ANNUAL REPORT 2020

Millennium bcp

2020
REPORT & ACCOUNTS

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

2020 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 2020 Annual Report is a translation of the “Relatório e Contas de 2020” 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 2020” prevails.

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

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

Nuno Amado
Chairman of the Board
of Directors

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

The performance of the global economy in 2020 was unexpectedly affected by the new coronavirus which profoundly impacted activity all over the world.

Because of the severe restrictions on the normal conduct of economic activity, this pandemic will have caused the world economy to contract by 3.5%, according to the International Monetary Fund. However, the IMF also forecasts a scenario of strong recovery, starting in 2021 – a view which is, of course, subject to confirmation that the pandemic is receding.

The extraordinarily negative impact of the pandemic on the global economy has given rise to a widespread and unprecedented economic policy response, in both the monetary and budgetary aspects. In the euro area, the ECB launched an emergency program to purchase public debt and reinforced other programs for injecting liquidity into the banking system, which caused Euribor rates to remain negative along the entire length of the yield curve as well as prompting a fall in long-term euro interest rates, while also reducing yields on government bonds from peripheral member states, including Portugal.

The Portuguese economy recorded an unprecedented 7.6% contraction because of the pandemic's effects on activity, which proved particularly harmful to tourism, private consumption and, to a lesser extent, investment. Despite the adverse context and the high level of uncertainty, economic recovery is expected to proceed in 2021, sustained by the highly expansionary monetary and budgetary policies and by the very significant increase in the savings of Portuguese families in recent quarters, even though the lockdown imposed in January 2021 may temper this recovery. According to the Bank of Portugal's forecasts, GDP growth in 2021 is expected to be 3.9%. The government's effort to support the income of families and companies has resulted in a substantial worsening of budgetary performance and, consequently, of public debt ratios, a trend that should see gradual improvement in the coming years, in line with economic recovery.

In Poland, GDP fell 2.8% in 2020%, reflecting the adverse effects of the pandemic-related restrictive measures on economic activity, especially consumption and investment. In 2021, external demand and the expectation of a progressive normalization of restrictive measures are expected to support the resumption of activity, with the European Commission projecting a GDP growth rate of 3.1%. In the exchange rate, the uncertainty that prevailed in 2020 in the international financial markets conditioned the evolution of the zloty, which for the year depreciated around 7% against the euro.

In Mozambique the global economic recession, as well as military instability in the northern and central regions of the country and the occurrence of natural disasters, strongly affected the evolution of economic activity in 2020, translating into a 1.3% drop in GDP.

In Angola, the challenges facing the national economy intensified because of the effects of the international oil price, resulting in the persistence of a challenging macroeconomic environment which, despite the significant structural reforms implemented by the government, has persisted since 2016. In 2021, these structural reforms and the prospect of rising raw material prices, in a context of a recovery in the world economy, are expected to translate into a 0.4% rise in GDP, according to the IMF.

In this challenging context, Millennium bcp stood out for its agility and adaptability as it faced a tremendously uncertain and volatile environment. At the very beginning of the pandemic the bank swiftly established a set of priorities, shifting immediately from the previous focus on growth to defending the quality of the balance sheet, protecting customers and employees, supporting the economy, preserving business continuity, and reinforcing the social support component to the communities we serve.

The combination of these priorities with the investment made in recent years in digital transformation, strengthening skills in innovation, and operational optimization proved fundamental for the Bank to distinguish itself for the support we were able to provide to families and companies.

Seeking to overcome challenges by transforming them into opportunities, Millennium bcp changed many procedures and routines, preserving the high standards of quality we're renowned for in our face-to-face service while simultaneously increasing convenient, digital interaction with customers, intensifying relationships and reinforcing confidence. These efforts were reflected in the recognition of Millennium bcp as the Best Digital Bank in Portugal by our customers, who also named us the Consumer Choice for 2021.

At a time when many companies, affected by the severe economic downturn, faced complex situations, Millennium bcp also stood out for the support it provided, as the leading bank for companies in Portugal, in all business segments, thanks to our superior performance in the granting of State-guaranteed loans, with market share of more than 30%, without compromising our absolute rigour and prudence in lending and the monitoring of credit risk.

This leadership proved particularly important to achieving the overall performance in terms of business volume, particularly the 2.6 billion euro increase in performing credit in Portugal, which underpinned a 4.6% increase in performing credit in consolidated terms, which rose by 2.3 billion euros.

Our capacity to control operating costs was also decisive for Millennium bcp to continue to assert itself as a benchmark in terms of efficiency, both in Portugal and in the Eurozone, with a cost-to-core income ratio below 50%.

The quality and resilience of the bank's business model remains evident in the evolution and robustness of the results before impairment and provisions, which increased 1.5% in 2020, reaching 1.19 billion euros on a consolidated basis.

Faced with an adverse global macroeconomic scenario where the outlook remains conditioned by the evolution of the pandemic, the bank significantly reinforced impairments as a result of the permanent assessment of the credit portfolio risk in different geographies, increasing the cost of risk to an anticipated level of 91 basis points.

The need for public support measures to mitigate the impacts of this cyclical economic crisis, without affecting the State's accounts to the point of causing a structural rupture, has meant that in the configuration of support measures in Portugal moratoria, as an indirect instrument to support liquidity needs, take on greater relevance than in other countries, which are able to deploy public support measures based more on direct injections of liquidity into the economy.

The proportion of loans under moratoria in the bank's loan portfolio in Portugal is therefore the result of the configuration of the country's public support measures and is in line with the proportion seen in the national financial system.

As moratoria require particular attention and preparation in adapting models and procedures that allow the bank to detect early warning signs and anticipate possible degradation of the risk profile, it is important to note that a large proportion of the moratoria for individuals, around 90%, correspond to mortgage loans, with a risk profile that tends to be more stable, and that 68% of all corporate and household loans subject to moratoria in Portugal are covered by residential or commercial mortgages.

Meanwhile, in Poland we have seen an intensification of the legal risks associated with loans in Swiss francs that were granted until 2008, leading to a significant increase in the provisions associated with this loan portfolio.

For 2020, Millennium bcp's net profit reached 183 million euros, a decrease of 39.4% compared to the previous year, strongly influenced by the significant 55.3% increase in impairments and provisions compared to the previous year, to 841.2 million euros.

Activity in Portugal contributed with 134.5 million euros to the consolidated net profit, while international activity contributed 48.5 million euros.

In Poland, Bank Millennium's net income totalled 5.1 million euros, a drop of 95.9%, determined mainly by the reinforcement of specific provisions (including those previously mentioned for legal risks associated with the Swiss franc loan portfolio; excluding the Swiss franc loan provision the net profit would be 142.9 million euros), but also, to a lesser extent, by the increase in mandatory contributions.

