely to have been very close to zero in 2019, and the public debt ratio, which in 2014 reached an historical high of 132.9% of GDP, retraced to 117.7% of GDP.

However, in terms of the external accounts, the weakening of export growth probably translated into a slightly negative current account balance, after six years of consecutive surpluses.

For 2020, the European Commission (EC) forecasts a slight deceleration of the Portuguese GDP, in a context of a stabilising domestic demand, following the elevated levels of growth witnessed in the previous years, and the significant uncertainty regarding the evolution of the world's economy.

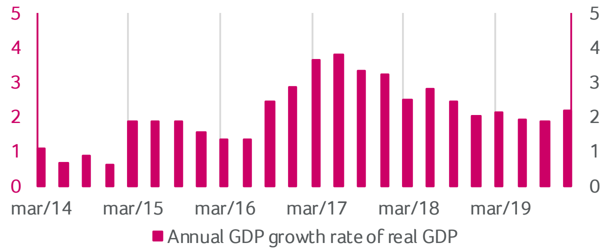
Internatinal operations

In Poland, GDP grew 4.1% in 2019, bolstered by private consumption, which has been benefiting from fiscal stimulus and from the improvement of the labour market. In contrast, investment and exports have been denoting an increasing moderation. In 2020 as the effects of the fiscal policy fade and the labour market stabilises it is likely that GDP starts to show growth rates closer to 3%, according to the forecast of the EC. Notwithstanding the quite strong performance of economic activity, the Zloty depreciated in the year as a whole, reflecting the rise of the volatility levels in the international financial markets, particularly in the second half of the year.

In Mozambique, the growth of GDP in the last year is likely to have been the slowest since 2016 (2.2% according to Statistics Mozambique) as a result of the weak performance of the agricultural activity in the wake of the cyclones that swept the country in March 2019, of the restructuring of the public debt, and of the reduction of foreign direct investment inflows. Despite the adverse economic environment, the Metical stood relatively stable during 2019, which contributed to maintain the inflation rate at low levels and concomitantly to the reduction of the degree of restrictiveness of the monetary policy. The IMF forecasted a recovery of the economic activity in 2020, fuelled by the on-going reconstruction process and the projects of gas exploration.

In Angola, despite the important set of economic reforms that have been being implemented under the IMF's assistance program, the economic situation remained fragile. According to the IMF, GDP is likely to have contracted by the third consecutive year in 2019. In this context, the Kwanza depreciated against the major international currencies, having fallen 40% vis-a-vis the Euro. The IMF foresees the start of a new cycle of recovery of the economic activity in 2020.

PORTUGUESE ECONOMY GREW 2.2% IN 2019



Source:Datastream

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2017	2018	2019	2020	2021
EUROPEAN UNION	2.8	2.2	1.4	1.6	1.7
Portugal	3.5	2.6	2.2	1.6	1.5
Poland	4.9	5.1	4.1	3.1	2.7
SUB-SAHARAN AFRICA	3.0	3.2	3.3	3.5	3.5
Angola	-0.2	-1.2	-0.3	1.2	2.9
Mozambique	3.7	3.3	2.2	6.0	4.0

Source: IMF and national statistics institutes

IMF estimate (January 2020)

Financial system

In a much more challenging context considering the downward revision of the economic growth estimates for the Euro Area (2019 and following years), reflecting the slowdown in economic activity worldwide, the maintenance of negative interest rate levels for a considerably longer period than previously anticipated and the disturbance factors of geopolitical nature (e.g. commercial tensions and Brexit), the Portuguese banking system maintained an improving trend of the profitability, efficiency, asset quality and risk indicators. The profitability of the system, excluding one operator which continued to record high losses, continues the recovery of recent years based on the improvement of operational efficiency and on a lower level of provisioning. The reducing trend of the non-productive exposures ('NPAs') on banks' balance sheets also continues, namely through the sale of credit and real estate portfolios, allowing the banks to accomplish and in some cases outperform the NPAs reduction plans. The reinforcement of the coverage levels that have been above the averages of the European Union and several European countries (e.g. Germany, Spain or France) since 2018 is also worth mentioning. As in previous years, the evolution and performance of the banking system in 2019 continued to be affected by increasingly demanding and costly Supervision and Regulation, and by increasing regulatory contributions (e.g. contributions to the Banking Sector and to the European and National Resolution Funds, in this last case at a clear disadvantage compared to European peers).

The liquidity position of the Portuguese banking system remained at comfortable levels, with the loan-to-deposits ratios at 88% at the end of September 2019. Capital ratios continue to strengthen on the back of organic capital generation and the issuance of equity-eligible debt instruments, in order to comply with MREL requirements in the short/medium term, except for one operator that continues to rely on the National Resolution Fund to top-up its capital ratios in order to comply with the minimum regulatory requirements of the Supervisor. This situation, together with the financial needs arising from the resolutions of Banco Espírito Santo and of BANIF, continue to be a source of risk for the normalisation of the profitability of the Portuguese banking system.

The Portuguese banking system continued to readjust its business model to face the entry of new players, new commercial approaches and more demanding customers resulting from the financial system digitalization, as well as to face a much more demanding economic, financial and regulatory context. As in recent years, the mitigation of compliance risks (namely related with money laundering and the financing of illicit activities, e.g. terrorism) and cybersecurity, require enhanced investment in operating risk assessment and control policies, as well as in security and IT, in order to allow the Portuguese banking system to safely take advantage of the improvements accomplished in recent years, both in terms of profitability and risk indicators, as well as liquidity and capital.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

The priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model and transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the update of technology, information safety and promotion of new work forms.

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

International presence as a platform for growth

At the end of December 2019, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 December 2019, operations in Portugal accounted for 68% of total assets, 67% of total loans to Customers (gross) and 70% of total customer funds. The Bank had over 2.4 million active Customers in Portugal and market shares of 17.1% and 17.8% of loans to Customers and customer deposits, respectively, in December 2019.

At the end of December 2019, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.6 million active Customers.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has 854,000 Active Customers and is the reference bank in this country, with 19.5% of loans and advances to Customers and 25.4% of deposits, on 31 December 2019. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 31 December 2019, Bank Millennium had a market share of 5.7% in loans to Customers and of 6.0% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on a rigorous research and on a profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

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

The Bank also has 10 representation offices (1 in the United Kingdom, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou, and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).

Growth based on digital/mobile banking

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

Digital banking

For 2019, the Bank defined three leverages to accelerate digital business: the growth in the number of digital active Customers, with particular focus on Mobile, the migration of transactions to digital, and the growth in digital sales, supported by leaner processes designed to meet Customer needs.

For Individual Customers, the growth trend of the digital Customer base continued, which represented at the end of 2019, 47% of total Customers and also as regards Mobile Customers, which represented 31% of total Customers at the end of 2019. The growth of the App channel users contributed significantly to the growth of mobile Customers (compared to the same period of the previous year). The number of Mobile Customers increased 34% over the previous year. Noteworthy is the 61% growth in Logins, 102% in digital sales, 66% in payments and 87% in transfers.

Mobile – Individual Customers

In April, the Bank launched a new Millenmnium App directed to individual Customers. Simplifying the information architecture and updating the design, boosting sales and increasing user engagement through a better experience were the main drivers in building the new Millennium App. An App with new features fully focused on Customer needs and that since its launch has managed to significantly improve key indicators. In 2019, a growth of 190 thousand Mobile Customers in Portugal is noteworthy.

A new credit simulator for individual Customers has been launched, consisting of a new, simpler, faster and more intuitive personal credit journey. More than 100,000 App users currently have access to the pre-approved personalized personal credit offer based on their monthly financial capability calculated by the Bank. The attraction of new Customers, the increase in simulations and funded credit proposals, as well as the increase in the average credit ticket, were noteworthy.

The Bank launched a new used auto credit simulator, resulting in new customer acquisition, increased simulations and funded credit proposals, as well as an increase in the average credit ticket.

The Bank enables Clients to aggregate current accounts with other credit institutions in the Millennium App, enabling the information on account balances and movements in a centralized way.

Millennium app: increasingly relevant in Customer relationship

Annual growth rates (2018-2019)

% digital Customers **47%**

% mobile Customers **31%**

Mobile Customers

Strong growth in mobile

+61% Logins

+102% Sales

+66% Payments

+87% Transfers

Mobile first: a catalyst for digital growth

- Superior convenience and speed of transactions, with **new navigation and expanded payment services**, including Mbway
- **Redesigned experience on main Customer journeys** (e.g. personal credit, savings) with **end-to-end transformation of processes**
- **Customised offer and communication** with advanced analytical models
- **Product innovation** with native digital component (e.g. On/off insurance)
- **Open banking** and management of other bank's accounts in the app
- **Safety with convenience** (e.g. biometrics in MbWay transactions) and privacy mode

Bringing new technologies to processes and business model, with a positive impact on Customer relationship and on the Bank's efficiency

Open banking and new Customer solutions

Open banking "M Contabilidade"

More than 4,000 companies and accountants already benefit from payment integration, information collection and support to account reconciliation

Account aggregation

Customers can centralise information on their accounts on the Millennium bcp app, including those from other banks

Operating efficiency

Robotization and artificial intelligence for process automation at scale, with competence centre equipped with new technologies and creation of a model for industrialization

New service and operative model for the operations area with a strong technological component: chatbot, new process management and analytics platform, dynamic allocation of tasks to operators to optimize quality and service level

More technology at the service of Customers also at branches: account-opening with an ID card, digital mobile key and ID card to formalize processes and reinforced self-assisted machines at branches with 24x7 operation

New skills and ways of working

Reinforcement of internal skills: new technologies, customer experience and design, advanced analytics and AI, robotics

Focus on the development of skills: Millennium Digital Academy

Multidisciplinary teams focused on specific Customer needs; **iterative agile** methodology for greater speed and scale

Mobile – Companies

To reinforce the value proposition addressed to entrepreneurs and accountants (Customers and non-Customers), the Bank has developed a set of B2B / Cloud services, in accordance with the security and authentication requirements defined in the 2nd Payments Directive (DSP2). / Open Banking). Bank APIs are currently in production between the Companies Customers site and the “TOC online” ERP, with other entities / ERPs already under evaluation or implementation.

The M Contabilidade App is already used by over 4,000 users, including companies Customers and accountants.

Site

On the individuals’ website the 100% digital account opening has to be highlighted and on the companies' website, the online contracting of factoring and confirming is worth mentioning (including requesting, approving and contracting of operations).

Digital Sales

In 2019, the Bank continued its focus on growing digital sales, by redesigning simpler digital process and also launching the new Millennium App with an improved user experience and new sales processes.

Supported by this improvement in the users experience and the strengthening of CRM and digital marketing models, there was a 64% growth in personal loans production in the digital channel, with a 24% product penetration rate in transactions (+9 p.p.. year-on-year), with the Millennium App accounting for 47% of these. Also in time deposits, the new Millennium App had an impact, with a +16 pp increase compared to 2018 in the penetration rate in number of transactions, reaching 47%, where the Millennium App already represented 68%.

Confirming the trend of increasing importance of the digital channel in the day-to-day life of its Customers, there was a positive year-on-year change in most products traded in digital, in particular in the area of investments, the investment funds sales (31%, +10 p.p. compared to 2018) and risk insurance (23%, +4 p.p. compared to 2018).

In the online trading business, a significant growth in orders placed into digital channels, +33%, and the significant increase in the number trades executed on the Bank's online trading platform weight in the total trades executed by the Bank -the MTrader- from 35% to 48%, also doubling the number of adhesions, are worth highlighting.

Client-oriented relationship model

2019 marks a turning point in the Bank's communication, consolidated by the launch of an institutional campaign that assumes a new positioning and commitment from Millennium to the community. It is the moment of the "Millennium Generation".

Making use of an attribute that only Millennium has – making use of a generational qualifier - Millennium has developed a campaign that presents not only the generation of its Customers, with behaviors, beliefs and wills transversal to all of them, but also the new technology solution that will give them daily financial support - the new Millennium App.

This is the basis of the course that the Bank intends to undertake in all that it does and communicates - to assume a new vision of banking, with products and solutions focused on the Customers.

The communication strategy in 2019 was the clear reflection of this intention. Throughout this period, the focus was on messages focused on digital and innovation, never forgetting the relational aspect and complicity with the (new) profiles, needs and expectations of the various segments and reinforcing the strategy of the Bank in acquiring new Customers.

Worth mentioning is the account opening campaigns associated with both the Consumer Choice Award and the Summer Festivals sponsored by the Bank, as well as the reinforcement of communication with the business segment, based on the leading position in the Portugal 2020 program and PME Líder and PME Excellence statutes.

It is also worth mentioning, within the scope of the defined relational strategy, the consolidation of sponsorships and partnerships of relevance, such as the Millennium Estoril Open and the music festival “Festival ao Largo”, or the organization of internal initiatives such as executives meetings.

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp implemented successfully an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. The Bank implemented a restructuring program based on a reduction of operating costs by circa of 40% in Portugal since 2011 and a more than 60% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 4.2 billion in December 2019).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leading position in terms of efficiency and competitive international operations.

The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail banking services market. One of the Bank's top priorities continues to be to improve the quality of its credit portfolio, reduce the stock of NPE to circa of Euros 3 billion by 2021 and, simultaneously, decrease the cost of risk.

Main awards

- For the second year in a row, Millennium bcp was considered the "Best Bank for Companies in Portugal 2019", and also the most referred to as the "Main Bank of Companies in Portugal", with the "Most Suitable Products for Companies", "Globally Most Innovative" and "Closest to Customers", according to a study by DATA E;
- Millennium bcp was named "Consumer's Choice" 2019 in the Large Banks category, standing out in features such as "Security", "Customer Service", "Transparency of Information" and "Quick service", amongst others.
- Millennium bcp was distinguished at the Euronext Viabolsa Awards 2019 with the "Most Active Trading House in Warrants and Certificates" award.
- "Best Bank in Information Security and Fraud Management", in Consumer and Institutional areas, for the 3rd consecutive year, at the World's Best Digital Bank Awards, by Global Finance.
- "Best Homebanking Site in 2019", awarded by PC Guia 2019 readers.
- ActivoBank was named "Consumer's Choice" 2019 in the Digital Bank category and it is part of the Top25 ranking of companies chosen by consumers.
- ActivoBank was elected by DECO as Right Choice in three categories: Personal Loans, Internet salary accounts with wage paid through an account with ActivoBank and Internet on-demand accounts without wage paid through an account with ActivoBank.
- Bank Millennium was acclaimed as the Customer Experience leader in the financial sector on the list of TOP 100 Brands published in the latest KPMG Poland report. The Bank is one of the top ten of the brands in the top 100 of Poland.
- Bank Millennium was hailed as the Best Bank in Poland in the annual Best Bank Awards competition organized by Global Finance Magazine.
- Distinction of Bank Millennium website as the best of digital banks by Global Finance magazine.
- Bank Millennium, for the fifth time in a row, has received the CSR Silver Leaf, award that is given to companies which implement the most stringent standards of corporate social responsibility in their day-to-day activity.Millennium bim was named "Best Bank in Mozambique for Trade Finance" by Global Finance.
- Millennium bim distinguished as Bank of the Year by The Banker magazine.
- Election of Millennium bim as Best Bank in the 'Payments' category in 2019 by Global Finance, recognizing the bank for the innovative solution Millennium IZI in the scope of interoperability.
- Millennium bim distinguished by Global Finance as Best Bank for Information Security and Fraud Prevention in Africa.

Millennium network

Canada
Commercial protocols

USA
Commercial protocols

Venezuela
1 Representative office

Brazil
2 Representative offices

BRANCHES
BRANCHES OPENED ON SATURDAY
BRANCHES WITH DIFFERENTIATED SCHEDULE
BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY
REPRESENTATIVE OFFICES
COMMERCIAL PROTOCOLS
PARTNERSHIP

* Includes branches of different networks that share the same physical space.
* Including eurobank branches.
** Not including eurobank branches.

Portugal
505 Branches
118* 437

United Kingdom
1 Representative office

Poland
830* Branches
72** 80** 278**

Macao
1 Branch

Spain
Commercial protocols

Luxembourg
Commercial protocols

South Africa
1 Representative office

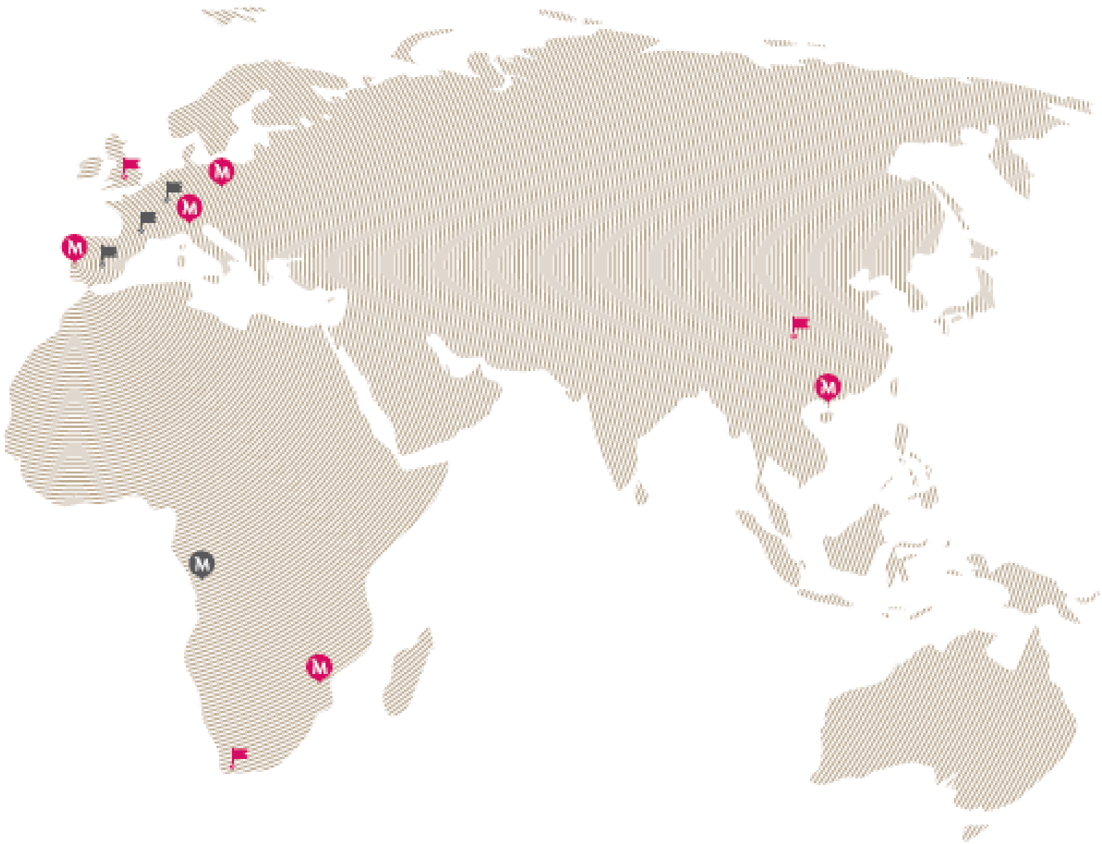
China
1 Representative office

France
Commercial protocols

Switzerland
1 Branch
1
3 Representative offices

Mozambique
200 Branches
30 63 159

Angola
Partnership in which BCP holds 22.7%



	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM (1)	POS (2)
Portugal	2,394	657,412	184,944	645,110	1,967	71,627
Poland	2,345	1,541,073	197,424	1,410,444	498	–
Switzerland	2	583	–	–	–	–
Mozambique	854	15,817	48,801	545,847	523	7,864
Macao	3	–	–	–	–	–

Note: Active users are those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days.
1 Automated Teller Machines.
2 Points of Sale.

FINANCIAL INFORMATION

2019 Campaign | Home Loan Solutions

Results and Balance Sheet

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

On 1 January 2018, the Group adopted the IFRS 9 – Financial Instruments, replacing the IAS 39 – Financial Instruments: Recognition and measurement which were in force until 31 December 2017. IFRS 9 establishes new rules for the recognition of financial instruments and introduces relevant changes, namely in terms of their rating and measurement and also the methodology for calculating the impairment of financial assets. As allowed by the temporary provisions of IFRS 9, the Group chose not to restate balances of the previous period. Hence, all adjustments made in the accounting values of financial assets and liabilities on the transition date were recognised in equity with reference to 1 January 2018 and the balances presented in the financial statements regarding the previous period correspond to the information effectively disclosed on 31 December 2017.

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

On 1 January 2019, IFRS 16 – Leasing entered into force, replacing IAS 17 - Leasing and establishing the new requirements regarding the scope, rating, recognition and measurement of leases. The Group applied the principles set out in this regulation retrospectively with the impacts of the transition to be recognised on 1 January 2019. Regarding income statement, the adoption of IFRS 16 led to changes in the items regarding depreciation, other administrative costs and net interest income, with the net impacts being recognised as immaterial.

The Group no longer applies IAS 29 - Financial Reporting in Hyperinflationary Economies, with effect from 1 January 2019, to the financial statements of Banco Millennium Atlântico, since Angola no longer meets the requirements to be considered a hyperinflationary economy. From the beginning of 2019, the financial statements of Banco Millennium Atlântico considered for the purposes of integration in the Group's accounts began to consider the amortization of the impact arising from the update of the balance sheet value of non-monetary assets and liabilities until the end of their lifespan.

In May 2019, Bank Millennium, S.A., a subsidiary owned 50.1% by Banco Comercial Português, S.A., completed the acquisition of a 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A. On the settlement date of the transaction IFRS 3 - Business Combinations acquisition method was applied, which establishes that the acquired assets and liabilities should be recognised based on their fair value at the date of acquisition. It should be noted, however, that the process of settlement of the transaction is not yet concluded and additional adjustments to the purchase price may be identified. In accordance with IFRS 3, the effective settlement of the acquisition will be completed no later than one year from the control acquisition date, which occurred on 31 May 2019. As from this date, the Group's financial statements reflect the consolidation of Euro Bank S.A..

During September 2019, the Board of Directors of Banco Comercial Português, S.A. and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved the merger project of Banco de Investimento Imobiliário, S.A., a subsidiary fully owned by Banco Comercial Português, S.A., by incorporation into the latter, and the process was concluded on 30 December 2019, after the signing of the merger deed and its registration with the Commercial Registry Office. In the event that the Bank is the acquirer company and the merged company is controlled by the Bank, the merger is classified as a transaction between companies under common control, and the Bank uses the denominated ‘predecessor approach’ as a criterion for recording in its individual accounts, which consists of recording the assets and liabilities of the merged company at their book value as presented in the Bank's consolidated accounts. This criterion provides for intra-group balances and historical transactions between the two companies to be eliminated and the amounts regarding assets and liabilities to be adjusted accordingly. The net difference between the amount recorded by the Bank and the amounts of the assets and liabilities incorporated is recorded as a “Merger reserve”.

The merger produced its accounting and tax effects on 1 January 2019. This operation had no impact on the consolidated accounts other than those related to deferred tax assets, namely those resulting from the updating of the rate applicable to temporary differences from Banco de Investimento Imobiliário, S.A., considering the average rate of deferred tax assets associated with temporary differences from Banco Comercial Português, S.A., and the derecognition of part of the deferred tax assets related to tax losses.

The figures related to discontinued operations are shown separately, for the relevant periods, according to the information provided in the consolidated financial statements approved by the shareholders and published by the Bank. Discontinued operations covered by the analysis period in this document are mainly related to the Planfipsa Group, which was considered as a discontinued operation with reference to the 3rd quarter of 2018 (after the communication and publication of results to the market) and whose sale took place in February 2019.

In 2019, 2018 and 2017, the gains/losses related to Millennium bcp Gestão de Ativos pursuant to adjustments to the sale price agreed for the sale of that company were also included in earnings from discontinued operations.

In 2019 no changes were made to the information regarding previous financial years. Therefore, the figures re-expressed for the purpose of ensuring the comparability of the information result exclusively from the situations previously mentioned.

The evolution of the activity of Millennium bcp in 2019 was characterised by an expansion of core income and by a reduction in impairments and provisions compared to the previous year, being impacted by the acquisition of Euro Bank S.A. by the Polish subsidiary.

In 2019, the consolidated net income of Millennium bcp amounted to 302 million Euros, slightly above the 301 million Euros obtained in the previous year, with the good performance of the activity in Portugal together with the results of discontinued operations having been offset almost entirely by the evolution of international activity, impacted by the performance of the Polish subsidiary.

The consolidated net income for 2019 was influenced by a negative impact of 67 million Euros (before taxes) due to specific items, related to restructuring costs and compensation for the temporary salary cuts in Portugal and the costs incurred with the acquisition, merger and integration of Euro Bank S.A., booked by the Polish subsidiary. In 2018, the impact, also negative, of specific items amounted to 29 million Euros (before taxes), related to restructuring costs and the ongoing digital transformation project, both reflected in the activity in Portugal. Excluding the specific items mentioned, the net income of the Group in 2019 showed a significant improvement over the previous year.

Total assets of the Group amounted to 81,643 million Euros on 31 December 2019, a significant growth compared to 75,923 million Euros at the end of 2018 due to the performance of both the activity in Portugal and, mainly, the international activity. The growth in total assets of the international activity was influenced by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, mainly related to loans to customers portfolio, which simultaneously benefited from the organic growth of the commercial business of the subsidiary. In the activity in Portugal, the increase in cash at Central Banks is worth mentioning.

Total liabilities of the Group stood at 74,262 million Euros in 2019, increasing significantly from 68,959 million Euros at the end of 2018, determined by the evolution of deposits and other resources from customers, both in the activity in Portugal and, above all, in the international activity.

Loans to customers (gross) stood at 54,724 million Euros on 31 December 2019, showing a significant growth from the 51,032 million Euros at the end of the previous year, determined by the evolution of the international activity, which was driven by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to customers (gross) stood slightly below the amount as at 31 December 2018, being noteworthy on the one hand, the reduction of 1,551 million Euros in NPE, following the strategy of divestment in this type of assets implemented by the Bank in recent years, and on the other hand, the good performance of the loans performing portfolio, which grew by 1,078 million Euros over the same period.

Total customer funds amounted to 81,675 million Euros on 31 December 2019, a very favourable performance compared to 74,023 million Euros at the same date of the previous year, thanks to the good performance of both the activity in Portugal and the international activity, partly influenced by the impact of the acquisition of Euro Bank S.A.. In consolidated terms, total customer funds recorded a good performance in all items, with an increase in balance sheet customer funds and more specifically in deposits and other resources from customers.

PROFITABILITY ANALYSIS

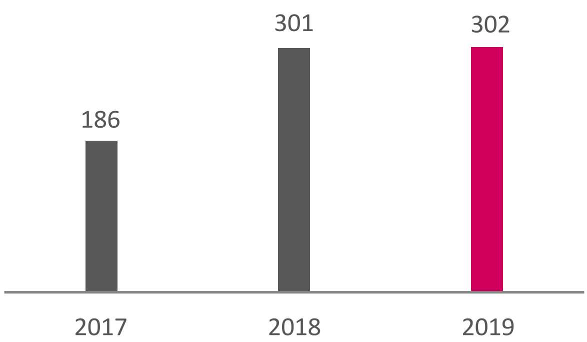
NET INCOME

In 2019, the consolidated net income of Millennium amounted to 302 million Euros, slightly (0.3%) above the 301 million Euros recorded in 2018. The 2019 net income includes the negative impact of 67 million Euros (before taxes) considered as specific items, related to restructuring costs and compensation for temporary salary cuts recognised in the activity in Portugal and the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary. In 2018, the impact of specific items was also negative in the amount of 29 million Euros (before taxes), related to restructuring costs and the ongoing digital transformation project, both reflected in the activity in Portugal.

In the evolution of the consolidated net income of the Group, it is important to highlight the growth in net interest income and net trading income, on the one hand, and the reduction of loans impairment, on the other, despite the increase in operating costs and the tax impact caused by the low interest rates scenario in 2019. At the same time, the gain of 13 million Euros resulting from the sale of the Planfipsa Group in February 2019, reflected as discontinued operations, contributed positively to the net income of the Group.

NET INCOME

Million euros



QUARTERLY INCOME ANALYSIS

Euro million

	2019						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2018	2017
NET INTEREST INCOME	363	377	413	396	1,549	1,424	1,391
OTHER NET INCOME							
Dividends from equity instruments	0	1	0	0	1	1	2
Net commissions	167	176	177	184	703	684	667
Net trading income	60	35	24	24	143	79	148
Other net operating income	(11)	(65)	(12)	(13)	(101)	(89)	(102)
Equity accounted earnings	19	3	18	4	43	89	92
TOTAL OTHER NET INCOME	235	149	206	200	790	763	806
NET OPERATING REVENUES	598	527	619	595	2,338	2,187	2,197
OPERATING COSTS							
Staff costs	152	172	164	180	668	593	527
Other administrative costs	80	87	102	107	376	377	374
Depreciation	27	30	33	35	125	58	54
TOTAL OPERATING COSTS	260	289	299	322	1,169	1,027	954
OPERATING RESULTS	338	238	320	273	1,169	1,159	1,243
IMPAIRMENT							
For loans (net of recoveries)	87	114	99	91	390	465	624
Other impairment and provisions	17	25	35	73	151	136	301
INCOME BEFORE INCOME TAX	234	99	186	109	627	558	318
INCOME TAX							
Current	31	16	28	26	101	106	102
Deferred	34	39	25	40	138	32	(72)
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	169	43	133	43	388	420	288
Income from discontinued operations	13	(0)	(0)	0	13	(1)	1
NET INCOME AFTER INCOME TAX	182	43	133	43	401	419	290
Non-controlling interests	28	27	32	12	99	118	103
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	154	16	101	32	302	301	186

In the activity in Portugal[1], net income of 2019 reached 145 million Euros, showing an increase of 25.4% over the 116 million Euros recorded in 2018, strongly influenced by the decrease in credit provisioning needs. The good performance of the activity in Portugal also reflects the performance of net trading income and other impairment and provisions and, although to a lesser extent, also of commissions and other net operating income. The favourable evolution of net income from the activity in Portugal was offset by the increase in operating costs and by the fiscal impact resulting from a context of low interest rates, also reflecting a lower contribution from equity accounted earnings and net interest income.

The growth in operating costs in the activity in Portugal compared to 2018 is partly due to the recognition of a higher level of restructuring costs and the impact of compensation for temporary salary cuts in 2019, both recognised as staff costs and considered as specific items. The increase in deferred tax expense in 2019 compared to 2018 is primarily due to the write-off of deferred tax assets as a result of the maintenance of the low interest rate scenario and the effect of actuarial losses related to the pension fund.

In international activity, net income amounted to 144 million Euros in 2019, compared to 187 million Euros in the previous year. The increase in core income from 443 million Euros in 2018 to 484 million Euros in 2019 is worth noting

Excluding the abovementioned specific items, related to costs incurred with the acquisition, merger and integration of Euro Bank S.A., core income of the international activity grew 15.3%, from 443 million Euros in 2018 to 511 million Euros in 2019, benefiting from a very positive evolution of core income, in particular of net interest income, which largely exceeded the increase in operating costs.

The performance of international activity in 2019 was determined by the lower contribution of the Polish operation and by the lower appropriation of income generated by Banco Millennium Atlântico compared to the previous year.

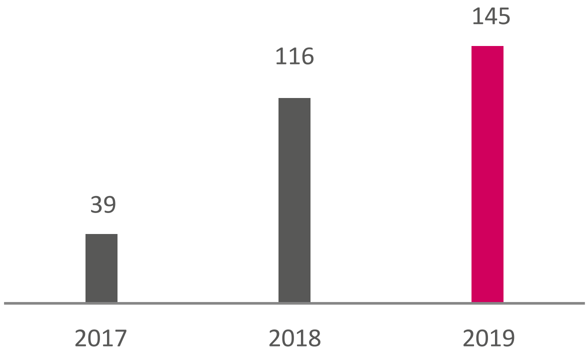
he performance of the Polish subsidiary was limited by the impact resulting from the costs associated with the integration of Euro Bank S.A., which implied, on the one hand, a higher level of operating costs, and, on the other hand, an increase in loans impairment through additional impairments at the time of the initial recognition of the credit portfolio of the operation, in May 2019.

[1] Does not consider income arising from operations accounted as discontinued operations, amounting to 13 million Euros in 2019 and a negative amount of 1 million Euros in 2018.

NET INCOME

Activity in Portugal

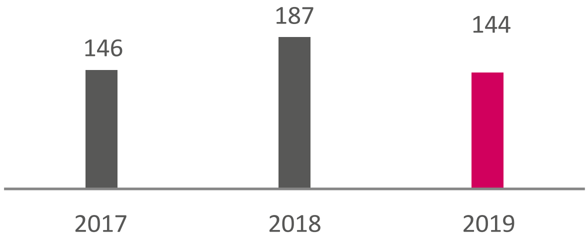
Million euros



NET INCOME

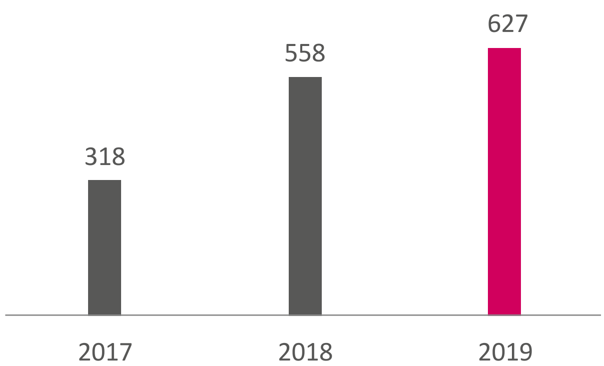
International activity

Million euros



INCOME BEFORE INCOME TAX

Million euros



In addition, the contribution of Bank Millennium Group was also influenced by an extraordinary provision for processes related to mortgage loans granted in Swiss Francs. The operation in Mozambique, on the other hand, improved its performance over the previous year. The lower appropriation of income generated by Bank Millennium Atlântico, in 2019 was influenced both by the increase in the risk coverage by impairments and provisions, and by the impact of the end of the IAS 29 application.

Bank Millennium in Poland reached a net income of 131 million Euros in 2019, reflecting a decrease of 48 million Euros compared to the 178 million Euros recorded in 2018. As previously mentioned, this evolution is influenced by the impact of the acquisition of Euro Bank S.A., which was reflected in the increase in the cost of risk of the loan portfolio and the growth in operating costs. In addition, the performance of Bank Millennium was also determined by the impact of provisions to cover the legal risk associated with mortgage loans granted in Swiss Francs and also by provisions to cover the possible need to return to customers fees associated with personnel credit operations reimbursed in advance. On the contrary, net income of Bank Millennium reflects a very favourable performance compared to the previous year in what refers to net interest income reflecting both growing business volumes and the acquisition of Euro Bank S.A..

Millennium bim in Mozambique presented a net income of 99 million Euros, up 5.8% from 94 million Euros in 2018, benefiting from the reduction in the cost of risk, on the loan portfolio and from improved results in net trading income, partially absorbed by the performance of net interest income, which was influenced by the context of falling reference interest rates, as well as by increased operating costs and other impairments and provisions. It should be noted that the economy of Mozambique faced huge challenges in 2019 due to the severe impact of natural disasters.

As for Angola, the contribution to net income of international activity in 2019 totalled 3 million Euros, a decrease of 88.3% compared the previous year. This decrease stems from the lower result of Banco Millennium Atlântico, reflecting an increase in the risk coverage by impairments and provisions, the end of the application of IAS 29 and, additionally, from the adverse effect of the depreciation of Kwanza.

NET INCOME OF INTERNATIONAL ACTIVITY

Euro million

	2019	2018	2017	Chan. % 19/18
Bank Millennium in Poland (1)	131	178	160	-26.8%
Millennium bim in Mozambique (1)	99	94	85	5.8%
BANCO MILLENNIUM ATLÂNTICO (2)				
Before the impact of IAS29	8	21	29	-60.1%
Impact of IAS29	(6)	1	(28)	<200%
BMA AFTER THE IMPACT OF IAS29 (2)	3	21	0	-88.3%
Other	9	13	9	-28.7%
Non-controlling interests	(98)	(120)	(108)	18.3%
NET INCOME OF INTERNATIONAL ACTIVITY	144	187	146	-23.1%
NET INCOME OF INTERNATIONAL ACTIVITY EXCLUDING IAS29	149	186	175	-19.7%

(1) The amounts showed are not deducted from non-controlling interests.

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

Note: Net income of 2019 (after taxes and non-controlling interests) attributable to the international operations amounted to 144 million euros. For the same period, net income from Poland amounted to 131 million euros (of which 65 million euros attributable to the Bank). The net income from Mozambique ascended to 99 million euros (of which 66 million euros attributable to the Bank). The net income of the activity in Angola, associated to the contribution of Banco Millennium Atlântico to the consolidated, calculated by the equity method, was of 3 million euros. Net income from the activities in Switzerland and in the Cayman Islands included in "Other" were fully attributable to the Bank.

NET INTEREST INCOME

Net interest income showed a favourable performance, increasing 8.8% from 1,424 million Euros in 2018, reaching 1,549 million Euros in 2019. This was determined by the good performance of the international activity, namely by the dynamic of the Polish operation, partially offset by the performance of the activity in Portugal, whose net interest income lowered 1.8% from the figure for the previous year.

Net interest margin, in consolidated terms, has remained stable at 2.2% over the last few years, recording, however, distinct performances in the activity in Portugal and in the international activity. The net interest margin in the activity in Portugal, although pressured by the negative interest rate environment, stood at 1.7% at the end of the year, reflecting only a slight decrease from the 1.8% recorded in the previous year. In the international activity, net interest margin increased from 3.1% in 2018 to 3.2% in 2019, benefiting from the effect of the acquisition of Euro Bank S.A., from May 2019.

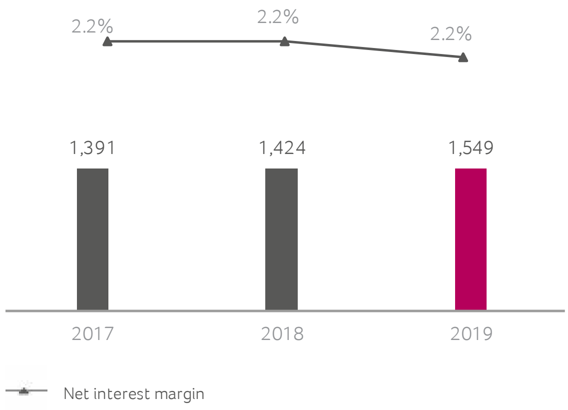
In the activity in Portugal, net interest income totalled 789 million Euros in 2019, compared to 803 million Euros recorded in the previous year. Although the evolution of net interest income in Portugal benefited from the reduction in the cost of funding, this positive effect was not enough to offset the drop of revenues resulting from the lower income generated by the securities portfolio and the loans to customers portfolio. The evolution of income generated by securities portfolio in the activity in Portugal mainly reflects the impact of the lower implicit interest rates, as the average volumes over the year were higher than those in the previous year. The current context characterised by a macroeconomic scenario marked by the persistence of low interest rates also contributed to the lower income generated by the domestic credit portfolio compared to the previous year, notwithstanding the increase in the credit volumes, since during 2019, with the growth in the performing credit portfolio exceeding the reduction in the volume of Non-Performing Exposures (NPE).

The reduction in the cost of funding in the activity in Portugal benefited from the continued decline in the remuneration of term deposits, which average balance also fell compared to 2018, and at the same time from the lower cost of subordinated debt and other debt issued. On the other hand, the revenue on the targeted longer-term refinancing operations (TLTRO) generated by a negative funding rate was lower in 2019 than in 2018.

In the international activity, net interest income performed quite favourably, increasing 22.4% from 620 million Euros in 2018, reaching 759 million Euros in 2019. This progression was mainly driven by the Polish subsidiary, whose growth in net interest income resulted, on the one hand, from the strong organic growth and, on the other, from the integration of the commercial business of Euro Bank S.A.

NET INTEREST INCOME

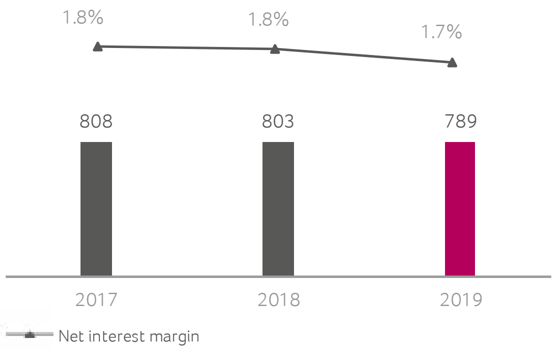
Million euros



NET INTEREST INCOME

Activity in Portugal

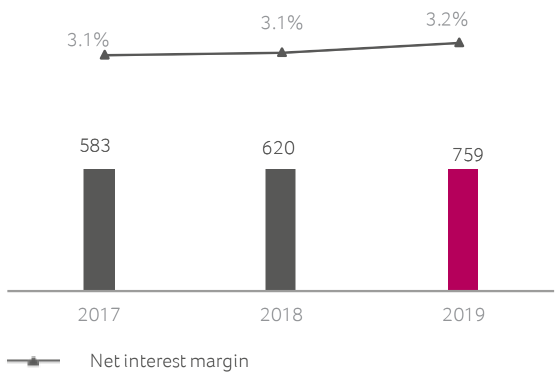
Million euros



NET INTEREST INCOME

International activity

Million euros



The good performance of net interest income generated by the Polish subsidiary was determined by the increase in revenues associated with the loans portfolio, justified not only by the growth in the volumes of credit granted in both business segments, companies and retail, but also by the effect of the merger with Euro Bank S.A., with a loan portfolio having a predominance of products with higher commercial margins. Net interest income generated by the securities portfolio in the Polish subsidiary was also higher than in the previous year, driven by the increase in average volumes held. On the other hand, the financing of the growth of activity and the balance sheet, either through a higher volume of customer deposits or through the issuance of debt, including subordinated debt, was reflected, in 2019, in a higher cost in net interest income.

In the subsidiary in Mozambique, net interest income was slightly below the amount recorded in 2018, as the reduction in revenue associated with the loan and securities portfolios fully absorbed the positive effect resulting from the reduction in the cost of funding, obtained through the lower cost of customer deposits, due to the reduction in interest rates.

AVERAGE BALANCES

Million euros

	2019		2018		2017	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	4,033	1.0%	2,702	1.0%	3,070	0.9%
Financial assets	15,400	1.7%	13,250	2.2%	11,163	2.3%
Loans and advances to customers	50,674	3.2%	47,620	3.2%	47,861	3.3%
TOTAL INTEREST EARNING ASSETS	70,107	2.8%	63,572	2.9%	62,094	3.0%
Non-interest earning assets	9,484		9,847		10,575	
TOTAL ASSETS	79,590		73,419		72,669	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	8,066	0.2%	7,397	0.1%	9,140	0.0%
Deposits and other resources from customers	57,228	0.5%	53,258	0.6%	50,560	0.7%
Debt issued and financial liabilities	3,271	1.2%	2,787	1.6%	3,162	2.7%
Subordinated debt	1,364	4.4%	1,116	5.5%	929	6.9%
TOTAL INTEREST BEARING LIABILITIES	69,930	0.6%	64,558	0.7%	63,791	0.8%
Non-interest bearing liabilities	2,089		1,944		2,116	
Shareholders' equity and Non-controlling interests	7,571		6,917		6,762	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	79,590		73,419		72,669	
NET INTEREST MARGIN (1)		2.2%		2.2%		2.2%

(1) Net interest income as a percentage of average interest earning assets.

Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2019, 2018 and 2017, to the respective balance item.

In 2019, average net assets increased considerably from 73,419 million Euros in the previous year to 79.590 million Euros. This progression was supported by the general increase in interest-bearing assets, reflecting, in part, the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, which consolidation was in May 2019.

Interest-bearing assets stood at 70,107 million Euros in 2019 compared to 63,572 million Euros in 2018, benefiting from the growth in loans to customers, from 47,620 million Euros in 2018 to 50,674 million Euros in 2019, from the increase in financial assets, from 13,250 million Euros in 2018 to 15,400 million Euros in 2019 and from the increase in deposits in credit institutions which stood at 4,033 million Euros in 2019 compared to 2,702 million Euros in 2018. On the other hand, non-interest bearing assets decreased from 9,847 million Euros in 2018, totalling 9,484 million Euros in 2019.

Average interest-bearing liabilities rose from 64,558 million Euros in 2018 to 69,930 million Euros in 2019. This evolution was mainly due to the growth in customer deposits, whose average balance rose from 53,258 million Euros in 2018 to 57,228 million Euros in 2019, partially influenced by the impact of the acquisition of Euro Bank S.A., with effects from May 2019. The increase in interest-bearing liabilities also benefited from the performance of the average balance on deposits from credit institutions, which rose from 7,397 million Euros in 2018 to 8,066 million Euros in 2019, as well as from the aggregate of debt securities issued and financial liabilities and subordinated debt, which rose respectively from 2,787 million Euros and 1,116 million Euros in 2018 to 3,271 million Euros and 1,364 million Euros in 2019.

In terms of average balance sheet structure, interest-bearing assets represented 88.1% of average net assets in 2019, with an increase compared to the relative weight of 86.6% recorded in 2018. Loans to customers remained the main aggregate of the portfolio of interest-bearing assets, although their relative weight in the balance sheet structure declined from 64.9% in 2018 to 63.7% in 2019. In contrast, the financial assets portfolio saw its relative weight in the balance sheet structure strengthened, rising from 18.0% in 2018 to 19.3% in 2019.

In the structure of average interest-bearing liabilities, customer deposits remain the main instrument for financing and supporting activity, although their relative weight decreased slightly in 2019, accounting for 81.8% of the balance of interest-bearing liabilities, compared to 82.5% in the previous year. Deposits from credit institutions continue to represent 11.5% of the average balance of interest-bearing liabilities, as in the previous year, while the aggregate of debt securities issued and financial liabilities increased their relative weight slightly from 4.3% in 2018 to 4.7% in 2019.

The evolution of the average balance of the shareholders' equity, from 6.917 million Euros in 2018 to 7,571 million Euros in 2019, mainly reflects the placement in the market, in January 2019 of an Additional Tier 1 issue in the amount of 400 million Euros.

in 2019, net interest margin stood at 2.2%, in line with the rate obtained in the previous year. This alignment reflects a roughly proportional growth in net interest income and in average interest bearing assets during 2019.

In 2019, the average interest rate on credit remained in line with the rate obtained in the previous year, while the average interest rate on deposits fell slightly compared to the rate recorded in the previous year.

OTHER NET INCOME

Other net income, which includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, showed a favourable evolution compared to the 763 million Euros recorded in 2018, standing at 790 million Euros in 2019. The performance of activity in Portugal was a determining factor in this evolution, having been offset by the international activity which fell from the amount recorded in 2018.

In the activity in Portugal, other net income grew 35 million Euros compared to the amount recorded in 2018, mainly driven by the performance of net trading income and net commissions, which were 39 million Euros and 8 million Euros higher, respectively, than the previous year. The positive performance of other net operating income was offset by the 15 million Euro reduction in equity accounted earnings.

In international activity, the good performance shown by the Polish and Mozambican subsidiaries, in other net income, was fully absorbed by the reduction in the appropriation of the income generated by Banco millennium Atlântico recognised in equity accounted earnings.

OTHER NET INCOME

Million euros

	2019	2018	2017	Chan. % 19/18
Dividends from equity instruments	1	1	2	25.4%
Net commissions	703	684	667	2.8%
Net trading income	143	79	148	82.5%
Other net operating income	(101)	(89)	(102)	-12.6%
Equity accounted earnings	43	89	92	-51.8%
TOTAL	790	763	806	3.5%
of which:				
Activity in Portugal	545	510	544	6.8%
International activity	245	253	262	-3.0%

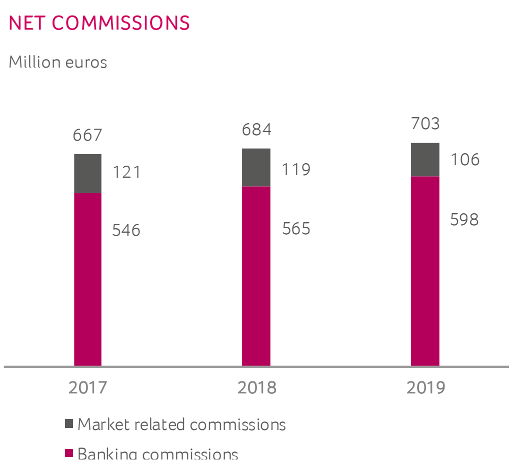
DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporate dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, amounted to 1 million Euros in 2019, showing an increase of 25.4% over the amount obtained in the previous year, supported by the evolution of income on investments in the share portfolio of the Group.

NET COMMISSIONS

In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. These items are presented for 2017 on a proforma basis in order to ensure their comparability. The total amount of net commissions did not change.

In 2019, net commissions, which include commissions related to banking business and commissions more directly related to financial markets, amounted to 703 million Euros, showing, in consolidated terms, a growth of 2.8% from 684 million Euros in the previous year. This growth benefited both from the good performance of activity in Portugal and in the international activity.



In the activity in Portugal, net commissions reached 483 million Euros in 2019, representing an increase of 1.7% compared to 475 million Euros in 2018, determined by the favourable performance of commissions related to the banking business, which showed a growth of 5.0%. On the contrary, commissions more directly related to financial markets and less recurring were 19.3% below those obtained in 2018, influenced by the impact of the current market environment on this type of commissions and by the lower commissions associated with investment banking operations.

In the international activity, net commissions grew 5.5% from the 209 million Euros in 2018 to 220 million Euros in 2019, mainly due to the performance of the Polish subsidiary, influenced by the impact of the acquisition of Euro Bank S.A., but also, although to a lesser extent, by the higher contribution of the subsidiaries in Mozambique and Switzerland.

In consolidated terms, the good performance of commissions related to banking business should be highlighted, since they recorded an increase of 5.9% from 565 million Euros in 2018 and reached 598 million Euros in 2019, benefiting from the evolution of both the activity in Portugal and the international activity. In the same period, commissions related to financial markets decreased by 11.4%, mainly due to the performance of the activity in Portugal.

The good performance of commissions related to the banking business, both in the activity in Portugal and in the international activity, reflects the generalised growth across different types of commissions, with particular emphasis on the evolution, in consolidated terms, of commissions on the management and maintenance of accounts and bancassurance commissions.

Commissions related to cards and transfers grew 2.0% from 167 million Euros in 2018 to 170 million Euros in 2019, boosted by the evolution of international activity, which grew 6.0%, largely due to the contribution of the subsidiary in Mozambique. In the activity in Portugal, related to cards remained in line with the figures obtained in 2018.

Commissions related to credit and guarantee operations increased by 3.6% from 164 million Euros in 2018 to 170 million Euros in 2019, benefiting from the higher contributions from both the activity in Portugal and the international activity, which grew by 2.8% and 5.1%, respectively, from the previous year. The good performance of the international activity is mainly due to the evolution of the Polish subsidiary, which was partially offset by the decrease in the Mozambican operation.

In 2019, bancassurance commissions, which include commissions obtained from the placement of insurance products through the Bank's distribution networks in Portugal and Poland, evolved favourably in both countries, growing by 6.8% and 31.4% respectively over the previous year. It should be noted that the growth in bancassurance commissions in the Polish subsidiary reflects, on the one hand, the increase in commissions charged by Bank Millennium on insurances sold to customers, mainly connected to personal and mortgage operations, and, on the other, the impact attributable to the integration of Euro Bank, S.A..

In consolidated terms, bancassurance commissions amounted to 118 million Euros, up 12.4% from 105 million Euros in 2018.

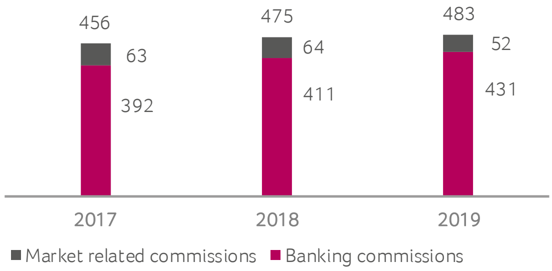
Commissions related to the opening and maintenance of customer accounts rose 12.4% from 106 million Euros in 2018 to 119 million Euros in 2019. The good progression of these commissions was mainly due to the 11.0% increase in the activity in Portugal, although in the international activity there was an increase of 24.4% compared to the previous year, driven by the contribution of the operation in Poland.

Commissions related to financial markets stood at 106 million Euros in 2019, down 11.4% from 119 million Euros in the previous year, mainly due to the performance of the entities of the Group in Portugal, which fell 19.3%, but also, although to a lesser extent, of the group of operations based abroad, which fell 2.2% over the same period. The drop in international activity was mainly due to the performance of the Polish subsidiary, since a reverse trend was recorded in the Swiss subsidiary.

NET COMMISSIONS

Activity in Portugal

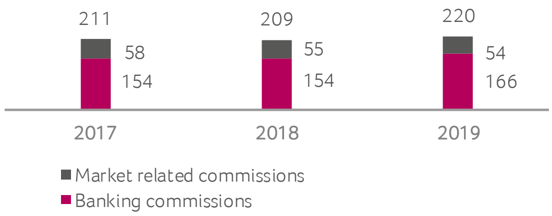
Million euros



NET COMMISSIONS

International activity

Million euros



It should be pointed out that the current market context with lower market rates has led to an adjustment of this type of commissions associated with investment products and asset management activity.

Commissions related to securities transactions totalled 66 million Euros in 2019, 14.6% below the amount for the previous year, and were mainly influenced by the performance of the activity in Portugal, whose commissions fell by 20.4%. In the international activity, these commissions increased 3.0% from 2018, driven by the good performance of the operation in Switzerland.

In 2019, commissions generated by asset management fell by 5.6% compared to the previous year (42 million Euros) to 40 million Euros. This evolution was mainly due to the performance of the international activity, which showed a 4.9% decline, mainly influenced by the reduction of the subsidiary in Poland, despite the growth of the Switzerland's operation. At the same time, in the activity in Portugal, commissions generated by asset management fell by 9.8% compared to the previous year.

NET COMMISSIONS

Million euros

	2019	2018	2017	Chan. % 19/18
BANKING COMMISSIONS				
Cards and transfers	170	167	156	2.0%
Credit and guarantees	170	164	156	3.6%
Bancassurance	118	105	101	12.4%
Current accounts related	119	106	104	12.4%
Other commissions	21	23	29	-9.6%
SUBTOTAL	598	565	546	5.9%
MARKET RELATED COMMISSIONS				
Securities	66	77	77	-14.6%
Asset management	40	42	44	-5.6%
SUBTOTAL	106	119	121	-11.4%
TOTAL NET COMMISSIONS	703	684	667	2.8%
of which:	–	–	–	0
Activity in Portugal	483	475	456	1.7%
International activity	220	209	211	5.5%

NET TRADING INCOME

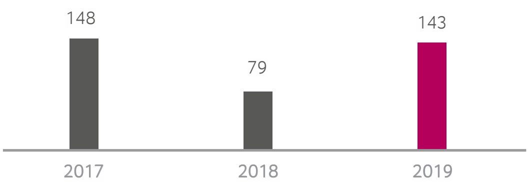
Net trading income includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortized cost, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale, in the latter case only until 2017.

In 2019, net trading income amounted to 143 million Euros, showing a considerable growth of 82.5% compared to the 79 million Euros recorded in 2018, which reflects both the performance of the activity in Portugal and the international activity, in this case particularly Poland and Mozambique.

The growth in net trading income in the activity in Portugal was boosted by gains on the sale of Portuguese public debt, which amounted to 69 million Euros in 2019, compared to 15 million Euros in the previous year.

NET TRADING INCOME

Million euros



It should also be noted that, notwithstanding the pace of reduction of NPE during 2019, the level of costs incurred with the sale of this type of exposure was lower than in the previous year, as the losses totalled 29 million Euros, compared to 49 million Euros in 2018.

In the international activity, net trading income was mostly influenced by the evolution of the Polish subsidiary, driven by the gain, amounting to 10 million Euros, related to the revaluation of PSP - Polish Payment Standard shares, following the agreement signed for the entry of Mastercard in the share capital of that entity. In the operation in Mozambique, net trading income was also higher than the one obtained in the previous year, essentially due to the revenue generated by foreign exchange operations.

NET TRADING INCOME

Million euros

	2019	2018	2017	Chan. % 19/18
Net gains / (losses) from financial operations at fair value through profit or loss	5	1	14	>200%
Net gains / (losses) from foreign exchange	69	75	72	-7.9%
Net gains / (losses) from hedge accounting operations	(6)	3	(33)	<-200%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(25)	(50)	(8)	50.4%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	100	49	–	101.6%
Net gains / (losses) from financial assets available for sale	–	–	103	-
TOTAL	143	79	148	82.5%
of which:				
Activity in Portugal	51	12	85	>200%
International activity	92	66	63	38.6%

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, net of operating costs, net gains from the insurance activity and gains/losses arising from sales of subsidiaries and other assets, totalled a -101 million Euros in 2019, compared to -89 million Euros recorded in the previous year. In 2019, this includes 1 million Euros related to costs with the acquisition, merger and integration of Euro Bank, S.A., booked by the Polish subsidiary and considered specific items. The evolution in other net operating income, in consolidated terms, mainly reflects the performance of the international activity which was lower than that achieved in the previous year, having been slightly offset by the improvement of the activity in Portugal.

In the activity in Portugal, other net operating income increased from a negative amount of 32 million Euros in 2018 to an also negative amount of 30 million Euros in 2019, with the increase in income from the sale of other assets and the lower losses recognised with the sale of investment property being noteworthy. On a negative note, gains on the sale of financial holdings and on non-current assets held for sale decreased. Other net operating income includes with mandatory contributions which in 2019 amounted to 69 million Euros, remaining in line with the amount recorded in 2018. The overall amounts paid as mandatory contributions in Portugal includes the cost with the European Resolution Fund (FUR) of 19 million Euros (21 million Euros in 2018), the contribution of 16 million Euros for the national resolution fund (12 million Euros in 2018), the contribution on the banking sector of 32 million Euros (33 million Euros in 2018), supervision fee, which remained at around 2 million Euros in 2019 and 2018, and the contribution to the Deposit Guarantee Fund, whose value is relatively immaterial.

In the international activity, other net operating income, including the abovementioned specific items, totalled -71 million Euros in 2019, compared to -57 million Euros in 2018, penalised by the increase in mandatory contributions, which stood 15 million Euros above the previous year. The mandatory contributions reflected in the international activity amounted to 87 million Euros and were supported almost entirely by the Polish subsidiary, where the increases of the special tax on the Polish banking sector and the resolution fund, partially offset by the reduction of the deposit guarantee fund, stand out.

The performance of the Polish subsidiary was also influenced, although to a lesser extent, by losses on the sale of tangible assets. In the evolution of other net operating income from international activity, it is also important to mention the increase in income from the insurance activity in Mozambique, although this was absorbed by the less favourable performance of the remaining items.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies. In 2019, equity accounted earnings amounted to 43 million Euros, compared to 89 million Euros in the previous year, a lower level than in the previous year in both Portugal and international activity.

In the activity in Portugal, the evolution of equity accounted earnings, from 55 million Euros in 2018 to 40 million Euros in 2019, was determined by the reduction of 7 million Euros in the contribution from Millennium Ageas, mainly reflecting the negative impact of lower interest rates in the insurance business. The results generated by the stakes in SIBS and Unicre also contributed to this decrease, by showing, together, a decrease of 6 million Euros in the same period.

The decrease in equity accounted earnings from international activity was due to the lower appropriation of profits generated by Banco Millennium Atlântico, which stood at 3 million Euros, compared to 34 million Euros in the previous year. This reduction was justified simultaneously by the impact of the increased coverage of risks through impairment and provisions and of the end of the application of the IAS 29, with effect from January 1, 2019.

Excluding the impact of IAS 29 in both periods, the appropriation of the income generated by Banco Millennium Atlântico showed a reduction of 12 million Euros.

EQUITY ACCOUNTED EARNINGS

Million euros

	2019	2018	2017	Chan. % 19/18
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	28	35	35	-19.6%
UNICRE - Instituição Financeira de Crédito, S.A.	3	7	7	-51.8%
Banco Millennium Atlântico, S.A.	3	34	40	-92.6%
Banque BCP, S.A.S.	4	4	4	12.1%
SIBS, SGPS, S.A.	6	8	3	-29.6%
Other	(1)	1	3	<-200%
TOTAL	43	89	92	-51.8%

OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation. Excluding the effect of specific items[2], operating costs totalled 1,103 million Euros in 2019, recording an increase of 10.6% compared to 998 million Euros in the previous year. This evolution mainly results from the increase in international activity, although in the activity in Portugal there was also an increase in operating costs, albeit to a lesser extent.

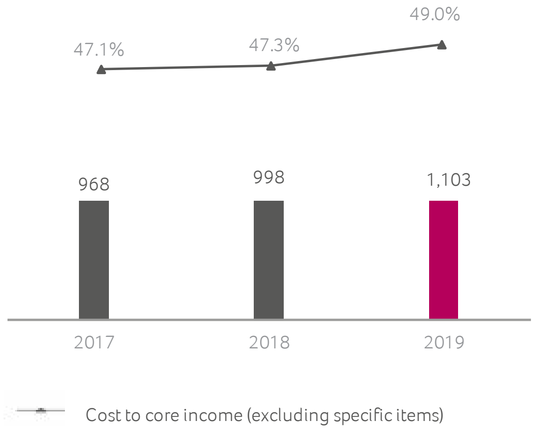
In the activity in Portugal, operating costs, not considering the effect of the specific items abovementioned, amounted to 634 million Euros in 2019, 3.7% above the 612 million Euros accounted for in the previous year, mainly reflecting the increase in staff costs. The entry into force of IFRS 16 - Leasing, on January 1, 2019, has largely justified the changes in the opposite direction in other administrative costs, which decreased by 22 million Euros compared to the amounts recorded in 2018, and in depreciations, which rose by 33 million Euros over the same period.

In the international activity, operating costs, excluding the effect of the abovementioned specific items, stood at 469 million Euros in 2019, an increase of 21.5% compared to the 386 million Euros accounted for in the previous year. Staff related costs increased by 24.2% when compared to 2018, with changes in other administrative costs, which fell by 0.9%, and in depreciations, which more than doubled compared to the previous year, being strongly influenced, in opposite directions, by the entry into force of IFRS 16 - Leasing.

The increase in operating costs compared to the previous year in the international activity mainly reflects the performance of the Polish subsidiary, and the operating costs of the subsidiary in Mozambique also proved to be higher than those recorded in 2018.

OPERATING COSTS

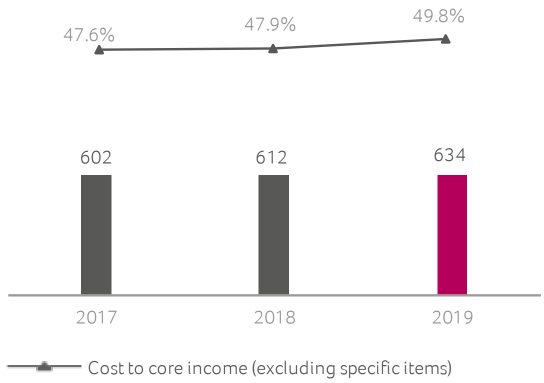
Million euros



OPERATING COSTS

Activity in Portugal

Million euros



2 Negative impact of 66 million Euros in 2019, of which 40 million Euros related to restructuring costs and compensation for temporary salary cuts, both recognised as staff costs in the activity in Portugal and 26 million Euros related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary, mostly as other administrative costs. In 2018, the impact was also negative, amounting to 29 million Euros, of which 27 million Euros related to restructuring costs recognised as staff costs and 3 million Euros associated with the ongoing digital transformation project, recognised as other administrative costs, both in the activity in Portugal. In 2017, the impact was positive by 14 million Euros and includes, on the one hand, the revenue recognised following the negotiation and agreement with the "*Sindicato dos Bancários do Norte*" (Union of Bank Employees of the North) for the revision of the WCA (Work Collective Agreement), and, on the other hand, the restructuring costs, both accounted as staff costs, in the activity in Portugal.

Operating costs in Poland show a growing trend explained simultaneously by the organic growth of the subsidiary itself, namely dur to prices' and wages' dynamics in the Polish economy and also by the impact resulting from the consolidation of Euro Bank S.A..

The cost to core income ratio of the Group in 2019, excluding specific items, stood at 49.0%, slightly above the 47.3% ratio recorded in 2018, as the negative impact of the increase in operating costs was partially offset by the favourable evolution of both net interest income and commissions.

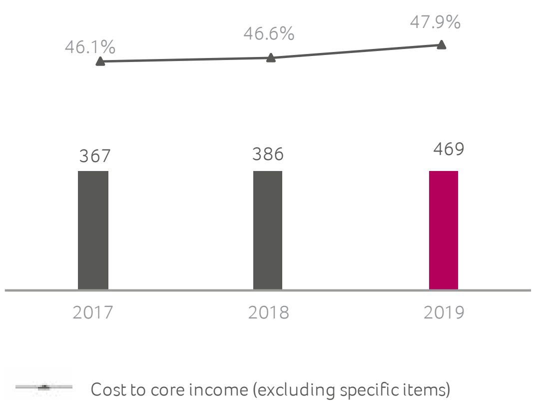
In the activity in Portugal, the cost to core income ratio, excluding specific items, reached 49.8% in 2019, compared to 47.9% in 2018, reflecting, on the one hand, the increase in operating costs and, on the other, the slight decrease in core income.

In the international activity, the cost to core income ratio, not considering the specific items, stood at 47.9% in 2019 (46.6% in 2018), reflecting the growth in operating costs, which, in relative terms, proved to be higher than that recorded in core income.

OPERATING COSTS

International activity

Million euros



OPERATING COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
ACTIVITY IN PORTUGAL (1)				
Staff costs	371	359	346	3.3%
Other administrative costs	194	216	222	-10.3%
Depreciation	69	36	33	89.5%
	634	612	602	3.7%
INTERNATIONAL ACTIVITY (1)				
Staff costs	257	207	194	24.2%
Other administrative costs	156	158	152	-0.9%
Depreciation	56	21	20	160.5%
	469	386	367	21.5%
CONSOLIDATED (1)				
Staff costs	628	566	541	11.0%
Other administrative costs	350	374	374	-6.3%
Depreciation	125	58	54	115.8%
	1,103	998	968	10.6%
SPECIFIC ITEMS	66	29	(14)	125.7%
TOTAL	1,169	1,027	954	13.8%

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

STAFF COSTS

Staff costs, not considering the effect of specific items, related almost entirely to domestic activity, totalled 628 million Euros in 2019, reflecting an increase of 11.0% over the 566 million Euros recorded in 2018, mainly due to the evolution of international activity, with the activity in Portugal also having higher staff costs than in the previous year.

In the activity in Portugal, staff costs amounted to 371 million Euros in 2019, increasing 3.3% compared to 359 million Euros in 2018. It should be noted that these amounts do not take into account the impact of specific items, which in 2019 amounted to 40 million Euros and are related to restructuring costs and compensation for temporary salary cuts and in 2018 totalled 27 million Euros, in this case related to restructuring costs including, among others, the accounting of early retirement costs.

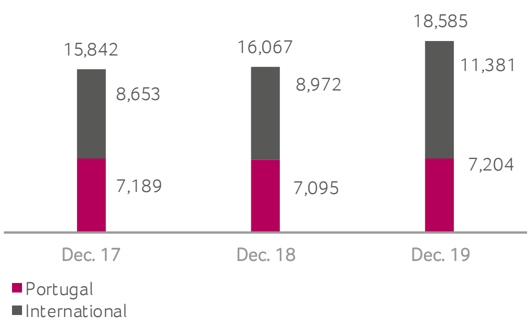
The growth in staff costs in the activity in Portugal reflects, in part, the increase in the number of employees from 7,095 at the end of December 2018 to 7,204 employees at 31 December 2019, highlighting the impact of the internalisation of outsourcers and the strengthening of the skills required to implement the digital transformation project.

In the international activity, not considering the impact, in this case negligible, of the specific items fully recognised by the Polish subsidiary following the merger with Euro Bank S.A., staff costs stood at 257 million Euros in 2019, up 24.2% compared to the 207 million Euros recognised in the previous year.

Although staff costs at the subsidiary in Mozambique were higher than in 2018, the Polish subsidiary was mainly responsible for the evolution observed in international activity, affected by the increase in the number of employees from 6,270 (6,132 FTE - full-time equivalent) at 31 December 2018 to 8,615 employees (8,464 FTE - full-time equivalent) at the end of 2019. This increase was mainly due to the integration of 2,425 employees from Euro Bank S.A. in May 2019.

The total number of employees in international activities increased from 8,972 as of 31 December 2018 to 11,381 employees at the end of 2019.

EMPLOYEES



STAFF COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
Salaries and remunerations	507	458	433	10.9%
Social security charges and other staff costs	121	108	108	11.2%
TOTAL EXCLUDING SPECIFIC ITEMS	628	566	541	11.0%
SPECIFIC ITEMS	40	27	(14)	50.3%
TOTAL	668	593	527	12.7%

OTHER ADMINISTRATIVE COSTS

Other administrative costs showed a decrease of 6.3% from 374 million Euros in 2018, totalling 350 million Euros in 2019. This evolution reflects the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity, and does not take into account the effect of specific items, amounting to 26 million Euros, related to the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary in 2019 and 3 million Euros associated with the ongoing digital transformation project recognised in 2018 in the activity in Portugal.

OTHER ADMINISTRATIVE COSTS

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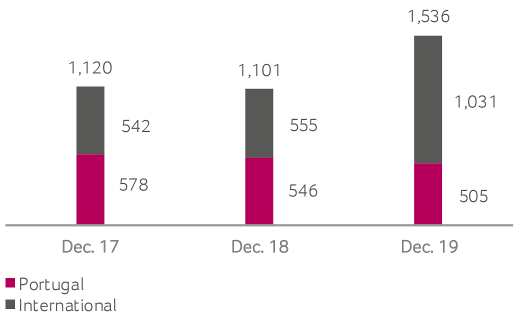
In the activity in Portugal, other administrative costs stood at 194 million Euros in 2019, a decrease of 10.3% from the 216 million Euros (excluding specific items) accounted for in the previous year, mainly justified by the already mentioned impact of IFRS 16 - Leasing. Excluding this impact and the specific items recognised in 2018, other administrative costs show a slight increase from the amounts for 2018, mainly due to costs related to reinforcement of control functions, despite the disciplined management of recurring costs. The reduction of the branch network, which went from 546 at 31 December 2018 to 505 at the end of 2019, together with other measures carried out, allowed savings in items such as advertising, legal expenses and communications, among others of a lesser magnitude.

In the international activity, other administrative costs, excluding the impact of specific items of 26 million Euros related to the costs directly incurred with the acquisition, merger and integration of Euro Bank S.A., stood at 156 million Euros in 2019, slightly below the 158 million Euros in the previous year,largely benefiting from the favourable impact of the entry into force of IFRS 16 - Leasing. Excluding this impact, other administrative costs were higher than in the previous year, both in the subsidiary in Mozambique and in the Polish subsidiary, the latter strongly impacted by the acquisition of Euro Bank S.A.. The acquisition of Euro Bank S.A. also influenced the number of branches in the international activity, which increased from 555 at the end of 2018 to 1,031 at 31 December 2019, with the organic growth of the subsidiary in Poland being responsible for the increase of 10 branches and the subsidiary in Mozambique registering 7 more branches compared to the end of 2018.

BRANCHES



OTHER ADMINISTRATIVE COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
Water, electricity and fuel	17	15	15	7.2%
Consumables	5	5	4	9.6%
Rents	23	73	96	-68.5%
Communications	25	23	21	9.3%
Travel, hotel and representation costs	10	9	8	2.7%
Advertising	29	27	27	6.1%
Maintenance and related services	19	16	17	20.2%
Credit cards and mortgage	8	8	6	-1.9%
Advisory services	19	19	18	2.6%
Information technology services	45	37	18	21.3%
Outsourcing e trabalho independente	77	77	77	-0.1%
Other specialised services	29	21	19	35.1%
Training costs	3	3	2	7.7%
Insurance	4	4	4	1.2%
Legal expenses	5	6	6	-17.5%
Transportation	10	10	8	-2.3%
Other supplies and services	23	20	25	16.8%
TOTAL EXCLUDING SPECIFIC ITEMS	350	374	374	-6.3%
SPECIFIC ITEMS	26	3	–	874.2%
TOTAL	376	377	374	-0.1%

DEPRECIATIONS

Depreciations, excluding the specific items recognised by Bank Millennium S.A. in the scope of the acquisition of Euro Bank S.A., which in this case appear to be minor, totalled 125 million Euros in 2019 and more than doubled compared with the 58 million Euros recorded in the previous year. This evolution was boosted by the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity.

In the activity in Portugal, depreciations amounted to 69 million Euros in 2019, compared to 36 million Euros in 2018, mainly reflecting the impact of IFRS 16 - Leasing. Excluding this impact, the growth in depreciations was determined by the increase in investment in software and IT equipment, reflecting the Bank's commitment to technological innovation and the to the ongoing digital transformation. On the contrary, depreciation related to real decreased from the previous year.

In international activity, depreciations totalled 56 million Euros in 2019, with an increase of 34 million Euros from the 21 million Euros recognised in 2018, mostly due to the impact of IFRS 16 - Leasing.

Excluding this impact, the main increases in depreciations in international activity, compared to the previous year, were also justified by the commitment of international operations on digital transformation and technological innovation, in both the subsidiary in Poland and the subsidiary in Mozambique. It should be noted that the developments observed in the Polish subsidiary also reflects the impact arising from the acquisition of Euro Bank S.A.

LOANS IMPAIRMENT

Loans impairment (net of recoveries) stood at 390 million Euros in 2019, keeping the favourable trend of recent years, showing a reduction of 16.0% from 465 million Euros in 2018, which confirmed the trajectory of the Group of a gradual reduction in the cost of risk. This performance was possible thanks to the contribution of the activity in Portugal, whose impact was, however, offset by the increase in loans impairment (net of recoveries) that occurred in international activity.

In the activity in Portugal, the downward trend in loans impairment resulted in a reduction of 28.3% from the 389 million Euros accounted in 2018, amounting to 279 million Euros in 2019. In this evolution, we must point out the sharp pace of reduction of NPE during the year.

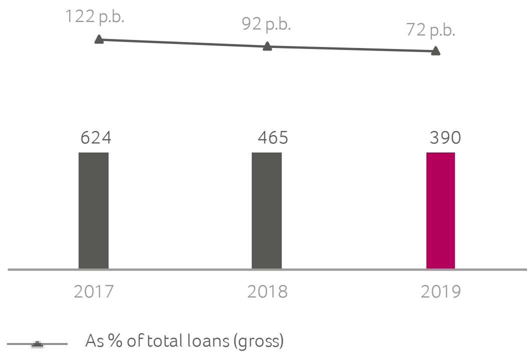
In the international activity, loans impairment (net of recoveries) showed an inverse performance, increasing 47.2% from 75 million Euros in 2018 to 111 million Euros in 2019. This evolution was determined by the performance of the Polish subsidiary, conditioned by the impact of the acquisition of Euro Bank S.A., which includes the mandatory provision, resulting from the applicable accounting standard, of impairments for credit performing at the time of initial recognition of the acquired portfolio. On the other hand, the operation in Mozambique, contributed to lessen this impact, with a lower level of impairment than in 2018.

The cost of risk (net of recoveries) of the Group, including the impact of the acquisition of Euro Bank S.A., continued to evolve favourably for the third consecutive year, standing at 72 basis points in 2019, compared to 92 basis points in the previous year.

In the activity in Portugal, the cost of risk (net of recoveries) fell from 105 basis points in 2018 to 76 basis points in 2019, while in the international activity it intensified from 56 basis points in 2018 to 63 basis points in 2019, due to the performance of the Polish subsidiary, as the operation in Mozambique saw its cost of risk improve over the previous year.

LOANS IMPAIRMENT (NET)

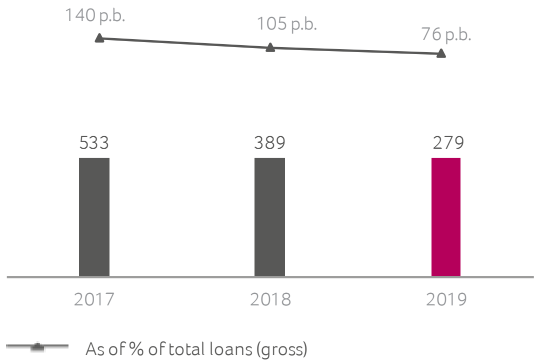
Million euros



LOANS IMPAIRMENT (NET)

Activity in Portugal

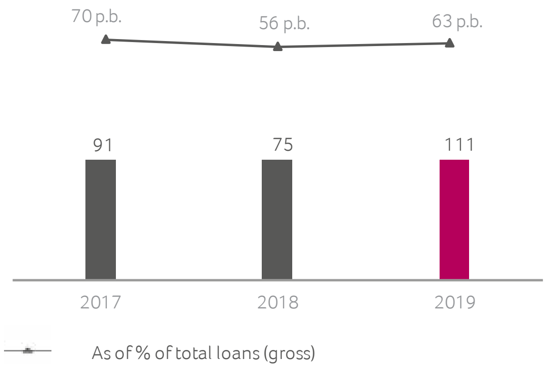
Million euros



LOANS IMPAIRMENT (NET)

International activity

Million euros



LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2019	2018	2017	Chan. % 19/18
Loan impairment charges (net of reversions)	414	478	641	-13.3%
Credit recoveries	24	13	17	83.7%
TOTAL	390	465	624	-16.0%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	72 b.p.	92 b.p.	122 b.p.	-20 b.p.

Note: cost of risk adjusted from discontinued operations.

OTHER IMPAIRMENT AND PROVISIONS

Other impairment and provisions include (i) impairment, net of reversals, for loans and advances of credit institutions classified at amortised cost; (ii) impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case only until 2017); (iii) impairment for other assets, namely for repossessed assets, investments in associates and goodwill of subsidiaries and (iv) other provisions.

In 2019, other impairment and provisions amounted to 151 million Euros, 11.0% more than the 136 million Euros in 2018. This change is due to two opposite effects, as the favourable performance of the activity in Portugal was completely absorbed by the higher provisioning needs of the international activity.

In the activity in Portugal, other impairment and provisions stood at 30 million Euros below the 122 million Euros accounted in 2018, totalling 92 million Euros in 2019, determined by lower provisioning needs mainly for guarantees and other commitments.On the contrary, impairments for non-current assets held for sale were reinforced over the previous year.

In the international activity, other impairment and provisions amounted to 60 million Euros in 2019, showing an increase of 45 million Euros compared to 15 million Euros, in 2018. The amount posted in 2019 includes an extraordinary provision for the processes related to mortgage loans granted in Swiss francs, by the Polish subsidiary, in the amount of 52 million Euros. In addition to this provision, the accounts of the Polish subsidiary were also penalised by the booking of a provision to cover the reimbursement of commissions charged to its customers for the early repayment of personnel loans, following a decision taken by the European Court of Justice. The subsidiary in Mozambique also saw an increase in the level of provisioning, albeit to a lesser extent. The evolution of other impairment and provisions was also influenced by the amount of impairment for the investment in Banco Millennium Atlântico that had been recognised in 2018, following the application of IAS29.

INCOME TAX

Taxes (current and deferred) reached 239 million Euros in 2019, compared to 138 million Euros posted in the previous year.

In 2019, the income taxes include current taxes of 101 million Euros (106 million Euros in 2018) and deferred taxes of 138 million Euros (32 million Euros in 2018).

The increase in deferred tax expense in 2019, compared to 2018, arises primarily from the write-off of deferred tax assets as a result of the maintenance of low interest rate and the effect of actuarial losses in the pension fund

NON-CONTROLLING INTERESTS

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

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

In 2019, the non-controlling interests amounted to Euro 99 million Euros compared to Euro 118 million Euros in 2018, mainly reflecting the decrease in net income of the subsidiary in Poland.

REVIEW OF THE BALANCE SHEET

Following the entry into force of IFRS 9 - Financial Instruments on 1 January 2018 and the impacts thereon the format of the financial statements of Millennium bcp compared to 31 December 2017, whose balances were not restated, some indicators were defined based on management criteria intended to favour comparability with the financial information presented in previous periods, namely indicators related to loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET AS AT 31 DECEMBER

Euro million

	2019	2018	2017 (1)	Chan. % 19/18
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (2)	5,487	3,081	2,463	78.1%
Financial assets measured at amortised cost				
Loans and advances to credit institutions	893	890	1,066	0.3%
Loans and advances to customers	49,848	45,561	45,626	9.4%
Debt instruments	3,186	3,375	2,008	-5.6%
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	878	870	898	0.9%
Financial assets not held for trading mandatorily at fair value through profit or loss	1,406	1,405	–	0.1%
Financial assets designated at fair value through profit or loss	31	33	142	-4.7%
Financial assets measured at fair value through other comprehensive income	13,217	13,846	–	-4.5%
Financial assets available for sale	–	0	11,472	
Financial assets held to maturity	–	0	412	
Investments in associated companies	400	405	571	-1.2%
Non-current assets held for sale	1,280	1,868	2,165	-31.5%
Other tangible assets, goodwill and intangible assets	972	636	655	52.9%
Current and deferred tax assets	2,747	2,949	3,164	-6.8%
Other (3)	1,298	1,004	1,299	29.2%
TOTAL ASSETS	81,643	75,923	71,939	7.5%
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	6,367	7,753	7,487	-17.9%
Resources from customers	59,127	52,665	48,285	12.3%
Non subordinated debt securities issued	1,595	1,686	2,067	-5.4%
Subordinated debt	1,578	1,072	1,169	47.2%
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	344	327	399	5.2%
Financial liabilities measured at fair value through profit or loss	3,201	3,604	3,844	-11.2%
Other (4)	2,051	1,853	1,509	10.7%
TOTAL LIABILITIES	74,262	68,959	64,760	7.7%
EQUITY				
Share capital	4,725	4,725	5,601	
Share premium	16	16	16	
Preference shares	–	0	60	
Other equity instruments	400	3	3	
Treasury shares	(0)	(0)	(0)	-37.8%
Reserves and retained earnings (5)	676	735	215	-8.0%
Net income for the period attributable to Bank's Shareholders	302	301	186	0.3%
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,120	5,780	6,081	5.9%
Non-controlling interests	1,262	1,183	1,099	6.6%
TOTAL EQUITY	7,381	6,964	7,180	6.0%
TOTAL LIABILITIES AND EQUITY	81,643	75,923	71,939	7.5%

(1) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by the standard.

(2) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.

(3) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(4) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.

(5) Includes Legal and statutory reserves and Reserves and retained earnings.

The reconciliations between the management criteria defined and the accounting informatiom included in the consolidated financial statements are presented below.

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

Loans to customers

Euro million

	2019	2018	2017
Loans to customers at amortised cost (accounting Balance Sheet)	49,848	45,561	45,626
Debt instruments at amortised cost associated to credit operations	2,075	2,271	2,008
Balance sheet amount of loans to customers at fair value through profit or loss	352	291	0
Loan to customers (net) considering management criteria	**52,275**	**48,123**	**47,633**
Balance sheet impairment related to loans to customers at amortised cost	2,417	2,852	3,279
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	12	40	43
Fair value adjustments related to loans to customers at fair value through profit or loss	20	17	0
Loan to customers (gross) considering management criteria	**54,724**	**51,032**	**50,955**

Regarding deposits and other resources from customers, the Bank continued to use the approach previously used for the item "Resources from customers", putting together resources from customers at amortized cost and customer deposits at fair value through profit and loss. Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities classified at amortized cost or designated at fair value through profit or loss.

Balance sheet customer funds

Euro million

	2019	2018	2017
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,201	3,604	3,844
Debt securities at fair value through profit or loss and certificates	-1,481	-1,020	-941
Customer deposits at fair value through profit or loss considering management criteria	**1,720**	**2,584**	**2,902**
Resources from customers at amortised cost (accounting Balance sheet)	59,127	52,665	48,285
Deposits and other resources from customers considering management criteria (1)	**60,847**	**55,248**	**51,188**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,595	1,686	2,067
Debt securities at fair value through profit or loss and certificates	1,481	1,020	941
Non subordinated debt securities placed with institucional customers	-1,316	-1,369	-1,507
Debt securities placed with customers considering management criteria (2)	**1,760**	**1,337**	**1,501**
Balance sheet customer funds considering management criteria (1)+(2)	**62,607**	**56,585**	**52,688**

The securities portfolio includes debt securities at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding amounts related to credit operations and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement. In 2017, it also includes financial assets available for sale and financial assets held to maturity.

Securities portfolio

Euro million

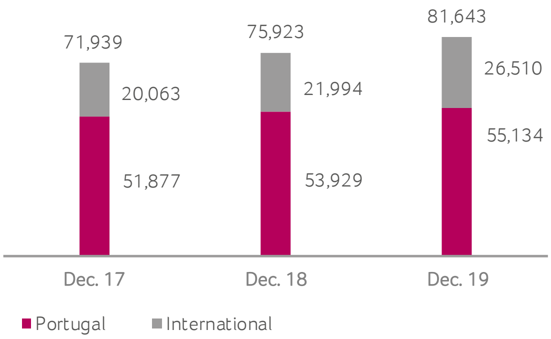
	2019	2018	2017
Debt instruments at amortised cost (accounting Balance sheet)	3,186	3,375	2,008
Debt instruments at amortised cost associated to credit operations net of impairment	-2,075	-2,271	-2,008
Debt instruments at amortised cost considering management criteria (1)	**1,111**	**1,104**	**0**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,406	1,405	0
Balance sheet amount of loans to customers at fair value through profit or loss	-352	-291	0
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,053**	**1,114**	**0**
Financial assets held for trading (accounting Balance sheet) (3)	878	870	898
of which: trading derivatives (4)	620	645	741
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	31	33	142
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	13,217	13,846	0
Assets with repurchase agreement (accounting Balance sheet) (7)	0	58	0
Financial assets available for sale (accounting Balance sheet) (7)	0	0	11,472
Financial assets held to maturity (accounting Balance sheet) (8)	0	0	412
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)+(8)+(9)	**15,671**	**16,380**	**12,182**

2019 was characterised by an increase in the consolidated balance sheet of Millennium bcp, in terms of assets, the growth of loans portfolio and of loans and advances at central banks should be highlighted and, the increase in resources from customers in terms of liabilities. This evolution was influenced by the impact of the acquisition of Euro Bank S.A., which was felt mainly in the loan portfolio and in resources from customers.

Although the structure of the consolidated balance sheet did not change significantly from the previous year, the evolution of deposits and other resources from customers and of the loans to customers portfolio led to a reduction in the commercial gap and, consequently, in the loans to deposits ratio (measured by the ratio of net loans and deposits and other resources from customers), which went from 87.1% at the end of 2018 to 85.9% on 31 December 2019.