Despite these adverse effects, Bank Millennium remained focused on its intense commercial activity, reflected in the 6.7% increase in loans to customers, proceeding without hesitation with the Euro Bank integration process, where the synergies already obtained surpass the integration costs, translating into a net impact of 18.3 million euros in 2020, and implementing additional measures to rationalize the bank's structure.

In Mozambique, Millennium bim's net income was 66.8 million euros, a decrease of 23.8% compared to the result achieved in 2019, reflecting the adverse effects of the pandemic and of the natural disasters on economic activity as well as a significant devaluation of the metical against the euro.

In Angola, Banco Millennium Atlântico's contribution to the consolidated results was also lower than the previous year, penalized by the constitution of impairments and provisions in the total amount of 16.6 million euros, for risks inherent to the investment made by the Group in this company.

In 2020, Millennium bcp maintained a stable capital position, appropriate for the risks expected for the activity in the different geographies, with a total capital ratio of 15.6% and a CET1 ratio of 12.2%, both above the regulatory requirements of 12.31% and 8.3%, respectively. It should be noted that the continuing uncertainty about the impact of the economic crisis on the balance sheets of the banks across Europe, was a decisive factor for the exceptional and temporary measures of the European Central Bank, in force until September 30, 2021, recommending extreme prudence in the management of capital and restraint in the distribution of results.

Millennium bcp continues to maintain high levels of liquidity, well above regulatory requirements, with a loan-to-deposit ratio of 85% and 22.5 billion euros in assets eligible for financing from the European Central Bank.

In 2020 Millennium bcp also deepened its strategy for sustainability and responsible business practices, providing the governance model with its own structures and defining a sustainability master plan that ensures the alignment of the value proposal, processes and activities, and supports operations with the environmental, social and governance (ESG) requirements.

Also noteworthy is the 27.2% decrease in the amount of NPE in Portugal in 2020, a reduction of 883 million euros which puts Millennium bcp's NPE ratio at 4.2% (according to EBA criteria), confirming the skills developed by the bank along the successful and consistent course of improving the quality of the balance sheet since 2013, during which it achieved an accumulated NPE reduction of 10.4 billion euros, carried out in a balanced manner and without destroying capital.

The distinctive competences of Millennium bcp in improving the quality of the balance sheet proved essential in this particularly difficult year. The bank managed to extend the NPE reduction trend, a further sign of confidence in the ability to deal with the period of greatest complexity and pressure on the quality of the balance sheet, following a pronounced global economic contraction.

Despite the deep economic recession in 2020, caused by successive retractions in consumption resulting from the restrictive measures determined by the authorities to control the pandemic that triggered the economic crisis, there are positive signs that must be considered.

The massive mobilization of resources, public and private, to mitigate the impact of the crisis and the global joint efforts to successfully conceive, produce and distribute multiple vaccines on a massive scale, so that less than a year after the start of the pandemic several countries already have broad vaccination plans underway, allows us to glimpse a return to normality and the economic recovery that will appear once the health crisis is resolved.

The temporary periods of easing of restrictive measures in 2020 were, moreover, accompanied by significant increases in consumption, which translated into strong economic growth, revealing confidence in the potential demand for goods and services that has remained pent up during the pandemic.

On the other hand, in the European Union, governments and the European Commission are implementing important economic stimulus programs which, thanks to their size and breadth of intervention, will constitute a strong catalyst for robust and sustained economic growth.

We therefore have reasons to look to the future with hope, and we remain steadfast in our determination to pursue the growth and profitability strategy we set out to achieve, grateful for the support and confidence of our customers, shareholders, employees and other stakeholders.

Miguel Maya

Chief Executive Officer

Vice-Chairman of the Board of Directors

Nuno Amado

Chairman of the Board of Directors

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

BCP in 2020

- **Net income of the Group** amounted to **183.0 million euros** in 2020, influenced by the context of COVID-19 pandemic and by provisions for legal risk on loans granted in Swiss francs in Poland.

- **Net income before impairment and provisions up 1.5%**, to 1,186.2 million euros. **Significant reinforcement of impairment and other provisions**, totalling 841.2 million euros in 2020.

- **Operating costs under control**. One of the most efficient banks in the Eurozone, with a cost to core income of 48%, on a comparable basis.

- **Fully-implemented Core Equity Tier 1 ratio and Total capital ratio at 12.2% and 15.6%**.

- **High liquidity levels**, comfortably above regulatory requirements. Eligible assets for ECB funding of 22.5 billion euros.

- **Performing loans up by 2.6 billion euros in Portugal**, with **NPE reduction of 0.9 billion euros**. **Comfortable NPE coverage**, in adverse context. **Total customer funds up by 2.8 billion euros**, from the end of 2019.

- **Growth of mobile Customers** (**+489,000**, of which **+216,000 in Portugal**).

- **Fast adaptation** to the uncertain context and **permanent support** to businesses and families, with **recognition** from Customers.

Main highlights (1)

Euro million

	2020	2019	2018	2017	2016	Chan. % 20/19
BALANCE SHEET						
Total assets	85,813	81,643	75,923	71,939	71,265	5.1%
Loans and advances to customers (net)	54,073	52,275	48,123	47,633	48,018	3.4%
Total customer funds (2)	84,492	81,675	74,023	70,344	65,522	3.4%
Balance sheet customer funds	64,764	62,607	56,585	52,688	50,434	3.4%
Deposits and other resources from customers	63,259	60,847	55,248	51,188	48,798	4.0%
Loans to customers (net) / Deposits and other resources from customers (3)	85%	86%	87%	93%	98%	
Shareholders' equity and subordinated debt	7,626	7,697	6,853	7,250	5,927	-0.9%
RESULTS						
Net interest income	1,533	1,549	1,424	1,391	1,230	-1.0%
Net operating revenues (4)	2,306	2,335	2,184	2,197	2,097	-1.3%
Operating costs (4)	1,119	1,166	1,024	954	780	-4.0%
Impairment and Provisions	841	542	601	925	1,598	55.3%
Income tax						
Current	113	101	106	102	113	
Deferred	23	138	32	-72	-495	
Net income attributable to shareholders of the Bank	183	302	301	186	24	
PROFITABILITY AND EFFICIENCY						
Return on average shareholders' equity (ROE)	3.1%	5.1%	5.2%	3.3%	0.6%	
Income before tax and non-controlling interests / Average equity (3)(5)	4.9%	8.9%	8.1%	4.8%	-4.5%	
Return on average total assets (ROA)	0.2%	0.5%	0.6%	0.4%	0.2%	
Income before tax and non-controlling interests / Average net assets (3)(5)	0.4%	0.8%	0.8%	0.4%	-0.3%	
Net interest margin	2.0%	2.2%	2.2%	2.2%	1.9%	
Net operating revenues / Average net assets (3)(5)	2.7%	2.9%	3.0%	3.0%	2.8%	
Cost to core income (5)(6)	48.0%	48.8%	47.2%	47.1%	51.5%	
Cost to income (3)(5)	48.5%	49.9%	46.9%	43.4%	37.2%	
Cost to income (3)(5)(6)	46.5%	47.1%	45.6%	44.1%	46.1%	
Cost to income - activity in Portugal (3)(5)(6)	46.2%	47.4%	46.5%	44.5%	47.1%	
Staff costs / Net operating revenues (3)(5)(6)	26.3%	26.9%	25.9%	24.6%	25.9%	
CREDIT QUALITY						
Overdue loans (>90 days) / Loans to customers	2.3%	2.7%	3.8%	5.8%	6.8%	
Total impairment / Overdue loans (>90 days)	159.8%	164.8%	148.1%	113.2%	107.0%	
Non-performing exposures	3,295	4,206	5,547	7,658	9,374	
Non-performing exposures / Loans to customers	5.9%	7.7%	10.9%	15.0%	18.1%	
Cost of risk (net of recoveries)	91 b.p.	72 b.p.	92 b.p.	122 b.p.	216 b.p.	
Restructured loans	2,661	3,097	3,598	4,184	5,046	
Restructured loans / Loans to customers	4.7%	5.7%	7.1%	8.2%	9.7%	
CAPITAL (7)						
Common equity tier I phased-in	12.2%	12.2%	12.1%	13.2%	12.4%	
Common equity tier I fully-implemented	12.2%	12.2%	12.0%	11.9%	9.7%	
Total ratio fully implemented	15.6%	15.6%	13.5%	13.7%	10.5%	
Own Funds phased-in	7,212	7,036	5,688	5,932	5,257	
Risk Weighted Assets phased-in	46,413	45,031	41,883	40,171	39,160	
BCP SHARE						
Market capitalisation (ordinary shares)	1,862	3,065	3,469	4,111	843	
Adjusted basic and diluted earnings per share (euros)	0.010	0.018	0.020	0.014	0.019	
Market values per share (euros) (8)						
High	0.2108	0.2889	0.3339	0.2720	0.6459	
Low	0.0697	0.1771	0.2171	0.1383	0.1791	
Close	0.1232	0.2028	0.2295	0.2720	0.1845	

(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) 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 and 31 December 2016 is presented according to the new criteria.

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

(4) In June 2020, some of the amounts recorded in the activity in Portugal as other administrative costs, started to be accounted as other net operating income, in order to improve the quality of the information reported. The historical amounts of 2019 and 2018, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. The aforementioned reclassifications totaled 3 million euros both in 2019 and 2018. For the years 2017 and 2016, no reclassifications were made, so the amounts presented remain unchanged compared to those previously disclosed.

(5) 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.

(6) Excludes the impact of specific items: negative impact of 46 million euros in 2020, of which 32 million euros recognized as staff costs in the activity in Portugal (restructuring costs, costs with compensation for temporary salary cuts and income arising from the agreement with a former director of the Bank) and 15 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9 million euros as staff costs, 5 million euros as other administrative costs and 1 million euros as depreciations). In 2019, the impact was also negative in the amount of 66 million euros, of which 40 million euros related to restructuring costs and costs with compensation for temporary salary cuts, both recognized as staff costs in Portugal and 26 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as other administrative costs. In 2018, the negative impact amounted to 29 million euros, of which 27 million euros related to 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, arising from the gains from negotiation/revision of Collective Labour Agreement, net of restructuring costs, in the amount of 14 million euros and 186 million euros respectively, recorded as staff costs in the activity in Portugal. The profitability and efficiency indicators does not consider the specific items recognized in net operating revenues (1 million euros in 2019 and an immaterial amount in 2020), related to costs with the acquisition, merger and integration of Euro Bank S.A. in the Polish subsidiary.

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

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

KEY INDICATORS

	Unid.	2020	2019	2018	2017	2016	Var. % 20/19
CUSTOMERS							
Total of Customers	Thousands	6,667	6,617	5,827	5,429	5,482	0,8%
Number of Active Customers (1)	Thousands	5,705	5,598				1,9%
Interest paid on deposits and interbak funding	Million euros	188	301	341	353	389	-37,5%
Claims registered (2)	Number	172,674	136,562	108,244	76,918	72,498	26,4%
Claims resolved	Percentage	93.0%	92.2%	99.3%	97.7%	93.2%	---
ACESSIBILITIES							
Branches	Number	1,380	1,536	1,101	1,120	1,163	-10,2%
Activity in Portugal		478	505	546	578	618	-5,3%
International activity		902	1,031	555	542	545	-12,5%
Branches opened on Saturday		167	143	122	118	112	16,8%
Branches with access conditions to people with reduced mobility		937	875	866	800	828	7,1%
Internet	Users number	2,453,555	2,214,885	1,980,905	1,665,987	1,700,114	10,8%
Call Center	Users number	491,969	431,169	429,982	353,003	261,620	14,1%
Mobile banking	Users number	3,214,664	2,601,401	2,106,289	1,520,378	1,268,804	23,6%
ATM	Number	3,022	2,988	2,952	2,950	2,965	1,1%
EMPLOYEES							
PORTUGAL EMPLOYEES	Number	7,013	7,204	7,095	7,189	7,333	-2,7%
INTERNATIONAL EMPLOYEES	Number	10,318	11,377	8,972	8,653	8,594	-9,3%
LABOUR INDICATORS (3)							
Breakdown by professional category	Number						
Executive Committee (Portugal, Poland and Mozambique)		28	28	28	28	26	0,0%
Senior Management		163	221	178	150	146	-26,2%
Management		1,874	2,157	1,728	1,642	1,669	-13,1%
Commercial		9,949	10,664	9,446	9,424	9,453	-6,7%
Technicians		4,067	4,388	3,682	3,531	3,459	-7,3%
Other		1,250	1,116	1,027	1,061	1,167	12,0%
Breakdown by age	Number						
<30		2,841	3,350	2,393	2,235	2,225	40.0%
[30-50[		9,872	10,648	9,318	9,498	9,820	14.3%
>=50		4,618	4,583	4,350	4,103	3,875	5.4%
Average age	Years	41	41	41	41	41	0.0%
Breakdown by contract type	Number						
Permanent		15,969	16840	14,685	14,668	14,876	-5,2%
Temporary		1,362	1681	1,376	1,168	1,044	-19,0%
Trainees		275	453	339	208	0	-39,3%
Employees with working hours reduction	Number	230	254	215	187	202	-9,4%
Recruitment rate	Percentage	6,4%	12.5%	12.3%	9.7%	8.2%	---
Internal mobility rate	Percentage	20.7%	16.3%	16.6%	18.5%	18.0%	---
Leaving rate	Percentage	13.8%	11.9%	11.0%	10.3%	9.1%	---
Free association (4)	Percentage						
Employees under Collective Work Agreements		99.8%	99.7%	99.7%	99.6%	99.6%	---
Union Syndicated Employees		77.0%	76.9%	78.6%	78.5%	78.9%	---
Hygiene and safety at work (HSW)							
HSW visits	Number	186	182	159	376	194	1,1%
Injury index (5)	Number	2,19	2,42	1,99	2,91	2,69	-9,5%
Death victims	Number	0	0	0	1	0	
Absenteeism rate	Percentage	6,5%	4.8%	4.3%	4.2%	4.0%	
Lowest company salary and minimum national salary	Ratio	1,3	1.3	1.3	1.1	1.9	0,0%
ENVIRONMENT							
Greenhouse gas emissions (6)	tCO_2eq	31,018	50,714	50,588	55,683	59,864	-38,8%
Electricity consumption (7)	MWh	59,214	62,527	59,664	63,131	68,055	-10,3%
Production of waste t	t	768	617	677	2,330	2,547	24,5%
Water consumption (8)	m^3	208,817	276,460	281,666	366,872	372,409	-24,5%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	1	1	0,0%
Purchase from local suppliers	Percentage	92.2%	91.4%	92.2%	86.4%	91.7%	---
DONATIONS	Million euros	2.0	2.1	2.0	1.9	1.7	4.2%