TOTAL ASSETS

Million euros



Total assets of the consolidated balance sheet of Millennium bcp stood at 81,643 million Euros, on 31 December 2019, showing an 7.5% increase from 75,923 million Euros at the end of 2018, due to the performance of the activity in Portugal, and especially the international activity, namely through the Polish subsidiary. In consolidated terms, in addition to the above-mentioned growths in the loan portfolio and in loans and advances to central banks, the main increases were in other assets and tangible assets. This evolution was partially offset by the decrease in the securities portfolio and non-current assets held for sale namely in the portfolio of real estate received as payment, as well as deferred tax assets. Total liabilities stood at 74,262 million Euros in 2019, up 7.7% from 68,959 million Euros at the end of 2018, determined by the evolution of deposits and other resources from customers, which increased by 5,599 million Euros in this period. The increase in deposits and other resources from customers reflects the positive performance not only of the activity in Portugal, but above all of the international activity, whose growth reached 1,724 million Euros and 3,875 million Euros, respectively. Also contributing, albeit on a smaller scale, to the evolution of liabilities was the growth of subordinated debt and other liabilities, despite the decline in resources from central banks and other credit institutions. It should be noted that the increase in the subordinated debt of the Group is justified by a subordinate issue made in January 2019 by Bank Millennium in Poland of 830 million zlotys (199 million Euros on 31 December 2019) and the issuance by Millenniumbcp in Portugal in September 2019 of 450 million Euros).

Equity, including non-controlling interests, amounted to 7,381 million Euros at the end of 2019, compared to 6,964 million Euros accounted at the end of the previous year. A decisive factor in this progression was the placement of an Additional Tier 1 issue of 400 million Euros in the activity in Portugal, in January 2019.

LOANS TO CUSTOMERS

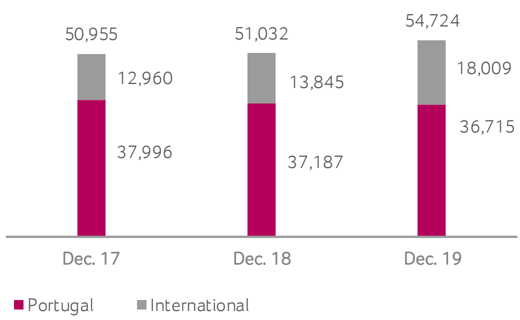
Consolidated loans to customers (gross) of Millennium bcp, as defined above, stood at 54,724 million Euros as at 31 December 2019, showing an 7.2% increase from 51,032 million Euros at the end of the previous year, determined by the evolution of the international activity, which was boosted by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to customers (gross) stood slightly 31 December 2018, reflecting the strategy of NPE reduction. The evolution of the loans to customers portfolio, compared to 31 December 2018, was mainly due to the growth in loans to individuals from international activity, but also from activity in Portugal, although, in this case, to a lesser extent. Loans to companies were at a lower level than at the end of 2018, to the extent that the increase in international activity was not sufficient to offset the decrease in the activity in Portugal, which continues to reflect the effort to reduce non-performing exposures in order to achieve the objectives set out in the plan.

In the activity in Portugal, loans to customers (gross) stood at 36,715 million Euros on 31 December 2019, down 1.3% from 37,187 million Euros at the end of 2018. It should be noted that this trend was determined by the reduction of 1,551 million Euros of NPEs, which fell from 4,797 million Euros on 31 December 2018 to 3,246 million Euros at the end of 2019, thus maintaining the strategy of divestment in this type of assets implemented by the Bank in recent years. On the other hand, the increase of the performing loan portfolio, which grew by 1,078 million Euros over the same period, and the contribution of the companies segment to this growth should be noted.

In international activity, there was a 30.1% increase in the loans to customers portfolio (gross) compared to the 13,845 million Euros recorded on 31 December 2018, amounting to 18,009 million Euros at the end of 2019, due to the performance of the Polish operation, which reflects not only the impact of the acquisition of Euro Bank S.A., but also the recurring activity of the subsidiary

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

	2019	2018	2017	Var. % 19/18
INDIVIDUALS				
Mortgage loans	25,894	23,781	23,408	8.9%
Personnal loans	6,016	4,017	3,795	49.8%
	31,910	27,798	27,203	14.8%
COMPANIES				
Services	8,578	8,762	9,244	-2.1%
Commerce	3,487	3,504	3,472	-0.5%
Construction	1,702	1,961	2,405	-13.2%
Other	9,047	9,008	8,632	0.4%
	22,814	23,234	23,753	-1.8%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	31,910	27,798	27,203	14.8%
Companies	22,814	23,234	23,753	-1.8%
	54,724	51,032	50,955	7.2%

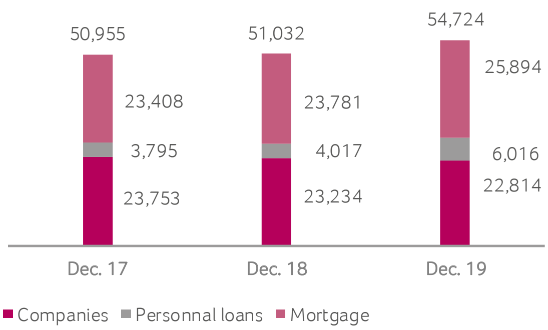
The structure of the consolidated gross loans to customers portfolio was balanced, with the relative weight of loans to individuals in the total amount of the portfolio increasing from 54.5% at the end of 2018 to 58.3% on 31 December 2019, while the weight of loans to companies stood at 41.7% at the end of 2019, compared to 45.5% on 31 December 2018, reflecting in this case the effect of the continued implementation of the NPE reduction plan in force at the Bank. The effect of the consolidation of Euro Bank S.A., which specialised in loans to individuals, also contributed to this evolution.

Loans to individuals, on 31 December 2019, stood at 31,910 million Euros, 14.8% up from 27,798 million Euros at the end of the previous year, mainly due to the evolution of the international activity, which grew 45.0% over the same period. The increase in the loans to individuals portfolio in the international activity, from 8,627 million Euros in December 2018 to 12,511 million Euros at the end of 2019, was due to both the evolution of mortgage loans and personal loans, which on 31 December 2019, amounted to 8,612 million Euros and 3,898 million Euros, respectively, representing growths of 30.5% and 92.4% over December 2018. It should be outlined that the increase in personal loans reflects mainly the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to individuals also showed an increase, although more modest, from the 19,171 million Euros in 31 December 2018, to 19,399 million Euros at the same date in 2019, due to the evolution of both mortgage loans and personal loans. On 31 December 2019, in consolidated terms, mortgage loans represented 81.1% of loans to individuals, while personal loans represented 18.9%.

Loans to companies amounted to 22,814 million Euros on 31 December 2019, 1.8% below 23,234 million Euros at the end of 2018, a situation which is due to the fact that the 5.4% increase in international activity was not enough to offset the 3.9% reduction in the activity in Portugal. In the activity in Portugal loans to companies amounted to 17,316 million Euros in 31 December 2019, compared to 18,017 million Euros on 31 December 2018 and it should be noted that this development is largely due to the continued effort to reduce the NPE stock. In the international activity, loans to companies stood at 5.4% above the value on 31 December 2018, amounting to 5,499 million Euros on 31 December 2019, mainly boosted by the organic growth of the Polish subsidiary.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

	2019	2018	2017	Chan. % 19/18
MORTGAGE LOANS				
Activity in Portugal	17,281	17,179	17,145	0.6%
International Activity	8,612	6,602	6,263	30.5%
	25,894	23,781	23,408	8.9%
PERSONNAL LOANS				
Activity in Portugal	2,118	1,992	1,988	6.3%
International Activity	3,898	2,026	1,807	92.4%
	6,016	4,017	3,795	49.8%
COMPANIES				
Activity in Portugal	17,316	18,017	18,863	-3.9%
International Activity	5,499	5,217	4,890	5.4%
	22,814	23,234	23,753	-1.8%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	36,715	37,187	37,996	-1.3%
International Activity	18,009	13,845	12,960	30.1%
TOTAL	54,724	51,032	50,955	7.2%

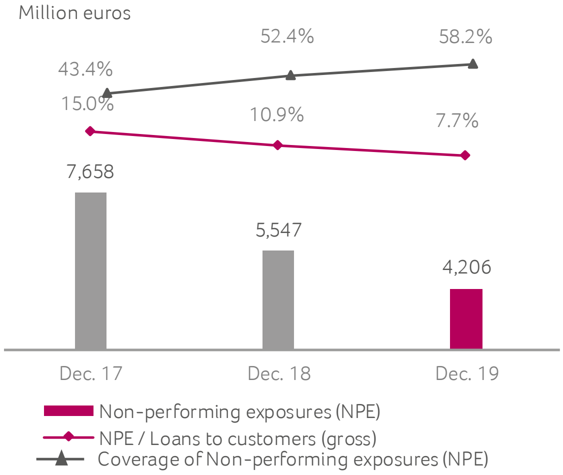
The focus on selectivity and monitoring of credit risk control processes and the initiatives by commercial areas and credit recovery areas, aiming at reducing the value of loans in default, have improved the quality of the credit portfolio over recent years.

This improvement is evidenced by the favourable evolution of the respective indicators, namely the overdue loans ratio for more than 90 days versus total loans, which went from 3.8% on 31 December 2018 to 2.7% on 31 December 2019, and the ratios of NPL for more than 90 days and NPE as a percentage of the total loans portfolio, which evolved from 6.1% and 10.9% at the end of 2018 to 4.1% and 7.7% on 31 December 2019 respectively, essentially reflecting the performance of the domestic credit portfolio.

At the same time, coverage by impairments showed a generalized positive progression, highlighting the reinforcement of coverage of NPE by impairment from 52.4% on 31 December 2018 to 58.2% at the end of 2019. In the activity in Portugal, the improvement was even more significant, as it increased by 8 percentage points to 57.8% on 31 December 2019, compared to 49.7% at the end of the previous year.

CREDIT QUALITY

Million euros



The coverage of NPL for more than 90 days by impairments, in consolidated terms, also improved, having increased approximately 15 percentage points compared to 2018. The coverage ratio of overdue loans by more than 90 days by impairments, on a consolidated basis, also deserves to be mentioned, having improved from 148.1% on 31 December 2018 to 164.8% on the same date of 2019 (from 141.8% to 172.5% in Portugal over the same period).

Overdue loans by more than 90 days showed a decrease of 24.3% compared to 1,964 million Euros at the end of 2018, amounting to 1,486 million Euros on 31 December 2019.

Total overdue loans decreased by 23.0% compared to the 2,084 million Euros at 31 December 2018, to 1,605 million Euros at the same date in 2019, benefiting from the evolution in the activity in Portugal, where there was a reduction of 616 million Euros compared to the 1,733 million Euros recorded at the end of 2018.

NPE decreased to 4,206 million Euros on 31 December 2019, a reduction of 1,341 million Euros compared to the end of 2018. In the activity in Portugal, the reduction was 1,551 million Euros in the same period.

CREDIT QUALITY INDICATORS

	Group				Activity in Portugal			
	Dec.19	Dec.18	Dec.17	Var. % 19/18	Dec.19	Dec.18	Dec.17	Var. % 19/18
STOCK								
Loans to customers (gross)	54,724	51,032	50,955	7.2%	36,715	37,187	37,996	-1.3%
Overdue loans > 90 days	1,486	1,964	2,933	-24.3%	1,088	1,681	2,641	-35.2%
Overdue loans	1,605	2,084	3,022	-23.0%	1,117	1,733	2,689	-35.5%
Restructured loans	3,097	3,598	4,184	0	2,529	3,062	3,643	-17.4%
Non-performing loans (NPL) > 90 days	2,261	3,105	4,527	-27.2%	1,689	2,651	4,058	-36.3%
Non-performing exposures (NPE)	4,206	5,547	7,658	-24.2%	3,246	4,797	6,754	-32.3%
Loans impairment (Balance sheet)	2,449	2,909	3,322	-15.8%	1,877	2,383	2,864	-21.2%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS								
Overdue loans > 90 days / Loans to customers (gross)	2.7%	3.8%	5.8%		3.0%	4.5%	7.0%	
Overdue loans / Loans to customers (gross)	2.9%	4.1%	5.9%		3.0%	4.7%	7.1%	
Restructured loans / Loans to customers (gross)	5.7%	7.1%	8.2%		6.9%	8.2%	9.6%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	4.1%	6.1%	8.9%		4.6%	7.1%	10.7%	
Non-performing exposures (NPE) / Loans to customers (gross)	7.7%	10.9%	15.0%		8.8%	12.9%	17.8%	
COVERAGE BY IMPAIRMENTS								
Coverage of overdue loans > 90 days	164.8%	148.1%	113.2%		172.5%	141.8%	108.4%	
Coverage of overdue loans	152.6%	139.6%	109.9%		168.1%	137.6%	106.5%	
Coverage of *Non-performing loans* (NPL) > 90 dias	108.3%	93.7%	73.4%		111.1%	89.9%	70.6%	
Coverage of *Non-performing exposures* (NPE)	58.2%	52.4%	43.4%		57.8%	49.7%	42.4%	

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

CUSTOMER FUNDS

On 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Markets in Financial Instruments Directive (MiFID II), as well as changes in perimeter and criteria, namely regarding the inclusion of third-party products held by customers that contribute to commissions ("assets placed with customers"). The information as of 31 December 2017 is presented under this new criteria.

On 31 December 2019, total customer funds amounted to 81,675 million Euros, showing a very favourable evolution, by increasing 10.3% from the 74,023 million Euros on the same date of the previous year. This increase of 7,652 million Euros was due to the good performance of both the activity in Portugal and the international activity, which grew by 3,506 million Euros and 4,146 million Euros respectively. The evolution of total customer funds, in consolidated terms, reflects the good performance of all items, especially balance sheet customer funds and more specifically deposits and other resources from customers, which grew by 5,599 million Euros compared to the amount recorded on 31 December 2018.

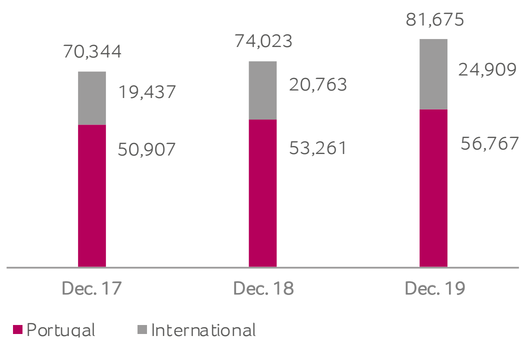
In the activity in Portugal, total customer funds also benefited from the good performance of all items, reaching 56,767 million Euros on 31 December 2019, compared to 53,261 million Euros at the same date in the previous year, with particular emphasis on the 1,724 million Euros increase in deposits and other resources from customers in the same period.

In the international activity, total customer funds grew by 20.0% compared to 20,763 million Euros on 31 December 2018, reaching 24,909 million Euros at the end of 2019.

This performance was supported by the increase in deposits and other resources from customers of the Polish subsidiary, to which contributed not only the impact of the acquisition of Euro Bank S.A., but also the current activity of the subsidiary itself.

TOTAL CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

Euro million

	2019	2018	2017	Chan. % 19/18
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	60,847	55,248	51,188	10.1%
Debt securities placed with customers	1,760	1,337	1,501	31.6%
	62,607	56,585	52,688	10.6%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	5,745	5,018	5,130	14.5%
Assets placed with customers (*)	4,312	3,793	4,151	13.7%
Insurance products (savings and investment)	9,011	8,627	8,374	4.5%
	19,069	17,438	17,656	9.4%
TOTAL	81,675	74,023	70,344	10.3%

(*) Excludes assets under management.

The balance sheet customer funds of the Group, which include deposits and other resources from customers and debt securities placed with customers, amounted to 62,607 million Euros on 31 December 2019, showing a 10.6% increase from the 56,585 million Euros at the end of the previous year, mainly driven by the increase in deposits and other resources from customers, but also benefiting from the growth in debt securities placed with customers compared to the previous year. Both the activity in Portugal and the international activity showed a good performance under balance sheet customer funds.

On 31 December 2019, balance sheet customer funds represented 77% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

Deposits and other resources from customers were up 10.1% compared to the 55,248 million Euros on 31 December 2018, rising to 60,847 million Euros at the end of 2019, confirming their weight in the asset finance structure over recent years. The increase of 5,599 million Euros compared to December 2018 resulted from the performance of both the activity in Portugal and the international activity, which increased by 1,724 million Euros and 3,875 million Euros, respectively. In the international activity, despite the growth in the subsidiary in Mozambique, it was the operation in Poland that boosted the growth revealed by deposits and other resources from customers both through the acquisition of Euro Bank S.A. and the expansion of the commercial business of the subsidiary itself.

Debt securities placed with customers, which correspond to the debt securities issue by the Group subscribed by customers, evolved favourably with an increase of 31.6% from the end of 2018, standing at 1,760 million Euros on 31 December 2019, mainly reflecting the evolution of the activity in Portugal. The international activity, namely the Polish subsidiary, also increased in that period, although to a lesser extent.

Off balance sheet customer funds, which include assets under management, assets placed with customers and insurance products (savings and investment) totalled 19,069 million Euros at the end of December 2019, up 9.4% from 17,438 million Euros at the same date in the previous year. The most significant increase resulted from the activity in Portugal, whose off balance sheet customer funds rose from 14,361 million Euros on 31 December 2018 to 15,751 million Euros at the end of 2019.

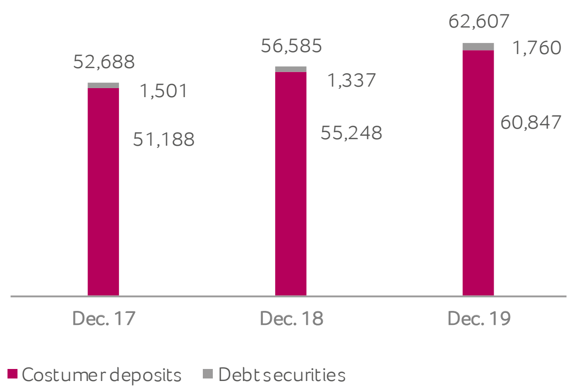
Assets under management, which result from the provision of portfolio management services under existing placement and management agreements, amounted to 5,745 million Euros on 31 December 2019, up 14.5% from 5,018 million Euros at the end of 2018, due to the performance of both the activity in Portugal and the international activity, where the amount of assets under management rose 17.0% and 11.1% respectively.

Assets placed with customers, which correspond to the amounts held by customers third-party products that contribute to, also performed favourably in 2019, having increased 13.7% from the 3,793 million Euros recorded on 31 December 2018, amounting to 4,312 million Euros. The 511 million Euros increase in the activity in Portugal was the main reason for this progression, with assets placed with customers in international activity also being higher than at the end of 2018.

Insurance products (savings and investments) amounted to 9,011 million Euros on 31 December 2019, up 4.5% on the 8,627 million Euros recorded on the same date of the previous year, determined by the 387 million Euros increase in the activity in Portugal.

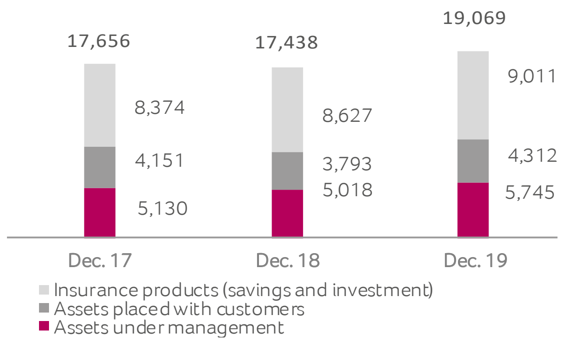
BALANCE SHEET CUSTOMER FUNDS

Million euros



OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

million euros

	2019	2018	2017	Chan. % 19/18
BALANCE SHEET TOTAL CUSTOMER FUNDS				
Activity in Portugal	41,016	38,900	36,681	5.4%
International Activity	21,591	17,685	16,007	22.1%
	62,607	56,585	52,688	10.6%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	15,751	14,361	14,226	9.7%
International Activity	3,318	3,077	3,430	7.8%
	19,069	17,438	17,656	9.4%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	56,767	53,261	50,907	6.6%
International Activity	24,909	20,763	19,437	20.0%
TOTAL	81,675	74,023	70,344	10.3%

SECURITIES PORTFOLIO

The securities portfolio, as defined above, amounted to 15,671 million Euros in 31 December 2019, compared to 16,380 million Euros on the same date last year, representing 19.2% of total assets compared to 21.6% at the end of 2018. In this evolution, we must point out the decrease of 664 million Euros in the public debt securities portfolio, which decreased from 13,089 million Euros at the end of 2018 to 12,426 million Euros in 31 December 2019, still representing 79.3% of the total amount of the securities portfolio in line with the 79.9% at the same date of the previous year.

The performance of the securities portfolio of the Group was determined by the reduction of 801 million Euros in the portfolio of the activity in Portugal, whose balance sheet amount stood at 9,482 million Euros at the end of 2019 compared to 10,283 million Euros on 31 December 2018. This reduction was largely due to the sale of Portuguese sovereign debt.

SECURITIES PORTFOLIO

Euro million

	2019	2018	2017	Change 18/17
Financial assets measured at amortised cost (1)	1,111	1,104	(0)	0.7%
Financial assets measured at fair value through profit or loss (2)	1,343	1,372	299	-2.1%
Financial assets measured at fair value through other comprehensive income	13,217	13,846	--	-4.5%
Financial assets available for sale	--	--	11,472	-
Financial assets held to maturity	--	--	412	-
Assets with repurchase agreement	--	58	--	-100.0%
TOTAL	15,671	16,380	12,182	-4.3%
of which:				
Activity in Portugal	9,482	10,283	7,047	-7.8%
International activity	6,189	6,097	5,135	1.5%

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and trading derivatives.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

Resources from other credit institutions, net of cash and loans and advances to other credit institutions, totalled 5,153 million Euros at the end of 2019, compared to 6,536 million Euros on 31 December 2018, reflecting a reduction in net wholesale funding needs in the Portuguese operation, despite the increase in Bank Millennium, in this case resulting mainly from the acquisition of Euro Bank S.A.

The developments in Portugal were due to the impact, in decreasing order of materiality, of the reduction in the commercial gap and in the investments in sovereign debt, cash flow from operations, sale of other assets and reduction of the corporate securities portfolio.

The value of collateralised borrowings with the ECB remained at 4.0 billion Euros, corresponding to the balance of targeted longer-term refinancing operations (TLTRO), which will mature in 2020. Net debt with the ECB, which deducts from the value of the gross borrowings the liquidity deposited with the Bank of Portugal and other liquidity denominated in Euros in excess of the minimum cash reserves, reached the lowest value since the Bank borrows from the central bank at 283 million Euros, a reduction of 2.4 billion Euros over the previous year.

The "Liquidity Risk" section presents an analysis of the main lines of action and objectives of Millennium bcp regarding the liquidity management priorities defined in the Liquidity Plan for the year under analysis, namely the management of the portfolio of assets eligible for refinancing operations, so as to guarantee the appropriate funding of the activity in the short-term and in the medium- to long-term.

OTHER ASSET ITEMS

Other asset items, which include hedging and trading derivatives, investments in associates, non-current assets held for sale, investment property, other tangible assets, goodwill and intangible assets, current and deferred tax assets and other assets, amounted to 7,317 million Euros on 31 December 2019, representing 9.0% of total consolidated assets. At the end of 2018, other asset items represented 9.8% of the total consolidated assets, totalling 7,449 million Euros.

EQUITY

On 31 December 2019, total equity (including non-controlling interests) amounted to 7,381 million Euros, up 6.0% from 6,964 million Euros at the same date in 2018. This increase mainly reflects the evolution of equity attributable to the Bank's shareholders, from 5,780 million Euros at the end of December 2018 to 6,120 million Euros on 31 December 2019, driven by the placement in January 2019 of an Additional Tier 1 issue in the amount of 400 million Euros, by the positive impact of the fair value reserve which increased by 91 million Euros net of tax and by the generation of capital associated with the net income for the year totalling 302 million Euros. Conversely, equity was penalised by negative actuarial deviations associated with the pension fund of the Group, which totalled 336 million Euros after tax, by exchange rate differences on consolidation, totalling 36 million Euros, which resulted mainly from the evolution of the stake in Banco Millennium Angola which was strongly influenced by the devaluation of the Kwanza in 2019, by the impact associated with the distribution of dividends, amounting to 30 million Euros, and by interest on the bonds of the Additional Tier 1 issue, which amounted to 28 million Euros.

At the same time, non-controlling interests stood at 1,262 million Euros on 31 December 2019, up 6.6% from 1,183 million Euros at the same date last year.

Business Areas

Activity per Segments

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

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking (*)	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (**)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (***) Millennium bcp Bank & Trust (Cayman Islands) (***)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (****) Millennium Banque Privée (Switzerland) (***) Millennium bcp Bank & Trust (Cayman Islands) (***)
Other	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) Excludes the Specialized Credit and Real Estate Division from the commercial network, which are included under "Other".

(**) From Treasury and Markets International Division.

(***) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.

(****) Consolidated by the equity method.

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

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

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

Operating costs related to the business segments do not include restructuring costs and other costs considered as specific items recorded in 2019 and 2018, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 December 2019

RETAIL

Mass Market

- Focus on the capture of new Mass Market clients, (200,000 new Clients were captured), on increasing the current Client's loyalty and on enhancing the digital involvement of Clients with the Bank;
- Campaign "A Escolha certa, agora com mais 4 vantagens" (the right choice, now with 4 additional benefits), following the award to Millennium bcp of the "Consumer's Choice" prize for two consecutive years; this campaign offered 4 exclusive benefits for new clients: integrated solutions, credit card, receiving the wage through the bank and access to the term deposit "Depósito #1";
- Campaign "Summer Festivals 2019" targeting new clients, offering 1 ticket for all the most significant summer festivals: MEO Sudoeste, Super Bock Super Rock, Sumol Summer Fest and Galp Beach Party;
- Campaign "Ser Millennium é ter mais" (being Millennium means having more) based on the draw of nine upper-range mobile phones, addressed to current and new clients, with the purpose of increasing the number of new clients and the loyalty of current ones;
- Promotion of several one-off tailored marketing actions with the purpose of increasing cross-selling of clients with greater appetite for acquiring key financial products;
- The recommendation of the Bank by clients to their family members continued to be promoted by means of the product Vantagem Família (Family Advantage), according to which the subscribers of an Integrated Solution may extend some of its exclusive benefits (credit, insurances, integrated solutions) to their direct family members;
- The Bank was able to achieve historical highs in terms of Customer Experience indicators through the implementation of several improvement actions;
- The Bank was able to achieve a significant improvement of efficiency in Mass Market branches of the Retail network, notably in operating efficiency, by reducing transactions and focusing on digitalisation;
- Ongoing focus on digital enabled the Bank to reach 1.7 million accounts with e-statement, representing a penetration rate in excess of 70%.

Prestige

- Significant increase in the number of Prestige customers, keeping up with the 2018 momentum via the improvement in the commercial systematic, cross-networking and member get member initiatives and also by the establishment of protocols with companies and support to campaigns, such as the campaign "Vantagem Família" (with benefits extended to the relatives of our clients), the campaign "Consumer's Choice" and the Campaign "Médis & Móbis";
- Continuation of the Program #1 Customer Experience, with the implementation of the Diversification Action. Assessment of claims' and compensations' processes, and ongoing training in commercial and service techniques for the entire Personalised Management network, leading to an improved Manager's Net Promoter Score;
- There was an increase in credit granting to clients of the Prestige segment, both in personal loans (*online* and pre-approved), and home loans, with the launching of client-friendly services, namely the provision of after hours services and representation of the client at the deed (by means of a power of attorney). In personal loans, increase of the weight of the digital channel (website and app) in total subscriptions through the launching of new mobile services and products, such as Car Credit and pre-approved offers;
- Regarding savings and investments, the Bank pursued the activities to improve the Client's experience in all channels to be able to correspond to the Client's expectations and objectives, with the diversification of their financial assets. The Bank developed an innovative offer within the scope of Retirement Solutions – non-accumulation products offering the Customer the possibility of receiving an extra income during his/her retirement, guaranteeing an improved quality of life;
- Within the scope of financial literacy of Prestige Clients, the Bank launched the Millennium Talks, a series of online webinars;
- For Prestige Clients, the Bank also developed relationship marketing actions in sporting events, such as the Millennium Estoril Open.
- In Customized Remote Management, the Bank continued to provide a service of quality to Digital Prestige Customers.

Residents abroad

- Launching of the Foreigners Segment (residents in Portugal or abroad), separating it from the Segment of Portuguese Residing Abroad;
- The increase in the number of new Clients, namely foreigners, continued to be supported by referral, communication and strengthening of the relation with Clients in countries with the largest communities of emigrants and via protocols to attract Clients classified as Non-usual Residents and individuals with Golden Residence Permits.
- Excellent dynamics in production of home and personal loans, with a significant growth; the Clients residing abroad already represent a relevant percentage in home and personal loans;
- The Bank carried out 4 Millennium Summer Festivals in several regions of the country, involving around 10,000 individuals from amongst Clients and Suppliers, enhancing Millennium bcp's image as a bank of reference in this Segment.
- Provision of the service to obtain the Multichannel code at millenniumbcp.pt using the foreign tax identification number, a tool to leverage the commercial actions focused at increasing use of this service by clients from Portuguese worldwide communities and by foreigners.

Business

- The Bank continued to contribute towards the economic development of the country, focusing on the support to small and medium-sized companies;
- Consolidation of the main business items, recording a significant increase in credit and in new customers (+12%) versus 2018.
- Reinforcement of the value proposal for the segment, with the launching of the online factoring and confirming contracting (the first credit solution for companies that can be contracted online and whose contract can be signed through a Qualified Digital Certificate) and the launching of a new business systematic model for the follow-up of new managed customers;
- Launching of M Contabilidade, the first open banking service allowing to integrate the accounts of business customers with the platform of the Portuguese Association of Certified Accountants (online TOC), this way benefiting Entrepreneurs and Accountants by means of payment integration and support to banking reconciliation. 9 months after the launching of this service, more than 2400 corporate users and more than 1500 Accountants benefited from this service's advantages;
- For the second consecutive year the Bank was distinguished as the "Best Bank for Companies", in accordance with the survey made by DATA E, maintaining the leading position as the "Main Bank" of Companies with a market share of 18.1%;
- Millennium bcp maintained its leading position in the attribution of "PME 2019", holding to the leading position achieved in 2018;
- The Bank continued to support the brands operating in Portugal under the franchising model and 75 brands chose the Bank as its financial partner, having been once more the host of the CEO *Franchising Conference*. The Bank also attended the largest franchising fair in Portugal, the Expofranchise and was the official partner of Norte Franchise.

PRODUCTS

Personal loans

- Availability of a competitive offer adjusted to the needs of Customers;
- Strong focus on digital Channels with the development of several actions to increase business;
- Availability of a new consumer loan calculation tool in the app;
- Availability of a new online contracting product on the Millennium App, for car financing;
- Investment in the support and education of young people, through the offer of a University Credit Line with Mutual Guarantee;
- Ongoing investment in the loan contracting process, for car financing, aiming at increasing production, agility and speed in that process.

Mortgage loans

- Competitive offer, targeted towards the profile of Clients aiming at simplification, agility and speed in the processes;
- Mixed rate credit solution, for clients that prefer stability in their instalments;
- Attractive proposal for clients intending to transfer to Millennium bcp the Credit they have.
- Focus on comfort and convenience for the Client, namely through the possibility of signing contracts after hours and of being represented at the deed, free of charge for Clients.
- Availability of a specialised follow-up service in the loan contracting stage.

Investment solutions

Considering the current historically low interest rates context, the Retail Network continued to design solutions for customers to diversify their financial assets, including products such as Certificates, Indexed Deposits, Structured Bonds, Investment Funds and Financial Insurances.

- The Bank kept in mind the concern to help Customers plan their future, namely through Retirement solutions;
- For Retired Customers, *Aproveite Mais* Solutions (Enjoy More) were launched, which focus on financial non-accumulation products, within the scope of capital preservation and monthly income as a supplement to the pension;
- For investments, the process of continuous improvement of the offer continued, and of the conditions that allow the consolidation of provision of Information in investment solutions.

Integrated Solutions

- Launch of the Customer acquisition campaign with the promotion of integrated solutions for only 1 Euro/month;
- Reinforcement of "*Vantagens Família*" (Family Benefits), the most comprehensive in the banking system;
- Continuation of the reinforcement in the value proposition of integrated solutions, with the inclusion of MB WAY transfers, continuing to reward Customers with greater involvement with the Bank;
- Awards throughout the year for digital Customers (special pricing on the website);
- Launch of the campaign based on the concept "*1 milhão já tem a Solução*" (1 million already has the solution), with strong visibility;
- Reinforcement of the value proposal for self-employed individuals and small companies with the inclusion of *M Contabilidade* (M Accounting) and P@y.Me in the solution *Cliente Frequente Negócios* (Frequent Client Business).

Account opening

- Possibility to open an account faster and easier, just by presenting the Citizen Card! Simple and effective! (Protocol signed between Millennium bcp and *Agência para a Modernização Administrativa – AMA*).

ActivoBank

- In 2019, ActivoBank reached 302 thousand Customers, which represents a 32% growth in the Customer base compared to 2018, as a result of strong Customer acquisition in the 25-44 year old segment;
- Strengthening of the digital value proposal by making the Account Opening process totally digital on the website, increasing in approximately 72% the acquisition of business via digital, compared to 2018;
- Launching of the new ActivoBank App, with a re-designed user experience and new tools, of which the 100% digital personal loans process stands out, along with with a simpler and intuitive browsing.
- Significant increase in the number of users of the app, which stood at 56% versus the 49% recorded by the end of June 2018;
- Launching of the ActivoTrader investments app with a totally revamped and simplified trading experience, enabling immediate trading and management of orders using the app, access to the most important world markets and trading of Shares, ETF's, Warrants, Certificates and bonds;
- Development and implementation of a credit solution for the purchase of used cars, the Car Loan without reserved ownership.
- Launching of the personal loans campaigns, mostly in radio and in digital means, focusing mainly on the major credit purposes: Renovation works; travelling and first car, and also the Black Friday campaign throughout November with the motto "AB FRIDAY";
- 67% growth in the personal loan portfolio and 58% in the home loan portfolio;
- Launch of Travel Insurance On/Off that offers total freedom and flexibility to its Customers and can be activated/deactivated at any time, through the app. This insurance policy is available through a single contract, with a duration of three years and can be used regardless of the number of trips abroad. Customers activate it whenever they wish and only the days in which the insurance is active are charged.
- ActivoBank's positioning regarding the Mbway price list, with the campaign "*Mbway sem pagar é ABWay*" (Mbway without paying is ABWay) in partnership with the influencer "*Bumba na Fofinha*";
- Launch of the Discovery Lab, a laboratory for testing usability with Customers in order to optimise the servicing/sales processes in digital channels in line with the expectations/needs of Customers;

- Opening of the *Ponto Activo Oeiras Parque* (Branch), reinforcing the bank's physical presence to 16 branches;
- Introduction of the digital queue management system, in order to optimise customer influx at *Pontos Activo* (branches);
- Presence in the social media Hackathon, UPLoad LX reinforcing support for digital marketing and social media initiatives;
- By sponsoring sporting events, ActivoBank was at the Volleyball Nations League 2019, at the Beach VolleyBall Championship ACTIVOBANK and at several stages of the National Circuit of Beach Handball, this way, supporting physical activity and a healthy and active lifestyle.
- Banking product and net income increased by 22% and 39%, respectively, compared to 2018.

Microcredit

- Funding of 177 new operations, totalling 2,924 million Euros of credit and 368 new workstations created in 2019;
- The volume of credit granted to the 676 operations in the portfolio, until December 31, 2019, totalled 5.1 million Euros;
- Establishment of 22 new cooperation agreements for entrepreneurial action and new dynamics for accessing microcredit, 4 of which with City Councils;
- Meetings with Municipalities, Parishes, Schools, Entrepreneurial Associations and Social Economy Entities. The Bank participated, as speaker, in 45 information sessions in events for the disclosure and promotion of employment and entrepreneurial spirit and attended 18 entrepreneurial fairs.

Million euros

RETAIL BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	475	422	12.6%
Other net income	399	387	3.2%
	874	809	8.1%
Operating costs	488	467	4.5%
Impairment (excluding the impairment related to NPE in the begening of the year)	18	14	26.1%
Income before tax (excluding impairment charges for NPE)	368	328	12.3%
Impairment charges for NPE	7	(2)	
Income before tax	361	330	9.6%
Income taxes	111	103	9.2%
Income after tax	250	227	9.7%
SUMMARY OF INDICATORS			
Allocated capital	1,128	975	15.7%
Return on allocated capital	22.1%	23.3%	
Risk weighted assets	9,440	8,794	7.3%
Cost to income ratio	55.8%	57.8%	
Loans to Customers (net of impairment charges)	22,029	21,258	3.6%
Balance sheet Customer funds	30,255	28,187	7.3%

Notes:

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

Income

Income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 250 million in 2019, a 9.7% growth compared to Euros 227 million in 2018, reflecting the favourable performance of this business unit Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 475 million in 2019 and grew by 12.6% compared to the previous year (Euros 422 million), positively influenced by the higher return on the loan portfolio, in particular through the increase of the existing volumes, by the continuous decrease in costs on term deposits and by the higher income arising from the internal placements of the excess of liquidity.
- Other net income rose from Euros 387 million in 2018 to Euros 399 million in 2019, showing a 3.2% increase.
- Operating costs went up 4.5% from 2018, reflecting, at the staff costs, the impact of the increase in the average number of employees throughout the year. The evolution of other administrative expenses includes, on the one hand, the effect of the reduction in the number of branches and, on the other hand, the impact of branch renewal, following the ongoing digitization project.
- Impairment charges amounted to Euros 25 million in 2019, comparing unfavourably with Euros 12 million in 2018, when impairment on non-performing exposures monitored by the Retail Recovery Division benefited from a higher level of recoveries.
- In December 2019, loans to customers (net) totalled Euros 22,029 million, 3.6% up from the position at the end of December 2018 (Euros 21,258 million), while balance sheet customer funds increased by 7.3% in the same period, amounting to Euros 30,255 million by the end of December 2019 (Euros 28,187 million recorded at the end of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

2019 was marked by the renewal of several leading positions, and the bank was elected, for the second consecutive year, as the Best Bank for companies.

The Bank was again recognised as the Closest, Most Innovative, with the Most Suitable Products for Companies (BFin Data-E 2019). The double victory in *PME Líder* and *PME Excelência* was also regained in 2019, with a 27% market share.

The commitment to new financial solutions and support to new sectors of activities confirmed the leading position as #1 Bank in Credit Lines (BFin Data-E 2019):

- Portugal 2020: Within the support to companies with Portugal 2020 applications and investment projects approved within the scope of Portugal 2020 Programme, Millennium bcp granted new loans exceeding 573 million Euros;
- Financial Instrument for Urban Rehabilitation and Revitalisation (IFRRU): Significant increase in 2019 with a total of 28 operations, representing 32 million Euros of contracted financing;
- Local Millennium: Global solution developed for Municipalities and their Services, represented by a set of customisable solutions, with competitive conditions, promoting and boosting the economic and financial needs of Local Government;
- FEI Cosme Line: New loans amounting to 93 million Euros (cumulative) for a unique guarantee solution in Portugal that extended the Bank's offer to new Clients, New Companies or specific economic sectors such as Agriculture, Tourism, Energy, Services or Health;
- Millennium EIF Innovation II Credit Facility: New loans of 231 million Euros (cumulative), reinforcing the Bank's leading position as FEI #1 Bank in Portugal;
- Millennium IFD *Capitalizar* Mid-Caps Line: New financing solutions for loans granted by the Bank, in Portugal and in other countries of the European Union, in sectors of the economy linked to Industry, Agriculture and Tourism.

- Credit Lines with autonomous bank guarantee provided by Mutual Guarantee Societies (*SGM*): New loan agreements in excess of 234 million Euros of guarantees issued, representing a market share of 17.1%, with the Bank reaching the #2 position for the first time in the year;

- Market leading position in factoring and leasing, according to the Leasing and Factoring Association (ALF), with a 27% market share in total factoring and 19% in total leasing. In comparison with the 2018 half-year, the factoring and confirming areas surged 14% and 4%, respectively, in terms of invoice financed and credit balance. New Leasing production above 600 million Euros.

- Global leader in Exporting Companies (BFin Data-E 2019) in trade finance, with an increase of 12% in the number of new Customers, which contributed to the 15% growth in the number of new operations, representing a turnover in excess of 70.6 billion Euros in the year.

Proximity

Strengthening partnerships, constantly seeking for greater proximity and solutions that make it easier for Companies to do business:

- Consolidation of the leading position as the Most Innovative Bank, again the most used bank in NetBanking, with a 27% of market share (BFin Data-E 2019);

- Creation of the Millennium AgroNews, a distinctive and innovative quarterly publication, aimed at presenting the most significant developments in the Agricultural Sector to the market, with a commitment to the strategic strengthening of proximity and investment in this growth sector;

- The 3rd edition of the Millennium Horizontes Awards took place, which had a record number of 2,167 applications, from companies across several sectors of activity, demonstrating the growing vitality and interest that these Awards raise;

- Participation, at the invitation of AIP (*Associação Industrial Portuguesa* / Portuguese Industrial Association), in the Workshops "*Aprender a Exportar*" (Learn to Export), where financing offers were presented within the scope of Portugal 2020 to entrepreneurs in the regions of Lisbon, Torres Vedras, Évora, Castelo Branco, Portalegre, Beja, Loulé, Santarém e Coimbra;

- Participation, at the invitation of NERSANT, in the "*Perspetivas da Banca e Investidores*" workshop (Banking and Investor Perspectives) under the theme "Optimisation of financial costs and access to financing - Banking sector perspective" which that took place in Rio Maior.

Investment banking

- In Corporate Finance, the Bank participated in several projects in Portugal and in international markets, providing financial advisory to its Customers and to the Bank itself in several projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In Mergers and Acquisitions, the assistance to Galp Gás Natural Distribuição in the purchase of a majority stake in Tagusgás and the assistance to 4H Investments for Health group, Tecnifar's parent company, in the sale of Imag, should be emphasised.

- In Project Finance, in Portugal, the completion of the financing operation for the EGF subsidiaries should be highlighted, an operation where Millennium investment banking acted as Mandated Lead Arranger, as well as the creation of a new business associated with the auctions for allocation of injection capacity in the electricity grid from a solar photovoltaic source. In the international area, the financial advisory mandates in Mozambique in the area of electricity production and the participation of BCP Group in the major natural gas projects, that should ultimately position Mozambique as one of the 3 largest producers of LNG in the world, stood out.

- In Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal (hotels and tourism, pharma, agribusiness, industry, transports, services, retail and distribution, utilities, among others), being particularly noteworthy the successfully closing of Bel / A Duarte Reis' acquisition finance and the Bial's investment plan financing and the financing of the almonds project developed by Rota Única in Alqueva, Alentejo. Referring to the activity abroad, several opportunities of structured finance with final guarantee from COSEC were analysed and the finance to the State of Angola for a Voice and Data Centre was completed.

  During 2019, on the debt capital markets, note should be given to the organization, structuring and placement of two bonds issues by the Autonomous Region of Madeira, of Euros 25 million and Euros 355 million, the latter issued with Government guarantee and together with a banking syndicate. The Bank maintained its regular presence in distribution public offering of bonds, having been part of the placing syndicate of the offers carried out by TAP, SIC, Benfica and Mota-Engil. Also worth of note is the structuring of several commercial paper programs, totalling over Euros 400 million, for a wide range of Portuguese corporates, including REN (Euros 150 million) and the Navigator Company (Euros 75 million). In the equity capital markets Mib acted as financial intermediary in the Acquisition Tender Offer launched over the share capital of SAG Gest and was a syndicate member of HCB's IPO in Mozambique.

- In the Sectoral Approach, ecosystems were mapped in order to create business opportunities and maximize the number of new customers, increasing, in conjunction with the Bank's networks, the added value to companies and investors.

  In the Strategic Approach area, a pre-determined number of customers was analysed, aiming at exploring and presenting, in an all-encompassing perspective, potential investment banking opportunities, therefore fostering a close relationship and structured monitoring of clients.

- Lastly, election of Millennium investment banking, for the second consecutive year, as the Best In-vestment Bank in Portugal, by Euromoney, the international magazine specialized in the financial sector in the context of the Euromoney Awards for Excellence 2019; the magazine Global Finance also considered Millennium investment banking as the Best Investment Bank in Portugal in 2019.