(1) 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.

(2) 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.

(3) Employees information (and not FTE) for: Portugal, Poland, Mozambique and Switzerland.

(4) The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal and Mozambique. Syndicate: Portugal and Mozambique.

(5) Number of accidents per million hours worked. In 2020 the calculation methodology was changed in accordance with the GRI (global reporting initiative), a retroactive adjustment to the series was made.

(6) Data does not include Mozambique.

(7) Data include electricity from public grid. Does not include the cogeneration plant in Portugal neither energy consumption in Mozambique

(8) Data does not include Switzerland and Mozambique.

Information on BCP Group

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private sector bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA and now the Bank holds a equity accounted shareholding) and in Europe through its banking 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 such plan with the EC, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process 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.

In January 2017, BCP announced a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including 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..

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

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 70% of the Group’s NPEs since 2013 (from Euros 13.7 billion to Euros 3.3 billion in December 2020). 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 amplest powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. 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.

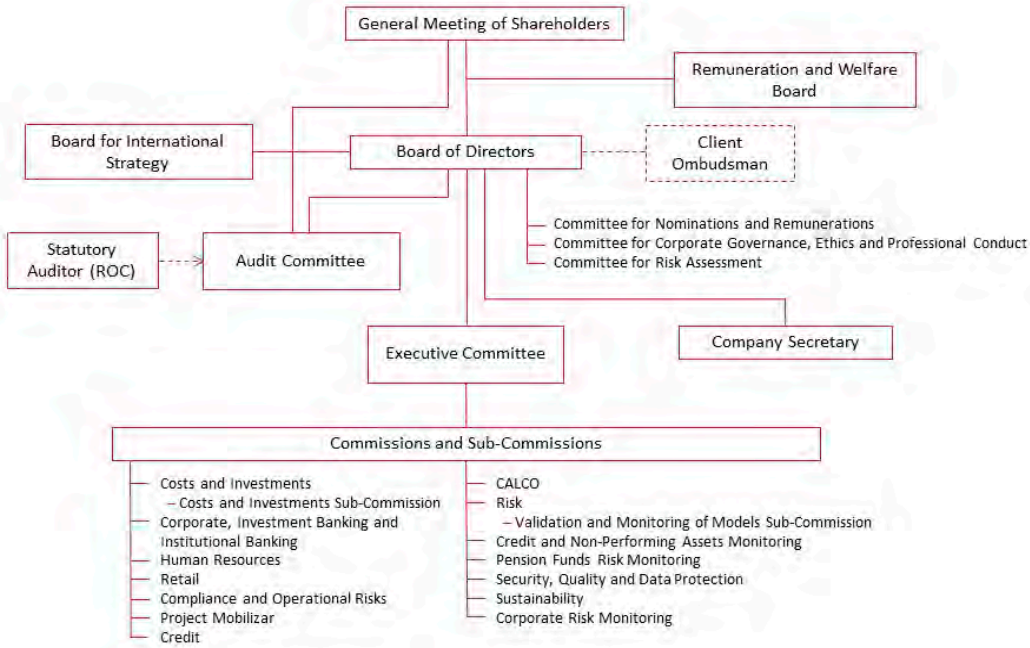
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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.

Corporate Governance Model



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

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

* Chairman and Vice- chairman to be nominated.

Main events in 2020

The Bank has supported the economy in 2020, marked by the effects of the COVID-19 pandemic, and is prepared to continue to support the Portuguese economy in the energy transition process and in the green recovery and in a post-pandemic scenario, to support its sustainable, inclusive and resilient recovery.

In the scope of the actual COVID-19 pandemic situation, we must point out some initiatives carried out by Millennium bcp to support the economy and the community:

- Launch of state guaranteed lines and moratoria;
- Participation in the donor conference, being part of the Portuguese contribution to the EU's effort to find a vaccine and treatment for COVID-19;
- Support to the NHS through initiatives such as the "United for Survival" campaign, the conversion of Curry Cabral Hospital and the construction of the Lisbon Hospital Contingency Structure, among others
- Integration into the Portugal #EntraEmCena movement, which brings together artists and public and private companies, in support of Culture;
- Miillennium bcp Foundation supports the Food Emergency Network of the Food Bank against Hunger, reinforcing its annual contribution;
- Millennium Festival ao Largo, this year at the National Palace of Ajuda, complying with security rules while taking the best of classical music and ballet to the public;
- Adherence to the "Lisboa Capital Verde Europeia 2020 – Ação Climática 2030 - Lisbon Green European Capital 2020 - Climate Action 2030" commitment, contributing to a collective dynamic in favor of climate action and towards sustainability;
- Inclusion, for the first time, in the Bloomberg Gender-Equality Index 2020, joining the group of companies that worldwide stand out in the implementation of gender equality, diversity and inclusion practices and policies;
- Publication of the 1st Progress Report on Millennium bcp's contribution to the United Nations Sustainable Development Goals (SDGs) in the context of the Bank's Sustainability Master Plan;
- Subscription to the "Statement from Business Leaders for Renewed Global Cooperation", an international statement by the United Nations Global Compact that testifies to the commitment to ethical leadership, based on governance values and good practices.