Client	Role	Transaction	Amount	Year
galp energia	FINANCIAL ADVISORY	Financial advisory in the acquisiton of 58% of Tagusgás by GGND	32.000.000 €	2019
IMAG	FINANCIAL ADVISORY	Financial advisory in the sale of IMAG to Unilabs	Undisclosed	2019
Bial	MANDATED LEAD ARRANGER	Investment plan financing	40.000.000 €	2019
Região Autónoma da Madeira	JOINT LEAD MANAGER	Bond Issue Government Guaranteed Due 2029	355.000.000 €	2019
Grupo Hotusa	LEAD MANAGER	Commercial Paper Programme	10.000.000 €	2019
EGF	MANDATED LEAD ARRANGER	2019-2021 Investment plan financing	30.000.000 €	2019
SAG	FINANCIAL INTERMEDIARY	Public Tender Offer	2.079.499 €	2019
	LEAD MANAGER	Commercial Paper Programme	30.000.000 €	2019
Almina	LEAD MANAGER	Commercial Paper Programme	16.650.000 €	2019
Mota-Engil	JOINT MANAGER	Public Bond Offer 2019-2024	140.000.000 €	2019
Hidroeléctrica de Cahora Bassa / Millennium bim	JOINT MANAGER	IPO	3.297.059.112 MT	2019
Ritz Lisbon	MANDATED LEAD ARRANGER	Debt refinancing and Investment Plan Financing	65.000.000 €	2019
Grupo Bel	MANDATED LEAD ARRANGER	Acquisition Finance	33.500.000 €	2019
elaia	MANDATED LEAD ARRANGER	Debt refinancing and Investment Plan Financing	63.000.000 €	2019
Rubis Gás	LEAD MANAGER	Commercial Paper Programme	10.000.000 €	2019
Rota Única	MANDATED LEAD ARRANGER	Almonds project financing	19.500.000 €	2019
Região Autónoma da Madeira	LEAD MANAGER	Bond Issue Due 2027	25.000.000 €	2019
REN	LEAD MANAGER	Commercial Paper Programme	150.000.000 €	2019
The Navigator Company	LEAD MANAGER	Commercial Paper Programme	75.000.000 €	2019
	JOINT MANAGER	Public Bond Offer 2019-2022	40.000.000 €	2019

Real estate business

- Priorities for action in 2019:
- In terms of real estate, the management of the portfolio of real estate properties non-allocated to the operation targeted the quick return of these assets to the market. This goal was translated into the management of:
    - Properties available for sale, focused on increasing sales at a fair price, supported by a high-level expertise in terms of technical and financial analysis;
    - Real-estate assets not available for sale, continuing the physical, legal and administrative fine-tuning and implementation of valuing actions / non-degradation of the real estate properties acquired for the recovery of loans or that are no longer assigned to operations in order to their disposal /sale.
    - Stakes controlled by the Bank in Entities that generate real estate risk, Funds and Companies.
- At the level of Specialised Credit management:
    - Regarding credit to real estate promotion - the analysis of the economic feasibility of real estate and tourism projects, the evaluation of the credit risk, the structuring of financing proposals, the issue of opinions underlying credit decisions and technical support to all Commercial Networks;
    - In the factoring area - the operational management of factoring contracts and their collection management, customer service and interaction with debtors, with a focus on supporting and improving the service provided and preventing credit losses.

Interfundos

- Global sales reached 90 million Euros, corresponding to 211 real estate properties in total;
- Takeover of the management of a Real Estate Investment Fund (Cimóvel);
- Transfer of the management of a Real Estate Investment Fund (Inogi Capital);
- Extension of the term for the duration of two Real Estate Investment Fund (Inogi Capital and Neudelinveste);
- Liquidation of SICAFI (Adelphi Gere);
- Ten operations of Capital decrease (Fundipar, Multiusos Oriente, Renda Predial, Imopromoção, Gestão Imobiliária, Gestimo, Imosotto, Imorenda, Intercapital e Oceanico);
- Conclusion of the process for the technical admission in Euronext Access of 44,919,000 shares of Multi24 – Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A., of 12,106,743 shares of Adelphi Gere – Sociedade
- Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and of 30,300,000 shares of Monumental Residence – Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A..
- Signing of the deed of sale of the real estate property and of the agreement to assign contractual rights and obligations in the Urban Rehabilitation Contract of Quarteirão de D. João I - a real estate property owned by OII AF Portfólio Imobiliário e Imopromoção;
- In 2019, the volume of assets of the 34 OIIs (Real Estate Investment Funds and SICAFI's) managed by Interfundos reached 1,309 million Euros.

International

- Growth in results in the custody, trade finance and payments business lines, in a context of ongoing change of competitive arenas, mainly through regulatory and technological means, therefore requiring a dynamic adjustment of business processes and models, in order to present innovative, competitive and very focused solutions, targeting customisation and level of service provided to each Customer.
- In the custody of securities, emphasis should be given to new services contracted with current Customers, in addition to attracting new institutional Customers.
- Strong dynamics were maintained in the provision of custodian bank services for participation units from Risk Capital Funds, resulting in the diversification of income sources, the increase in volumes under custody and, consequently, in the sustainability of the results achieved in this business, where the Bank maintained a reference position in the domestic market.
- A dynamic management of counterparties was continued, strengthening partnerships when necessary and adjusting the framework of services provided, in order to maintain appropriate trade finance solutions for any market receiving Portuguese exports or internationalisation projects and cross-border payments, where increasing volumes of transactions in different currencies are registered and handled in a secure, quick, efficient and compliant manner.
- Continuing partnerships with several multilateral entities, in particular EIB, EIF and IFD, in the support to the domestic corporate sector, especially for investment projects with longer financing cycles.

- Disclosure to the market and contract signing event in the total amount of 900 million Euros with the European Investment Fund: 400 million Euros concern the renewal of the guarantee InnovFin and 500 million Euros concern the new Guarantee denominated Cosme, being Millennium bcp the first bank in Portugal to have this instrument.
- The Bank was also forerunner in the signing of a contract with Instituição Financeira de Desenvolvimento, negotiating a 60 million Euros line of the Line Capitalizar MidCaps.
- The final results achieved translate into an important contribution to support the activity of domestic economic agents, especially those involved in international business, alongside sustained growth in business volumes and results.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	275	280	-1.9%
Other net income	136	145	-6.0%
	411	425	-3.3%
Operating costs	126	127	-1.0%
Impairment (excluding the impairment related to NPE in the begening of the year)	148	113	31.3%
Income before tax (excluding impairment charges for NPE)	137	185	-26.1%
Impairment charges for NPE	123	341	-64.0%
Income before tax	14	(156)	
Income taxes	3	(50)	
Income after tax	11	(106)	
SUMMARY OF INDICATORS			
Allocated capital	1,218	1,075	13.3%
Return on allocated capital	0.9%	-9.9%	
Risk weighted assets	11,165	10,018	11.4%
Cost to income ratio	30.7%	30.0%	
Loans to Customers (net of impairment charges)	11,971	13,093	-8.6%
Balance sheet Customer funds	7,885	7,884	-

Notes:

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

Income

Companies, Corporate and Investment Banking segment in Portugal went from a loss of Euro 106 million in 2018 to a profit of Euro 11 million in December 2019. Net income still reflects the requirements of the Bank's non-performing exposures reduction plan with an impact on the reduction of the loan portfolio and on its levels of impairment charges, although broadly lower than in the previous year. The performance of this segment in 2019 is explained by the following changes:

- Net interest income stood at Euros 275 million in 2019, 1.9% below the previous year (Euros 280 million), reflecting the negative impact arising from the loan portfolio, which remains constrained by the low interest rates environment and the lower credit volumes. Cost savings arising from the reduction of the cost of funding and term deposits partially offset the impact from the performance of the credit portfolio.
- Other net income reached Euros 136 million in December 2019, 6.0% lower compared to the amount achieved in December 2018, which is mainly explained by the lower level of commissions from the investment banking activity.
- Operating costs totalled Euros 126 million by the end of December 2019, slightly down from 31 December 2018, mainly due to Specialized Credit and Real Estate Division ceasing to be considered as a commercial network and being now included as part of the segment Other.

- Impairments showed a significant reduction, falling from Euros 454 million in December 2018 to Euros 271 million in 2019, an amount that still reflects a significant provisioning effort in the implementation of the reduction of non-performing exposures.
- As at December 2019, loans to customers (net) totalled Euros 11,971 million, 8.6% lower compared to the existing position in December 2018 (Euros 13,093 million), reflecting the effort to reduce the non-performing exposures as mentioned above. Balance sheet customer funds reached Euros 7,885 million, in line with the amount at December 2018.

PRIVATE BANKING

- Consolidation of the customer base growth process, taking advantage of the dynamics obtained with the restructuring and reinforcement of the Non-Resident and Customer acquiring Division, which allowed for greater action with non-national Customers based in Portugal and also through cross-referencing actions;
- Development of paperless processes and technological upgrade in terms of software and equipment used by Private Bankers, simplifying the processes and response time to Customers' requests without loss of rigour and security and always bearing in mind compliance principles;
- Reformulation of communication pieces for new and current Customers, to be delivered at account opening or customer servicing meetings;
- Streamlining the use of the Millennium App and MTrader App with the Commercial and Customers area, aiming at boosting the use of these applications and consequently the interaction with the Bank, via technology.
- Several relational marketing actions with numerous types of events carried out, with special mention to the exclusive Concerts for Private Customers in Porto and Lisbon, the ‘Macroeconomic Perspectives for 2020’, with Private Banking Clients also enjoying the ‘Millennium’ events, such as Millennium Estoril Open and *Festival ao Largo*;
- At the end of the year, the implementation of the Private 2.0 Project began with the purpose of significantly increasing the share of wallet, a project centred on three axes: Offer, Commercial Model and Customer Acquiring and with the expected impact in terms of diversifying the type of Customer and Offer, and the increase of Private Spaces. The tools required for this new approach have already started to be implemented, and the recruitment of new Employees is also underway.

Million euros

PRIVATE BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	10	11	-7.5%
Other net income	26	27	-4.2%
	36	38	-5.2%
Operating costs	20	17	15.8%
Impairment (excluding the impairment related to NPE in the begening of the year)	-	1	
Income before tax (excluding impairment charges for NPE)	16	20	-21.1%
Impairment charges for NPE	(1)	-	
Income before tax	17	20	-15.8%
Income taxes	5	6	-15.8%
Income after tax	12	14	-15.8%
SUMMARY OF INDICATORS			
Allocated capital	68	59	15.8%
Return on allocated capital	17.4%	23.9%	
Risk weighted assets	595	534	11.5%
Cost to income ratio	56.3%	46.1%	
Loans to Customers (net of impairment charges)	274	232	18.0%
Balance sheet Customer funds	2,288	2,053	11.5%

Notes:

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

Income

Income after tax from Private Banking business in Portugal totalled Euros 12 million in 2019, 15.8% down from Euros 14 million in 2018, mainly due to the decrease of banking income. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 36 million in 2019, 5.2% down from the previous year (Euros 38 million). This reduction is explained mainly by lower net interest income, but also, to a lesser extent, by other net income. Net interest income totalled Euros 10 million in 2019, comparing to Euros 11 million in 2018, penalized mainly by the lower income generated by the loan portfolio, as a result of the reduction of credit volumes observed in the last quarter of 2018, which were only partially recovered throughout 2019. Other net income amounted to Euros 26 million in 2019, showing a decrease in comparison with Euros 27 million in 2018, benefiting in this period from higher commissions. Operating costs amounted to Euros 20 million in 2019, above operating costs in 2018.
- Impairments impacted positively the profit and loss account, with reversals reaching Euros 1 million in 2019, while in 2018 impairments charges amounted to Euros 1 million.
- Loans to customers (net) amounted to Euros 274 million by the end of December 2019, showing an increase of 18.0% compared to figures accounted in the same period of the previous year (Euros 232 million), while balance sheet customer funds grew 11.5% during the same period, from Euros 2,053 million in December 2018 to Euros 2,288 million in December 2019, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Poland

- Net earnings of €130.5 million, with ROE of 6.4%*[3].
- Net operating revenue up by 27.3%, driven by net interest income; operating costs impacted by a higher contribution to the resolution fund, by increased staff and integrations costs (Euro Bank) and by higher IT costs.
- Business volumes impacted by Euro Bank's acquisition: Customer funds up by 20.8%, while loans to Customers increased by 42.3%, excluding FX-denominated mortgage loans.
- CET1 ratio of 16.9% as of December 31, 2019, with total capital of 20.1%.
- Bank Millennium was considered best bank in Poland by Global Finance. This magazine also voted its website as the best website design in Central and Eastern Europe. Bank Millennium is also the most recommended bank and leader in Customer satisfaction in Poland (according to the survey "Customer satisfaction monitor of retail banks ARC Rynek i Opinia").

Switzerland

- Net income of 6.9 million Euros, in 2019 (+2.5%) with a 9.1% ROE.
- Increase in net operating income (+7.7%), driven by increase in net fees and comissions (+9.9%) and net Interest Income (+7.6%).
- Operating costs expanded 9.8% to 24.9 million Euros, influenced by the costs associated with recruitment to support the implementation of the Bank's expansion strategy.
- Total customer resources increased 16.8% to 3.4 billion Euros.
- Total customer funds increased 7.0% and credit portfolio expanded 11.4%.

Mozambique

- Net earnings of €99.5 million, with ROE of 20.3%, reflecting stable net interest income following the normalisation of interest rates.
- Customer funds grew 6.6%, with loan portfolio down by 11.1% reflecting a conservative approach under a challenging environment.
- Capital ratio of 45.8%.
- Best bank in Mozambique by Global Finance, for the 10th year in a row, and Bank f the Year 2019, by The Banker.

Macao

- Net income of 10.7 million Euros (-10.0%), mainly due to the reduction in net interest income, through the decrease of the loan portfolio and the increase in funding costs, despite the positive evolution of trading income and on credit impairments.
- In december 2019, customer funds stood at 538 million Euros (+1.3%) and gross loans reached 289 million Euros (-29.9%).
- The Branch acted as a support platform for Portuguese companies doing business in Macao and Continental China.
- Financing of Macao and international business customers.
- Trade finance operations to support Portuguese companies with exports to and/or imports from China.
- Attraction of trading companies with international trade operations with China.
- Acquisition of Chinese clients who intend to invest in Portugal, either on an individual or on a business basis.
- Increase in contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.

Cayman Islands

- Net income of 2.7 million Euros (-39%), with a 0.8% ROE.
- Continuation of the process of reduction of commercial activity, translated into the reduction of core revenues, notwithstanding the reduction in operating costs.
- At the end of 2019, customer funds of Millennium bcp Bank & Trust stood at 2 million Euros and gross loans reached 6 million Euros.

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[3] ROE excluding one-offs: 10.2%. One-offs: integration costs and additional provisions for Euro Bank, release of tax asset provision, positive revaluation of shares in PSP and provisions for FX mortgage legal risk.

Million euros

FOREIGN BUSINESS	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	759	620	22.4%
Other net income (*)	245	253	-3.0%
	1,004	873	15.1%
Operating costs	495	386	28.3%
Impairment	171	90	89.6%
Income before tax	338	397	-14.7%
Income taxes	95	88	8.5%
Income after income tax	243	309	-21.3%
SUMMARY OF INDICATORS			
Allocated capital (**)	3,009	2,799	7.5%
Return on allocated capital	8.1%	11.0%	
Risk weighted assets	15,465	12,177	27.0%
Cost to income ratio	49.3%	44.2%	
Loans to Customers (net of impairment charges)	17,437	13,319	30.9%
Balance sheet Customer funds	21,591	17,685	22.1%

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

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

Income

Income after tax from Foreign Business stood at Euros 243 million in December 2019, reflecting a 21.3% decrease compared to Euros 309 million achieved in 2018. This evolution is explained mostly by the unfavourable performance of operating costs and impairments, which were influenced by the impacts arising from the acquisition and integration of Euro Bank S.A., despite higher banking income, which also benefited from the consolidation of Euro Bank, S.A..

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

- Net interest margin stood at Euros 759 million in 2019 which compares to Euros 620 million in 2018. Excluding the impact arising from the foreign exchange effects, the increase would have been 22.1%, reflecting mainly the positive performance of the subsidiary in Poland, partly mitigated by the evolution observed in the subsidiaries in Mozambique and Cayman Islands, as a consequence of the reduction of the loan portfolio exposures.

  Other net income decreased 3.0%. Excluding foreign exchange effects, other net income increased 0.2%, benefiting from the positive performance of the subsidiary in Poland, although other net income in Poland was also penalized by the increase in mandatory contributions. The Mozambican subsidiary also contributed to this growth through an increase in foreign exchange results, and also through the results arising from the insurance business and the sale of other assets. The lower contribution of Banco Millennium Atlântico, justified both by the Bank's own results that reflect the impact of increased risk coverage by impairments and provisions and by the effect of the end of the application of IAS29, mitigated the evolution of other net income between the end of December of 2018 and 2019.

- Operating costs amounted to Euros 495 million as at 31 December 2019, 28.3% up from December 2018. Excluding foreign exchange effects, operating costs would have risen 27.9%, mainly influenced by the operation in Poland, namely by the costs with the acquisition, merger and integration of Euro Bank S.A..

- Impairment charges at the end of 2019 increased 89.6%, compared to figures reported in the same period of 2018. Excluding the foreign exchange effects, it would have risen 96.4%, reflecting the unfavourable evolution showed by the Polish subsidiary, due to the impact of impairment charges for the loan portfolio of Euro Bank S.A. at the moment of its acquisition, and by the extraordinary provision booked for claims related to mortgage loans granted in Swiss francs. However, this evolution was mitigated by the positive impact arising from the end of the application of IAS 29 on Banco Millennium Atlântico.

- Loans to customers (net) stood at Euros 17,437 million at the end of December 2019, largely exceeding the amount as at 31 December 2018 (Euros 13.319 million). Excluding foreign exchange effects, the loan portfolio increased 29.5%, explained by the growth achieved by the Polish subsidiary, as a consequence not only from the impact of the Euro Bank S.A. acquisition in May 2019, but also from the organic growth of the business generated by Bank Millennium. The Foreign business' balance sheet customer funds increased 22.1% from Euros 17,685 million reported as at 31 December 2018 to Euros 21,591 million as at 31 December 2019. Excluding the foreign exchange effects, balance sheet customer funds increased 20,8%, mainly driven by the performance of the Polish subsidiary, reflecting both the Euro Bank S.A. consolidation impact and the positive evolution from its current business activity.

BANCASSURANCE BUSINESS

Sale of Insurance throught the banking channel

During 2019, all the strategic pillars and ongoing projects were continued, which allow for an excellent customer service and maintenance of the Group's leading position in the sale of insurance through the Banking channel (Bancassurance).

We also highlight the following issues:

- All strategic pillars and ongoing projects were continued, allowing for an excellent customer service and maintenance of the Group's leading position in the sale of insurance through the Banking channel (Bancassurance);
- Several cross-selling actions, with the goal to increase the offer of products held by Customers and simultaneously, to reduce the cancellation rate;
- Digital transformation and intensification of the focus on models of analytical insight supporting the appeal to clients, their management and retention, across the sections of both Life and Non-Life insurance;
- Several 'Médis' Campaigns were carried out, with advantages in the price, reinforcing the focus on prevention, and offering a sensor for children to take care of their oral health and reinforcement of cancer protection, based on 3 pillars: More insured capital; Prevention and Awareness; Customer Experience;
- Development of the "Médis Clinics" dental care network, with the opening of the Algés, Av. Roma (Lisbon) and Bom Sucesso (Porto) clinics, as well as the consolidation of Amoreiras Clinic;
- The *Proteção Flex* option was launched in the "*Proteção Ativa*" Life insurance, and the Bank participated in a fund raising campaign for *Liga Portuguesa Contra o Cancro* (Portuguese League Against Cancer).
- Launch of the life insurance risk "*Proteção Ativa Empresário*" (Active Protection for Entrepreneurs), of the product for local accommodation and of the engineering insurance for construction and/or assembly, applicable to home renovation loans, while these works are in progress;
- Launch of the campaign "*Ser Millennium é estar seguro*" (To be Millennium is to be safe), increasing the offer of the Bank in terms of risk insurance, which was communicated in radio and digital channels;
- In the main lines of business (Retirement Savings, Life Risk, Health, Automobile, Fire and Work Accidents), there is an increase in the Bancassurance market share.

Main indicators	2019	2019	Change
Market Share - Premiums			
Life Insurance	18.2%	16.9%	+1.3 p.p.
Non-Life Insurance	7.2%	7.2%	-
Market Share– Premiums in Bancassurance			
Life Insurance	22.3%	20.6%	+1.7 p.p.
Non-Life Insurance	34.6%	34.7%	-0.1 p.p.

STRATEGY

2019 Campaign | João Sousa, tennis player | New App

Strategic Plan 2018-2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction in Group NPEs exceeding 60% since 2013 (from Euros 13.7 to Euros 4.2 billion in December 2019). Three distinctive competences were at the core of this turnaround: a Customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is now ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform Customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top Customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leading position in Portugal, aiming to maximize the potential of the unique position in which the Bank emerges out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the Customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspire to capture the full potential of ActivoBank's simple and value-based offer and assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the Customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leading position in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China related opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining the improvement of its credit portfolio quality as a clear priority, by reducing the NPE stock (reduction to Euros 3 billion by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volume with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 million active customers[4]), readiness for the future (from 58% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

		2019	2021 Steady State (Original Plan)
Franchise growth	Total active Customers*	5.6 million	>6 million
	Digital customers	58%	>60%
	Mobile customers	40%	>45%
Value creation	Cost-to-income	50% (47% excluding non-usual items)	≈40%
	ROE	5.1%	≈10%
	CET1**	12.2%	≈12%
	LTD	86%	<100%
	Dividend payout		≈40%
Asset quality	NPE stock ***	EUR 4.2 billion	EUR 3.0 billion
	Cost-of-risk	72 bp	<50 pb

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings of 2019.

*** NPEs includes only loans.

[4] Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

RISK AND OUTLOOK

2019 Campaign | Official Bank of the Summer Festivals

Internal Control System

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

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the supervision authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and Customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, shareholders, employees and supervisors.

In order to achieve these objectives, the internal control system is based on the Compliance function, the risk management function and internal audit function, which are exercised by centralised divisions and operate transversally across the Group. The Heads of these three divisions are appointed by the Bank's Board of Directors – the body that has has the capacity to aprove the technical and professional profile of these top managers, as appropriate for the exercise of their respective functions -, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit and Risks Assessment Committes.

The internal control system is based on:

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

The internal control system is consistently applied across all Group entities, taking into account and complying with local, legal or regulatory requirements of the countries where operations are based.

The internal control system is based on the three lines of defence model, aiming at ensuring:

- A clear accountability of the business areas for their respective risk taking;
- An effective monitoring, control and management of the risks assumed; and
- An independent assessment, reported to the Board of Directors and its Executive Committee, of the incurred risk levels, their compliance with the Risk Appetite Framework and of the effectiveness of the control systems established.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

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

The Chief Risk Officer of Banco Comercial Português is responsible for coordinating the risk management system at Group level, through the Risk Officers and Compliance Officers of each Entity that functionally report to him.

The Chief Financial Officer of Banco Comercial Português is responsible for coordinating the information system for the accounting and financial elements and for the planning process at Group level, with the collaboration of the risk management function.

The risk management system corresponds to the series of integrated and permanent processes which enable the identification, assessment, monitoring and control of all material risks, derived internally or externally, to which the Group's institutions are exposed, in order to keep them at levels that are predefined by the management and supervisory bodies, and take into consideration risks related to credit, markets, interest rates, exchange rates, liquidity, compliance, operating, information systems, strategy and reputation, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant.

This system is suitably planned, reviewed and documented and is supported by risk identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The risk management system ensures the segregation between the risk management function and the risk-generating business activities.

The information and reporting system ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets. For this purpose, each entity of the Group develops, implements and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external.

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

The monitoring process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, namely through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

Within this context, the internal audit function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments. Within this scope, the Audit Department is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

In terms of risks' management, these subsystems of the internal control system are managed by the Risk Office and the Compliance Office , complemented, for information and reporting, by the Planning, Research and ALM Division, the Treasury, Markets and International Division, the Accounting and Consolidation Division and by the areas responsible for accounting in the different subsidiaries which which ensure the existence of the necessary procedures to obtain all relevant information for the consolidation process, for the accounting and financial information and for other elements that support the management, as well as for the monitoring and control of risks at Group level.

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

The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP.The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of an accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- The identification and control of the intra-Group operations;
- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms:
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
	ENVIRONMENT			
Regulatory	▪ Risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans. ▪ Regular practice of conducting Stress Tests by the ECB ▪ Absence of fiscal framework for the IFRS 9 transition ▪ European Commission and ECB guidelines on NPL provisioning ▪ EBA's guidelines on IRB models	Medium	↔	▪ Provisioning for legal risk in Poland ▪ Total CET1 requirements in 2020: 9.813% (10.25% fully implemented) ▪ Most guidelines have already been translated into our risk models, which, pursuant to continuous dialogue with the ECB
Sovereign	▪ Economic and social impact of the spread of COVID-19 worldwide, namely the possibility of a slowdown or even a global recession and of a slowdown or even recession in the Euro area and in Portugal ▪ Low interest rates and compression of the spread for active interest rates in Portugal ▪ Still high indebtedness of public and private sectors in Portugal ▪ Exposure to Portuguese and Mozambican and Angolan sovereign debt	High	↑	▪ Possible increase in bankruptcies and unemployment ▪ Rising public debt yields ▪ Share prices fall in capital markets ▪ Implementation of contingency measures at European and national level ▪ Recovery of profitability limited by the low nominal interest rates and by the low potential growth ▪ Still high level of NPA ▪ Increasing funding costs ▪ Uncertainty as regards the timing of normalization of the ECB's monetary policy
	FUNDING AND LIQUIDITY			
Access to WSF markets and funding structure	▪ IMM operating irregularly ▪ Widening of spreads and lack of liquidity in the WSF debt markets, as a result of increased volatility in the financial markets related to COVID-19 ▪ Cost of issuing debt to comply with MREL requirements ▪ Incentive to placement of financial instruments with retail investors ▪ Continuation of the deleveraging process of domestic economic agents versus growth in credit	Low	↑	▪ Balance sheet customer deposits and funds paramount in the funding structure ▪ Need for access to the financial markets to meet MREL requirements, although the gap is manageable
	CAPITAL			
Credit risk	▪ Possible interruption of the downward trend in NPAs, due to the economic impact of COVID-19 ▪ Still high NPA stock ▪ Execution Risk of the NPA Reduction Plans, including CRFs ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Credit exposure to companies held by Angolans and Angolan individuals ▪ Credit to Mozambican companies ▪ Exposure to emerging countries strongly dependent on commodities	High	↔	▪ NPA reduction plan execution is critical to prevent an increase in capital requirements (SREP) ▪ Loan book expansion limited by the reduction of NPEs ▪ Need to decrease the workout time, for both loans and/or companies ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices ▪ Need to reduce the exposure to CRFs ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Market risk	▪ Volatility in capital markets ▪ Decrease of fair value of assets/pledges/collaterals	Low	↔	▪ Market uncertainty ▪ Central Banks monetary policies ▪ Profitability of the assets of the pension fund ▪ Lower trading income
Operational risk	▪ Restrictions on the normal working of financial institutions, as a result of the impact of COVID-19 ▪ Inherent to the Group's business	Low	↔	▪ Service restrictions at branches ▪ Remote work ▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Data base security /cybersecurity ▪ Business Continuity
Concentration risk	▪ Concentration of assets of some size	Medium	↔	▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	▪ Inherent to the Group's business ▪ Incentives to place financial products that enable recovery of profitability, not matching the Customers' risk profile or needs ▪ Migration from on-BS customer funds to Off-BS customer funds	Medium	↔	▪ Possible complaints from Customers ▪ Possible sanctions or other unfavourable procedures resulting from inspections ▪ Unstable regulatory framework applicable to financial activities ▪ AML and counter terrorism financing rules
Profitability	▪ Possible impacts on net interest income, commissions and cost of risk as a result of the impacts of COVID-19 ▪ Interest rates at low levels in nominal terms ▪ Risks related to decisions issued by Polish courts in lawsuits, instituted against banks (including Bank Millennium) by borrowers on mortgage loans indexed to foreign currency. ▪ Imposition of asymmetric regulatory limitations on the pricing policy for assets and liabilities ▪ More limited space to reduce fees on time deposits in new production ▪ Regulatory limitations on commissioning ▪ Imposition of limitations on the coverage of problematic assets due to impairments ▪ Exposure to emerging economies ▪ Fintech competition	Medium	↔	▪ Negative impacts on net interest income: price effect, volume effect and overdue credit effect ▪ Negative impacts on commissions, in the event of a slowdown in banking activity or extraordinary measures taken to support companies ▪ Need to continue control over operating costs ▪ Increase in cost of risk ▪ Maintaining adequate coverage of problematic assets by provisions ▪ Reformulation of the business model and digital transformation

Risk management

Framework

Risk appetite

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

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

The RAS is composed by a set of 26 indicators that are considered of primary importance and representative of several risks classified as "material", within the formal risks’ identification and quantification process, carried out at least once a year.

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

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

For the main geographies in which the Group operates, specific risk appetite indicators (“individual” RAS) are also established. Thus, the definition of RAS involves indicators for Portugal, Poland, Mozambique and Switzerland, some of which are common to all geographies (but with appropriate limits for each of the operations and structure in question), while others aim to measure idiosyncratic risks in each geography.

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors of BCP: based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, specifically identified, in order to address the mitigation or control of all material risks identified within the risks’ identification and assessment process. These lines of action formally constitute the Group's Risk Strategy.

Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks’ identification process.

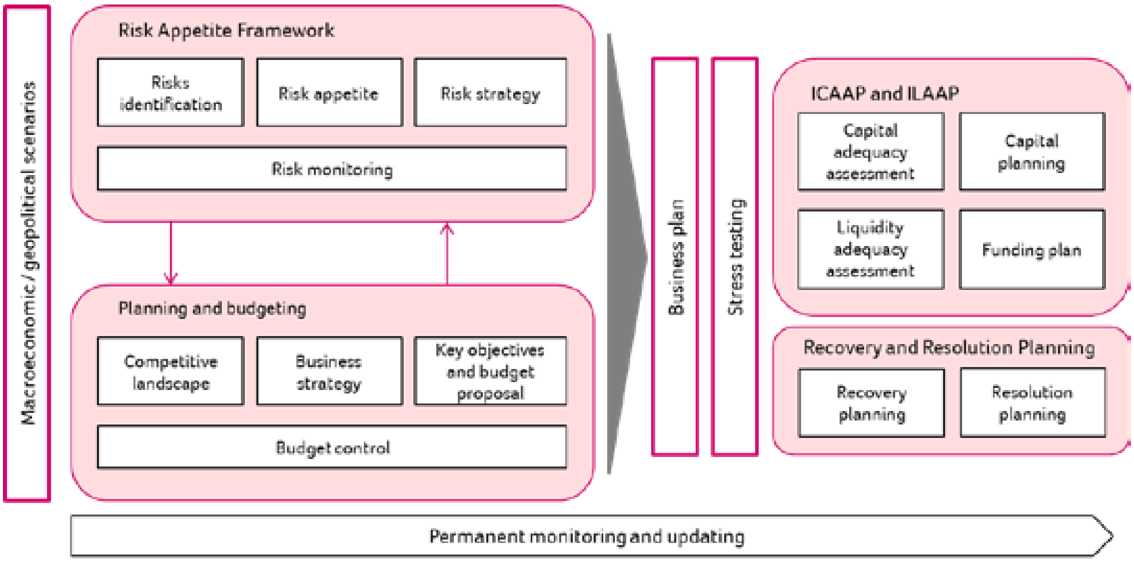
Integration between the business and risk management

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

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

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

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



[1] Risk Appetite Framework
[2] Internal Capital Adequacy Assessment Process
[3] Internal Liquidity Adequacy Assessment Process
[4] Recovery and Resolution Planning

Internal control

The Risk Management function is an integral part of the Group's Internal Control System (SCI), along with the Compliance and Internal Audit functions, contributing for a solid control and risk-limiting environment upon which the Group carries out its business (and business support) activities.

Within the SCI, the Risk Management and Compliance functions form the Group's Risk Management System (SGR), which materialises in an integrated and comprehensive set of resources, standards and processes that ensure an appropriate framework to the nature and materiality of the risks underlying the activities carried out, so that the Group's business objectives are achieved in a sustainable and prudent manner

In this sense, the SCI and the SGR provide the Group with the ability to identify, evaluate, monitor and control the risks - internal or external - to which the Group is exposed, in order to ensure that they remain at acceptable levels and within the limits defined by the management body.

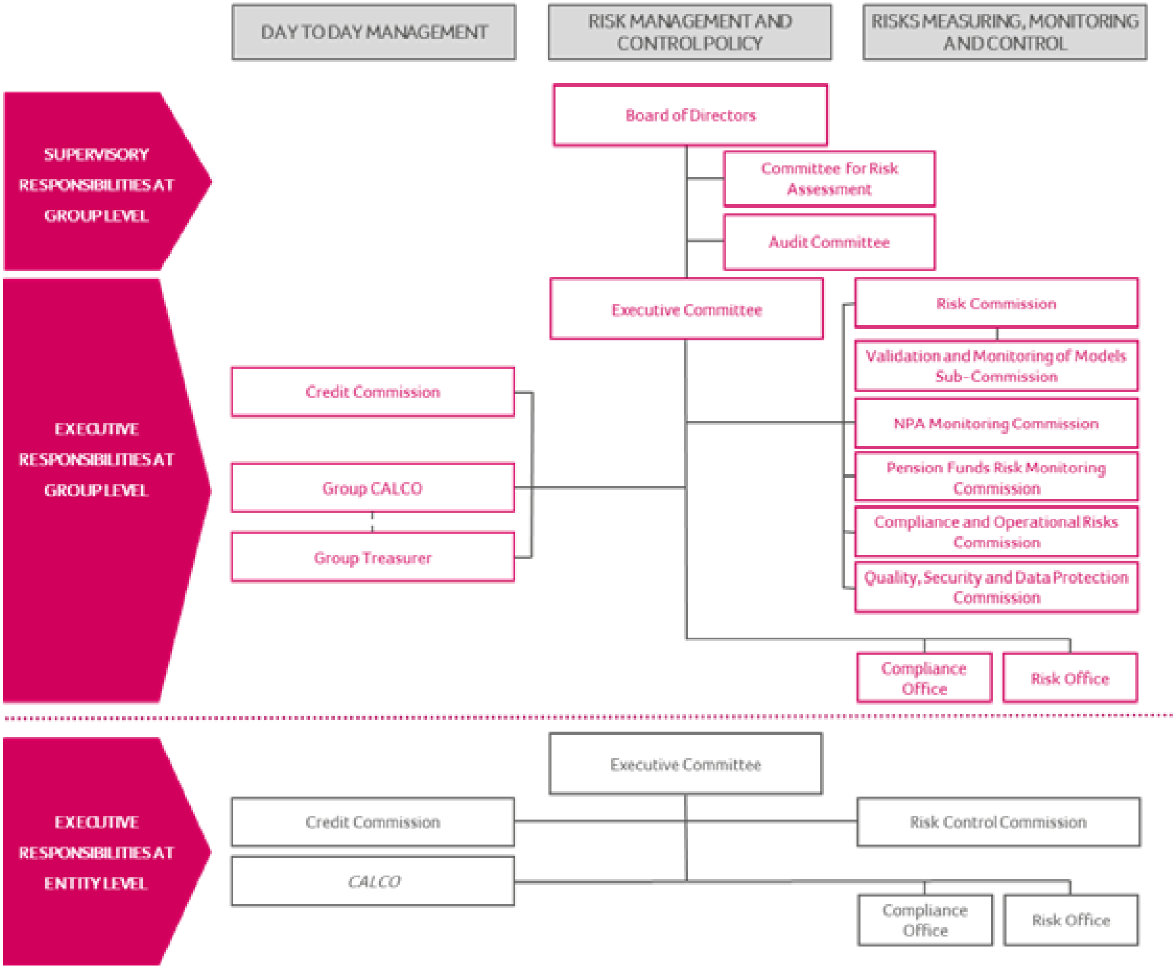
Thus, the SGR embodies the second Line of Defence in relation to the risks that impend over all the Group's activities. Under this approach, the first Line of Defence is ensured, on a day-to-day basis, by all of the Group's organizational units - based on adequate training and awareness of risks, as well as on the framing of activities through a complete and detailed regulations' structure - while the third Line of Defence is developed through the internal supervision/internal review function (IRF) ensured by the Internal Audit function.

It should also be mentioned that the SCI:

- Is supported by an information and communication system that ensures the collection, processing, sharing and disclosure – both internal and external - of relevant, comprehensive and consistent data about the business, the activities carried out and the impending risks on the latter, in a timely and reliable way. This data processing and management information infrastructure is aligned with the principles of the Basel Committee with respect to efficient aggregation of risk and risk reporting data (BCBS 239 - Principles for effective risk data aggregation and risk reporting);
- Is continuously monitored by the Group, the insufficient internal control situations being registered - under the form of recommendations/ deficiencies or improvement opportunities – for correction/elimination and regulatory reporting.

Risk management Governance

The following figure represents the SGR's Governance, as at 31/12/2019, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision.



The composition, capacities and responsibilities of the management and supervision bodies that intervene in the risk management governance - besides those of the Board of Directors (BoD) and its Executive Committee (EC) – are the following:

Committee for Risk Assessment

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

- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD;
- Monitoring the evolution of the RAS metrics, verifying their alignment with defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities;
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analysing and approving the conclusions of the regular follow-up on these processes;
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

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

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

Audit Committee

The BoD's Audit Committee is elected by the shareholders' General Meeting and is composed by three to five non-executive Directors. Within the risk management governance, this Committee has global corporate supervising capacities - e.g. in what concerns the risk levels follow-up - as well as those that are attributed within the SCI, namely:

- Supervising and controlling of the SGR's and the SCI's effectiveness (and, also, of the Internal Audit System);
- Analysing and regularly following-up of the financial statements and the main prudential indicators, the risk reports prepared by the Risk Office, the Compliance Office's activity, the handling of claims and complaints and the main correspondence exchanged with the supervisory authorities;
- Issuing of a prior opinion concerning the entity defined by the Bank to assess the adequacy and effectiveness of the SCI.
- The Audit Committee holds regular meetings with the Heads of the Audit Division, the Risk Office and the Compliance Office.
- The Risk Officer participates in this Committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the SGR, issued within the scope of internal control or by the supervisory/regulatory authorities.

Risk Commission

This Commission is appointed by the EC and has the responsibility for defining, at an executive level, the framework and the risk management policies and instruments within the Group, establishing the respective principles, rules, limits and practices for the Group Entities, considering the defined risk thresholds.

The Risk Commission monitors the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the Group, ensuring that the risk levels are compatible with the goals, available financial resources and strategies that have been approved for the development of the Group's activity. This Commission also validates the compliance of risk management with all the applicable laws and regulations.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the EC members responsible for the Corporate/Investment Banking and the Retail business (Chief Corporate Officer/CCorpO and Chief Retail Officer/CRetO, respectively) are members of this Commission.

Other members of the Commission are the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Treasury, Markets and International (DTMI), Credit (DCR), Rating (DRAT), Models Validation and Monitoring Office (GAVM) and Regulatory and Supervision Monitoring Office (GARS). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

NPA(*) Monitoring Commission

This Commission is appointed by the EC and has the responsibility of monitoring the evolution of credit risk, under various aspects:

- Monitoring of the NPA Reduction Plan, including its operational scope and the fulfilment of the quantitative goals assumed; besides the NPE reduction, the Commission also monitors the disinvestment process of the real estate portfolio and other assets received in lieu of payment as the result of credit recovery processes (foreclosed assets) and other non-performing assets;
- Analysis of the credit recovery processes' performance;
- Portfolio's quality and main performance and risk indicators;
- Impairment, including the main cases of individual impairment analysis.

(*) Non-performing assets.

The CEO, the CRO, the CRetO and the COO are members of this Commission, as well as, optionally, the CFO. Any other executive Directors may participate in this body's meetings if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: Risk Office (ROFF), DCR, DRAT, Specialised Monitoring (DAE), Retail Recovery (DRR), Specialised Recovery (DRE), Legal Advisory and Litigation (DAJC), Management Information (DIG) and Specialised and Real-Estate Credit (DCEI). The Head of DAU is a permanently invited member of the Risk Commission, without voting rights.

Pension Funds Risk Monitoring Commission

This Commission is appointed by the EC and has the following competences:

- Assessing the performance and risk of the Group's Pension Funds in Portugal;
- Establishing, for these, the appropriate investment policies and hedging strategies.

The Commission members are the CEO, the CFO, the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The other Commission's members are the Heads of the following Divisions: ROFF, Research, Planning and ALM (DEPALM), Wealth Management (DWM) and Human Resources (DRH). Representatives of the Pension Funds management entity and of Ocidental Pensões also participate in the Commission's meetings, by invitation and without voting rights.

Compliance and Operational Risks Comission

This Commission is appointed by the EC and has the following capacities and responsibilities:

- Monitoring of the Bank's activities, as well of those of the other Group entities, regularly coordinating and managing the policies and the duties of the Bank and its branches/subsidiaries, in order to ensure the compliance with the legal and internal rulings;
- Monitoring of the operational risks management framework, which encompasses the management of the IT risks and the Outsourcing risks;
- Monitoring of the exposures to operational risks, as well as the implementation status and the effectiveness of the risks mitigation measures and of those that aim at the reinforcement of the internal control environment;
- Following-up of the management and improvement to the Bank's processes, in order to monitor and reduce the level of exposure to compliance and operational risks.

The Commission members are the CEO, the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of the Commission: COFF, ROFF, IT (DIT), Operations (DO), Quality and Network Support (DQAR). The Head of DAU, the AML[*] Officer and the managers responsible for the COFF areas that deal with the matters under discussion are also permanently invited members of this Commission, without voting rights.

Quality, Security and Data Protection Commission

This Commission is appointed by the EC and has the following capacities and responsibilities:

- Definition of guidelines and approval of the management policies for IT systems, data management and quality, physical security, business continuity and data protection;
- Regular review of the emerging threats and most relevant trends in terms of data security and information technologies, with a particular focus upon cyber-security;
- Analysis of the periodical security incident's reports (regarding systems/data and physical), identifying the appropriate remediation and improvement measures;

[*] Anti-money laundering.

- Follow-up of initiatives and projects in the fields of systems/data security, physical security and data protection and monitoring of the performance metrics for these areas;
- Approval of the annual plans for the exercises of safety assessment, Disaster Recovery Plan (DRP) and business continuity, and their respective quantitative/qualitative evaluation.
- The Commission members are the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: COFF, ROFF, DIT, DQAR, and Data Security (DSI). The head of the Physical Security and Business Continuity Department (DSFCN), the Data Protection Officer (DPO) and the Chief Data Officer (CDO) are also permanent members of this Commission, along with the Head of DAU (the latter, without voting rights).

Credit Commission

This Commission is appointed by the EC and its functions are to assess and decide on credit granting to customers of Banco Comercial Português, in accordance with the competences established by internal regulation ('Credit Granting, Monitoring and Recovery'). This commission may also issue advisory opinions on credit proposals from subsidiary Group entities.

The members of this Commission are the CEO, the CFO (optional), the CCorpO, the CRetO (optional), the CRO (with veto rights) and the COO (optional), as well as the Heads of the following Divisions: DCR, DAJC, DRAT, DCEI, Companies Network Coordination (North/South), Large Corporates, DAE, DRE and Investment Banking Coordination (DCBI), as well as Level 3 credit managers and, depending on the proposals to be decided upon, the coordination managers of other proposing areas (e.g., Private Banking, Retail, DRR) or members of the subsidiaries' Credit Commissions. The Company's Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights. Other Group employees may also be invited to participate (without voting rights), if they are relevant for the matters under discussion.

Group CALCO

The Group CALCO - also referred to as the Capital, Assets and Liabilities Management Commission - is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO is responsible for the structural management of interest rate and liquidity risks, including, among others, the following aspects:

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level;
- Definition of the capital allocation and risk premium policies;
- Definition of transfer pricing policy, in particular with regard to liquidity premiums;
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan;
- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition;
- Definition of the investment policy of the Investment Portfolio and monitoring of its performance;
- Definition of the strategy and positioning within the scope of the interest rate risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.
- The Group CALCO meets every month and is composed of the following executive Directors: CEO (optional), CFO, CCorpO, CRetO, CRO and COO (optional). The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI and DWM, the responsible for the ALM Department of DEPALM and two representatives nominated by the Retail and the Corporate & Investment Banking Commissions.

Risk Office

The Risk Office (ROFF) is the structure unit responsible for the risk control function at Group level, promoting the overall alignment of concepts and procedures concerning risk monitoring and assessment. The ROFF is responsible for informing the Risks Assessment Committee and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk;
- Proposing and implementing a set of metrics for the different types of risk;
- Coordinating the NPA (non-performing assets) Reduction Plan;
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk;
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits;
- Participating in the Internal Control System;
- Preparing information relative to risk management for internal and market disclosure;
- Supporting the works of the following Commissions: Risk, NPA Monitoring, pension Funds Risk Monitoring, Internal Control and Operational Risk Monitoring.
- The Risk Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Risks Assessment Committee.

Compliance Office

The Compliance Office (COFF) ensures typical functions of a second line of defence functions, within the scope of the so-called "3 Lines of Defence Model", in relation to compliance risk, i.e., the risk of non-compliance with applicable laws and regulations.

COFF's main missions, in relation to all Group entities, are the following:

- To vitalize the adoption and compliance with the internal and external regulations that frame the Group's activity, watching over the fulfilment of the relevant contractual commitments assumed;
- To promote the organization's ethical values and to contribute for an internal control culture, in order to mitigate the risk of sanctions being imposed 's imputation or of the occurrence of property or reputational damages.

The Compliance Officer is appointed by the BoD, reports hierarchically to the EC and, functionally, to the Audit Committee, exercising his/her functions in an independent, permanent and effective manner, defining the policies, guidelines and tools that are appropriate for a proactive and preventive risks' assessment.

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas. The COFF' s performance is based on an approach to the risks of business, customers and transactions, thus contributing for the promotion an effective internal control environment.

Within the scope of opinions and the associated analyses produced at request of several Group areas and Divisions, the COFF:

- Identifies and evaluates the various types of risks – either concerning in what refers to corporate processes and conflicts of interest;
- Issues proposals for the correction of processes and risks mitigation;
- Permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.

Within the scope of its specific functions, the COFF also ensures an assessment and intervention in what concerns:

- The control and monitoring of compliance risks;
- The Anti-Money Laundering and Counter Terrorism Financing (AML/CTF);
- The mitigation of reputation risk at all Group entities, aiming at the alignment of concepts, practices and goals in these matters.

It also has the competence for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

The COFF intervenes and actively participates in the training policy of employees, namely, through training actions in Compliance, for the entire universe of the Group, maintaining a large knowledge repository for matters of its competence, namely, in what concerns the AML/CTF.

Main developments and accomplishments in 2019

In 2019, the focus of risk management activities was maintained on the continuous improvement of the Group's risk control environment, in addition to the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits - both at consolidated level and for each geography in which the Group operates - 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:

- Coordination of the Risk Strategy and of the RAS(*) review (at Group level), including the Risks Identification Process and the implementation of a set of new RAS metrics;
- Coordination of the ICAAP(**) and ILAAP(**) processes;
- Review/update and monitoring of the NPA/NPE(***) reduction plan;
- Integration of the Euro Bank within the risk monitoring and control framework;
- Participation in the '2019 EBA Benchmarking' Exercise, OF THE European Banking Authority (EBA);
- Participation in the 'NPA stocktake' exercises of the European Central Bank (ECB);
- Participation in the LiST (liquidity stress test) exercise organized by the ECB;
- Participation in the EBA' Basel III monitoring report/QIS exercise (Quantitative impact study);
- Adoption of measures for the enhancement of the Internal Control System in the Group;
- Participation in the Group's resolution and recovery planning (RRP) activities;
- Implementation of the monitoring, control and reporting process for leveraged transactions;
- Implementation of the new default definition;
- Application for material changes to the CCF own estimates for Portugal;
- Response to a TRIMIX over the 'Low default portfolios' (PD, LDP models and evaluation of LGD Corporate models);
- Submission of several authorization requests within the scope of IRB models in Portugal and Poland, response to TRIMIX inspections, widening of the models' development and monitoring scope (Retail PD models) and launch of the project for the redevelopment of various models;
- Revision of the liquidity risk management and control framework, including the implementation of new short-term liquidity indicators and the revision of the liquidity stress tests methodology;

(*) Risk appetite statement/definitions.

(**) Internal Capital Adequacy Assessment Process; Internal Liquidity Adequacy Assessment Process.

(***) Non-performing assets; Non-performing exposures.

- Gap analysis assessment as a preparatory work for the implementation of the "Fundamental Review of Trading Book" (FTRB);
- Development of new methodologies for interest rate risk assessment;
- Participation on the projects related with data quality (BCBS239);
- Continuous revision of the set of Bank policies/procedures related with risk management and control;
- Implementation of a new transactions' monitoring system, reinforcing the prevention of money laundering and terrorism financing and enhancing the basis alert systems, with the possibility of in-house development of new alert systems;
- Reinforcement and specialisation of the Compliance Office teams, within the various dimensions of AML/CTF;
- Development of IT solutions concerning archiving, for a better cataloguing of documents requested to clients within the scope of AML/CTF;
- Design of a communication plan for the 1st line of defence, focusing on the most important aspects to be considered, either in what concerns financial crime or operational risks;
- Reinforcement of the instruments, controls and systems used by the 1st line of defence within the scope of AML/CTF;
- Redesign of the compliance processes regarding the development of new products and services.

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations. This type of risk is very relevant, representing the largest part of the Group's overall exposure to risk.

The control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments, through a model for the early detection of potential default of the portfolio, through processes regarding the management and follow-up of the collateral value and through structural units that are exclusively dedicated to credit recovery, for non-performing situations.

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between 31/12/2018 and 31/12/2019, in terms of EAD (Exposure at Default)*, in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented around 99.1% of the Group's EAD by 31/12/2019.

(million euros)

Geography	Dec 19	Dec 18	Change	
			Amount	%
Portugal	50,979	49,625	1,354	2.7%
Poland	23,439	19,093	4,346	22.8%
Mozambique	2,177	2,025	152	7.5%
TOTAL	**76,594**	**70,743**	**5,852**	**8.3%**

* Without impairment deduction to the exposures treated prudentially under the Standardised Approach (STD) and including all risk classes (i.e. besides credit to customers, debt positions from Sovereign entities and Institutions are included).

The growth of the Group's credit portfolio in 2019, measured in euros (EUR), was higher than that recorded in 2018 (+ 8.3% vs. + 5.9%) and was due, in good measure, to the acquisition of the Euro Bank, in Poland (see characterization and portfolio volume mentioned ahead). Thus, although the weight of the domestic portfolio in the total of the Group's portfolio continues to be predominant, it decreased by c. 70% to c. 67%, with the portfolio of the Polish geography now representing c. 31% of the Group's total portfolio and registering a growth of practically 23% in 2019. Credit growth in Mozambique also reached a considerable pace, registering a portfolio increase of 7.5% in the year under analysis.

In what concerns the c. 3% growth of the loan portfolio in Portugal, this occurred in the context of the continuity of the NPE Reduction Plan, which mainly focuses on the domestic portfolio and has conditioned the growth of the Corporate portfolio in Portugal. Even so, the Corporate loan portfolio in Portugal registered a small net growth (+ 0.3%), together with a relevant growth in the "Retail - other exposures" (+ 16.3%) and "Banks and Sovereigns "(+ 6.4%) segments. Regarding the "Retail mortgages" portfolio, it presented at the end of 2019a volume practically identical to that of the end of 2018.

The growth of the loan portfolio in Poland occurred for all segments, except for "Banks and Sovereigns", which registered a small contraction (-1.5%, measured in EUR). However, the acquisition of Euro Bank allowed to reinforce the Polish portfolio in the segments of "Retail - other exposures" (+ 61.1% growth, measured in EUR) and "Retail mortgages" (+ 26.4 % growth, measured in EUR). In the "Corporates" segment, growth was also significant (+ 16.3%, measured in EUR), although there was no portfolio reinforcement resulting from the acquisition of Euro Bank.

In Poland, the portfolios expressed in PLN and CHF - with weights of c. 80% and 15% of the global portfolio of this geography, measured in EUR (on 31/12/2019, in terms of EAD) - registered, respectively, changes of +25.8% (portfolio in PLN) and -0.6% (portfolio in CHF) compared to the end of 2018, when measured in the original currencies, the quite significant variation of the portfolio in PLN being mainly due to the aforementioned acquisition of Euro Bank. When measured in EUR, these annual changes were of +27.1% (PLN) and +3.0% (CHF), since the EUR depreciated against both currencies in question (-1.0% against PLN and -3.5% against CHF, between 31/12/2018 and 31/12/2019). In the case of CHF, the FX variation resulted in an increase in the value of the portfolio in CHF as measured in EUR, although there was a decrease in the original currency (CHF). On the other hand, it should also be noted that the organic growth of Poland's portfolio in PLN without the acquisition of Euro Bank, was quite relevant, in the vicinity of 8% (measured in EUR).

Mozambique's global portfolio grew in 2019, which was fully justified by the growth verified in the portfolio of the "Banks and Sovereigns" segment (+ 9.2%, measured in EUR). In this geography, the maintenance of very prudent credit granting policies conditioned the growth of credit to customers, whose portfolio contracted.

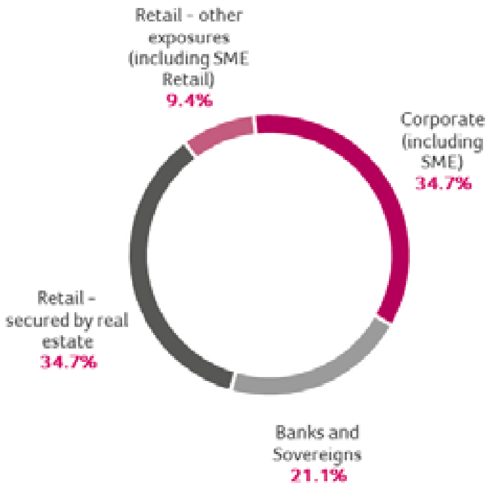
In this geography, credit portfolios expressed in MZN and USD - with weights of, respectively, 78% and 20%, measured in EUR on 31/12/2019, in terms of EAD – registered positive variations significant, both in the original currencies or expressed in EUR, between 31/12/2018 and 31/12/2019: in original currencies, changes in this period reached 6.5% (MZN) and 6.8% (USD), which corresponded to variations in EUR of, respectively, 7.2% and 8.8%, as the EUR depreciated against both currencies in 2019 (-0.6% against MZN and -1.8% against USD).

With regards to the portfolio breakdown by risk classes, this is illustrated by the graphs on the side, representing the portfolios' structures as at 31/12/2019.

As for the composition of portfolios between December 2018 and December 2019, there were no significant variations in the portfolios of Portugal and Mozambique.

On the contrary, in the Polish portfolio, the acquisition of Euro Bank brought some important changes in the structure of the portfolio by segment (some of which have already been mentioned), of which the following weight variations (measured in EUR) are highlighted: reduction of weight of "Banks and Sovereigns" - from c. 31% to c. 25% - and an increase in the weight of "Retail – other exposures" – from c. 20% to c. 26%. In this geography, the combined effect of the organic growth of the portfolio and the acquisition of Euro Bank resulted in the maintenance of the weights of the "Corporate" and "Retail – secured by real estate" segments (c. 18% and 31%, respectively, at the end of 2019, against c. 19% and 30% at the end of 2018).

PORTUGAL

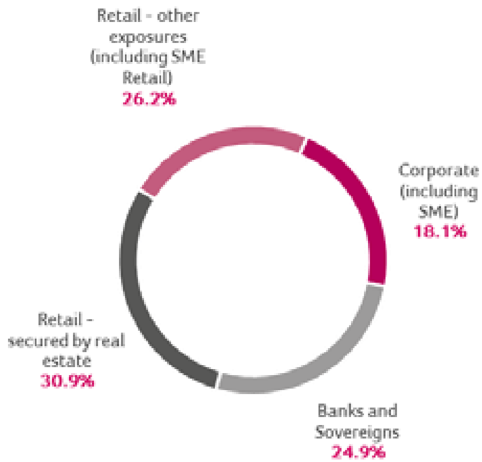


Euro Bank's portfolio

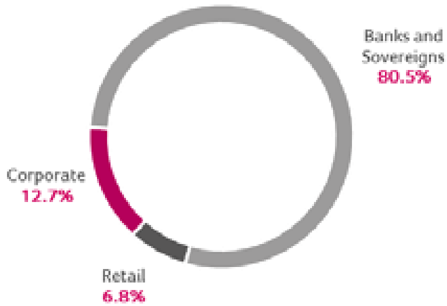
The credit portfolio that resulted from Euro Bank's acquisition by Bank Millennium (Poland) by the end of May 2019 may be simply described as follows (amounts as at 30/06/2019):

- Approximately 1500 million euros of consumer credit;
- Approximately 1500 million euros of mortgages;
- Approximately 330 million euros of exposure to Sovereigns.
- Thus, the portfolio comprised by the acquisition of Euro Bank is not very different from the current portfolio of Bank Millennium, except in what concerns corporate credits and Leasing, which are not present in the acquired portfolio.
- The main impact of the Euro Bank's acquisition, in terms of the portfolio composition and the prospects for its evolution, is the growth of Bank Millennium's loans to individuals' segment – namely, through the increase in the consumer lending portfolio - as well as the improvement of the bank's ability to attract new customers.
- The risk policy, the models and the processes that will frame consumer credit for the new portfolio are those defined and used by Bank Millennium, but with some new features such as: a franchised distribution network and a focus on new customer segments (e.g. farmers).
- Concerning the control of franchised activities, the credit decision process will be maintained with full centralization, as will anti-fraud and audit-strengthening mechanisms. These controls will effectively manage credit and operational risks.

POLAND



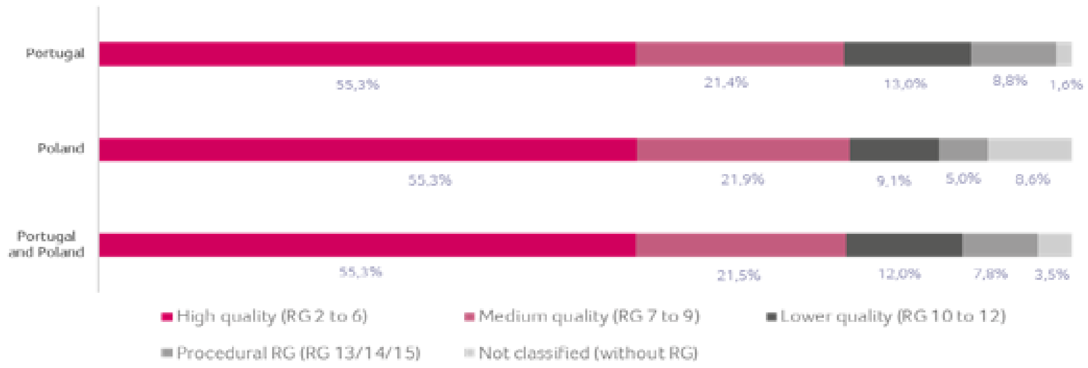
MOZAMBIQUE



Probability of Default (PD) and Loss Given Default (LGD)

The main parameters for credit risk assessment, used in the calculation of Risk Weighted Assets (RWA) within the scope of the Internal Ratings Based method (IRB) - the Probability of Default (PD) and the Loss Given Default (LGD) – assigned to the portfolio's credit operations, have been registering a continuous positive evolution, reflecting a clear trend of improvement in the portfolio's quality.

The following graph illustrates the distribution of the portfolio amounts (in terms of EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on 31/12/2019. These risk grades (RG) are defined on an internal scale, transversal to the Group (the Rating Master Scale), with 15 grades, corresponding to different levels of debtors' PD. Risk grades 13 to 15 are called "procedural" and correspond to problematic credit; RG 15 corresponds to the Default status.



Banks and Sovereigns and Specialised Lending not included, as well as exposures from eurobank's portfolio

As shown in the graph above, the weight of EAD corresponding to risk grades of medium and high quality, for the two geographies concerned, represented 76.8% of the total EAD on 31/12/2019, which compares with similar corresponding weights of 73.6%, 69.8% and 64.2% at the end of 2018, 2017 and 2016, respectively. This positive evolution results mainly from the evolution of debtors' risk grades in Portugal.

With regards to the weight of the exposure held by clients with procedural RG (without access to new credit), it reached a value of 7.8% on 31/12/2019 in the two geographies as a whole, a much lower weight than that registered at the end of the previous three years: 11.3% (2018), 14.8% (2017) and 18.5% (2016). In Portugal, the decrease in the weight of EAD by customers with procedural RG was even more pronounced in this period: 8.8% (2019), 12.8% (2018), 17.1% (2017) and 21, 8% (2016).

Regarding the LGD parameters, representative of the expected losses in the case of Default and which, to a good extent, reflect not only the efficiency of credit recovery for the different types of credit segments/products, but also the collateralization levels of the loan operations' portfolio, the following table shows their respective average values (weighted by EAD) at the end of 2019 and 2018:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
2019	16.0%	32.7%	32.3%	39.6%	39.9%	45.1%	**27.4%**
2018	16.5%	34.5%	33.9%	43.8%	40.7%	45.7%	**28.2%**

Thus, in 2019, the LGD parameters in Portugal improved slightly for all segments.

In Poland, for the two portfolio segments for which LGD's own estimates apply - the Qualified Retail Renewable Exposures (overdrafts and credit cards, basically) and mortgage loans - the weighted average values calculated for LGD at 31/12/2019 were 63.7% and 30.5%, respectively. These average values are the same order of magnitude as the LGD averages at the end of 2018, for this geography.

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between 31/12/2018 and 31/12/2019, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec 19	Sep 19	Jun 19	Mar 19	Dec 18
CONSOLIDATED					
NPE/Gross credit	7.7%	8.4%	9.1%	10.1%	10.9%
NPL > 90 days / Gross credit	2.7%	2.9%	3.4%	3.5%	3.8%
Past due credit / Gross credit	2.9%	3.2%	3.7%	3.7%	4.1%
Impairment / Gross credit	4.5%	4.6%	4.9%	5.5%	5.7%
PORTUGAL					
NPE/Gross credit	8.8%	9.9%	11.0%	11.9%	12.9%
NPL > 90 days / Gross credit	3.0%	3.2%	4.0%	4.1%	4.5%
Past due credit / Gross credit	3.0%	3.3%	4.1%	4.2%	4.7%
Impairment / Gross credit	5.1%	5.4%	5.8%	6.2%	6.4%
POLAND					
NPE/Gross credit	4.7%	4.5%	4.4%	4.6%	4.6%
NPL > 90 days / Gross credit	2.0%	2.0%	1.9%	1.8%	1.9%
Past due credit / Gross credit	2.5%	2.8%	2.7%	2.3%	2.4%
Impairment / Gross credit	2.8%	2.7%	2.7%	3.2%	3.4%
MOZAMBIQUE					
NPE/Gross credit	22.5%	22.7%	20.3%	18.6%	20.0%
NPL > 90 days / Gross credit	8.4%	8.0%	6.7%	6.7%	5.4%
Past due credit / Gross credit	8.4%	8.0%	6.8%	6.8%	5.5%
Impairment / Gross credit	11.9%	11.4%	9.8%	11.7%	11.3%

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments

The evolution of these indicators in 2019 was clearly favourable in Portugal and at a consolidated level, given the weight of domestic geography in the Group. As in 2018, the improvement in the quality of the credit portfolio measured by the 'NPE / Gross Credit' ratio was of great importance in Portugal, with this indicator reducing by around 4 percentage points, after a significant reduction of around 5 percentage points in 2018 (at the end of 2017, this ratio reached 17.8% in Portugal).

This marked trend of positive evolution resulted mainly from the focus on NPE reduction and on the growth of the credit portfolio based on prudent granting criteria, with a view to preserving the quality of the portfolio in the long term. On the other hand, it should also be noted the lesser extent of reduction in the 'Impairment-of-Gross Credit' ratio (which evolved from 6.4% to 5.1% between the end of 2018 and 2019 in Portugal): although this was also influenced by the NPE reduction (and the use of the respective provisioning), this evolution also reflects a diligent provisioning policy.

In Poland, credit risk indicators remained stable throughout 2019, compared to the end of 2018. Bearing in mind that the portfolio of this geography grew organically (in addition to the acquisition of Euro Bank), the stability of the respective indicators indicates that the credit underwriting policy in the Polish operation is guided by criteria of quality and prudence. The only indicator that varied with any relevance in this geography - the ‘Impairment / Gross Credit’ ratio - was influenced by the already mentioned acquisition, since the Euro Bank’s portfolio acquired was registered at fair value; this effect is quite visible in the evolution of this ratio between March and June 2019 (the acquisition of Euro Bank took place in May 2019).

In Mozambique, the evolution of the indicators was globally unfavourable, given the economic and financial adjustment that was still felt in 2019 in this geography, in conjunction with the contraction of the customer loan portfolio. However, it should be noted, once again, that the impairment ratio remained relatively stable, showing a provisioning policy appropriate to the evolution of the portfolio's credit quality.

NPA/NPE Reduction Plan

The implementation of the Group's NPA Reduction Plan continued to be a priority along 2019, under its two components - of NPE and of assets received in lieu of payment, the foreclosed assets (FA) - focusing mainly on NPE portfolios and on real estate FA held for sale, in Portugal.

The NPA Reduction Plan is framed by a specific Governance model and by a robust management framework, organized by specialised areas of credit recovery and based on systematically defined recovery strategies – either stemming from automated analysis and decision models (for Retail) or based in the relationship of recovery managers with their Corporate clients, allowing for tailor-made solutions. The FA management is based on a specialised structure, privileging circuits and procedures oriented towards the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan also benefits from a technological environment that is supported on specific IT infrastructures for the activities connected with credits recovery, NPE reduction and FA management, with its monitoring being reinforced through the Operational Plan for NPA Reduction, that defines initiatives aiming at accelerating and conferring effectiveness to the recovery or sales' processes (both of loans and real estate properties), distributed throughout the several phases of the credit recovery and NPA reduction processes: prevention; collection; executions; insolvencies and, finally, FA reception, treatment and respective sales.

The fulfilment of the reduction targets for each area involved in NPA reduction is measured on a monthly basis, both in terms of management information for the respective dedicated structures, and of the specific focused activities and initiatives defined in the above-mentioned Operational Plan, with reporting to the top management.

The NPA Reduction Plan has consistently registered very positive and above initially planned and the last annual revision of this Plan occurred in March 2019. The reduction targets for 2020 will be maintained, under the terms of the Strategic NPA Reduction Plan.

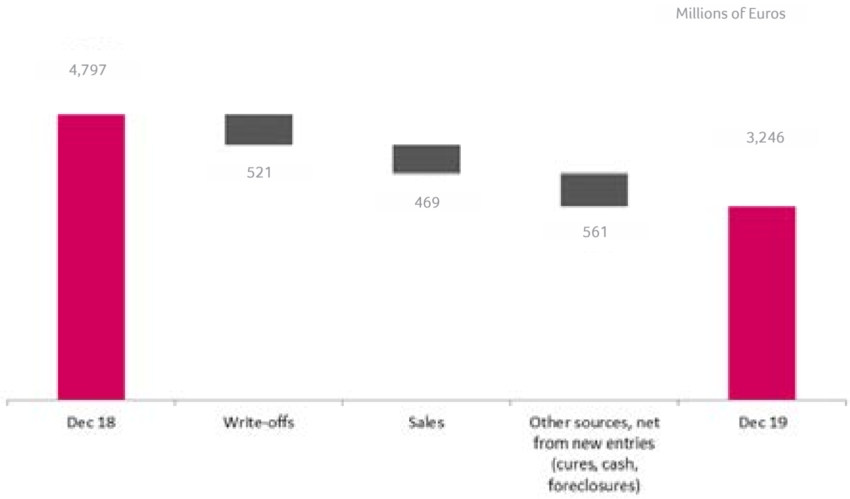
The following table presents the evolution of NPE volumes between 31/12/2018 and 31/12/2019, for the Group and for Portugal:

(Million EUR)

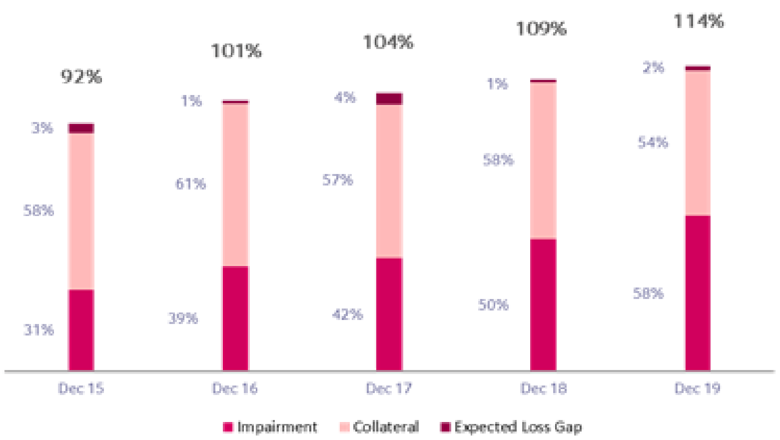
		Dec 19	Sep 19	Jun 19	Mar 19	Dec 18
CONSOLIDATED		**4,206**	4,602	4,970	5,179	5,547
	Change YoY	-1,341				
PORTUGAL		**3,246**	3,691	4,088	4,438	4,797
	Change YoY	-1,551				

The reduction in NPE in 2019, illustrated by the values in the table above, reached more than 1,500 million euros in Portugal, which represents a decrease of about 32% over the amount of NPE in the domestic geography at the end of 2018. At a consolidated level, the NPE growth in Poland (given the strong organic growth of the credit portfolio in that geography, as well as the acquisition of Euro Bank) resulted in a slightly lower NPE reduction, but still higher than 1,300 million euros (-24% over the consolidated NPE portfolio on 31/12/2018). Indeed, the acquisition of Euro Bank resulted in an extraordinary increase of around 128 million euros in NPE in 2019.

The breakdown of the NPE reduction in Portugal in 2019, by the different sources of reduction at stake, is shown in the following graph, in which the item "Other sources, net of new entries" includes the situations of "cure" (i.e., exposures that, in the period concerned, ceased being classified as NPE, due to the extinction of the motives for NPE classification):



The continued growth in coverage of the NPE portfolio - by impairment, collateral and Expected Loss Gap – should also be noted, both for Portugal and at the consolidated level, although this growth was more accentuated in Portugal, as illustrated by the following graph. Thus, after exceeding the 100% threshold for the first time, NPE coverage continued to increase, reaching around 114% at the end of 2019, with almost 60% of the coverage ensured by impairment and more than 50% by collateral.



In what concerns the on-balance assets received as the result of credit repayment (foreclosed assets), the next table shows the evolution of its stock – with a breakdown regarding the different asset types - between December 2016 and December 2019, before impairment:

(MillionEUR)

	Dec 19	Dec 18	Dec 17	Dec 16
Real estate properties	1,020	1,474	1,778	1,782
Real estate Funds and companies	306	330	466	538
Other assets (non-Real estate)	87	156	95	75
SUB-TOTAL - Portugal	**1,413**	**1,960**	**2,339**	**2,395**
Other geographies Foreclosed Assets	52	58	37	18
GROUP TOTAL	**1,465**	**2,019**	**2,376**	**2,413**

The figures in this table show a very relevant and clearly increasing reduction in the last 2 years.

This evolution stems, on the one hand, from the various initiatives implemented to improve internal efficiency in the treatment of FA and, on the other hand, from the greater focus on the sale of this type of non-productive assets, with emphasis on the realization of first sale of real estate by lot in 2019. The reduction in the FA influx - as a result of improvements in credit recovery processes - the sharp reduction the loan portfolio in default, the sale of collateralized loan portfolios of the Corporate segment and the favourable economic environment also contributed for the strong reduction registered on the FA portfolio.

In Portugal, the reduction in FA reached around 550 million euros - an amount c. 45% higher than the one registered in 2018 – with a highlight on the reduction in real estate assets, of around 480 million euros (representing c. 87% of the total FA reduction).

The positive performance in the reduction of real estate FA is framed in the scope of a favourable evolution of the real estate market, which has effectively reduced the risk of real estate FA still on-balance in Portugal (real estate and investment funds/real estate companies). The interesting profit levels from the sale of these assets should also be highlighted (76 million euros in 2019 and 88 million euros in 2018), which demonstrates the Bank's prudence in their valuation.

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures, as at 31/12/2019, in terms of EAD and using the concept of "Groups of clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

Client Groups	Exposure weight in total (EAD)
Client group 1	1.1%
Client group 2	0.6%
Client group 3	0.6%
Client group 4	0.5%
Client group 5	0.5%
Client group 6	0.4%
Client group 7	0.4%
Client group 8	0.4%
Client group 9	0.3%
Client group 10	0.3%
Client group 11	0.3%
Client group 12	0.3%
Client group 13	0.3%
Client group 14	0.2%
Client group 15	0.2%
Client group 16	0.2%
Client group 17	0.2%
Client group 18	0.2%
Client group 19	0.2%
Client group 20	0.2%
Total	**7.4%**

Globally, this set of 20 largest 'non-NPE' exposures accounted for 7.4% of total EAD as of 31/12/2019, which compares with a global weight of 7,9% by the end of 2018. Hence, in terms of EAD, there was a reduction of credit concentration on the 20 largest performing exposures.

It should be noted that, in addition to the compliance with the regulatory limits relative to Large Exposures, the Group has specific goals defined for the control of credit concentration, materialised into RAS metrics. Besides, metrics for specific concentration types are monitored regularly: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

Except for sectoral concentration, the concentration limits definition depends on the internal/external risk grade attributed to the clients at stake and consider their respective Net Exposure (= LGD x EAD, with LGD =45% whenever an own estimate does not exist or is not applicable). The concentration assessment regarding Sovereigns and countries excludes the geographies in which the Group operates (Portugal, Poland, Mozambique, Switzerland and Cayman Islands) and their respective Sovereigns.

In the case of the single-name concentration, the limits are only defined for performing clients, since the NPE are covered by the NPA Reduction Plan. For clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

Operational risk materializes in the occurrence of losses resulting from failures or inadequacies of internal processes, systems or people, or resulting from external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations, tolerance limits for exposures to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management system adopts the 3 lines of defence model and is based on a structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes' structure also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity.

Hence, all the Group's subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence which is composed of process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic review of the processes' structure in each geography is ensured by their own structure units.

The Risk management System represents the 2nd Line of Defence, which implements the defined risk policy for the Group, having the responsibility of proposing and developing methodologies for managing this risk, supervising its implementation and challenging the 1st Line of Defence regarding the levels of risks incurred.

In 2019, the usual tasks of operational risk management continued to be carried out by the various intervenient in the management of this risk, aiming at an effective and systematic identification, assessment, mitigation and control of exposures, as well as at the corresponding reporting duties, either to the Group's management bodies or within the regulatory sphere.

The Bank's mobilization to reinvent the banking experience, based on new technologies, presents significant challenges in the management of operational risk, the highlights of which are the strengthening of the security of the digital banking channels, the strengthening of mechanisms for potential frauds' prevention and detection, the responsible management of personal data and the fulfilment of the legally prescribed information duties on sales through digital banking channels. Among the actions carried out in 2019 with the aim of strengthening the mechanisms for controlling and measuring operational risks, the following should be highlighted:

- Higher proximity between the Compliance and Operational Risks team and the teams that design products/ services to be implemented;
- Strengthening of the conflicts of interest monitoring and the follow-up of the outsourcing contracts considered to be critical;
- Execution of the IT Risk Self-Assessment exercise;
- Inclusion of new RAS metrics related to operational risk, in order to monitor digital channels;

- Reinforcement of the quality validation rules for regulatory reports related to Operational Risk;
- Review of the operational RSA methodology.

Risks self-assessment (RSA)

The aim of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the ‘worst-case event’ that might occur in each process, for three different scenarios. This allows to:

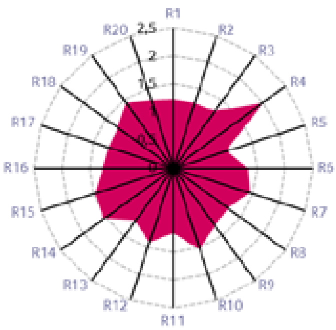
- Assess the risks’ exposure of the different processes, not considering the influence of existing controls (Inherent Risk);
- Determine the influence of the existing control environment in reducing the level of exposure (Residual Risk);
- Identify the impact of the improvement opportunities in the risk reduction of the most significant exposures (Target Risk).

The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

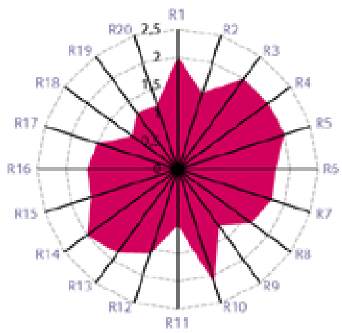
In 2019, RSA exercises were carried out in the main geographies in which the Group operates. This exercise uses information originating from the capture of events and monitoring of Risk Indicators to back test the results. The exercise was further strengthened, in Portugal, through the incorporation of information from the Internal Control System, from the supervisory inspection actions and from the updating of internal regulations, through a reinforced connection with the Compliance Office.

The results of these exercises are exhibited in the following graphs, which show the average score for each of the 20 operational risk sub-typologies considered, for the set of processes in each geography, in which the outer line represents a score of 2.5 on a scale from 1 (lowest exposure) to 5 (highest exposure).

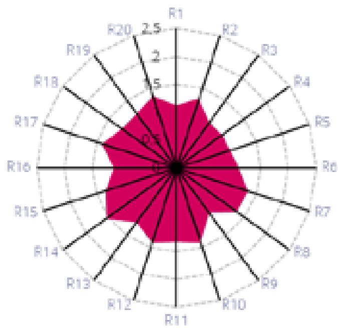
PORTUGAL



POLAND



MOZAMBIQUE



R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software
R8 Communications infrastructure
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Products or services flaws/errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Project risks
R19 Outsourcing related problems
R20 Other third parties’ related problems

Operational losses capture

The operational losses data capture (i.e. the identification, registration and characterisation) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information to process owners, for incorporation within their process management. As such, it is an important instrument to quantify risk exposures and also for the back-testing of the RSA results, enabling the assessment of the evaluation/classification attributed to each risk subtype.

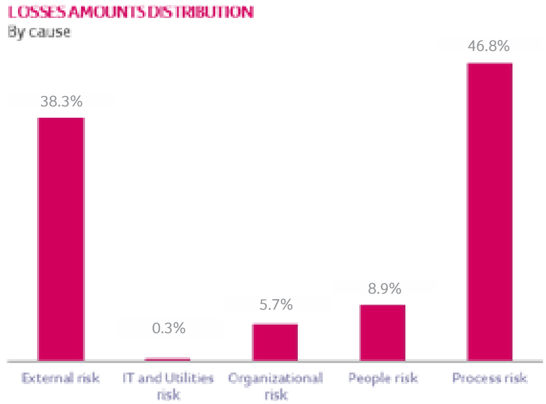
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

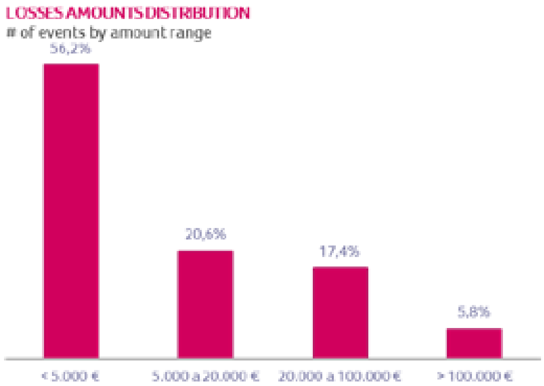
The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding a threshold defined by the EC, "lessons learned" reports are presented to that body and discussed.

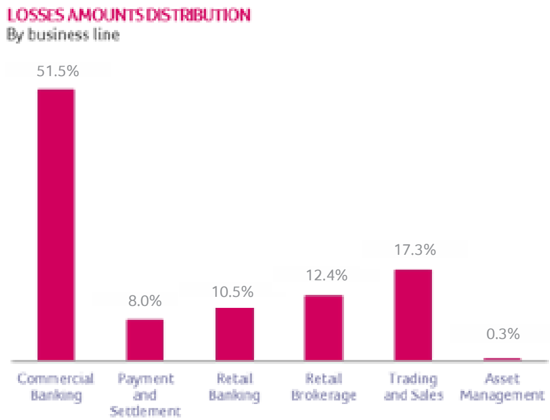
The graphs on the side present the profile of the losses captured in the respective database in 2019.

The root causes for most of the losses were procedural risks, related to failures to formalize a product discontinued more than 10 years ago and to the credit granting process. The losses related to external risks include the losses that resulted from the natural disaster that fell upon the Beira province, in Mozambique (Idai hurricane) and frauds with cards and transfers. It should be noted that the pattern of operational losses verified is not far from what is usual and expected, with a higher frequency of losses of low amounts, without concentration on significant amounts.

It should also be highlighted that the average ratio of gross losses to the relevant gross income indicator for regulatory capital requirements has been below 1% over the past five years, which compares very favourably with the international benchmark and attests to the robustness of the Group's operational risk management and control environment.







Key risk indicators (KRI)

KRI provide alerts concerning changes in the profile of the operational risks or in the effectiveness of controls, thus enabling to identify the need to introduce corrective actions within the processes, in order to prevent potential risks from materialising into losses. These indicators currently encompass all processes in the main Group operations (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators (KPI) and Key Control Indicators (KCI), the monitoring of which, even if oriented towards the assessment of operative efficiency, also contributes for the detection of risks.

Scenario analysis

Scenario Analysis, carried out in Portugal, is an exercise oriented towards the assessment of potential risks of high severity, aimed at quantifying the impact of extreme events (low frequency/high severity) which would be relevant for the Bank, even if never registered in the past.

All Macro-Process Owners and other top managers from selected Divisions participate in this exercise, due to their knowledge and experience concerning the activities, which are essential for the description of this type of events' impacts and for the quantification of potential losses that could result from those events.

The results from the scenarios assessment are incorporated into the model developed to determine the capital adequacy (ICAAP) and the information gathered also used for risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

Business continuity management

The management of business continuity covers two complementary components: the Business Continuity Plan relative to people, facilities and equipment, and the Technological Recovery Plan relative to information systems, applications and communications infrastructure.

These plans are defined and implemented for a series of critical business processes and are promoted and coordinated by a dedicated structural unit, whose methodology is based on a principle of continuous improvement, guided by international good practices and the recommendations of the supervisory entities.

Within the scope of updating and testing both plans in 2019, the following activities and accomplishments, at the main geographies of the Group, should be highlighted:

In Portugal:

- A general review of the "Business Impact Analysis" exercise of the Bank's key processes, in the current context, was carried out with the support of an external consultant. This process culminated in the updating of the list of existing critical processes, with the inclusion of new processes, namely the information technology (IT) support processes;
- Continuation of the exercising of the different recovery teams, through 7 business recovery exercises and 2 technological recovery exercises.
- In Poland:
- Extension of alternative premises/facilities for business recovery, in Gdansk;
- Recovery exercises carried out in Warsaw and Gdansk (testing of recovery centres in case of serious contingencies), involving more than 50 organizational units and the largest number of participants to date;
- Positive evaluation (89.5%) regarding alternative premises/facilities, allowing the recovery of practically all business activities:
- Execution of a 'table top exercise'(*) involving 10 organizational units and the use of a modern mobile command center.
- In Mozambique:
- Restructuring of the Business Continuity Spaces in what concerns their layout and communications, in order to improve the degree of readiness of the Business Continuity Plan;
- The occurrence of Cyclone Idai promoted a factual vision of the business continuity management policy, as well as the issuing of recommendations to ensure greater resilience in similar future situations;
- Continuation of the exercising of the different recovery teams, through 7 business recovery exercises and 6 technological recovery exercises.

(*) Analysis and discussion of the results of a disaster simulation exercise.

Insurance contracting

The contracting of insurance for risks related to assets, persons or third-party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Compliance and Operational Risks Commission and authorised by the E

Legal, Compliance, Conduct and Financial Crime risks

In carrying out its banking activity, Banco Comercial Português is governed by operating principles and rules that ensure a good conduct, following the best international practices and adopting the appropriate measures in terms of preventing compliance and conduct risks. Pursuing the objective of permanently adapt its internal practices to the best market practices, to the evolution of banking activity, and to society as a whole, the Bank regularly reviews its internal regulations and procedures to safeguard that the conduct of its employees is always guided by highest ethical principles, of satisfaction and protection of the interests of the client and the Bank, in the pursuit of sustainable profitability. The Compliance Office strengthened the monitoring of the Bank's activity and internal conduct, by implementing a system for monitoring potential situations of conflicts of interest, covering various aspects of this issue such as operations with related parties, credit operations, development of extra-professional activities and the receipt of gifts by employees.

To comply with the relevant legal and regulatory norms related with Anti Money Laundering and Counter Terrorism Financing (AML/CTF), as well as to safeguard the compliance with best international practices on this matter, the Bank has a set of policies, procedures and systems that ensure an effective control of the financial crime risk prevention, also ensuring an operational model that allows the Bank to identify, assess and mitigate the potential risks inherent to the activity of its clients, non-clients and business relationships established with one or the other.

The impact and relevance of this risk in the banking activity developed, compels the Bank to address this risk in multiple dimensions and on a continuous basis, whether in the establishment of new business relationships or in the continuous evaluation of an already established business relationship. Through a risk-based approach (RBA) for the assessment and monitoring of its business relationships or occasional transactions execution, the Bank complies with all the required duties enshrined in Law no. 83/2017, of 18 of August, like for example, due diligence, abstention, refusal or reporting.

For an effective and efficient AML/CTF activity, the Bank defines a set of policies and procedures that are supported by a wide range of information systems, of which it is worth highlighting:

- Business Relations monitoring and alerts system;
- Financial transactions monitoring system;
- Entity filtering system;
- New Business relationships validation system;
- External information platforms.

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2019, to enable the Bank to respond adequately to the demands of the future banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- Reinforcement of resources and expertise of the operational AML/CTF model
- Acquisition and deployment of a new transaction monitoring and alerts
- Enhancement of the 1st Line of Defence tools for the initial assessment of AML/CTF risk
- Deployment of new AML/CTF controls in specific business processes
- Update of record-keeping procedures
- Launching of a new "Compliance Culture" communication program, with regular actions towards the 1st Line of defence
- Training contents renewal

- Revision of the new products and services approval process
- Creation of organic and functional units to monitor the AML/CTF system of subsidiaries of the Bank

Market risks

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short-term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored daily (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets' areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading Book market risks(*)

The Group uses an integrated market risk measurement that allows for the monitoring of all risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

(*) Positions assigned to the Trading Management Area (not specifically included in the accounting trading book).