Other events:

On **April 3**, Fitch Ratings affirmed BCP's Long-Term Rating of 'BB' ("IDR" – Issue Default Rating) and its Intrinsic Rating of 'bb' ("VR" - Viability Rating), and revised the Outlook to Negative from Positive, reflecting the uncertainty related to the coronavirus crisis. Fitch Ratings also assigned a 'BB-' rating to the Bank's senior non-preferred debt and a 'B+' rating to its tier 2 debt, according to Fitch's new rating methodology for banks. On the same date, Fitch also assigned a 'BB+'/ 'B' rating to the Bank's deposits, one notch above the Long-Term IDR, reflecting the view of Fitch Ratings that depositors enjoy a superior level of protection.

On **April 8**, Standard & Poor's affirmed the long-term rating of the Bank at 'BB' ("ICR" - issuer credit rating) and its intrinsic rating at 'bb' ("SACP" – stand-alone credit profile), and has revised the long-term outlook to Stable from Positive, based on the uncertainty related to the coronavirus outbreak.

On **April 21**, BCP changed the conditions related to the issue of Covered Bonds with ISIN PTBCQLOE0036, namely the amount, from 2,000,000,000 euros to 4,000,000,000 euros, aiming to increase the assets portfolio eligible for discount with the ECB.

On **May 20**, the Bank completed its Annual General Meeting of Shareholders, exclusively through electronic means, with 61.31% of the share capital represented. The following resolutions are worth-mentioning:

- Approval of the management report, of the individual and consolidated annual report, of the balance sheet and of financial statements of 2019, including the Corporate Governance Report;
- Approval of the proposal for the appropriation of profit regarding the 2019 financial year;
- Approval of the remuneration policy of Members of Management and Supervisory Bodies;
- Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023 (Chairman: Pedro Miguel Duarte Rebelo de Sousa and Vice-Chairman: Octávio Manuel de Castro Castelo Paulo).

On **May 28**, DBRS affirmed the ratings of BCP and has revised the trend to Negative from Stable, based on the uncertainty related to the coronavirus pandemic.

On **9 September**, the Bank has informed that has decided not to continue the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalisation Mechanism of Novo Banco.

On **15 December**, the Bank has informed about minimum prudential requirements, whereas the requirement for total own funds remained unchanged. The capital requirements to be observed as from 1 January 2021 resulted in the following minimum ratios as a percentage of risk-weighted assets (RWA): CET1 of 8.83%, Tier 1 of 10.75% and Total capital of 13.31% in phased-in and CET1 of 9.27%, Tier 1 of 11.19% and Total capital of 13.75% in fully implemented. Buffers included the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). BCP was granted an additional year (January 1, 2023) for the gradual fulfillment of the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on May 8, 2020. BCP complies comfortably with the minimum capital ratio requirements for CET1, Tier 1 and total ratio.

Subsequent events:

On **5 February 2021**, issued of senior preferred debt, in the amount of €500 million, with a tenor of 6 years, with the option of early redemption by the issuer at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

BCP Share

The year of 2020 was characterized by significant declines in the main capital markets. The EuroStoxx 600 Banks Index depreciated 24.6%.

The worldwide dissemination of COVID-19 was declared a pandemic by the World Health Organization, with severe economic and social impacts. Despite the vaccination process started in December, the path to reach an immunity level that allows a gradual return to normality is still long.

European governments have imposed lock downs, restricting people's movement and halting economic activity in some sectors. Economic activity was negatively affected. Central banks provided economic support, with cuts in interest rates and stimulus packages. Several measures to support the economy were launched by governments at the European level, namely, in Portugal, credit lines with state guarantee, individuals and support to families affected by the crisis, with part of the lay-off charges being borne by the state.

On the geopolitical level, focus on the end of Brexit, after the trade agreement between the European Union (EU) and the United Kingdom (UK) was consummated - making the UK's exit from the EU official -, and on the deterioration of the relationship between the USA and China and the possibility of a transatlantic trade war, following news that the USA intended to impose tariffs on products coming from the EU and UK. Finally, at the end of the year, news emerged that China and EU are close to formalize a trade deal, creating a legal framework that will allow the intensification of future trade between both.

BCP SHARES INDICATORS

	Units	2020	2019
ADJUSTED PRICES			
Maximum price	(€)	0.2108	0.2889
Average price	(€)	0.1170	0.2282
Minimum price	(€)	0.0697	0.1771
Closing price	(€)	0.1232	0.2028
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,221	6,125
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,221	6,125
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.010	0.018
Book value (4)	(€)	0.385	0.379
MARKET INDICATORS			
Closing price to book value	(PBV)	0.30	0.50
Market capitalisation (closing price)	(M€)	1,862	3,065
LIQUIDITY			
Turnover	(M€)	1,562	2,528
Average daily turnover	(M€)	6.1	9.9
Volume (3)	(M)	13,791	11,144
Average daily volume (3)	(M)	53.7	43.7
Capital rotation (5)	(%)	91.2%	73.7%

(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 were down 39.3% in 2020, which compares to a 24.6% depreciation of the European banks index (EuroStoxx 600 Banks).

In 2020, BCP's share performance was highly affected by the uncertainties related to the appearance, spread and socio-economic impact of COVID-19 in Europe, which, historically, had never observed such a sharp decline in such a short period of time. BCP's share path, during 2020, was also affected by additional factors, such as the uncertainty associated to the foreign currency loans granted by the Polish operation.

At the end of the year, the positive environment in financial markets, after news that several vaccines reached effectiveness levels over 90% in the prevention of infections by COVID-19, Joe Biden's election victory in the USA, the progress in the Banking sector's consolidation process - with focus on Spain - and the signing of a post-Brexit trade deal, between the European Union (EU) and the United Kingdom (UK), contributed, as of November, to the expressive recovery of the BCP share price, outperforming the benchmark for the European banking sector.

Positive impacts:

Intrinsic to BCP:

- Announcement of 2019 results, which, despite the one-offs, increased when compared to the previous year;
- Announcement of Q1 2020 results, with detailed additional information relatively to actions and measures to support the economy under the pandemic, as well as their potential impact;
- Announcement of Q2 and Q3 2020 results, highly affected by the COVID-19 context. Nevertheless, the reaction to Q3 2020 results was very positive, with the BCP share appreciating 8.18% in the trading day after its announcement, reflecting the stability in core result, maintaining a reference position efficiency wise, organic capital generation capacity and the reduction of NPE, even in an extremely adverse context;
- Support to companies and families, with focus on COVID-19 credit lines with state guarantee, in which the Bank was present since day one, obtaining a market share of 38% over the 6.6 billion euros made available in the first round of financing.