The table below presents the amounts at risk for the Trading Book, between 01/01/2018 and 31/12/2019, as measured by the methodologies referred to above, that registered moderate levels along the period under analysis:

(Thousand EUR)

	Dec 19	Max of global risk in the period	Min of global risk in the period	Dec 18
GENERIC RISK (VaR)	2,095	5,491	884	3,039
Interest rate risk	1,876	5,596	714	3,125
FX risk	1,170	306	415	363
Equity risk	81	32	7	34
Diversification effects	*(1,033)*	*(444)*	*(252)*	*(483)*
SPECIFIC RISK	3	15	10	47
NON-LINEAR RISK	0	0	0	0
COMMODITIES RISK	5	2	3	5
GLOBAL RISK	**2,103**	**5,508**	**897**	**3,091**

VaR model monitoring and validation

In order to check the appropriateness of the internal VaR model for the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

The VaR model's hypothetical back-testing exercise for the Trading Book of Portugal, in 2019, resulted in 5 negative excesses over the model's predictive results (and 6 positive), representing a frequency of 2% in 255 days of observation. Hence, in terms of the frequency of excesses verified, this back-testing results validate of the model as appropriate for measuring the risk at stake.

Trading Book Stress Tests

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios, analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model.

The results of these tests on the Group's Trading Book, as at 31/12/2019, in terms of impacts over this portfolio's results, were the following:

(Thousand EUR)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+100 bps	-10.284,6
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	+25 bps	-1.713,4
4 combinations of the previous 2 scenarios	+100 bps and +25 bps	-11.820,0
	+100 bps and -25 bps	-8.713,1
Variation in the main stock market indices by +/- 30%	-30%	-398,7
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-5.508,2
Variation in swap spreads by +/- 20 bps	-20 bps	-1.201,9
NON-STANDARD SCENARIOS		0,0
Widening/narrowing of the bid-ask spread	Widening	-4.283,8
Significant vertices [1]	VaR w/o diversification	-10.122,0
	VaR w/ diversification	-10.088,0
Historical scenarios [2]	7/Oct/2008	-5.818,0
	18/Jul/2011	-11.751,8

[1] Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.
[2] Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the 2008 financial crisis and the Eurozone Sovereign Debt crisis in 2011.

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general increase in interest rates, especially when accompanied by an increase in the slope of the yield curve (the case of a higher increase in longer terms than in shorter terms). In what concerns the non-standard scenarios, the main loss case refers to the variations occurred at 18/07/2011when applied over the current portfolio.

Interest rate risk of the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. On their turn, the changes in interest rates may alter the behaviour profile of clients, inducing pre-payments/withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Besides this, but with less impact, there is also the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the clients' behaviour are also considered, in particular, for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments).

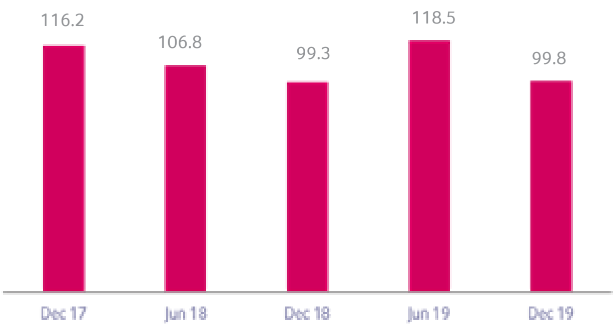
The result of this analysis for a +100 basis point change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), on the Banking Book portfolio as at 31/12/2019 consists in a positive impact on the balance sheet's economic value of around 9 million euros. On the other hand, the impact of a generalized drop in Euro rates of -100 basis points and considering a floor of 0% for the cash flows discount rate, would be of around +67 million euros. Hence, on that date, the Group was positively exposed to interest rates' variations (increase or decrease).

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months projected in accordance with the 'cash and carry trade' and 'non-arbitrage principle' methods. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of maturity and price is generated.

To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution. The next graph shows the estimated impact over the net interest income, over the last 2 years, at the end of each semester, considering the scenario in which interest rates globally increase +100 bps combined with the most "aggressive" scenario for the coefficients that transmit the market variations over the deposits' rates and other liabilities that generate interest ('betas'), which illustrates the evolution of the NII sensitivity to changes in the markets' rates.

Hence, for a change of +100 bps in interest rates, as at 31/12/2019, the financial margin would have an increase of around 100 million euros.

Impacts over the NII with increasing rates scenario
(+100 bps)



FX and equity risks of the Banking Book

The exchange rate risk of the banking book is transferred internally to the Trading area, in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures subject to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

As at 31/12/2019, the Group's holdings in convertible foreign currency were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, through a 'Fair Value Hedge' methodology, I this case.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 1.2 million euros in terms of VaR, as at 31/12/2019.

Regarding equity risk, the Group maintains a set of small size and low risk equity positions, essentially in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks' control.

Liquidity risk

Liquidity risk is the potential incapacity of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or due to the sale of assets for amounts below market value (market liquidity risk).

The Group's Wholesale Funding (WSF) structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

In 2019, a reduction of 2,346 million euros in net wholesale financing needs was observed, in consolidated terms, between 31/12/2018 and 31/12/2019, corresponding to a reduction of needs of 2,740 million euros in Portugal and an increase of 393 million euros in Poland - in the latter case attributable mainly to the acquisition of Euro Bank. In Portugal, the variation was due to the impact, by decreasing order of materiality, of the following factors: reductions in the commercial gap and investments in sovereign debt, release of resources through activity, sale of assets and reduction in the portfolio of corporate bonds.

As for the financing structure, the reduction in the liquidity needs of the operation in Portugal was reflected in very significant decreases in net financing from the ECB (of 2,369 million, resulting in a net balance of 283 million euros at the end of 2019 - the lowest ever balance since the Group uses this funding source) and in borrowing from money market instruments (of 1,250 million euros, divided between the interbank market and REPOS, resulting in a zero balance for the latter instruments), with the reinforcement of 850 million euros of medium/long term financing eligible for MREL (Minimum Requirement for Own funds and Eligible Liabilities), as provided for in the Group's Liquidity Plan for 2019.

Thus, BCP placed an Additional Tier 1 issue, in the amount of 400 million euros, in January 2019, returning to the market in September, with a new issue of 450 million euros of sub-subordinated debt securities eligible as Tier 2 own funds, this operation having been placed in a very diverse set of European institutional investors. Bank Millennium, in its turn, issued subordinated bonds in the amount of 830 million zlotys, with a view to strengthen its financial structure for the acquisition of Euro Bank, also assuming long-term liabilities originating from that entity in the amount of 878 million zlotys. The total amount of debt placed by the Group on the market amounted, at the end of 2019, to 2,591 million euros. The medium/long-term funding component was further strengthened by an increase of 131 million euros in the balance of Loan Agreements (to 1,887 million euros on 31/12/2019), shared between Bank Millennium (90 million euros) and BCP (41 million euros).

The gross value of collateralized borrowings from the ECB remained stable at 4,000 million euros, corresponding to the balance of Targeted Longer-Term Refinancing Operations (TLTRO), which will reach maturity in 2020.

The following table illustrates the WSF structure as of December 31, 2018 and 2019, in terms of the relative weight of each of the instruments used:

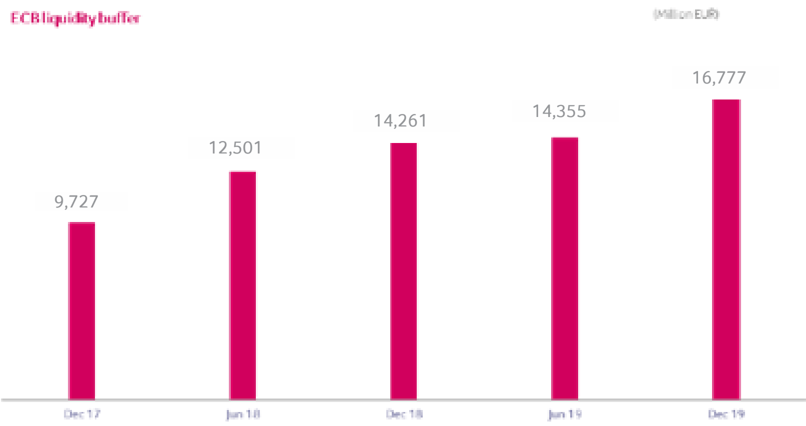
	Dec 19	Dec 18	Change in weight
Money Market(*)	**-0.7%**	10.3%	-11.1%
ECB(*)	**5.9%**	37.1%	-31.2%
Private Placements	**1.5%**	1.0%	0.5%
REPOS	**0.0%**	6.0%	-6.0%
Loan Agreements	**39.3%**	24.6%	14.8%
EMTN	**1.2%**	0.0%	1.2%
Covered Bonds	**20.8%**	14.0%	6.8%
Subordinated Debt	**31.9%**	7.0%	25.0%
Total	**100.0%**	**100.0%**	

Reductions in the weights of net borrowing from the ECB (from 37.1%, to only 5.9%) and in the interbank money market (from 10.3%, to -0.7%) were observed in the financing structure, in contrast with the increases in the medium/long term components: Loan Agreements (from 24.6% to 39.3%) and Subordinated Debt (from 7.0% to 31.9%).

Throughout 2019, the evolution of liquidity buffers discounted at central banks showed a favourable evolution in the three main operations of the Group, assuming, in any case, a very comfortable dimension in relation to the total of customer deposits – a measure used by the Group to assess the resilience of the liquidity buffer to a financial stress scenario.

(*) WSF components considered in net terms (= borrowing – lending/deposits) on this table; in previously reported versions, only the Money Market component was so considered; the ECB component is strongly reduced when considered in net terms.

In Portugal, the growth in liquidity applications at Banco de Portugal and in the portfolio of eligible assets with the ECB allowed the buffer to be increased by 2,516 million euros (between 31/12/2018 and 31/12/2019), reaching 16,777 million euros at the end of the year.



At the end of 2019, Bank Millennium's liquidity buffer had a balance identical to that observed one year earlier (5,088 million euros), recovering from a reduction of the balance with the Polish central bank by 1,169 million euros at the end of May, for settling the acquisition of Euro Bank.

Banco Internacional de Moçambique maintained a strong liquidity position throughout 2019, with the buffer with the respective central bank registering a reinforcement of 79 million euros at the end of the year, when compared to the end of 2018, to a total of 800 million euros.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to cope with potential situations of financial stress. The measures for its reinforcement are described in the Recovery Plan and, as of December 31, 2019, registered for Portugal an estimated total value of 3,610 million euros, with the following origins: sale of corporate bonds, sale of commercial paper, securitization of a consumer credit portfolio and own issue of mortgage bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms and considering the execution of the issuance plan foreseen in the 2020 Liquidity Plan, the future refinancing needs of medium and long-term instruments will remain with low levels of materiality in the next five years, exceeding 1,000 million euros only in 2022, with the repayment of an issue of mortgage bonds of the same amount, whose collateral will be integrated into the ECB's discounted liquidity buffer after repayment. Therefore, this will result in a minor reduction in liquidity.

The conclusions of the Bank's ILAAP process repeatedly demonstrate the adequacy of the Group's liquidity to meet its liquidity commitments.

Liquidity risk control

The Group’s liquidity position is assessed on a regular basis, with the identification of all factors underlying the variations that have occurred.

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulators, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (which was of 83.5% as at 31/12/2019), the regulatory ratios LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) - respectively, of 216% and 135% at the same date - and also the size of the collateral surplus available for discount at the European Union central banks compared to the total of customer deposits - an indicator already mentioned that remained clearly within the levels of liquidity considered appropriate within the scope of the Group's risk appetite.

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund.

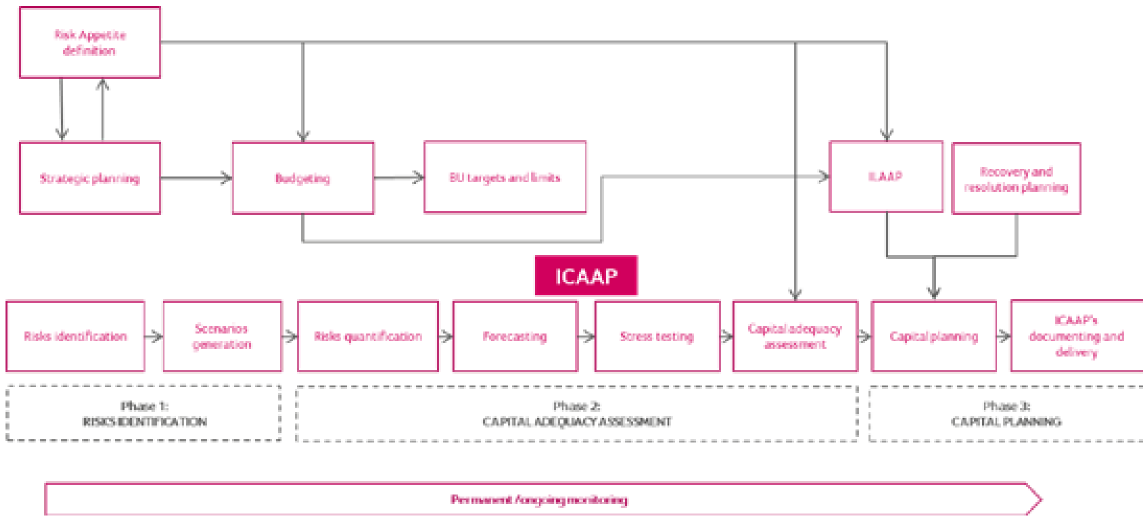
The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

In 2019, the BCP Group Pension Fund recorded a net return rate of 8.1%, lower than the return of the respective benchmark by only 0.1%. All asset classes contributed positively to the Fund's performance, the Equities' component being the one with the highest contribution for the overall return of the portfolio, namely through the Domestic Equities component. Despite the positive return of the fixed rate component, the Fund's positioning in this asset class, with a duration shorter than that of the benchmark, did not allow the capture of the total valuation of this market, which is the reason for the marginal difference verified against the market's return.

The fall in market interest rates in 2019 determined the need to update the discount rate for the assessment of the Fund's liabilities. Thus, the discount rate in effect on 12/31/2018, of 2.1%, was reduced to 1.6% on 30/06/2019 and, again, to 1.4% on 31/12/2019. Even so, on this date, the coverage of the Pension Fund's liabilities showed a slight excess of around 10.5 million euros.

Internal Capital Adequacy Assessment Process (ICAAP)

The adequacy of capital to cover the level of risks to which the Group's activity is subject is permanently monitored under the Internal Capital Adequacy Assessment Process (ICAAP). The following figure summarizes the process in question:



The ICAAP is a key process within the scope of the BCP Group's risk management function and developed under an internal governance model that ensures the involvement of the BoD (the body responsible for approving the results) and its Risks Assessment Committee, of the EC, of the Risk Commission and of the top management, along the various stages of the process.

The ICAAP's results enable the management bodies to test whether the Bank is appropriately capitalized to face the risks arising from its activity at present, as well as those inherent to the balance sheet projections and results of the strategic plan and budget, in order to ensure the Group's sustainability in the medium term, respecting the risk limits defined in the Risk Appetite Statement (RAS) approved by the BoD.

For this purpose, the ICAAP is rolled-out from a prospective vision of the impact estimates concerning the occurrence of risks over the Bank's capital (capital requirements), considering their scale or dimension, complexity, frequency, probability and materiality, against a background consisting of the medium term (3 years) projection for the developments of the Group's activities. The impacts are estimated for different scenarios, including stress scenarios, with a severely negative evolution of macro-economic indicators. Through this process it is possible to test the Group's resilience and to verify the adequacy of the capital levels to cover the risks to which its activity may become subject. To this effect, the different risks are modelled or incorporated into the Group's stress tests methodology framework.

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject, which involves the Bank's management and the management from the main subsidiaries abroad. For this purpose, the Group uses a methodological approach based on an internal taxonomy covering more than 60 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures.

The result of this stage is the list of risks to be incorporated in the ICAAP, as well as of the variables to be considered for the establishment of the base and the stressed scenarios. The approval of the results of the risks identification process is a capacity attributed to the Committee for Risk Assessment (CRA).

In a second stage, the base and stressed scenarios that make the ICAAP's framework were defined. While the base scenario represents the Group's vision of the most probable evolution of the business constraints in the medium term (baseline scenario), the stressed scenarios incorporate extreme conditions, with low probability of occurrence but with severe impact over the Group's activity (adverse scenarios). The approval of the scenarios to be considered in the ICAAP is also a responsibility of the CRA.

In the third stage of the ICAAP, the impact of the risks identified is modelled for the reference date and the capital requirements are calculated for that date. All of the material risks identified by the Bank are quantified in terms of their impact over the Risk Weighted Assets (RWA) level or over the P&L, in accordance with a set of methodologies and internal models, formally approved, documented, validated and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of 1 year (which is lower for the trading portfolio, due to its business nature). The non-quantifiable or non-material risks are considered through an additional buffer to the capital. The approval of the estimation methodologies for the risks impacts in the Group's activity is a competence of the Risk Commission.

Once the impacts of the various risks over the Group's P&L and balance sheet and, in particular, over own funds - are estimated, the Group is able to assess the adequacy of its Risk-Taking Capacity (RTC) against the expected profile for its exposure.

The Group adopts a RTC that is aligned with the definitions of the regulatory capital ratios, pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 (the CRR – Capital Requirements Regulation), including some adjustments in order to encompass other elements or capital instruments that the Group considers appropriate to cover the existing risks, prudently projected along the timeframe under analysis.

The ICAAP's results are assessed by the EC and by the CRA and approved by the BoD, being one of the main sources for the review of the Group's RAS.

Quarterly, the Bank reviews the ICAAP's assumptions assessing, namely: the materiality of the risks that are considered as "non-material"; the validity of the projections considered under the macroeconomic scenarios; the analysis of deviations against the business plans; the quantification of the main material risks; and the RTC calculation. The results are reported to the Bank's management body, through the EC and the CRA.

The results of the ICAAP, as of 31/12/2019, show that current capitalization levels are adequate for the 3-year time horizon, both in the baseline scenario and in the stressed/adverse scenario, which is confirmed by the quarterly monitoring performed by the Bank.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM is a unit structure from the 2nd line of defence, within the scope of model risk management, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured. Its mission consists in the follow-up and validation of risk assessment and valuation models used at BCP and other Group entities in Portugal, as well as to independently ensure the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data.

GAVM's scope of action encompasses, *inter alia*, the validation of the internal models for credit risk, market risk and for the risks included in ICAAP, as well as the regular monitoring of their performance and evolution. The results of the follow-up and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission.

Besides the activities directly connected with the follow-up and performance validation of models, GAVM is responsible for the coordination of the model risk management (MRM) activities, including the creation and maintenance of a complete repository of the models used by the Bank and its permanent monitoring and updating through the use of the model management and risk assessment tool implemented at the Bank as support for the MRM framework. This tool is supported by a functional and approval workflow that corresponds to a set of internal documentation requirements that are fully aligned with applicable regulations and supervisory expectations.

In 2019, several actions were carried out to monitor and validate the internal models in use by the Bank. These actions aim, *inter alia*, to reinforce the confidence in the models, to monitor their performance and evolution, ensuring their adequacy to the business reality and their compliance with current regulations, as well as to reinforce the identification and reaction capabilities to changes in their predictive quality.

Within the scope of models' validation, a highlight is made on the analysis of the risks quantification under the ICAAP, the ILAAP's qualitative assessment, the validation of the internal model for market risks, the validation of the credit risk internal models concerning the Probability of Default (PD) for the Retail, Corporate and Real estate Promotion segments, as well as of the *Slotting Criteria* model applied to Project Finance, the Loss Given Default (LGD) models and the Credit Conversion Factors (CCF) models. Also noteworthy is the preparation of new reporting templates on the validation results of internal credit risk models in the light of the ECB Instructions (Instructions for reporting the validation results of internal models).

GAVM has the responsibility to maintain a robust and documented validation process for internal risk models and systems, in line with current regulations, challenging existing systems and models. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with growing regulatory challenges, by significantly reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

Within the scope of model monitoring, GAVM is also responsible for coordinating and supporting the preparations for the on-site inspections of the Targeted Review on Internal Models (TRIM), as well as ensuring the response, in collaboration with other areas of the Bank, to the requests made in the scope of TRIM and of the regulatory benchmarking exercises, both promoted by the Supervision.

Due to their importance and allocated resources, a highlight should be made concerning GAVM's participation in the TRIM's on-site inspections of PD models associated with Low Default Portfolios, Corporate LGD and the CCF model.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group annually revises the Recovery Plan for its business and activities, in which a large set of key indicators are defined; these are permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and supervision bodies, is mandatory.

Indeed, from the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment and from the modelling of all variables, metrics and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The priorities, responsibilities and specific measures to be taken in a liquidity contingency situation are defined by the Recovery Plan, which is supported by an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis situation.

The Recovery Plan is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations), Bank Millennium's Recovery Plan (Poland) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

During 2019, there was an improvement of macroeconomic indicators in Portugal, namely, the reduction in external vulnerability and budget consolidation, with an expected budget deficit of 0.1% in 2019. Additionally, the Portuguese economy continues to record GDP growth rates above the Euro Zone average.

Also noteworthy were the improvements in the sustainability of public debt, progress recognized by the rating agencies, in particular Standard & Poor's, which on March 15, 2019 revised the Portuguese Republic's rating from BBB- to BBB, and DBRS, which on October 4, 2019 revised the Portuguese Republic's rating from BBB to BBB (high).

Portuguese banks continued to pursue their activities within a challenging context during 2019, with the ECB announcing additional decreases in interest rates, which already were at significant low levels.

These conditions constrain the net interest income. However, in some cases, the negative impact on the net interest income was compensated by the new tiering system announced by the ECB, trading gains and the continued reduction in operating costs and cost of risk.

It is also important to highlight the progress in the improvement of Portuguese banks' asset quality – through the reduction of NPEs –, as well as the strengthening in capital and profitability levels, contributing for a better outlook of the Portuguese banking sector's performance.

Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high, which is one of rating agencies' main concerns.

In 2019, the four rating agencies that assign ratings to BCP recognised the success on the implementation of BCP's strategic plan:

On April 1, Moody's upgraded the Deposits rating to Ba1 and the Senior Debt rating to Ba2 and following the upgrade of the Portuguese Republic's ratings, Moody's upgraded the Deposits rating to Baa3 and the Senior Preferred Debt rating to Ba1. This action by Moody's reflects the improvement in BCP's credit profile by significantly reducing the stock of problematic assets and improving domestic profitability, in line with Moody's expectation that the bank's financial fundamentals will continue to improve in 2019. It further reflects Moody's expectation that BCP will issue an additional Euros 1.2 billion of debt (net of amortizations) to meet MREL requirements by the end of June 2022.

On June 3, DBRS upgraded the long-term Deposits rating in one notch, from BBB (low) to BBB, and the long-term Senior Debt rating from BB (High) to BBB (low), reflecting improved profitability that is supported by improved results in Portugal, maintenance of high efficiency levels, cost of risk reduction and a fast paced NPE reduction.

On october 10 and 30, Standard & Poor's and Fitch Ratings, respectively, upgraded BCP's outlook, from stable to positive.

Moody's

Baseline Credit Assessment	Ba2
Adjusted Baseline Credit Assessment	Ba2
Counterparty Risk Assessment LT / ST	Baa3 (cr)/ P-3 (cr)
Counterparty Risk LT / ST	Baa3 / P-3
Deposits LT / ST	Baa3 / Prime-3
Senior Debt	Ba1 / NP
Senior Non Preferred	B1
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P) B1
Subordinated Debt	B1
Additional Tier 1	B3 (hyb)
Other Short Term Debt	P (NP)
Covered Bonds	Aa3

Rating Actions

22 January 2019 – Assigned a 'Caa1 (hyb)' rating to AT1 Notes.
1 April 2019 - Upgraded the long term Deposits rating from 'Ba1' to 'Ba3' and the long term Senior Debt rating from 'Ba3' to 'Ba2'. Upgraded the Baseline Credit Assessment (BCA) and the Adjusted BCA, from 'b1' to 'ba3', the Subordinated Debt rating, from 'B2' to 'B1', the Additional Tier 1 rating, from 'Caa1 (hyb) to 'B3 (hyb)' and the Counterparty Risk rating, from 'Ba1 / Not-Prime' to 'Baa3 / Prime-3'
14 May 2019 - Assigned a 'B1' rating to the Senior Non Preferred Debt
24 July 2019 – Upgraded the Deposits rating from 'Ba1/Not Prime' to 'Baa3/Prime-3', the Senior Debt rating from 'Ba2' to 'Ba1', and the Baseline Credit Assessment (BCA) rating and the Adjusted BCA from 'ba3' to 'ba2'.

Standard & Poor's

Stand-alone credit profile (SACP)	bb
Resolution Counterparty Credit Rating LT / ST	BBB- / A-3
Issuer Credit Rating LT / ST	BB / B
Senior Debt	BB
Senior Non Preferred	B+
Outlook	Positive
Subordinated Debt	B
Additional Tier 1	CCC+

Rating Actions

22 January 2019 - Reaffirmed the AT1 Notes rating at 'CCC+'
10 May 2019 - Assigned a 'B+' rating to Senior Non Preferred Debt.
10 October 2019 – Reaffirmed the long term Issuer Credit Rating at 'BB/B' and the long and short term Resolution Counterparty Credit Rating at 'BBB-/A-3'. Outlook upgrade, from stable to positive.

Fitch Ratings

Viability Rating	bb
Support	*5*
Support Floor	No Floor
Deposits LT / ST	BB / B
Senior Debt LT / ST	BB / B
Senior Non Preferred	BB
Outlook	Positive
Subordinated Debt Lower Tier 2	BB-
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

22 January 2019 - Assigned a 'B-' rating to AT1 Notes.
20 May 2019 - Assigned a 'BB' rating to Senior Non Preferred Debt.
30 de outubro de 2019 – Reaffirmed the Viability Rating at 'bb' and outlook upgrade from stable to positive.

DBRS

Intrinsic Assessment (IA)	BBB (low)
Critical obligations	BBB (high) / R-1(low)
Deposits LT / ST	BBB / R-2 (high)
Senior Debt LT / ST	BBB (low) / R-2 (middle)
Senior Non Preferred	BB (high)
Trend	Stable
Dated Subordinated Notes	BB
Additional Tier 1	B
Covered Bonds	A

Rating Actions

22 January 2019 - Assigned a 'B (low)' rating to AT1.
16 May 2019 - Assigned a 'BB' rating to Senior Non Preferred Debt.
3 June 2019 – Upgraded Intrinsic rating from 'BB (high)' to 'BBB (low)'; the Critical Obligations rating from 'BBB' to 'BBB (high)'; the Deposits rating from 'BBB (low)' to 'BBB'; the Senior Debt rating from 'BB (high)' to 'BBB (low)'; the Senior Non Preferred Debt rating from 'BB' to 'BB (high)'; and the Subordinated Debt rating from 'BB (low)' to 'BB'.

Capital

According to our interpretation of CRD IV/CRR to date, the CET1 estimated ratio as at 31 December 2019 stood at 12.2% both phased-in and fully implemented, consistent with the amounts presented at the same period of 2018 (12.1% phased-in and 12.0% fully implemented) and above the minimum required ratios under the SREP (Supervisory Review and Evaluation Process) for 2019 (CET1 9.625%, T1 11.125% and Total 13.125%).

The CET1 phased-in ratio performance during 2019 mainly reflects:

- the phased-in progression along with the application of the 2019 SREP result, determined an increase of 47 million euros in CET1 and 53 million euros in risk weighted assets (+10 basis points in CET1 phased-in ratio);
- the IFRS16 adoption originated 256 million euros of increase in risk weighted assets (-7 basis points in CET1 phase-in ratio);
- the acquisition of Euro Bank, S.A. by Bank Millennium in Poland, that took place in May 2019, determined an increase of 32 million euros in CET1 and of 2,067 million euros in risk weighted assets (-49 basis points in CET1 phase-in ratio);
- the pension fund's responsibilities discount rate reduction, as a consequence of the interest rate decrease, although partially compensated by the fund's appreciation, led to a decrease of 389 million euros in the CET1 and 148 million euros in the risk weighted assets (-89 basis points in CET1 phase-in ratio).

The T1 and Total ratio were also influenced, in 2019, by the following impacts:

- the issuance of perpetual subordinated notes qualified as Additional Tier 1 (AT1), in January, in the amount of 400 million euros (+96 basis points in both T1 and Total ratios phased-in);
- the issuance, also in January, by Bank Millennium, S.A. in Poland of subordinated bonds qualified as Tier 2 capital instruments, amounting 830 million zlotys (+10 basis points in Total ratio phased-in).

The organic generation of capital, including the positive net income of 2019, contributed significantly to the good capital ratios performance on this period.

SOLVABILITY RATIOS

(Euro million)

	31 Dec. 19	31 Dec. 18	31 Dec. 19	31 Dec. 18
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	5,508	5,047	5,496	5,024
Tier 1	6,012	5,121	6,000	5,102
TOTAL CAPITAL	7,036	5,688	7,028	5,663
RISK WEIGHTED ASSETS	45,031	41,883	44,972	41,819
CAPITAL RATIOS (*)				
CET1	12.2%	12.1%	12.2%	12.0%
Tier 1	13.4%	12.2%	13.3%	12.2%
Total	15.6%	13.6%	15.6%	13.5%

(*) Includes the cumulative net income recorded in each period.

In March 12, 2020, the European Central Bank announced to the banks a set of measures to be adopted in order to guarantee the continue financing of households and corporates experiencing temporary difficulties, due to the economic effects that are felt worldwide. The agreed supervisory measures aim to support banks in serving the economy and addressing operational challenges, including the pressure on their staff.

The capital buffers have been designed with a view to allowing banks to withstand stressed situations and since the European banking sector has built up a significant amount of these buffers, the ECB will allow banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G) and the capital conservation buffer (CCB).

Banks will also be allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R).

This brings forward a measure that was initially scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRD V).

Despite the above measures provide significant capital relief, the Bank does not currently have objective data to estimate the impacts of this crisis on its activity.

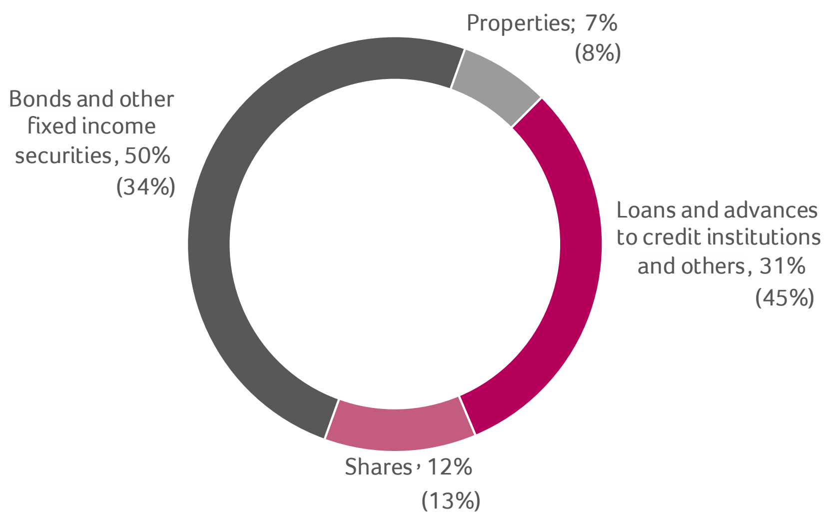
Pension Fund

The Group's responsibilities with pensions on retirement and other benefits are related with the payment to Employees of pensions on retirement, permanent disability pensions and widow and orphan benefits. As at 31 December 2019, the Group's responsibilities stood at 3,490 million Euros, comparing to 3,066 million Euros at the end of 2018.

At the end of 2019, the Pension Fund's assets reached 3,501 million Euros (3,078 million Euros as at 31 December 2018) and a positive rate of return of 8.1%, which compares favourably to the assumed actuarial rate of 2.1%. The actuarial rate was reduced to 1.6% at the end of first half of 2019 and to 1.4% at the end of 2019.

As at 31 December 2019, the structure of the Pension Fund's asset portfolio shows an increase in investment in bonds and other fixed income securities compared to the previous year, in contrast to the reduction in the value of the category Loans and advances to credit institutions and others. At the end of 2019, the main asset categories in the Pension Fund's portfolio, were as follows:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2019



(xx%) Proportion as at 31 de December 2018

The main actuarial assumptions used to determine the Pension Fund's liabilities for the years ended in 2019, 2018 and 2017 are shown below:

ASSUMPTIONS	2019	2018	2017
Discount rate	1.40%	2.10%	2.10%
Increase in future compensation levels	0.75%	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019
Rate of pensions increase	0.50%	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Projected rate of return on fund's assets	1.40%	2.10%	2.10%
Mortality tables			
Men	TV 88/90	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable	Not applicable
Normal retirement age	66 years and 5 months	66 years and 4 months	66 years and 3 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%	1.00%

At year-end 2016 the Collective Labour Agreement was revised and the respective impacts were recognized in the consolidated profit and loss account. The changes introduced in the Collective Labour Agreement were only formally accepted by the "Northern Trade Union" in April 2017 and therefore the respective impact was recognized in first half of 2017.

At year-end 2017, the agreement of the Group's Pension Fund was amended in order to incorporate the responsibilities that have been directly supported by each Group entity (extra-fund liabilities), as well as the changes introduced in the Group's Collective Labour Agreements, in terms of retirements benefits.

In September 2019, the Bank established an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. This agreement establishes from 1 January 2018 onwards, the increase in the base salary by 0.75% up to salary level 6 and by 0.50% for salary levels 7 to 20 and the increase of other pecuniary clauses, such as the lunch allowance, seniority payments, among others.

The actuarial differences recorded in 2019 were negative by 285 million Euros, before taxes (98 million Euros, before taxes of also negative actuarial deviations in 2018), including 182 million Euros of positive financial deviations related to the pension fund's return, 367 million Euros of actuarial losses as a consequence of the reduction in the discount rate and 100 million Euros of actuarial deviations between expected and actual liabilities.

The main indicators of the Pension Fund as at the end of 2019, 2018 and 2017 are as follows:

MAIN INDICATORS	2019	2018	2017
Liabilities with pensions	3,490	3,066	3,050
Minimum level of liabilities to cover*	3,431	3,015	2,997
Value of the Pension Fund	3,501	3,078	3,166
Coverage rate	100.3%	100.4%	103.8%
Coverage rate of the minimum level of liabilities*	102.0%	102.1%	105.7%
Return on Pension Fund	8.1%	0.2%	4.2%
Actuarial (gains) and losses	285	98	-29

* According to the Bank of Portugal requirements

As of 31 December 2019, the Group's responsibilities showed a 100% coverage level, being fully funded at a higher level than the minimum set by Banco de Portugal.

Information on trends

Despite the ongoing economic recovery in Portugal, the stabilisation of the banking industry and the decrease in public and private indebtedness, Portuguese banks continued to operate in a challenging environment in 2019. Banks are operating within a context of very low interest rates, exercising pressure on the net interest income. Moreover, Portuguese Banks still have a significant number of non-interest bearing assets in their balance sheets. In addition, the context is marked by fast technological evolution and, pursuant to the Payment Services Directive 2 ("PSD2"), by the competition from new players in the market (Fintechs). There are also new regulatory requirements, namely, as a result of the adoption of IFRS16 since January 2019.

Banco de Portugal's forecasts for the Portuguese economy, from 2019 to 2022, point towards the slowdown of the recovery of economic activity, converging to the expected GDP growth for the Euro Area. GDP is expected to have grown, on average, 2.0% in 2019, 1.7% in 2020 and 1.6% in 2021 and 2022. It is expected that the contribution provided by net exports will gradually decrease its importance in GDP's growth between 2019 and 2022. Public deficit decreased to 0.1% of the GDP in 2019, the lowest ever since Portugal joined the Euro Area. A surplus is expected as soon as 2020.

At the end of 2019, all the rating agencies assigned an investment grade rating to the Portuguese Republic, which, together with the improvement in the perception of the market vis-à-vis the Portuguese economy, led to a sharp reduction in sovereign risk premiums and of banks.

In accordance with Banco de Portugal, Portuguese banks resort to the ECB in the amount of EUR 17.3 billion at the end of December 2019. There figures are consistent with the downwards trend in place since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from the resilient performance of deposits, namely from individuals (+5.3% year-on-year in December 2019, with demand deposits up 8.8%).

Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals increased 3.5% and loans to companies decreased 2.6%, year-on-year, respectively, in December 2019. The loans-to-deposits ratio of the banking sector in Portugal stood at 88% at the end of September 2019 versus 128% at the end of 2012 and 158% at the end of 2010.

The loans granted by BCP continued to decrease but reflects two different dynamics: the NPE portfolio decreased by EUR 1.3 billion in December 2019, year-on-year, and the performing portfolio increased by EUR 5.0 billion, of which EUR 3.0 are related to the Euro Bank acquisition (in Portugal: NPE portfolio decreased by EUR 1.6 billion and performing portfolio increased by EUR 1.1 billion). At the same time, deposits also continued to grow: +4.6% year-on-year, in Portugal, in December 2019. As BCP has excess liquidity (loans-to-deposits ratio stood at 86% in December 2019), it decided to reduce its use of net funding from the ECB to EUR 0.3 billion in December 2019.

At the end of December 2019, BCP was the largest Portuguese private sector bank, with a robust asset structure, a fully implemented CET1 ratio of 12.2%, above regulatory requirements (SREP) and a loans-to-deposits ratio of 86%.

The low level of interest rates is contributing to decrease the spread on term deposits of the Portuguese banks, a trend which continued, albeit at a slower pace, in 2019, more than offsetting the lower spreads in credit. The rates of the term deposits reached, by the end of December 2019, values around 10 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

The price effect on the net interest income should continue to be globally positive, translating the improvement of the net interest income on operations with Customers (differential between the loans average rate and the average rate at which the banks remunerate the deposits). The profitability of the Portuguese banks is expected to continue to be constrained by the prospects of continuation of a low short term interest rates environment.

Several institutions should continue to apply restructuring plans, to increase operating efficiency and the adjustment of business models, which translates into the decrease in the number of branches and employees and in the release of capital allocated to non-core activities. Profitability in the banking industry is still affected by a high NPE stock. Organic capital generation continues to be limited by the low for longer interest rate environment which resulted in DTAs derecognition and downward revision of the pension fund discount interest rate.

There is great focus on the management of the stock of problematic assets and respective coverage levels by LLRs. BCP has recently presented a new Strategic Plan (Mobilizing Millennium: 2021 Ambitions and Strategic Plan) which includes a new target of NPEs reduction: 60% reduction of NPE stock, reaching approximately EUR 3 billion by 2021.

Regarding mortgage loans granted by Bank Millennium in CHF, there are risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans.

Vast majority of verdicts in lawsuits concerning Bank Millennium have been favourable to the Bank so far. However, it should be noted that there is a significant risk that such favourable verdicts may change, as a result of which pending lawsuits' verdicts may not be taken in accordance with the Bank's expectation. If such risk materializes, it may have a significant negative impact on Bank Millennium.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU, combined with the interpretation of European Union Law, is binding on domestic courts.

CJEU's judgment concerns only the situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be identified as abusive in the circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be further examined by the national courts within the framework of the disputes considered, which could possibly result in the emergence of further interpretations relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases may also be filed

As at 2019, the Bank had 2,010 FX-indexed mortgage loans under individual litigations, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 203 million (Euros 47.74 million). Until 31 December 2019, only 19 of these cases had obtained a final verdict, being the vast majority in accordance with the Bank's interest. The case is pending before its first hearing.

According to the Polish Bank Association (ZBP), during 2019, over 70% of the lawsuits regarding FX-indexed mortgage loans obtained a final verdict favourable to the banks involved. However, after the CJEU judgment regarding Case C-260/18 issued on 3 October 2019, there is a risk that this so far positive scenario for the banks may change.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created a provision in the amount of PLN 223 million (Euros 52.45 million) for legal risk. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

Bank Millennium undertakes a number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk regarding the FX-indexed mortgage loans portfolio. Bank Millennium is open to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions.

It is not yet possible to determine what will be the final impact of the resolution of BES on BCP as an institution participating in the resolution fund created by Decree-Law no. 31-A/2012, of 10 February (the "Resolution Fund").

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;
- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;
- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;
- The initial reference value of the portfolio comprising the contingent capitalization mechanism was as of 30 June 2016 of Euros 7,838 million (book value of the associated assets, net of impairments), and the value of the portfolio, as of 31 December 2018, amounted to approximately Euros 3,920 million (book value, net of impairments);
- The accumulated losses of the covered assets and their management, between 30 June 2016 (reference date of the mechanism) and 31 December 2018, correspond to Euros 2,661 million. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the CCA, around Euros 792 million, hence, the amount of losses not borne by the Fund was, at the end of 2018, approximately Euros 1,869 million;
- The amount necessary to maintain the capital ratios of Novo Banco for 2018 at the agreed levels is Euros 1,149 million. The amount payable by the Resolution Fund results from a comparison between the amount of Euros 1.869 million (accumulated loss on the covered assets not supported by the Fund) and the amount of Euros 1,149 million, corresponding to the lower of those amounts, i.e. Euros 1,149 million.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 792 million to Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430 million under the terms agreed between the Portuguese State and the Resolution Fund in October 2017. In its 2018 annual results press release, on 1 March 2019, Novo Banco states that, in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to 2018 exercise of Euros 1.149 million. For this purpose, the Resolution Fund used its own resources and also resorted to a State loan of Euros 850 million, which corresponds to the annual maximum funding limit agreed between the Resolution Fund and the State. The amount paid by the Resolution Fund to Novo Banco in two years was Euros 1,941 million.

According to Novo Banco's 2019 earnings press release, Novo Banco will request a compensation of Euros 1.037 million under the Contingent Capital Agreement (CCA), as stipulated in the sale agreement. The amount of the compensation requested in 2017 and 2018 and to be requested relating to 2019 totals Euros 2.98 billion. The maximum amount of compensation established in the CCA is Euros 3.89 billion.

As at 31 December 2019, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

The Bank has been notified by the Banco de Portugal on the Single Resolution Board's decision regarding the minimum requirement for MREL for the resolution group headed by the Bank, at a sub-consolidated level, which includes the operations based in Portugal, Switzerland and Cayman, and excludes the operations based in Mozambique and Poland (the "Resolution Group").

The MREL requirement has been set at 25.98% of its RWA for the resolution group based on the data of 31 December 2017. Moreover, the Bank has been informed that the MREL requirement needs to be met by 1 July 2022.

This is fully aligned with the Bank's expectations and generally consistent with the funding projections already included in the Bank's strategic Plan for the period 2018-2021, which underpins the medium term performance targets disclosed to the market with the results announcement for the first six months of 2018. Nevertheless, it must be noted that the MREL requirement may be adjusted in the future by the competent authorities, to reflect their assessment of the underlying risks, business evolution or changes in the profile of the Bank's assets and liabilities.

Covid-19 has been affecting a very wide range of countries, having infected thousands of people worldwide. The known data suggest that these numbers will continue to increase. Bearing in mind the spread of this situation in global terms, and in particular in some economies of the Eurozone, the Bank considers that it is still premature to estimate possible impacts. However, it should be noted that research notes have been issued by supranational entities and rating agencies towards the downward revision of the world and European economic growth prospects in 2020.

The Bank, as the parent of a financial group, is following a “Contingency Plan” adapted to the pandemic scenario, which has been updated specifically for the current crisis, having created a specific Crisis Management Office for this effect. In this context, in line with the guidelines issued by the authorities and supervisory entities, the Bank, which is in permanent communication with supervisors, has defined an action plan aimed at protecting Customers and Employees, minimizing the possibilities of contagion and ensuring the operational continuity of the business. Guidance was also issued to service providers.

The Contingency Plan comprehends, among others, the following measures:

- Communication to Employees of mitigation measures and information about the virus that aim to safeguard Employees and the entire surrounding community, as well as ensuring that the business activity maintains the service levels that Customers expect from Millennium BCP:
    - National and foreign travel for work should only occur in exceptional cases. National or foreign trips for personal reasons and using air transport are not recommended;
    - Whenever possible, meetings by videoconference or conference calls should be privileged;
    - Employees must limit some of their social habits, such as complying with physical contact;
    - Employees who have been abroad in the past 14 days should inform their hierarchy and their Human Resources Manager to assess the need for additional protection measures
    - Distribution of masks and procedures on when and how to use them.
- Daily monitoring of absent employees.
- Physical segregation of the workspace to minimize the risk of spreading the virus and implementing remote work for part of the teams.
- The Crisis Management Office monitors the evolution of the situation and, if necessary, will implement new actions.

NON-FINANCIAL INFORMATION

2019 Campaign | Family Advantage

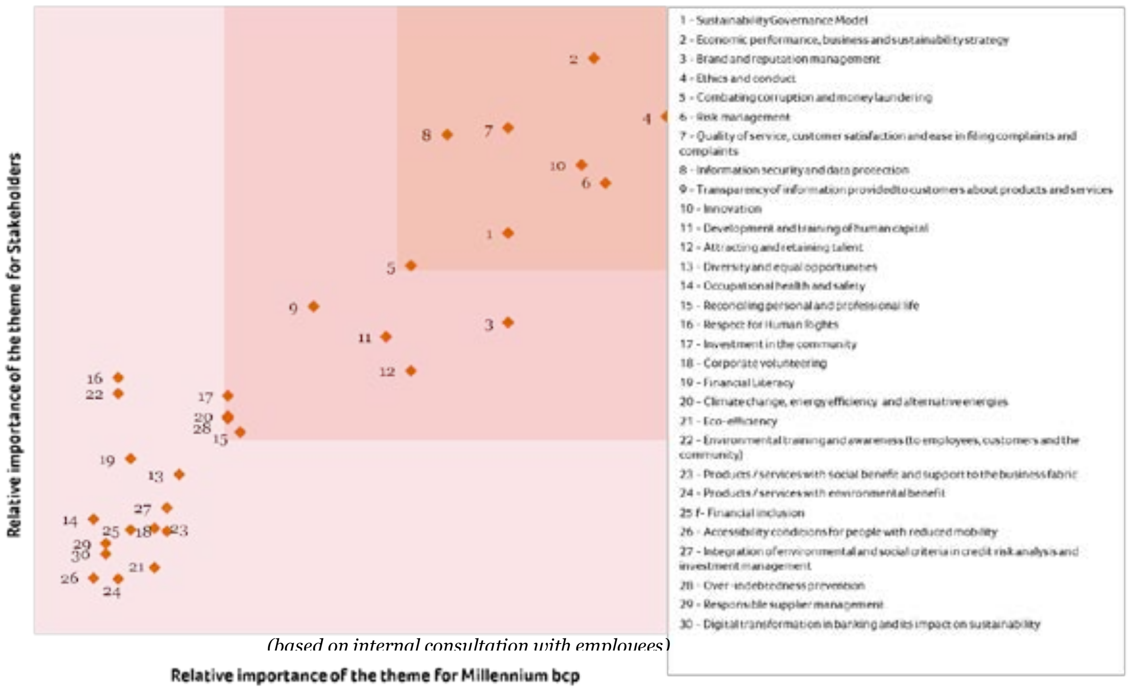
Involvement of Stakeholders

BCP Group defines strategies and pursues policies, adjusted to the new challenges imposed by the interested parties with which it relates, materializing a business model based on an ongoing and transparent dialogue enabling to understand and comply with the expectations of its Stakeholders.

In 2019, a new consultation of Stakeholders was held. This process, which involved, through a representative sampling, the main stakeholders, namely (i) Qualified shareholders, (ii) Clients from all segments of the Bank, (iii) Employees, (iv) Community, (v) Suppliers and (vi) Press, obtained a response rate of 66%, allowing an update in what regards the identification of the issues with the greatest relevance and impact on the Bank's activity to be updated.

Materiality Matrix

The identification and the ongoing follow-up of the themes considered material by the Stakeholders of Millennium bcp enabled the Bank to know the areas that show better performances within the scope of Sustainability, but also enabled it to rapidly detect improvement opportunities representing a strong contribution for the adoption of an appropriate sustainability strategy adapted to new realities, challenges and requirements.



The relative importance of the material issues contained in the new matrix, which will guide us in 2020/2021, reflects the Bank's level of maturity in the axes of action identified, but also the degree of achievement and compliance already achieved.

Sustainability Policy

The adopted sustainability policy, which fosters a culture of Social Responsibility, aims to positively influence the organisation's value proposition in the long term, balanced with the well-being of the people, the company and communities in which it operates, while preserving natural resources, climate and the environment.

Within this framework, it is possible to divide the Bank's intervention into three major axes:

- Environment - implementation of measures fostering a fair and inclusive transition to a decarbonised economic development model, including the incorporation of the environmental aspect into the Bank's risk models;
- Social - Involvement with both the external and the internal communities;
- Corporate governance - integration of sustainability principles into the Bank's decision-making processes.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the development of the countries in which it operates.

Respecting the Global Compact Principles, proposed by the United Nations, BCP Group is committed to supporting its 10 Principles that establish a set of values in the areas of Human Rights, Working Conditions, Environmental Protection and Anti-corruption.

BCP acknowledges the importance of the Sustainable Development Goals (SDGs) of the United Nations. Considering that the pursuit of these 17 objectives implies a joint effort of states and private entities, namely companies, BCP Group assumes the commitment to work actively towards a sustainable, socially inclusive and environmentally responsible development in all territories where it operates.

The strategy of Millennium bcp in terms of Sustainability is translated in the Sustainability Master Plan (SMP) 2021, a plan of commitments that aggregates a number of actions to be carried out by the Bank. The guidelines and the definition of the actions part of the SMP are based on a balanced relation between the identified relevant material issues, the Bank's available resources and the economic and market framework existing at the time.

Sustainability Master Plan

The new 2021 Sustainability Master Plan, which will guide the Bank in implementing ESG (Environmental, Social and Governance) policies and practices, and which constitutes an integrating instrument that aims at, based on a transparent, close and consequent relationship, meeting the expectations identified in the consultation of the Bank's main Stakeholders, envisages the following dimensions and lines of action, in their different aspects:

SUSTAINABILITY MASTER PLAN (SMP) 2021

Area	Actions
Governance Model of Sustainability and Corporate Policies	- To implement a model of governance of the Sustainability Area that allows a multidisciplinary and transversal action on the organisation, including, whenever justified, international operations; - Review and update the Group's corporate policies; - To review evaluation and remuneration policies.
Training on Sustainability	- e-Learning Course on Sustainability (and Sustainable Finance).
Brand Management and Reputation	- Strengthen the positioning of Millennium bcp in the sustainability indexes; - Adhere to principles and commitments about sustainability; - Define the positioning of BCP in relation to SDGs; - Integrate sustainability into corporate events; - Strengthen the communication and promotion of Microcredit; - Improving sustainability reporting and communication.
Risk management, ethics and conduct	- Foster a culture of compliance and of a strict management of risk; - Ensure integration of environmental and social risks into the risk analysis process.
Information Security and data protection	- Ensure the management and information of employees.
Quality of service and customer satisfaction	- Optimise satisfaction levels; - Foster a culture of continuous improvement; - Creation of a Customer Charter.
Responsible supplier management	- Formalise compliance with social and environmental requirements in the relationship established with Suppliers.
Innovation	- Foster a culture of innovation.
Sustainable financing policies and regulation	- Monitor the development of the European Commission's Sustainable Finance Action Plan.
Transparency of information to customers on products and services	- Integrate sustainability aspects of the proposed investments into the communication with customers.
Risk management	- Integrate ESG risks into risk management procedures; - Promote climate changes awareness with corporate clients developing their activities in sectors more exposed to risks and environmental regulations; - Identify and classify Corporate Clients with greater environmental and social risks.
Provide an offer of inclusive and sustainable products	- Promote and launch products that observe social responsibility principles and cope with the new environmental challenges; - Develop an offer of ESG products, which promote the transition of the economy to a sustainable model.
Accessibilities	- Improve the implementation of differentiated working hours for customer service; - Improve digital accessibility of customers.
Attracting and retaining talent	- Support the adoption of healthy lifestyles; - Improve the mechanisms ensuring a greater proximity between the Employees and top managers; - Promotion of work-family balance.
Voluntary work	- Develop and approve a Voluntary Work Policy; - Voluntary work Programme.

Conscious Business Project	- Conscious organisation.
Human Rights	- Analyse and communicate the Group's positioning on human rights risk management.
Financial Literacy	- Financial Literacy Programme; - Implement social and/or environmental awareness actions common to the entire Group.
Investment in the community	- Develop campaigns together with non-governmental organisations and charitable institutions to foster a sustainable development; - Reinforce connection to Millennium bcp Foundation; - Reinforce and systematise partnerships with entities that stimulate and develop entrepreneurship in local communities; - Develop actions of social responsibility; - Measure the impact on the community.
Climate change, energy efficiency and alternative energies	- Contribute to limiting global warming to 2°C (Paris Agreement).
Environmental performance	- Minimise the environmental impact of operations.

Commitments

In 2019, two documents were produced as part of the "Reflection Group for Sustainable Financing in Portugal", promoted by the Ministries of the Environment, Finance and Economy (in the context of the Carbon Neutrality Roadmap 2050) and with the participation of the main Banks in the market, Supervisory entities and Sectoral Associations; (i) "Guidelines for accelerating sustainable financing in Portugal"; and (ii) "Engagement Letter for the Sustainable Funding in Portugal", signed by Millennium bcp, which seek to highlight the importance of integrating environmental, social and governance risks into the decision-making and risk management processes of the financial sector.

The Bank has also joined the "Business Mobility Pact for the City of Lisbon", a joint initiative of the Municipality of Lisbon (*CML*), the WBCSD - World Business Council for Sustainable Development and BCSD Portugal, which brings together, in a public voluntary agreement, companies that operate in Lisbon and have as their common ambition to improve and transform mobility in the city, making it more sustainable.

Millennium bcp also subscribed to the "Lisbon European Green Capital 2020 commitment", promoted by the Lisbon Municipality, which brought together 200 entities who are present in the city, among companies, schools and institutions, in a collective commitment in favour of climate action and towards sustainability.

Table of Correspondence between the Management Report and Decree Law 89/2017

Decree Law 89/2017, of 28 July	Chapter/section	Page/s
Art. 3 (cfr. Art. 66-B and 508-G of the CC): The non-financial statement must contain information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, gender equality, non-discrimination, respect for human rights, anti-corruption and bribery matters, including:		
a) A brief description of the undertaking's business model	2019 Annual Report Information on the BCP Group Business Model	Page 10-24 Page 35-40
b) A description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented	2019 Annual Report: Involvement of Stakeholders	Pag. 141-144
c) The outcome of those policies	2019 Annual Report: Value added to each Stakeholder Group Environmental impact	Pag. 146-162 Pag. 163-167
d) The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks	2019 Annual Report: Main Risks and Uncertainties Risk Management Value added to each Stakeholder Group	Pag. 98-99 Pag. 100-129 Pag. 146-162
e) Non-financial key performance indicators relevant to its specific activity	2019 Annual Report: Summary of Indicators Main Highlights Value added to each Stakeholder Group	Pag. 11-14 Page 12 Pag. 146-162
Art. 4 (as per Art. 245 1.r and 2 of the CC): Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.	2019 Annual Report: Non-financial Statement 2019 Corporate Governance Report	Pag. 140-163 Sections on the diversity policy of the corporate bodies and on the competences of the Committee for Nominations and Remunerations

Value added to each Stakeholder Group

A sustainable Bank, (more) prepared for the Future

In 2019, the Bank obtained a profit of 302.0 million Euros, as a result of the growth inincome from domestic activity, from 115.5 million Euros to 144.8 million Euros, and from income from international activity, from 186.9 to 143.8 million Euros, largely reflecting a number of extraordinary effects, among which, in Poland, was a provision for legal risks related to the loan portfolio in Swiss francs and the cost of integrating EuroBank. Millennium bcp is one of the most efficient banks in the Euro area, with cost-to-core income and cost-to-income ratios of 49% (52% including one-off items) and 47% (50% including one-off items), respectively, in 2019. Return on Equity (ROE) stood at 5.1%, almost the same level as the previous year.

The improvement in asset quality, translated in the decrease in Non-Performing Exposures (NPE) in Portugal to 3.2 billion Euros, as at 31 December 2019 must be emphasized, which shows a descent of 9.5 thousand million Euros since 2013 and the maintenance of a comfortable level of liquidity, seen in the 86% loan-to-deposit ratio. The Common Equity Tier 1 capital ratio, according to the fully implemented criteria, stood at 12.2%.

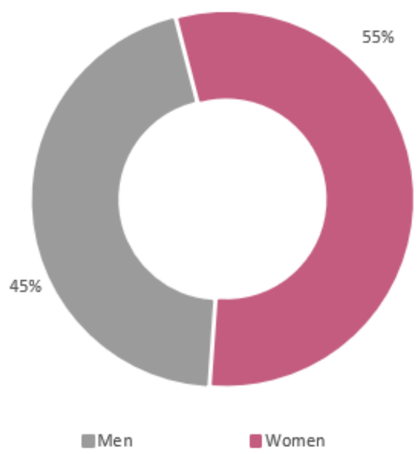
During 2019, the BCP Share had a 11.6% devaluation, reflecting the uncertainties in the geopolitical, macroeconomic and financial sector environment, but also specific factors associated with the Bank's operations, namely those related to the operation in Poland, the uncertainty related to the issue of loans granted in foreign currency by the Polish financial system in the period preceding the international financial crisis.

Staff Members

BCP Group ensures, in its different operations, a fair treatment and equal opportunities to all its Employees, promoting meritocracy at all stages of their career and defining their remuneration in accordance with category, professional path and level of achievement of the established objectives.

The general principles that rule the BCP Group established a series of values and benchmarks, universally applicable to all Employees, resulting in a clear and unequivocal guidance, so that, regardless of the respective hierarchical or responsibility level, all Employees always act in a fair manner, with no discrimination, and also reaffirming the ten Global Compact Principles, under which the Group recognises and supports the freedom of association and the right to collective work agreement negotiation and rejects the existence of any form of forced and compulsory labour, including child labour.

Breakdown by gender
(Percentage)

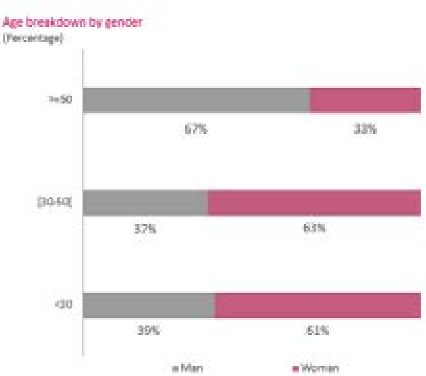


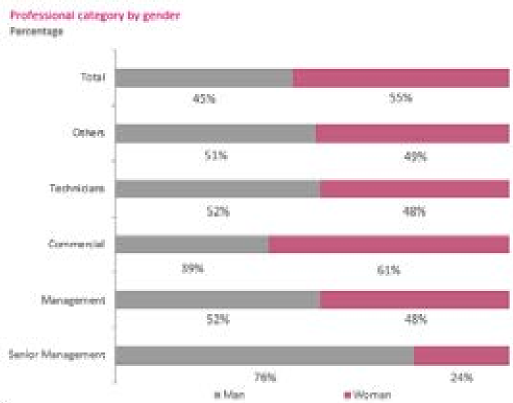
The commitments undertaken by the BCP Group within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies, of which the policies on Human Rights, Equality and Non--Discrimination and Occupational Health and Safety are an example. These policies are available for consultation on the Bank's website, in the Sustainability area

https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Pages/cod_internos.aspx

Within the scope of gender diversity in the Board of Directors, in 2019, globally, in BCP, in Portugal, 23.5% of these functions were performed by women.

Still within the scope of gender diversity in management functions (Executive Committee/Senior Management and Management) in 2019, globally, 45% of these functions are performed by women – 21% in Portugal, 60% in Poland and 28% in Mozambique. In commercial functions, this figure increases to 61% in the Group, i.e. 47% in Portugal, 75% in Poland and 60% in Mozambique.





Information about the number of employees (not FTE's - Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

In 2019, the Bank in Portugal published its first Plan for Gender Equality, a document that lists a set of concrete actions and practices to be implemented in the next two years with a view to fostering diversity and inclusion.

Also in 2019, Millennium bcp subscribed to the "CEO's Guide to Human Rights", an initiative of the World Business Council for Sustainable Development (WBCSD) and the Business Council for Sustainable Development (BCSD Portugal). The Guide incorporates benchmark policies and practices and aims to contribute to the implementation and promotion of human rights in organisations and their value chains.

BCP has also integrated, for the first time, the Bloomberg Gender-Equality Index, joining the group of 325 companies that worldwide stand out in the implementation of gender equality, diversity and inclusion practices and policies.

The presence in this index, which brings together companies from 42 countries representing more than 50 different activity sectors, is a milestone that reflects the Bank's commitment to the development of its Sustainability Plan and a recognition of its performance in matters of gender equality and Non-Financial Reporting that is clear and transparent.

Training

The Employees are one of the strategic pillars of Group BCP, reason why training continues to be seen as a priority for the development of their professional and personal skills. The search for excellence in the quality of the service provided to Customers involves identifying the training which is most suited to the specific needs of each Employee, taking into account the Bank's strategic objectives.

TRAINING

	2019	2018	2017	VAR.% 19/18
NUMBER OF PARTICIPANTS [1]				
In person	31,043	42,906	47,731	-27.6%
E-learning	311,211	158,845	270,833	95.9%
Remotely	59,592	63,512	62,143	-6.2%
NUMBER OF HOURS				
In person	319,236	298,361	326,841	-7.0%
E-learning	343,403	121,634	469,357	182.3%
Remotely	184,544	205,998	143,575	-10.4%
BY EMPLOYEE	46	39	59	17.0%

(1) The same employee may have attended several training sessions.

In overall terms, in the Group, 5,741 training actions were ministered, corresponding to over 685 hours of training, with an average of 46 training hours per Employee. During 2019, the training effort kept its focus not only on the commercial areas, but also on technical, operational and compliance areas and on team management.

Talent Management

At Group BCP, people management is one of the most important pillars of the Bank's competitiveness and sustainability. Simultaneously with the valorisation of general and specific skills, it is crucial, in an organisational enhancement perspective, to identify Employees with potential and talent, so that in future they can perform duties of higher complexity and responsibility.

The development programmes that have been implemented in the different geographic areas of the BCP Group are thus a specific response to Employees with high performance and potential, enabling: i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and ii) experienced Employees the opportunity to acquire the necessary skills so that in future they can perform more complex roles with higher responsibility.

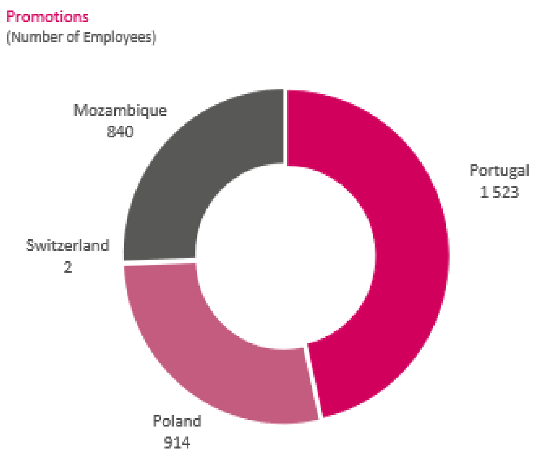
Examples of this strategy in Portugal include the 1st edition of the M Power leading position skills development programme and the M Social Power inclusion and diversity programme, which involved 323 Employees, and the 2nd edition of the inGenious training programme, aimed at 40 young talents in the Bank's analytics and technology areas.

Evaluation and Recognition

At the BCP Group, the individual performance assessment models, based on a process of counselling and guidance towards the development of skills, gives rise to opportunities of dialogue between the senior staff and their Employees, enabling the further deepening of a culture of personal accountability for the development of their careers.

Together with an attitude of encouragement of Employee valorisation and adoption of best practices, the BCP Group upholds a policy of recognition of the merit and dedication shown by each Employee, through a system of incentives, a professional valorisation plan based on merit and specific distinctions, attributed to Employees with excellent performance.

This is the way the Bank found to materialise a policy for recognising merit, valuing the professionalism shown by 3,279 employees in Portugal (1,776 are women and 1,503 are men).



Satisfaction with Internal Customers

Since Employees constitute one of the strategic pillars of the BCP Group, their level of satisfaction with the service provided by the different internal areas - with direct relation and reflection on the quality of the guaranteed Customer service - is an important endogenous indicator to assess the Bank's effectiveness and perceived efficiency.

The opinion surveys were maintained regarding the satisfaction with the internal service among Employees who interact with other areas to perform their duties, in order to, as part of a continuous improvement policy, identify opportunities for improvement and optimisation of the processes, technological solutions and procedures in force.

In Portugal, these studies are now carried out every two years, and the overall figure obtained in the 2019 study, 79.8 i.p. is in line with the previous two years.

In Mozambique and Switzerland, in 2019, the value recorded was 73.0 i.p.

Benefits

The BCP Group offers its Employees a series of corporate benefits, apart from those established in the applicable legislation. Concerning health and safety, in Portugal and Poland, Millennium Employees benefit from a dedicated medical staff and medical units, which, in Portugal, now also include Nutrition and Clinical Psychology. They also benefit from regular medical check-ups.

In Mozambique, Millennium bim has: i) a medical office, which, in addition to medical appointments, also offers various specialities and basic health care; ii) an HIV office, ensuring prevention and follow-up of this disease; and iii) social support office, offering counselling to Employees.

HEALTH SERVICES [1]

	2019	2018	2017	VAR.% 19/18
MEDICAL SERVICES				
Medical appointments carried out	26,539	22,507	21,409	8.4%
Check-ups carried out	9,416	9,142	8,831	3.0%
HEALTH INSURANCE				
Individuals involved	46,311	47,257	47,209	-2.0%

[1] Includes active Employees and retired Employees.

Employees of the BCP Group benefit from mortgage loans, permanently and under special conditions. The credit is granted abiding by the credit risk assessment principles set by the Bank's regulations. The Employees may also benefit from loans for social purposes that, among other, serve to meet credit needs in order to face education or health expenses, repairs made in their own domicile or in a rented one and the acquisition of other goods and services with an exceptional nature.

LOANS TO EMPLOYEES [1]

Million Euros

	2019		2018		2017	
	Amount	Staff Members	Amount	Staff Members	Amount	Staff Members
HOUSING						
Portfolio	562.1	8,294	607.7	8,747	661.2	9,405
Granted in 2018	29.8	281	25.8	304	24.7	328
SOCIAL PURPOSES LOANS						
Portfolio	11.1	2,429	11.3	2,548	12.3	2,800
Granted in 2018	3.9	981	3.5	870	3.2	848

[1] Includes active Employees and retired Employees.

Evolution of Staff Numbers

In 2019, the number of BCP Group employees increased significantly by 15.67% (2,518 more employees) compared to the previous year, mainly due to the acquisition of EuroBank, in Poland. Of the 18,585 Employees of the Group, 61% worked in the international business and 39% in Portugal.

EMPLOYEES [1]

	2019	2018	2017	Var. % 19/18
TOTAL IN PORTUGAL	7, 204	7, 095	7,189	1.5%
Poland	8,615	6,270	5,945	37.4%
Switzerland	82	77	71	6.5%
Mozambique	2,680	2, 619	2,631	2.3%
INTERNATIONAL TOTAL	11,377	8, 966	8,647	26.9%
TOTAL FOR THE GROUP	18,581	16, 061	15,836	15.7%

(1) Information on the number of Employees (not FTE's - full time equivalent) for: Portugal, Mozambique, Switzerland and Poland (including EuroBank).

Note: does not include Millennium bcp Bank & Trust employees.

In Portugal, the downward trend in the number of employees was reversed, with an increase of 109 employees compared to the previous year. There were 342 new employees (53% women), mostly for commercial functions (59%) and for Digital Banking, with 249 employees leaving, 70% by mutual agreement and/or retirement plans and 27% at the initiative of the employee. Among the Employees who left, 58% worked in the commercial areas and 12% had management functions.

In Poland, with the acquisition of EuroBank, the number of employees was greatly increased (37% compared to 2018), reaching 8,615 employees. 69% of EuroBank's employees are women. Even so, without the "EuroBank effect", the number of employees would have increased by 83.

In Mozambique there was also an increase in the number of employees (2.3% compared to 2018), with the hiring of 229 new employees, 79% to perform commercial functions. There were 158 employees who left, 50% of whom had commercial functions.

Clients

Satisfaction Surveys

In Portugal, Millennium bcp continues to focus on the model of assessment of Customer experiences. 24 hours after interaction with the Bank, the Customer is invited to answer a brief questionnaire to assess Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.

In 2019, over 130,000 experiences of Clients who visited Branches of Millennium BCP or were contacted by Client Managers were assessed.

In 2019, the indicator NPS (*Net Promoter Score*), that translates the level of recommendation of the Bank recorded, in the case of Prestige Clients, an increase to 64,9 points, 2,7 points than in 2018; the Mass Market segment, that improvement showed an increase of 1.8 points, to 71.6. Regarding the NPS of Business Clients, it also recorded an expansion, improving to 62.5 (60.2 in 2018). Based on these results per segment, the global NPS of Millennium bcp is 69.8%, favourably comparing with 67.7% in 2017.

Apart from the experiences of Clients with Branches and/or Client Managers, where the indicators mentioned above are based upon, Millennium bcp also assesses other Client experiences namely (i) Account Opening for Individuals and Companies, (ii) handling of Claims, (iii) interaction with the Contact Centre, (iv) use of Internet Banking and (v) the moment when the Account is closed - to be able to assess why the Bank lost those clients, (vi) the sue of Internet banking and (vii) the utilization of new Millennium Transactions Machines (MTM). Globally, in 2019, the Clients evaluated more than 230.000 experiences with Millennium.

The Bank also undertook another “Mystery Client” action which, with 4 vacancies, totalled more than 1,917 visits to Mass Market Branches. The results obtained in 2019 registered a slight decrease compared to 2018 (0.4 p.p.), reaching 78.6% of completion regarding the choreography of customer service recommended by the Bank in 2019.

The programme “#1 in Customer Experience” is a transformational project to provide clients with distinctive and memorable experiences through the ongoing improvement of the product and service range, the adaptation of the Bank's channels to today's trends, but also the simplification of processes and, naturally, the development of the Employees' skills.

We also launched in 2019 a programme for Mass-Market, called Be Number One (B#1), which was based in detecting Employee's development needs concerning product, servicing, methods, choreography and leading position vectors. Practical training in dynamic digital formats was made available, adjusted to the needs of each employee, with the aim of improving their performance.

Continuing Project #1 in the Prestige segment, we implemented a recurring programme of certification of new managers, ensuring that client service skills were assimilated and applied in the relationship with our Customers.

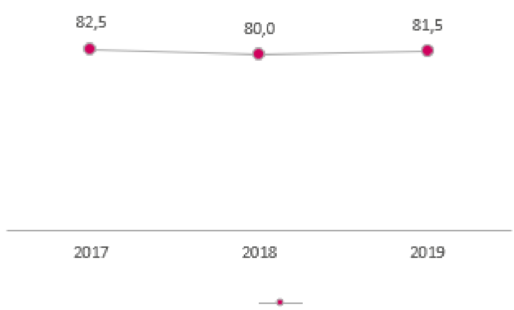
We also promoted process and systematic changes, namely the reduction of commercial objectives whenever a manager starts to work on a new portfolio, thus reinforcing the relationship with Clients and giving preference to the increase of relational contacts.

Regarding the remote channels' satisfaction levels, they remained high. An example of this are the 87% of the user clients who replied that they are happy or very happy with Internet Banking - Individuals of which 87% wish to continue to use this service and 82% of companies wish to continue using the Internet Banking - Companies are a good example.

In 2019, Millennium BCP was once again recognised in the scope of its Digital Channels, by the Global Finance Awards "World's Best Digital Bank Awards", as the best bank in information security and fraud management (in the Consumer and Institutional areas), for the third consecutive year.

Millennium BCP was also distinguished as "Best Homebanking Website in 2019", in the scope of the PC Guia 2019 reader awards".

Costumers satisfcation
(Index points)



Information not available for Switzerland.

In order to strengthen the measurement of satisfaction and loyalty in the various Customer segments, Millennium bcp continued to monitor various market studies carried out by specialised companies, so as to obtain indicators to position the Bank in the sector and assess, in an evolutionary way, market perception with regard to (i) quality of the service provided, (ii) the Bank's image and (iii) the products and services it sells. Examples of these studies are the Consumer Choice, the BASEF Banca (Marktest), the BFin (DataE) and the BrandScore.

In this context, it should be noted that the 2nd place achieved at CSI Banca and the recognition as the "Main Bank of Companies", in the BFin study, constitute, in 2019, a recognition of the effort that Millennium bcp has been developing in the modernisation and simplification of products and services, but also of the Bank's strong focus on proximity to its Clients, on the streamlining of operations and on the sustainability of its value proposal.

In international activity, the overall Customer satisfaction levels with the Bank recorded a value of 81.5 index points (i.p.), positively impacted by the improvement registered in Mozambique, which rose from 73 to 76 i.p..

Poland, with 87 i.p. of overall satisfaction, saw Internet banking and mobile banking channels reach 96% and 97%, respectively, of positive ratings in 2019.

Claims

In Portugal, the claims are managed by the Customer Care Centre (CAC). The total number of claims in this operation showed an increase of 23.1% compared with the previous year, with a total of 32,811. Most of these claims relate to banking cards, namely the procurement of products and services through digital channels. The effort to rapidly solve the claims has been a constant concern of the Bank, which has been able to ensure an average response time of 6 business days.

CLAIMS (Portugal and International)

	2019	2018	2017	VAR.% 19/18
CLAIMS RECORDED	136,562	108,244	76,918	26.2%
CLAIMS RESOLVED	125,888	107,453	75,184	17.2%

Note: Includes structural change effect in the claim handling process at Bank Millennium Poland, aiming at the improvement of the Customer experience and the optimisation of the immediate handling of those claims.

In international activity: i) Poland registered an increase in the number of claims compared to the previous year (+27.7%), mainly attributable to current accounts and card transactions; ii) in Mozambique, the number of claims also registered an increase, with cards and current accounts being the most frequently mentioned issues.

Average resolution times in Poland and Mozambique have improved significantly, now standing at 7 and 5 days respectively.

Culture of Rigour

The BCP Group considers that respect for the defined mission and values of the organisation, combined with compliance with its approved strategy, depends, first, on each Employee. Hence, the Group encourages the pursuit of a culture of rigour and responsibility, supported by mechanisms for the dissemination of information, training and monitoring, so as to permanently ensure strict compliance with the instituted rules of conduct.

Against this background, the implementation of specific training activities and the monitoring of the Compliance Office teams have been a constant feature and a priority. Thus, joint action with the different business areas enabled the training, in Portugal, of 2,029 employees in various topics related to the activity of the Compliance Office, always focused on the Employees' awareness of the need to adopt a professional conduct and behaviour in accordance with a culture of ethics and rigour when performing daily duties. This figure, which represents an increase when compared to 2018, is the result of several training actions of which we highlight those on anti-money laundering and terrorist financing practices, MiFID2, remote account opening and new data protection regulations. Strengthening the culture of compliance, both through the normal development of the Training Plan and through a programme of proximity communication to all areas of the Bank, especially the commercial network, is a priority for Millennium bcp. “100% Compliance" is one of the most visible aspects of the transformation that began in 2019, where weekly news items are addressed to all the Bank's networks, seeking to make compliance issues known in a simple language that is both informative and formative.

NUMBER OF TRAINING SESSIONS
(1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Issues.

	2019	2018	2017	VAR.% 19/18
Activity in Portugal (2)	5,798	30,300	28,123	-80.1%
International Activity	20,733	2,219	9,093	834.3%
TOTAL	26,531	32,519	34,595	-18.4%

(1) The same employee may have attended several trainings.
(2) Includes the Macao Branch

The adequacy and effectiveness of the Bank's internal control system as a whole and the effectiveness of the risk identification and management processes and governance of the Bank and Group continued to be assured through audit programmes which include the analysis of behavioural matters, compliance with legislation, other regulations and codes of conduct, correct use of delegated competence and respect for all other principles of action in force, in relations with external and internal Customers.

In 2019, the Bank, at Group's level revised and updated its regulations framework related with governance and compliance policies, of which we point out the " Anti-Money Laundering and Terrorism Financing Policy" and "Internal Control System", a process that was completed in the beginning of 2020, with the update of the "Code of Conduct" and the "Policy for the Management of Conflicts of Interest".

The Code of Conduct and a set of compliance rulings and policies that rule the bank's activity are available for consultation on the website, governance area.

(https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx).

Relations of cooperation and loyalty have also been maintained with the judicial authorities and with national and international conduct supervision authorities. Within this scope and by its own initiative, were carried out, in all countries where Group BCP operates, a total of 2,502 communications to local Judicial Entities and it replied to 3,462 requests.

Social and Environmental Products and Services

The BCP Group offers a complete and broad range of financial products and services, and continues, under the development of its business lines, responsible for offering products and services which incorporate social principles and respect for the environment and nature.

BCP Group is also aware that the implementation of social and environmental criteria and standards in the commercial offer is reflected in more efficient risk management, reputation value and higher quality of the products and services offered to customers.

In Portugal, Millennium bcp Microcredit continues to be recognised as an alternative for the funding and feasibility of entrepreneurial action and own-job creation, having approved 177 new operations, which corresponds to total credit granted of 2,924 thousand euros, and helped to create 368 jobs. The volume of loans granted to the 676 operations in portfolio amounted to 8,466 thousand euros, corresponding to principal of 5,114 thousand euros.

With the objective of continuing to support Customers in financial difficulties and prevent default, Millennium bcp also maintained its focus on the stimulation and applicability of SAF packages (Financial Follow-up Service). In this context, 10,879 contractual amendments were made during 2019 (5,326 mortgage loans and 5,553 consumer credit), with a restructuring value of 446 million Euros (409 mortgage loans and 37 consumer loans) and comprised 9,897 Clients (4,424 mortgage loans and 5,473 consumer loans).

For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account available, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. 335 accounts with these features were opened, corresponding to a total of 4,655 accounts in the Bank's portfolio.

For students who decided to pursue their academic career, the Bank concluded, in the first six months of 2019, within the University Credit Line, 43 new loans totalling 345 thousand euros. The volume of credit granted to the 357 operations in the portfolio amounted to 2,837 thousand Euros. Within the scope of the Credit Line with Mutual Guarantee, 1.025 contracts were signed, involving a total credit amount of 11.741 thousand euros.

Also, in Portugal, the Bank has continued to reinforce its support to companies through agreed credit facilities, adjusted to the particularities of the sector and economy, in particular:

- Support to enterprise creation investment projects by unemployed persons, through the following credit lines: i) Microinvest Line - which financed 60 entrepreneurs to a total of 822 thousand Euros; and ii) Invest+ Line which supported 38 entrepreneurs, to a total value of 1,763 thousand Euros.
- Millennium bcp joined the "2020 Efficient House", a programme launched by the Portuguese Government and co-funded by the European Investment Bank (EIB), with total funding to be made available by the Bank of 50 million Euros (25 million Euros from the EIB and 25 million Euros from the Bank). This program, the purpose of which is to grant loans under favourable conditions to operations promoting the improvement of environmental performance of private residences,giving a special attention to energy and hydro efficiency , as well as to urban waste is available since June 2018 - 20 operations were carried out, with a total funding of 171 thousand Euros.
- Funding lines - SME Growth and SME Invest - aimed at SMEs intending to carry out investment projects or increase their working capital. Completion of 2,344 operations, with total funding of 224,779 thousand euros.
- Regarding support to companies in the agricultural and/or fisheries sector, 155 operations were conducted involving a total financing of 10,644 thousand Euros through the PRODER/PROMAR and IFAP Short Term credit lines.
- A credit line - Social Invest - was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2019, the Bank maintained 4 operations in portfolio, with a total value of 88 thousand Euros.
- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 24 operations were financed, up to a total amount of 6,416 thousand Euros.
- The Bank also made available the - Linha Capitalizar Mais -, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Societies that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. Millennium bcp financed 318 operations totalling 133,991 million Euros in credit.
- In Poland, the WWF Millennium MasterCard credit card, available since 2008 and produced with recyclable plastic, takes up an environmental commitment. For each subscribed card, the Bank transfers to WWF Poland (World Wide Fund For Nature) half of the first annuity and a percentage of each transaction made. In 2019, over 11.8 thousand Euros were transferred from a total of 1,527 cards, 261 of which subscribed this year.

The BCP Group meets the needs of Investors that consider it relevant to cover, in their investments, social and environmental risk factors, placing Responsible Investment Funds at their disposal for subscription:

- In Portugal, the funds are available by means of the following: The online platform of Millennium bcp – which marketed 4 environmental funds in the area of energy, amounting to a portfolio value above 7,398 thousand Euros on 31 December; and ii) ActivoBank – offering 16 investment funds, of which 8 are ethical funds and 8 are environmental funds, with a total portfolio value above 1,434 thousand Euros. On 31 December, 8 of these funds had participation units subscribed during the year, with a global subscribed value amounting to 436 thousand Euros, an increase versus the 226 subscribed in 2018;
- In Poland, Bank Millennium also has a solid offer of SRI funds, fundamentally aimed at Customers of the Prestige and Private segment, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change. The 4 available funds were subscribed by 393 Clients, assuring a subscribed value of 5.5 million Euros.

Support to the Community

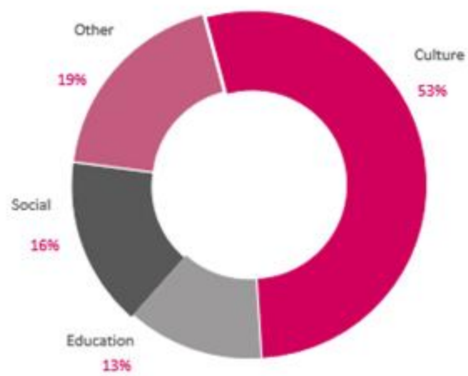
The BCP Group's strategy is the promotion of a culture of social responsibility, developing actions for and with several groups of Stakeholders aiming at, directly and indirectly, contributing to the social development of the countries where it operates. It is in this context of proximity to the community that its policy of social responsibility has developed, giving priority to its intervention on cultural, educational and social initiatives.

In Portugal, Millennium bcp continues to promote and create opportunities for the participation of its Employees as volunteers in actions to support the external community:

- In the context of the Food Bank's food collection campaigns, Millennium bcp once again was present at the warehouses, helping to separate and store the food. In 2019, in the two campaigns made regularly, the Bank helped at a national level and ensured a participation of more than 175 volunteers, Employees and their relatives.
- Supporting *Junior Achievement* Portugal (JAP), in its entrepreneurial, creativity and innovation projects,, through the Bank Employees' participation as volunteers. In 2019, the Bank participated in the second edition of "Braço Direito – Um dia no teu futuro", wherein hundreds of students had the unique opportunity to join the volunteers in their workplace and participate in some of their daily activities. At Millennium bcp, we organized two sessions, one in Estremoz and one in Taguspak.

The Bank has also been organizing, supporting and following up internal solidarity actions that promote a culture of proximity and add social value and are also a significant contribution for the materialization of its Social Responsibility Policy in Portugal. Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Corporate Marketing, Operations/COM and Quality and Support to the Network Divisions, we highlight:

Donations allocated by intervention area
(Percentage)



- "Acreditamos: Ajudamos a Dar (mais) Cor à Esperança", an internal initiative whose purpose was to collect colourful child sticking plasters, painting books and coloured pencils for the children supported by the association ACREDITAR. With the contribution given by the Bank's Employees at a national level, it was possible to collect around 875 boxes of band-aids - more than 310 individual band-aids;
- Internal action for the collection of plastic recipients in favour of Refood, with the objective of distributing meals to the local communities. This initiative enable the collection of 865 recipients;
- Millennium bcp was in the first line of emergency response to the victims of the cyclone Idai in Mozambique. To complement the financial aid granted by by the Bank through Unicef Portugal, in the amount of 50.000 Euros, the Employees of Millennium bcp also participated in this collective effort by means of a partnership established with the Association HELPO by collecting tons of essential goods, especially food and clothing.
- "Millennium Solidário - Natal 2019", a campaign for the collection of donations in favour of Make-A-Wish Portugal to make the the dreams of children's and young people's with rare diseases come true. With the usual commitment of the Bank's employees, it was possible to make 2 of those wishes come true.

Millennium bcp also carried out several initiatives in support to institutions and initiatives able of generating social value, of which we point out:

- Regular support to institutions through the donation of IT equipment and office furniture that is no longer used, but is in condition to be reused. In this context, the agreement concluded with Entrajuda, the main beneficiary entity, has been maintained. In the first six months of 2019, from amongst computer equipment and furniture, the Bank donated 2,565 goods to 58 institutions, of which 88 to Entrajuda.
- Culturally speaking, we must point out the 11th edition of Festival ao Largo, which every year presents on stage at Largo de São Carlos a series of shows with the best of opera, ballet and symphonic music. The purpose of this action is to take art to increasingly inclusive audiences, thus contributing for the cultural enrichment of Portugal.
- The event "Portugal Restaurant Week", (19th Edition) which counted, once again, with the participation of Millennium bcp, enabled the attribution of financial support to the solidarity institutions Fundação Rui Osório de Castro and Associação Crescer Ser With the donation of one Euro per each menu Restaurant Week consumed, the amount donated exceeded 30,000 euros.

In terms of financial management and financial literacy, Millennium bcp has been contributing to increase the level of financial literacy and the adoption of adequate financial behaviours:

- The promotion, in its institutional website, of the following instruments – Savings Centre, Finance Managers and the Kit for unexpected expenses which, despite being independent tools, have the same purpose: helping the client balance his/her personal budget. In the M Vídeos area of the website it is also possible to find tutorials and savings suggestions;
- In Portugal, the Facebook page "Millennium bcp" continued with the regular sharing of contents related with financial planning , a practice extended to all operations of group BCP;
- The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Banking Association), together with several financial institutions and the Instituto de Formação Bancária, whose mission was to develop and support initiatives for the promotion of the financial education of all citizens. From the activity developed in 2019, we must point out another edition of the European Money Week, a digital competition promoted by the European Banking Federation to test the financial literacy of Europe's young people, aged between 13 and 15 years old. In Portugal, APB ensured the participation of around 3.000 students from 60 schools located throughout the country, sending to the European final, in Brussels, Belgium, the two Portuguese winning students.

In Poland, Bank Millennium continues to carry out a significant number of actions, notably:

- Corporate volunteering program "Milantrop" addressed to all Bank Employees and aimed at supporting local communities. The programme enables two types of volunteer service - the organization of personal initiatives or the participation in projects envisaged by the Foundation. The projects developed so far counted with the participation of more than 500 volunteers and benefited more than 10.000 persons;
- Financial ABCs, a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children In the 5 editions of this initiative, were carried out 2,200 workshops in 630 kindergartens involving more than 53,000 children throughout the country. This program has the Honorary Sponsorship of the Ministry of Education and of the Ombudsman for Children snd, in 2019, was awarded by the "Golden Banker" with the 1st prize in the category "Socially Responsible Bank ";

- Since 2013, every year at Christmas the Bank organizes a solidarity auction for the sale of handicraft. This auction, where the offers are made through the intranet, gathers several hundreds of items created and produced by the Bank Employees. The sale proceeds are used in the treatment of disabled children related to the Employees. In 2019, this initiative enabled to raise around 19 thousand euros;

- Concerning education, we must highlight the following: i) the programme Millennium Bankers, aiming at helping university students in their first contacts with the labour market. In 2019 provided support to 25 students; ii) attribution, within a pluri-annual partnership with the University of Warsaw and Instituto Camões, of 3 scholarships to the best students in Portuguese Studies.
- Bank Millennium - representing the most significant cultural support - was also a partner of *Docs Against Gravity*, the biggest and more global festival of documentary films in Poland. This film festival, supported by a huge communication campaign and by a number of debates, and other events was carried out in 2019, in 6 Polish cities and was attended by more than 92.000 persons.