Extrinsic to BCP:

- Announcement of economic stimulus plans by several European governments;
- Announcement, by the ECB, of support measures to banks, mainly focused on easing capital and liquidity requirements, on limiting the recognition of provision and on increasing the flexibility in consolidation processes within the sector;
- Extension of ECB support measures, at the end of the year, mainly focused on: PEPP extension, in volume (increase to 1,350 billion euros from 500 billion euros) and in maturity (being in effect until March 2022); TLTRO III extension, with three additional auctions (in June, September and December 2021); continuation of the Quantitative Easing program, with monthly net asset purchases of 20 billion euros;
- Positive reaction to the confirmation of Joe Biden's election as future USA President;
- Signing of the largest global trade deal between China, Japan, South Korea and 12 other countries in the Asia-Pacific region. As well as notes, released at the end of the year, announcing that China and the EU were close to formalizing a trade deal, creating a legal framework that would allow the intensification of future trade, resulting in benefits for both parties;
- Statements by an ECB representative, affirming the possibility of European banks being able to return to dividend distribution as early as 2021;
- Announcement of a post-Brexit trade deal between the EU and the UK, at the end of the year;
- Beginning of the vaccination process against COVID-19, at the end of the year, in several countries, transmitting greater confidence and optimism to investors.

Negative impacts:

Intrinsic to BCP:

- Downward revision of BCP's rating outlook, to Negative from Stable, by Fitch Ratings; downward revision, by DBRS, of BCP's rating Trend, in line with the revision made to European banks' ratings, reflecting the impact of COVID-19;
- Provisions in Poland for legal risks related with CHF loans (116 million euros).

Extrinsic to BCP:

- Macroeconomic projections for the Eurozone were revised downwards by several entities;
- Deterioration of trade relations between the USA and China, as well as the possibility of a transatlantic trade war, following news that the USA intended to impose tariffs on products coming from the EU and UK;
- Worsening of the spread of COVID-19, with a new and more contagious pandemic's second wave starting in the second half of the year, with a special focus on the UK, where a new - more contagious - strain of the virus was detected, at the same time that a third wave of the pandemic was expected in early 2021.

PERFORMANCE

Index	Change 2020
BCP share	-39.3%
Eurostoxx 600 Banks	-24.6%
PSI20	-6.1%
IBEX 35	-15.5%
CAC 40	-7.1%
DAX XETRA	+3.5%
FTSE 100	-14.3%
MIB FTSE	-5.4%
Dow Jones Indu Average	+7.2%
Nasdaq	+47.6%
S&P500	+16.3%

Source: Euronext, Reuters, Bloomberg

Liquidity

During 2020, 1,562 million euros in BCP shares were traded, corresponding to an average daily turnover of 6.1 million euros. 13,791 million shares were traded during this period of time, corresponding to a daily average volume of 53.7 million shares. The capital turnover index stood at 91.2% of the average annual number of shares issued.

Follow-up with Investors

The Bank participated in several events during 2020, having attended 10 conferences and 5 road shows in Europe and in the USA, where it held one-on-one and group meetings with investors. Approximately 240 meetings were held with analysts and institutional investors, demonstrating significant interest in the Bank.

Indexes listing BCP shares

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

Index	Weight
Euronext 150	0.56%
PSI 20	9.61%
PSI Geral	2.67%

Source: Euronext, 31 December 2020

Millennium bcp was also part of the following Sustainability indexes at the end of 2020: “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 2021, the BCP Group joined again, for the second year in a row, 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 announced in 2020 and the price changes in the following day and 5 days, comparing it also to performance of the main domestic and European index in the same periods:

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	3/Feb	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 2019	1.7%	0.9%	-0.3%	-2.0%	-3.1%	-8.6%
2	20/Feb	Millennium bcp earnings release as at 31 December 2019	-0.4%	0.0%	0.5%	-9.6%	-1.2%	2.0%
3	26/Mar	Banco Comercial Português, S.A. informs about outcome of Board of Directors' meeting	-4.0%	-2.2%	1.3%	-14.5%	-14.0%	-0.2%
4	3/Apr	Banco Comercial Português, S.A. informs about Fitch Rating Actions	2.6%	1.4%	-3.4%	19.3%	12.8%	10.0%
5	29/Apr	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	1.0%	1.6%	5.5%	-5.4%	-2.5%	4.0%
6	30/Apr	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	-4.4%	-2.1%	-3.4%	-6.5%	-5.0%	-3.1%
7	11/May	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1Q 2020	-0.4%	0.9%	-0.3%	0.5%	1.2%	0.3%
8	19/May	Millennium bcp Earnings release as at 31 March 2020	2.0%	1.0%	0.9%	5.6%	2.7%	0.8%
9	20/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	-1.6%	-1.4%	0.4%	6.7%	4.8%	-1.0%
10	22/May	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	0.7%	-0.2%	-0.4%	8.6%	6.5%	2.0%
11	12/Jun	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	-0.4%	0.3%	0.6%	1.8%	-0.5%	1.1%
12	30/Jun	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	-0.7%	0.1%	-0.1%	1.9%	0.5%	-2.8%