In Mozambique, the Bank's social commitment is embodied in the "More Mozambique for Me" programme, one of the references of the BCP Group under Corporate Social Responsibility aimed at tightening relations with local communities, which continues to focus on projects in the area of health, education, culture, children and youth sports, and community development:

- Millennium bim Mini Basketball Tournament - in its 14th edition, involved 2,000 athletes, aged between 6 and 11 years old, from, for the first time, all Mozambican provinces;
- 2nd Race "Com Mais Luz" from Associação Kanimambo - Millennium bim supported this sporting event once again which, in 2019, was carried out under the motto "A Caminhar, a Correr ou de Bicicleta, juntos pelas Pessoas com Albinismo". The race was preceded by a conference held o n 13 June, International Day for the Awareness of Albinism with the objective of debating themes regarding the persecution and discrimination against individuals with albinism and provide detailed information on what is albinism and how it is treated;
- 9th Edition of the Solidarity Race Helpo - Millennium bim supported this project once again this projected promoted by Associação Helpo which was held in three cities of Mozambique. 600 children participated in an initiative for the eradication of poverty and the promotion of a healthy life and the practice of sporting activities.
- Project Musiarte - National Conservatory of Music and Drama - created in 2014, it is one initiative of the opera singers Stella Mendonça and Sónia Mocumbi. Millennium bim is the main sponsor of this project of musical education which aims at contributing for a quality teaching but also identify and promote young talents, regardless of their social condition;

- Millennium bim offered a drinking fountain to the population of Namialo in the Province of Nampula, in Mozambique, providing access to drinking water to a population of more than 5.000 inhabitants.
- 'Mais Moçambique pra Mim' - intervention in the paediatric emergency services of the Provincial Hospital of Tete with the purpoe of increasing the comfort of the patients, particularly of the children and health professionals. This action involved 25 Employees of the Bank .
- "Millennium bim - Banking Olympics", a project on financial literacy whose objective is to introduce basic financial concepts, providing students and teachers with knowledge that will enable them to make balanced decisions on how to manage their savings and pursue entrepreneurial projects and social volunteering. In its 10th edition, this initiative counted with the participation of 400 students, representing 10 schools (Maputo, Matola and Province of Gaza). After trials, 40 finalists were selected. The winner in the city of Maputo was the project - transform paper in coal - presented by the Students of the Secondary School of Triunfo, while in the Province of Gaza the project chosen - 'School Newspaper' - was presented by the Secondary School Joaquim Chissano;
- Clube Empresarial da Gorongosa - Millennium bim began giving a direct support to the program "Girls Clubs", an initiative aimed at preventing the high number of early marriages and school abandon by promoting activities approaching the education of girls and their personal safety, nutrition and access to family planning;
- "Millennium bim Solidário" in the Elementary School 3 de Fevereiro - re-building of the elementary school destroyed by the cyclone using funds resulting from the solidarity campaign promoted by Millennium bim near Clients and Employees. This school, situated in the district of Búzi, brcame once again able yo welcome more than 600 students and 16 teachers.

Fundação Millennium bcp

Fundação Millennium bcp, within the context of the social responsibility policies and institutional cultural patronage is an agent for the creation of value in society in the several areas where it intervenes which are Culture, Education/Research and Social Solidarity.

In 2019, the Foundation supported a total of 116 projects, of which 59% in the area of Culture, 17% in Science and Knowledge and 24% in Social Solidarity.

Within the scope of Culture - the Foundation's main calling - it gave precedence to initiatives for the Conservation and Disclosure of the Bank's Heritage, among which are the following:

- Maintenance of the Archaeological Nucleus of Rua dos Correeiros (ANRC) and management of the guided tours. It welcomed 3,627 visitors. The NARC closed on 1 June 2019for renovation works, exhibiting an architecture and design project from the art studio Brükner;
- The project "Shared Art from Millennium bcp" exhibited: (i) the exhibition of painting and drawing "Julio e outros modernistas", at the Art Gallery Júlio - Centro de Memória, of Vila do Conde, from 25 May to 22 September, welcoming around 3.710 visitors; (ii) the exhibit of naturalistic painting "Os Desvios da Natureza", at the Municipal Museum of Faro, from 19 July to 20 October which welcomed around 10.000 visitors; (iii) the exhibition "Abstração. Share Art Collection Millennium bcp" at the Museum Amadeo de Souza-Cardoso, which was inaugurated within the scope of the Festival Mimo Amarante and remained open to the public from 26 July 2019 to 22 January 2020.
- As part of the disclosure of the Bank's art heritage and its own cultural initiatives, the Foundation established a partnership with the General-Directorate of Cultural Heritage (DGPC) and with the Fine Arts College from the University of Lisbon. This partnership is focused on the promotion and disclosure of the art heritage and cultural activities of the Museu Nacional de Arte Contemporânea (MNAC) (Portuguese Museum of Modern Art). This partnership will enable the Foundation to carry out exhibits in a space from MNAC, and the museum will remain in charge of programming and curatorship.

Supporting projects to modernise important Portuguese museums and to promote museum activities and other cultural activities, of which we highlight:

- Museu Nacional de Arte Antiga (MNAA) (Portuguese museum of ancient art) - support to several projects and activities;
- Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - support to the museum activities;
- Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - exhibition "Espaço Interior", inaugurated within the scope of the Lisbon Architecture Triennial;
- Museu Nacional do Azulejo (Portuguese Tile Museum) – support to an educational initiative, part of the initiative Museum Night;

Regarding the restoration of heritage, architecture and other cultural areas, we highlight:

- Associação World Monuments Fund Portugal - support to the conservation project of the Jerónimos Monastery.
- Palácio Nacional da Ajuda: support to the conservation and restoration works of Room D. João IV;
- Palácio Nacional da Ajuda - restoration of the antechamber of the room of King D. Luís;
- Panteão Nacional - exhibition "A Igreja de Santa Engrácia at Campo de Santa Clara: os tempos do lugar", signalling the 450th anniversary of the new parish of Santa Engrácia;
- Biblioteca Nacional de Portugal - exhibition "Volta ao Mundo. Graphic works of José de Guimarães;
- Art History Institute -School of Humanities and Social Sciences of Universidade Nova de Lisboa- exhibition from students who are completing the post-graduation in Curatorship;
- Association Castelo D' If - 10th edition of the event "Opening of Artists' Studios ", in Lisbon, consisting in the opening to the public of the work studios of several artists; 28 work studios participated in this edition;
- AiR 351 - Art in Residence - project for welcoming international artists in Portugal (visual arts) for the establishment of art residences;
- Fundação Cupertino de Miranda - financial aid for the rehabilitation of the head office for the creation of the Portuguese Centre of Surrealism to be installed in the Literary Tower;

- Associação Internacional dos Críticos de Arte (AICA) (International Association of Art Critics) - support to the "Visual Arts and Architecture Awards AICA/MC/Millennium bcp", which are attributed every year in Portugal to a visual artist and to an architect;
- Association Lisbon Architecture Triennial - support to its 5th edition and to the awards: Millennium bcp Triennial Career Award, Millennium bcp Triennial Universities Award and Millennium bcp Triennial Début Award.
- Society of Fine Arts of Coimbra - 3rd Edition Anozero - Biennial of Contemporary Art of Coimbra, under the theme "A Terceira Margem do Rio", which carried out a number of initiatives in curatorship in classified spaces and in spaces with a significant heritage importance of the city and of the central region of Portugal;
- SPIRA - Iberian Biennial of Cultural Heritage (AR&PA), which took place in Loulé, which received around 10.650 participants in its several activities and also had the participation from 75 entities;
- Carpe Diem Arte e Pesquisa - Competition "Young Art Award Fundação Millennium bcp 2019"for students of visual arts or those that ended their course in the two previoius. years
- A+A Books: support to the edition and launching of the Guide of Architecture on the architect Carrilho da Graça. This was the 4th Guide of the collection *Guias de Arquitetura* which was awarde this yera with the 1st Prize for the Best Publication /Book from the XI BIAU 2019 - International Biennial of Architecture and town planning;
- A+A Books - financial aid to the Architecture Map of Lisbon, a bilingual edition showing a selection of works appearing in the Architecture Guide 1947-2013 and also a selection of architecture works made between 2013 and 2019;
- Óbidos Criativa - support to the 5th edition of FOLIO Festival Literário Internacional de Óbidos, a meeting addressed to writers, artists and readers;
- Inter municipal Tâmega and Sousa Community - support to the 2019 edition of the Festival Mimo. This festival presents several musical shows, cinema, an educational and children's program, a forum of ideas, a cultural itinerary, "rain of poetry", together with an exhibition with works from the Millennium bcp collection, called "Abstraction". Shared Art of the Millennium bcp Collection". The Festival welcomed more than 80 thousand spectators;
- Associação Internacional de Música da Costa do Estoril - support to the 45th Music Festival of Estoril, this year under the theme "The Travel and the Moon";
- Associação Divino Sospiro - concert of Baroque Music by the Orchestra Divino Sospiro, presenting the German countertenor Andreas Schöll and held at the Great Auditorium of Centro Cultural de Belém;
- Academy of Music of Alcobaça - 27th edition of the Cistermúsica - the Music Festival of Alcobaçam which held 50 shows, being the support of the Foundation for the programming of the "Rota de Cister" (Route of Cister). In 2019, the Festival held 4 performances within the scope of the Route of Cister;
- Institute: Project RHI Think, whose goal is to create a network of cities to promote contemporary artists and the internationalization of the Portuguese culture;
- Directorate-General for the Arts - DGArtes - organization and production of the Portuguese presence at the 2019 Venice Biennial;
- Clube Residencial Cidade Música - support to the 6th edition of the program "Há Música no Jardim!", a number of musical shows (classical music, jazz, fado, Portuguese music), which were held at the Garden of Quinta de S. Jerónimo, in Coimbra;
- General-Directorate of Cultural Heritage - support to the cycle of Music in Cathedrals of the Festival "Rota das Catedrais", with a musical program involving musical performances in cathedrals located in several cities from north to south of Portugal;
- Art Fairs – support to the 2nd edition of the fair of modern art JustLX: Lisboa Contemporary Art Fair, at Museum of Carris, a fair composed by 45 galleries from 12 countries. Fundação Millennium bcp created, in the fair's first edition in 2018, the Award" Prémio de Arte Emergente", that, in 2019, was taken by the artist artist Rui Pedro Jorge for his work "Obor";
- IFEMA - Support to ARCO Lisboa - Feira Internacional de Arte Contemporânea Arco, carried out at Cordoaria Nacional. The Foundation supported the carrying out of the Millennium Art Talks, a program for debating and exchanging ideas on international modern art;

Science and education are paramount for the construction of a developed society and for the exercise of a responsible and informed citizenship. Therefore, the Foundation increased its participation in several projects for education, scientific investigation and disclosure of knowledge, namely:

- Instituto de Biologia Molecular e Celular - support to the investigation on Alzheimer's disease;

- IMM (Instituto de Medicina Molecular de Lisboa) - a project developed by the Centre for the Investigation of Brain Tumours with the purpose of investigating the mechanisms responsible for the surging of brain tumours, especially in children;
- Fundação Rui Osório de Castro: annual award to scientific investigation in the area of paediatric oncology; The award Rui Osório de Castro Millennium bcp was created aiming at the development of innovative projects and initiatives in this area, able to foster and promote better care for children with an oncologic disease;
- Casa da América Latina - Professorship Casa da América Latina/Fundação Millennium bcp, an Invited Professor at Instituto de Higiene e Medicina Tropical (IHMT), with the objective of developing research projects on malaria and clinical research projects with interest for the assistance activities developed at the travellers clinic of IHMT, as well as the developing of training programs in the area of tropical diseases for post-graduate students and health professionals from the IHMT;
- Instituto de História de Arte - College of Social and Human Sciences - Universidade Nova de Lisboa - Investigation scholarships in Art History for the in-depth study of the most important artists who are common to the collection of Millennium bcp and the one of Museu do Chiado;
- A scholarship program of Fundação Millennium bcp aimed at students from Portuguese-speaking African countries and from Timor (PALOP) The management of these scholarships was entrusted to Instituto Camões by means of a collaboration protocol and 7 scholarships were attributed.
- Universidade Católica Portuguesa - Health Sciences Institute: support to the Pedipedia project, development of an online paediatric encyclopaedia with the purpose of creating a pedagogical tool to support clinical practices and training in health care; Its recipients are health professionals, parents, caretakers, children and teenagers from Portuguese-speaking countries;
- Universidade Católica Portuguesa – Faculdade de Direito (Faculty of Law) – support given to Master of Laws program;
- Junior Achievement: StartUp Programme (12th edition) - this initiative aims to undertake entrepreneurial programmes with college students by creating new micro companies . Under the format of a university and entrepreneurship competition and with the guidance provided by professors from several universities, the students learn how to create and manage a company. The national winner in 2019 was the project Kitchen Lab of the teams of students from ISEG;
- Associação de Teatro Aresta Rebelde - support to the national meeting of Performing Arts Courses;
- Associação Empresários pela Inclusão Social (EPIS) – Educational project for social inclusion, programme "Mediators for academic success". In 2019, the programme was extended to a greater number of locations, reaching a higher number of students. Within the scope of this programme, EPIS, in the wake of the European Year of Cultural Heritage, organized a visit to the Archaeological Nucleus of Rua dos Correeiros (NARC) for the 50 top students of the 3rd cycle;
- Fundação Dr. António Cupertino de Miranda - support to the 8th edition of the Financial Literacy project "No Poupar Está o Ganho", (When you save, you gain) a project to increase the pre-school, basic and secondary student's awareness on the importance of money, thus contributing for the acquisition of skills on this theme; The project involved , in 2019, 5.871 students, 275 classes and 286 teachers from 34 municipalities from the north of Portugal;
- Municipality of Pedrogão Grande -support to "+Future", a project focused on three aspects: Education and Citizenship, Road Safety and Sustainability. It is based on the approach of contents in schools (1st cycle) located in the municipalities of Castanheira de Pêra, Figueiró dos Vinhos and Pedrogão Grande;
- MoneyLab: Financial Education Labs – roadshow the purpose of which is to fill gaps regarding the misinformation that young people have on financial literacy, especially high-school students from private and public schools. The project contemplates 10 Portuguese districts: Aveiro, Braga, Castelo Branco, Coimbra, Évora, Leiria, Lisboa, Porto, Setúbal and Viseu. Around 2,000 children took part in this project in 2019.

Finally, in the area of Social Solidarity, the Foundation provided aid to actions carried out by different entities, aiding in several areas, such infancy/adolescence, poverty and disability, namely:

- Portuguese Food Bank – support to food collection campaigns;
- AESE Business School – Programme GOS (Management of Social Organizations) – a program developed by means of a partnership established with ENTRAJUDA. The program intends to provide management training to leaders of entities from the social economy sector, namely non-profit organizations, in order to provide a response to training needs in management areas. 2 editions of GOS are held every year, one in Lisbon and one in Porto;
- APSA - Associação Portuguesa de Síndrome de Asperger (Portuguese Association of the Asperger Syndrome) - support to the program "Employability", for young people/adults with Asperger Syndrome (SA), over 18 years of age; its purpose is providing them with the skills for inclusion in the social and professional life; This association also received the amount of the award given by Fosun to the Investors Relations Division of Millennium bcp , which delivered the award to Fundação Millennium bcp. This program was able to give jobs to 20 young people, thus contributing for their financial autonomy;
- CERCICA - Cooperative for the Education and Rehabilitation of maladjusted individuals from Cascais - received the amount of the award "Excellent Entrepreneur" granted by Fosun to Millennium bcp, which, on its turn, donated the amount of the award to Fundação Millennium bcp;
- Vida Norte - Associação de Promoção e Defesa da Vida e da Família (Association for the defence of Life and Family) - support to the activities carried out by the institution that helps young mothers in need. In 2019, 10 families received aid for a period of one year;
- Ponto de Apoio à Vida (Support to Life) - help, sheltering and training of teenagers and pregnant women experiencing a fragile economic situation who do not have the conditions to, without help, guarantee the education of their children;
- Associação Portuguesa de Famílias Numerosas (Portuguese Association of Large Families) - support to the 11th edition of the Observatory of the Family Responsible Municipalities". This project intends to distinguish and disclose municipalities following best practices in family-oriented projects In 2019, it had the participation of 141 municipalities and distinguished 77;
- Fundação Portuguesa de Cardiologia - Support to the Month of the Heart which took place in May;
- Associação Terra dos Sonhos (Association Dreamland): "Bolsa com sonhos" - support to the accomplishment of a child' dream or of young people in situations of illness or risk;
- Cáritas Diocesana de Setúbal - support to young pregnant women and /or young women victims of maltreatment;
- FAMSER – Associação de Apoio Famílias Desfavorecidas – Projeto GPS - Gerar, Percorrer e Socializar, a specialized residential foster home located in Castro Verde, capable of assisting 30 young people, between 12 and 18 years old;
- Acesso Cultura - support to the website *"Cultura Acessível"* that gathers information on the cultural programs accessible to disabled persons (interpretation of Portuguese sign language, audio-description, tactile materials, etc.). This project was recognized by the Ministry of Culture as being a cultural interest project. In 2019, were disclosed initiatives that took place in 10 districts of Portugal (4 more than in 2018). The website recorded 3585 users, 83% in Portugal, and the remaining in USA, Brazil and France.
- Critical Concrete – attribution of a scholarship to attend the summer school of the social and sustainable building social educational program;
- Associação de Doentes com Lúpus (Association for Lupus patients) – support to activities;
- Teatro Nacional D. Maria II (TNDM II) - support for the transportation of school groups from the several teaching levels (pre-school, elementary, secondary , superior and senior) to the TNDM II with the purpose of giving the students living outside Lisbon the possibility of attending the shows and activities promoted by the Theatre;
- Associação de Desenvolvimento Comunitário do Funchal (association for the development of the community of Funchal) - support to the edition of the book "Perdoa se me Esqueci", the revenue from which is to be used in favour of the Association (provides support to children with trisomy 21);
- BUS Association - Social Utility Assets: support for the development of its activities which consist in the collection of useful goods, forwarding them to individuals/families in need.

Suppliers

At Millennium bcp, the Supplier selection process follows criteria of overall competence of the company, functionality, quality and flexibility of the specific solutions to be acquired and continued capacity of service provision. In all the Group's operations, it is given preference to purchasing from Suppliers of the respective country, registering 91.4% in payments to local suppliers.

The Bank's main suppliers are companies that publish their economic, environmental and social performance, assuring a responsible purchase of goods and services.

Since 2007, the BCP Group, namely in Poland and Portugal, includes, as an attachment to the agreements it establishes with suppliers, the Principles for Suppliers which include several aspects, such as compliance with the law, good environmental and labour practices, including human rights and the application of those principles in the engagement of third parties.

BCP conducts assessments of its suppliers, through the application of a performance questionnaire which includes parameters related to the level of compliance with the Supplier Principles. In 2019, suppliers were subject to continuous monitoring.

Within the scope of the monitoring, Millennium bcp's suppliers are subject to a permanent evaluation process, based on: i) the relationship they maintain with Technical Competence Centres; ii) performance assessment actions and the identification of areas for improvement; and iii) on existing decision-making processes to execute investments and renew contracts.

In Portugal, Millennium bcp participates in the Commitment to make Timely Payments from ACEGE, an initiative that intends to encourage the timely payment to suppliers, being an ethical exercise, which contributes not only for the entrepreneurial success but also to enhance the economy's competitiveness. The ratio payment deadline/agreed deadline in Group BCP is 1.

Millennium bcp is a subscriber of the Charter of Principles from BCSD Portugal - Business Council for Sustainable Development. This document establishes the principles that are the guidelines for good corporate management, enabling the subscribing companies to be recognized by their clients, suppliers and by the society in general for the adoption of solid sustainability commitments.

The Charter encourages subscribers to go beyond legal compliance, adopting rulings and practices recognized and in line with management, ethical, social, environmental and quality standards in any context of global economy.

Environmental Impact

Environmental Responsibility

The BCP Group, in compliance with its digital and technological strategic goals, develops a sustainability strategy that incorporates and promotes a culture of environmental responsibility and fight against climate changes.

The rationalization in the consumption of energy, water and materials, based on a rationale of dematerialisation of processes, protection of the environment and preservation of natural resources is one of the key objectives of the environmental policy of BCP (document available for consultation at the Sustainability area of the Bank's website):

https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Documents/Politic_Ambiental.pdf).

The Bank regularly monitors a series of environmental performance indicators which measure its main consumption in Portugal and in the subsidiary companies abroad. Globally, Group BCP continues to invest in eco-efficiency measures, optimisation of processes, focus on renewable energies, investment on new equipment and on awareness initiatives addressed to its Employees targeted at the adoption of environmentally responsible behaviours.

Apart from the monitoring of the environmental indicators, BCP has an area in charge of the business continuity management that identifies the risks related with climate changes and the incorporation of standard policies and of defined procedures in order to ensure the Bank's ongoing activity in case of natural disasters able of discontinuing it. The Bank also manages indirect environmental risks, during the credit and project finance evaluation and granting process and is able to carry out environmental impact studies, in accordance with the applicable legislation in effect.

BCP ensures, on a regular basis, the follow-up of initiatives carried out in all countries where it operates, in view of its local circumstances, and monitors several indicators which enable it to measure its environmental efficiency and impact concerning its main resources consumption - water, energy and materials - and associated production of emissions and waste.

In 2019 the Bank defined its Sustainability Master Plan 2021, with the objective of enhancing the creation of value at the economic, social and environmental level. The plan's lines of action are Sustainable Management and Financing (Economic), Positive Impact on People and on the Community (Social) and Sustainable Operations (Environmental). In terms of environment it includes 12 specific actions aimed at containing global warming (Paris Agreement) and minimising the operation's environmental impact. Among these measures, we may point out the definition of targets to reduce emissions in accordance with the *Science Based Targets Initiative*; and the goal "zero paper", a consequence of the ongoing increase in scanning and reduction of prints.

MAIN MEASURES TO REDUCE THE ENVIRONMENTAL IMPACT

Operating efficiency

Installation of LED lighting
The Bank equipped the garages of Taguspark with LED lights. The Bank has also equipped the commercial network with LED lights whenever intervention/remodelling work is carried out in the branches.

In Poland, the bank began, in 2019, to replace the bulbs by LED lights and automated lighting in order to reduce the consumption of energy at the premises of Bank Millennium.

Solar energy plant at Taguspark
In 2019, the plant in Taguspark, with 1 MW of power, enabled to generate 1066 MWh of energy for self-consumption, cutting CO2 emissions by 612 tons since it began operating.

Monitoring of energy and water consumption
In 2019, the Bank initiated the pilot scheme consisting in the regular monitoring of electricity and water consumptions in a building in TagusPark. This initiative enables to closely monitor variations in consumptions and act swiftly on any anomaly, avoiding excessive consumptions and consumption costs. In 2020, the Bank intends to extend this environmental management tool to the remaining buildings of TagusPark.

Environmental Awareness

Internal environmental communication campaign
The Bank pursued its internal campaign by resorting to environmental communication to foster decrease in the consumptions of electricity, water and paper by adopting practices based on the rational use of those resources. This initiative contributes not only to improve environmental performance but also serves to optimise operating costs and strengthen the organization's environmental commitment.

Informing the heads of the organizational areas of the respective consumption of paper (prints) and of ink and toner cartridges.

Environmental volunteering actions
In 2019 two significant initiatives in terms of environmental volunteering actions took place. The first consisted in the plantation of trees, resulting from a partnership established with the Municipality of Cascais and involved around 50 Millennium volunteers, allowing the plantation of 400 trees in the Sintra nature reserve. The second consisted in the removal of waste from a beach in the municipality of Cascais, had the participation of 20 volunteers and resulted in the removal of 200 Kg of waste.

Green IT Programme: Reduction in local printing, giving preference to digital tools in the development of software

Aiming at decreasing CO_2, emissions throughout 2019, it was possible to verify the increase use of webcasting platforms. Hence, the level of use of these tools increased 252% and the duration of the sessions around 314% versus the same period in 2018. This performance results also from the phased replacement of Webex by Skype for Business.

In addition, we highlight the continuation of the "GO P@perless" project which focuses on the dematerialisation of operations as a way to innovate and optimise processes, using solutions of electronic production and signing of documents. During 2019 the Bank was able to save 1.692.337 prints of cashier transactions, corresponding to 6.5% less prints made using the Branch's equipment if compared with 2018, resulting in a monthly savings of 141.028 prints.

In terms of scanning of documents, the figures recorded in 2019 remained stable versus 2018 (36.986.080 scanned documents, representing a marginal decrease of 0.1%). BCP reached total savings of around 6 million BW prints (Central Services + Branches), corresponding to around 17 thousand Euros down in costs with printing and paper.

In total, as a whole, these initiatives enabled saving 42% of the consumer goods from 2013 to 2019.

Use of digital documents such as, for example, the bank statement in digital format in 2019, in Portugal, 72% of the active accounts already had e-statements, a percentage that, in Poland, reached 79%. In Mozambique, the number of accounts with e-statement is 28,622 and in Switzerland of 210.

Millennium bcp, within the scope of its sustainability strategy, subscribed in 2019 the "Engagement Letter for the Sustainable Funding in Portugal", an initiative targeted at contributing for the promotion and development of the financing of Carbon Neutrality until 2050.

Sustainable mobility measures
Incentive to the use of video conference and e-learning instead of travels and use of the train instead of flying, when economically feasible.

In 2019, the Bank signed two important environmental commitments promoted by the Municipality of Lisbon: the "Mobility Pact for the city of Lisbon" (PMEL) and the Commitment "Lisbon European Green Capital 2020 - Climate Action Lisbon 2030", both upholding climate actions and a more sustainable city.

related with an ongoing improvement of the tasks developed by teams, based on lean approaches, contributing to processes with a higher value-added for the client and with direct impact on the sustainability of the operations.

Four Kaizen Committees were held in 2019, ensuring the follow-up and recognition of the best initiatives undertaken by each Department of the Operations Division. A second team building event was also carried out with the purpose of reinforcing team spirit and recognize the performance and participation of the Employees in the Kaizen Program.

During the year 293 initiatives were implemented, of which 8% represent savings in consumer goods (ex. Paper, prints, internal mail seals, among other), reducing costs in around 244 thousand Euros.

Environmental guide for customers and employees and production of a video for advice on how to protect the environment in the workplace in Poland.

In Poland, the Bank replaced most of its car fleet by hybrid cars. This action had the goal of reducing CO_2 emissions associated with the fleet, being projected to avoid emissions of more than 500tCO_2, versus the period of time prior to the implementation of this measure.

The Bank, in the different countries where it operates reaffirmed its commitment towards the implementation and disclosure of the principles of the initiative from the **Global Pact from the United Nations** in what regards Human Rights, Labour and Environment. In Mozambique it increased its support towards the implementation of the objectives of **FEMA - Entrepreneurial Forum for Environment**.

ECOLOGICAL FOOTPRINT

As noted above, BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency about its main consumption of resources [5].

In 2019, the BCP Group saw general improvements in terms of eco-efficiency. The *per capita* indicators referring to energy consumption, emissions, water and material consumption decreased compared to the previous year, as a result of the implementation of eco-efficiency measures, investment in renewable energies, optimization of processes focusing on their dematerialization, but also the awareness of Employees regarding the rational use of resources.

In Poland, the data thereon changed versus 2018, due to the integration of EuroBank in May 2019. Thus, the data regarding energy, water and emissions include the figures from EuroBank, as of October 2019.

The energy consumption in the BCP Group is mostly of indirect origin (electrical and thermal energy), representing 71% of the total energy consumption. In 2019, there was a reduction in the order of 18% in the consumption of direct energy, associated with the consumption of fuels, and a 2% increase in the consumption of indirect energy, resulting from the consumption of electricity. The increase in electricity consumption in the Group is justified by the growth of the Bank, particularly in Poland with the acquisition of EuroBank, with a 5.6% reduction in electricity consumption per capita, on the other hand. to 2018.

> In 2019, 60% of the total of electricity consumed Portugal came from renewable origins.

[5] The environmental performance of all the Bank's operations was monitored in 2019, namely in Portugal, Mozambique, Switzerland and Poland, and the consumptions of previous years were presented within the same geographical scope in order to ensure an effective comparability of the results

With regard to domestic activity (Portugal), in 2019, Millennium bcp ensured the fulfilment of its annual goal of reducing energy consumption (-4%), having reduced energy consumption in Portugal (electricity and fuels, including natural gas) by 12% compared to 2018.

Within the scope of the commitment of adjusting to climate changes, BCP estimates every year the Group's carbon footprint in order to be able to contribute to reducing the emissions of Greenhouse Gas Emissions (GEE). Every year, the Bank participates in the CDP (Carbon Disclosure Project), and kept its Classification B, Management band in 2019.

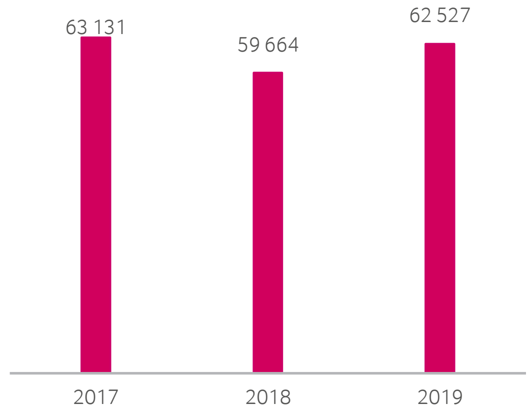
In 2019, in global terms, the Group recorded a 5.1% reduction in emissions per capita compared to 2018, corresponding to a slight increase in absolute GHG emissions associated with the Group's banking activity of approximately 0.2% compared to 2018, the result of growth in Poland.

In 2019, globally, emissions associated with fuel consumption (scope 1) decreased by 16% when compared to the previous year, reflecting the decrease in consumption of natural gas in Portugal. Emissions associated with the consumption of electricity / heat (scope 2) registered an increase of 4%, and emissions associated with mobility in service (scope 3), registered an increase of 11%, mostly attributable to the increase in emissions associated with travel. by plane, partly related to the EuroBank acquisition process in Poland.

With regard to domestic activity (Portugal), Millennium bcp presented a 3.7% reduction in its GHG emissions compared to 2018, falling short of the goal of reducing CO2 emissions (-7%).

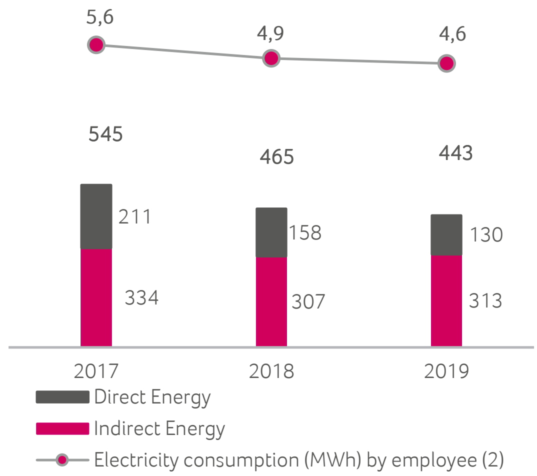
In Portugal, direct emissions decreased by 27% compared to the same period last year. Indirect emissions associated with electricity consumption increased by 19% over the previous year, while indirect emissions associated with missions in service (scope 3) also registered an increase of around 15%, due to a refining of the clearance of emissions associated with air travel.

Electricity consumption[1]
(MWh)



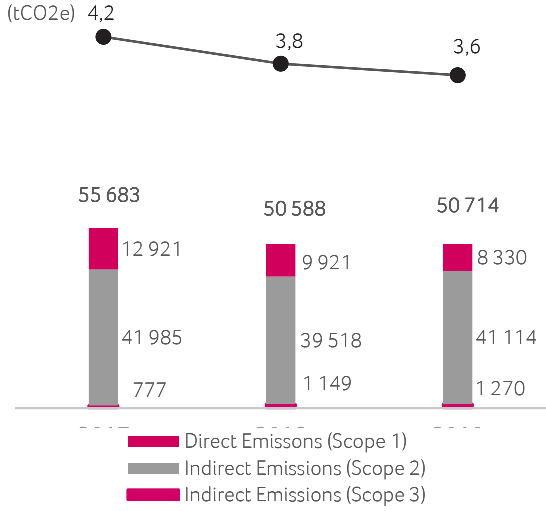
[1] Does not include the cogeneration plant and data center in Portugal, neither energy consumption in Mozambique.

Total energy consumption - GRI 302-1[2]
(Tj and Mwh/colaborador)



[2] Includes the cogeneration plant in Portugal, excludes the data center in Portugal and data from Mozambique.

GHG emissions [3]
(tCO2e)



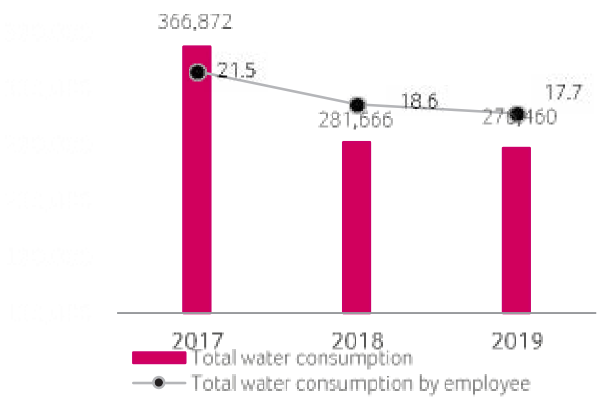
In terms of consumption of consumables, in global terms, the BCP Group recorded a reduction of 1% in the consumption of its main materials (paper and cardboard, plastic and ink / toners) compared to the previous year, as a result of the implementation of optimization measures and dematerialization of processes.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in global terms, decreased by 1% compared to 2018, as a result of the dematerialization initiatives that have been implemented in all geographies. Toners and ink cartridges also decreased by 42%, as a direct result of measures to encourage non-printing and digitization.

Also, in Portugal, in 2019, the trend of decreasing consumption of materials was maintained, with a 9% reduction compared to the previous year, which narrowly failed to reach the established annual target (-10% of consumption materials). It should be noted that the A4 and A3 paper used by the Bank has a European Union Eco-label environmental certification, which ensures a responsible paper production process.

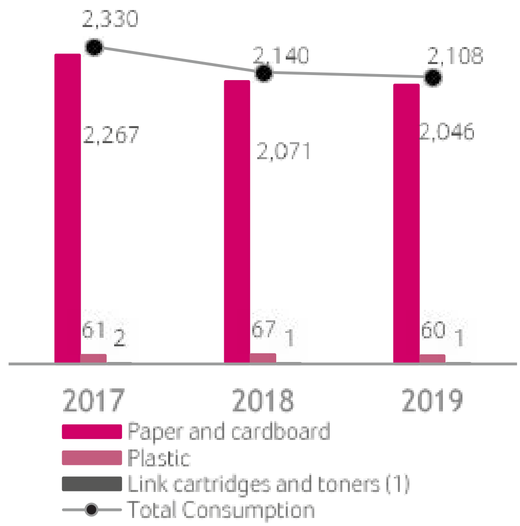
Further details on the information reported in this chapter - Responsible Business -, in particular calculation criteria, the table of Global Reporting Initiative (GRI) indicators and correspondence with the Global Compact Principles, are available for viewing on the Bank's Institutional website, at www.millenniumbcp.pt, under Sustainability.

Water consumtion (4)
(m3)



(4) Change in methodology, applied to all years (average unit cost of 4.93€/m3). Does not inlcude Mozambique. Includes data from EuroBank since October 2019.

Materials consumption (5)
(t)



(5) Does not include data from EuroBank.

REGULATORY INFORMATION

2019 Campaign | Personal Credit Solutions

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
Interest and similar income	1,991,445	1,889,739
Interest expense and similar charges	(442,917)	(466,108)
NET INTEREST INCOME	1,548,528	1,423,631
Dividends from equity instruments	798	636
Net fees and commissions income	703,497	684,019
Net gains / (losses) from financial operations at fair value through profit or loss	4,837	1,400
Net gains / (losses) from foreign exchange	69,391	75,355
Net gains / (losses) from hedge accounting operations	(5,682)	2,552
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	99,676	49,435
Net gains / (losses) from insurance activity	11,752	8,477
Other operating income / (losses)	(144,400)	(135,878)
TOTAL OPERATING INCOME	2,263,488	2,059,433
Staff costs	668,232	592,792
Other administrative costs	376,455	376,676
Amortisations and depreciations	124,785	57,745
TOTAL OPERATING EXPENSES	1,169,472	1,027,213
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,094,016	1,032,220
Impairment for financial assets at amortised cost	(390,308)	(465,468)
Impairment for financial assets at fair value through other comprehensive income	2,180	1,092
Impairment for other assets	(96,034)	(79,037)
Other provisions	(57,484)	(57,689)
NET OPERATING INCOME	552,370	431,118
Share of profit of associates under the equity method	42,989	89,175
Gains / (losses) arising from sales of subsidiaries and other assets	31,907	37,916
NET INCOME BEFORE INCOME TAXES	627,266	558,209
Income taxes		
Current	(100,908)	(105,559)
Deferred	(138,370)	(32,458)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	387,988	420,192
Income arising from discontinued or discontinuing operations	13,412	(1,318)
NET INCOME AFTER INCOME TAXES	401,400	418,874
Net income for the year attributable to:		
Bank's Shareholders	302,003	301,065
Non-controlling interests	99,397	117,809
NET INCOME FOR THE YEAR	401,400	418,874
Earnings per share (in Euros)		
Basic	0.018	0.020
Diluted	0.018	0.020

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
ASSETS		
Cash and deposits at Central Banks	5,166,551	2,753,839
Loans and advances to credit institutions repayable on demand	320,857	326,707
Financial assets at amortised cost		
Loans and advances to credit institutions	892,995	890,033
Loans and advances to customers	49,847,829	45,560,926
Debt securities	3,185,876	3,375,014
Financial assets at fair value through profit or loss		
Financial assets held for trading	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss	31,496	33,034
Financial assets at fair value through other comprehensive income	13,216,701	13,845,625
Assets with repurchase agreement	-	58,252
Hedging derivatives	45,141	123,054
Investments in associated companies	400,391	405,082
Non-current assets held for sale	1,279,841	1,868,458
Investment property	13,291	11,058
Other tangible assets	729,442	461,276
Goodwill and intangible assets	242,630	174,395
Current tax assets	26,738	32,712
Deferred tax assets	2,720,648	2,916,630
Other assets	1,239,134	811,816
TOTAL ASSETS	81,643,408	75,923,049
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	6,366,958	7,752,796
Resources from customers	59,127,005	52,664,687
Non subordinated debt securities issued	1,594,724	1,686,087
Subordinated debt	1,577,706	1,072,105
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	343,933	327,008
Financial liabilities at fair value through profit or loss	3,201,309	3,603,647
Hedging derivatives	229,923	177,900
Provisions	345,312	350,832
Current tax liabilities	21,990	18,547
Deferred tax liabilities	11,069	5,460
Other liabilities	1,442,225	1,300,074
TOTAL LIABILITIES	74,262,154	68,959,143
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	2,922
Legal and statutory reserves	240,535	264,608
Treasury shares	(102)	(74)
Reserves and retained earnings	435,823	470,481
Net income for the year attributable to Bank's Shareholders	302,003	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,730	5,780,473
Non-controlling interests	1,261,524	1,183,433
TOTAL EQUITY	7,381,254	6,963,906
TOTAL LIABILITIES AND EQUITY	81,643,408	75,923,049

Alternative performance measures

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

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

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

Euro million

		31 Dec. 19	31 Dec. 18
Loans to customers (net) (1)		52,275	48,123
Balance sheet customer funds (2)		62,607	56,585
	(1) / (2)	83.5%	85.0%

2) Return on average assets (ROA)

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

Euro million

		2019	2018
Net income (1)		302	301
Non-controlling interests (2)		99	118
Average total assets (3)		79,590	73,419
	[(1) + (2), annualised] / (3)	0.5%	0.6%

3) Return on average equity (ROE)

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

Euro million

		2019	2018
Net income (1)		302	301
Average equity (2)		5,970	5,753
	[(1), annualised] / (2)	5.1%	5.2%

4) Cost to income

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

Euro million

		2019	2018
Operating costs (1)		1,169	1,027
Specific items (2)		66	29
Net operating revenues (3)*		2,339	2,187
	[(1) - (2)] / (3)	47.2%	45.6%

* Excludes the specific items, in the amount of 1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary.

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

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

Euro million

		2019	2018
Loans to customers at amortised cost, before impairment (1)		54,352	50,724
Loan impairment charges (net of recoveries) (2)		390	465
	[(2), annualised] / (1)	72	92

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

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

Euro million

		31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)		4,206	5,547
Loans to customers (gross) (2)		54,724	51,032
	(1) / (2)	7.7%	10.9%

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

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

Euro million

		31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)		4,206	5,547
Loans impairments (balance sheet) (2)		2,449	2,909
	(2) / (1)	58.2%	52.4%

Application of Results

Taking into consideration:

A. The provisos of the law and of the by-laws concerning the legal reserve;

B. The dividend policy of Banco Comercial Português (BCP);

C. The alteration introduced in the Work Collective Agreement, published on 29 March 2014 on the no Bulletin of Work and Employment no. 12 which enabled the Employees of Group Banco Comercial Português in Portugal, in the period comprised between June 2014 and June 2017, to accept a temporary reduction in their remuneration. This reduction was done with the purpose of rendering the Bank's recovery process feasible and contribute for the compliance with the requirements imposed to the Bank to be able to benefit from State Aid;

D. That the said alteration to the Work Collective Agreement provided that the Board of Directors, in the years following the end of the state intervention, having results for such, would submit to the General Meeting of Shareholders a proposal for the distribution of results to Employees that, over the years, would allow the delivery of an accumulated total amount, at least equal to the total amount not received by Employees during the temporary reduction of the remuneration period;

E. That BCP ended the repayment of the public financing received, plus interest, in February 2017, and the Annual General Meeting held on May 22, 2019 approved the allocation of part of the 2018 results for distribution to employees;

F. That, according to the financial statements to be submitted to the approval of the Shareholders, in the 2019 financial year Banco Comercial Português recorded consolidated net earnings amounting to € 302,003,469.31 and individual net earnings amounting to € 139,296,016.59;

G. That the approval of any compensation for the Employees against the income statement, as well as the estimation of the respective amount pertains exclusively to the General Meeting of Shareholders, and the Executive Committee (by delegation of the Board of Directors), after getting the opinion from the Committee for Nominations and Remunerations, establishes the distribution criteria;

H. That reiterating its intention to respect the Bank's dividend policy and, even considering that BCP has already joined the group of institutions without specific limitations regarding dividend distribution, the Board of Directors cannot fail to consider the potential impacts and uncertainties associated with the current pandemic situation;

I. That such situation recommends the utmost caution in the making of the proposal for the appropriation of income, a caution also recommended by the supervisory authorities, justifying the non-payment of dividends concerning the 2019 financial year,

The Board of Directors, reaffirming its determination to, once this crisis is over, and in the extent that the Bank and the domestic economy can initiate their recovery, resume the full application of the approved Dividends Policy, hereby

Proposes:

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) of the Companies Code, as well as article 54 of the Bank's articles of association, the following application of year-end results amounting to € 139,296,016.59 euros:

a) For the reinforcement of legal reserve, € 13,929,601.66;

b) For an extraordinary distribution to employees and, in compliance with the mentioned in paragraphs C to G of the recitals of this proposal, up to € 1.000,00 to each employee who hasn't already been fully compensated with the earnings distributed in 2019 if he/she remain in his/her position on the date the remuneration corresponding to June 2020 is paid, up to a maximum total amount of € 5,281,000.00;

c) The remaining, in the minimum amount of € 120,085,414.93 to Retained Earnings.

Lisbon, 26 March 2020

THE BOARD OF DIRECTORS

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income, from financial assets held for trading and, until 2017, from financial assets available for sale.

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 2017).

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

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

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

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

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

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

Other net operating income – net gains from insurance activity, 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.

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

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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

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