(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)
13	30/Jun	Banco Comercial Português, S.A. informs about granting of shares to the Executive Directors and Key Function Holders	-0.7%	0.1%	-0.1%	1.9%	0.5%	-2.8%
14	23/Jul	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1H 2020	-1.7%	-0.7%	-0.8%	-7.4%	-2.2%	0.5%
15	28/Jul	Millennium bcp Earnings release as at 30 June 2020	-1.5%	-1.2%	-0.3%	0.0%	0.6%	3.3%
16	31/Jul	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	1.5%	0.3%	0.0%	3.2%	1.5%	1.3%
17	12/Aug	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-0.5%	-0.4%	1.4%	-1.8%	-0.1%	1.4%
18	24/Aug	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	-0.1%	1.0%	0.1%	-4.3%	-1.4%	-3.7%
19	9/Sep	Banco Comercial Português, S.A. informs that it has not continued the legal proceeding with the General Court of the European Union regarding the Contingent Capitalisation Mechanism of Novo Banco	-0.3%	0.3%	0.2%	-3.7%	-2.3%	-1.8%
20	28/Sep	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	-3.5%	-2.2%	-1.3%	-4.4%	-5.5%	-5.0%
21	29/Sep	Banco Comercial Português, S.A. informs about notice of acquisition of financial instruments	0.9%	0.0%	-0.1%	1.6%	-2.1%	-4.8%
22	27/Oct	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in the first 9 months of 2020	-3.4%	-1.2%	0.1%	6.5%	4.6%	1.6%
23	29/Oct	Millennium bcp Earnings release as at 30 September 2020	8.2%	6.1%	6.7%	11.2%	4.9%	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)
24	5/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-1.8%	-0.2%	-0.8%	21.9%	15.5%	7.9%
25	9/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	4.3%	3.3%	-0.1%	16.8%	12.0%	9.6%
26	11/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-0.7%	-1.3%	1.2%	19.2%	17.5%	15.5%
27	16/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual notes	-2.3%	-0.9%	-2.2%	6.6%	6.1%	4.7%
28	23/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of securities	6.0%	3.3%	1.7%	5.1%	1.7%	4.6%
29	25/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-2.9%	-2.5%	-1.8%	-1.8%	-1.7%	-2.9%
30	26/Nov	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	-1.3%	-2.3%	-2.1%	0.8%	0.1%	-2.3%
31	2/Dec	Banco Comercial Português, S.A. clarifies news about the shareholding of Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	-0.4%	-0.7%	-1.1%	7.1%	3.8%	7.7%
32	7/Dec	Banco Comercial Português, S.A. informs about minimum prudential requirements	2.3%	1.1%	2.9%	0.1%	-1.5%	2.6%
33	10/Dec	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-2.8%	-1.7%	-1.0%	-0.2%	-0.8%	0.0%
34	15/Dec	Banco Comercial Português, S.A. informs about correction to announcement of minimum prudential requirements	-1.6%	-2.0%	-0.5%	-6.3%	-5.3%	-1.8%
35	16/Dec	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	1.1%	0.5%	1.2%	-2.3%	-2.9%	-1.8%

The following chart depicts BCP's share price performance in 2020:

Dividend policy

The European Central Bank (ECB), aiming at that credit institutions retain their own funds in order to maintain the capacity to support the economy in an environment of increasing uncertainty caused by the COVID-19 pandemic, issued a recommendation on the distribution of earnings. According to this recommendation, in force until January 2021, banks should refrain from paying dividends and making irrevocable dividend payment commitments for the years 2019 and 2020, as well as repurchasing shares designed to remunerate shareholders.

Regarding dividends payment, the ECB approved on December 15, 2020, given the persistent uncertainty about the economic impact of the COVID- 19 pandemic, a new recommendation which and revokes the previous recommendation. The ECB asked all banks to consider not distributing any cash dividends or conducting share buy-backs, or to limit such distributions, until 30 September 2021. The recommendation also reflects an assessment of the stability of the financial system and was made in close cooperation with the European Systemic Risk Board (ESRB). The decision recommends to the credit institutions to exercise extreme prudence in the distribution of profits, either through the payment of dividends or through conducting share buy-backs, remaining this remuneration below 15% of the cumulative profit for 2019 and 2020 financial years, and in any case, not higher than 20 basis points of the Common Equity Tier 1 (CET1). The revised recommendation from ECB aims to safeguard banks' capacity to absorb losses and lend to support the economy.

According to ECB a continued prudent approach remains necessary, as the impact of the pandemic on banks' balance sheets has not manifested itself in full at a time when banks are still benefiting from several public support measures and considering that credit impairments come with a temporal lag.

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). In the current context, the guidance issued by the ECB referred to above will naturally still need to be considered.

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 steady state, but the final decision is always the result of the aforementioned policy.

Own shares

As at 31 December 2020, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase neither sold own shares during the year. However, this balance includes 323,738 shares (31 December 2019: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

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

Regarding treasury shares owned by associated companies of the BCP Group, as referred in note 51, as at 31 December 2020, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2019: 142,601,002 shares) in the amount of Euros 17,568,000 (31 December 2019: Euros 28,891,000).

Shareholder structure

According to Interbolsa, Banco Comercial Português had 149,299 Shareholders at 31 December 2020.

At the end of December 2020 there were four qualified shareholders, two of which with a stake above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,709	0.31%
Other	142,243	25.42%
COMPANIES		
Institutional	356	18.20%
Qualified Shareholders	4	54.28%
Other companies	3,987	1.79%
TOTAL	149,299	100%

Shareholders with more than 5 million shares represented 73.43% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	110	73.43%
500,000 a 4,999,999	1,320	9.70%
50,000 a 499,999	13,328	11.76%
5,000 a 49,999	38,863	4.55%
< 5,000	95,678	0.57%
TOTAL	149,299	100%

The Bank’s shareholding structure remained stable in terms of geographical distribution in 2020. Domestic shareholders held 33.8% of the total shares of the Bank as of December 31, 2020.

	Nr. of Shares (%)
Portugal	33.8%
China	29.9%
Africa	19.6%
UK / EUA	9.3%
Other	7.4%
Total	100%

Qualified Holdings

The following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A. as of December 31, 2020:

			31 December 2020
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	4,523,384,503	29.93%	29.93%
TOTAL FOR FOSUN GROUP	**4,523,384,503**	**29.93%**	**29.93%**
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*	423,574,988	2.80%	2.80%
TOTAL FOR BLACKROCK	**423,574,988**	**2.80%**	**2.80%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**8,204,929,549**	**54.28%**	**54.28%**

* In accordance with the announcement on November 26, 2020 (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.

Regulatory, economic and financial system environment

The regulatory agenda in 2020 was characterized by a specific set of initiatives by the political authorities, regulators and supervisors, with a view to mitigating the impacts of the COVID-19 pandemic on economies, firms and households.

The European Commission has adopted a temporary framework to support member states, namely by reviewing the framework for State aid, and an agreement has been broadly reached on the EU recovery package; the European Central Bank adopted a set of measures, in monetary policy, by easing the standards to access Central Bank funding, and, in the scope of prudential supervision, adjusting the procedures for monitoring and regular reporting, and an issue of recommendation on dividend distributions during the COVID-19 pandemic; the European Banking Authority ("EBA") issued guidance for the application of a uniform prudential and accounting framework for legislative and private moratoria (Guidelines EBA/GL/2020/02) and on the reporting and disclosure of information on these exposures (EBA/GL/2020/07), along with further guidance from the European Securities and Markets Authority ("ESMA") regarding financial reporting.

Noteworthy is the European Recovery and Resilience Mechanism, agreed in February, which mobilizes an unprecedented amount of available funding for member states over the next few years to deal with the pandemic and make them more sustainable. This Mechanism will be implemented at a national level through the Recovery and Resilience Plan, which is under public consultation, and which provides for financial support of approximately 30 billion euros between grants (16.4 billion euros) and loans (EUR 14.2 billion) until 2026. Together with the multi-annual budget until 2030, this is the largest package of stimulus measures ever financed by the European Union budget.

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

- Decree-Law no. 10-J/2020, of 26 March, and subsequent amendments, which approved exceptional measures to protect the credits of households, firms, private institutions of social solidarity and other entities of the social economy, materialized above all in a moratorium on the reimbursement of capital and/or debt service, and a special regime of personal guarantees of the State (the Portuguese Banking Association also promoted a sectorial private moratorium, with adhesion of the banks, and in compliance with the specifications of the EBA);
- Decree-Law no. 10-H/2020, of 26 March, which established exceptional and temporary measures to encourage the acceptance of payments based on cards, namely the suspension of charging of the fixed component of any commission, by operation of card payment made at automatic payment terminals, which is due by the beneficiaries of these payments to payment service providers;
- The Economic and Social Stabilization Program approved by the Government, part of the supplementary Budget approved on June 19, establishing the creation of an additional solidarity contribution charged on the banks, whose revenue is allocated to contribute to support the costs of public response to the current crisis, through its assignment to the Social Security Financial Stabilization Fund.

Banco de Portugal published:

- Circular Letter CC/2020/000000020 of Banco de Portugal, 23 March 2020 on policies for the selection and appointment of statutory auditors and audit firms and for the provision of non-banned audit services to its statutory auditors and audit firms or their network;
- Circular Letter no. CC/2020/00000022 and Circular Letter no CC/2021/00000001 with guidelines on public and private moratoria on credit operations in the context of the pandemic (EBA/GL/2020/02);
- Circular Letter no. CC/2020/00000023, disclosing measures to be taken in terms of preventing money laundering and financing of terrorism (AML/CFT), in the context of the COVID-19 pandemic;
- Notice 2/2020, regarding the information obligations to customers to be observed in the scope of credit operations covered by the exceptional and temporary measures to respond to the COVID-19 pandemic ("public moratorium" and in the scope of private initiative moratoria).

Other relevant regulatory initiatives for the Portuguese financial system occurred in 2020, among which:

- Law no. 53/2020, of 26 August, and Law 57/2020 of 28 August, which establish rules for the protection of consumers of financial services by implementing restrictions on the application of certain bank fees;
- Circular Letter no. CC/2020/00000013, of Banco de Portugal, relating to the Process of granting and restructuring credits to riskier debtors or groups of debtors;
- Circular Letter no. CC/2020/00000044, of Banco de Portugal, which recommends the good practices to be observed in the marketing of banking products and services through digital channels;
- Notice no. 3/2020 and Instruction no. 18/20, of Banco de Portugal, regarding conduct and organizational culture and governance, internal control and risk management systems;
- At the macro-prudential 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;
- Law no. 58/2020, of 31 August, which transposes Directive (EU) 2018/843 ("5th AML Directive") which reinforces the mechanisms foreseen for the prevention of money laundering and financing of terrorism, and Directive (EU) 2018/1673 which, in addition, aims to strengthen the fight against money laundering trough criminal law.

A public consultation on the preliminary draft of Banking Code was also launched, which aims to replace the General Regime for Credit Institutions and Financial Companies (RGICSF).

In Poland, the government adopted a set of "anti-crisis" protection measures, including measures to stimulate the economy, and the supervisor implemented a package of measures aimed at the resilience of the banking sector in the scope of:

- provisions and classification of credit exposures;
- capital buffers and liquidity requirements;
- credit granted to micro, small and medium-sized companies, namely the possibility of extending the maturity periods of the contracts.

In Mozambique, the government adopted measures to support the financial system, reducing the value of mandatory reserves and exempting the constitution of additional provisions related to the renegotiation of credits granted to clients affected by the pandemic. In the banking sector, there was also an exemption or reduction of commissions charged for some banking operations, in addition to sanitary measures to contain the spread of the pandemic.

The adoption of private initiative moratoriums in these countries is also worth-noting, as well as the adoption of the legislative moratorium regime in Poland.

Despite the more optimistic outlook due to the discovery and administration of a vaccine for COVID-19, a context of uncertainty prevails pertaining to the evolution of the pandemic, the dynamics of economic recovery and the reaction to the strong stimuli directed at economic activity in the various countries where the Group operates. The regulatory context should continue to be subject to regular adjustments in 2020 due to the reduction of risks arising from the pandemic, the regulatory and supervisory agenda to be adopted for the post-crisis period.

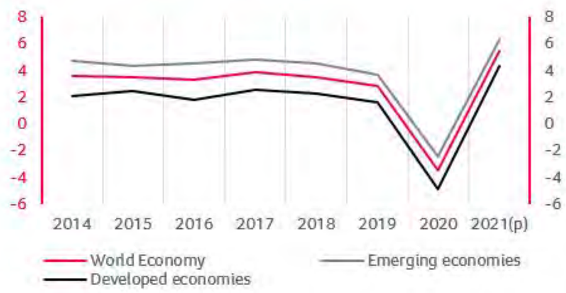
Economic environment

Global economic environment

According to the International Monetary Fund (IMF), the COVID-19 pandemic has likely led to a contraction of the World economy of 3.5% in 2020, in a context of strong restrictions to the normal functioning of the economic activity. Though global, the recessive intensity proved heterogeneous, having affected more the developed economies that the emerging markets.

For 2021, the IMF envisions a scenario of strong recovery of the global activity, which is naturally subject to the dissipation of the pandemic.

GLOBAL ECONOMIC EXPECTED TO RECOVER IN 2021
Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan 2020)

Global financial markets

The evolution of the financial markets throughout 2020 was determined by the elevated stance of accommodation of the global economic policy, which prevented not only a financial collapse of the world but also contributed to stabilize aggregate demand. In fact, after the significant correction of the financial markets in March, the riskier asset classes, including equities, commodities, corporate bonds and cryptocurrencies showed a strong appreciation. In the foreign-exchange segment there had been a broad depreciation trend of the U.S Dollar, especially in the second half of the past year, including against the Euro.

In the Euro Area, the European Central Bank launched an emergency public debt purchase program and strengthened other mechanisms of liquidity injection into the financial system, which contributed to keep the Euribor rates in negative values along the whole extension of the curve and also led to a reduction of the government bond yields of the peripheral member-states, including Portugal.

THE WORLD EQUITY INDEX APPRECIATED DESPITE THE PANDEMIC

Source: Datastream

Outlook for the Portuguese economy

In the year of 2020, the Portuguese economy recorded an unprecedented contraction of 7.6% stemming from the effects of the pandemic on activity, which turned out particularly pernicious to exports amid the collapse of tourism activity, to private consumption and, in a lesser degree, to investment, which benefited from the resilience of the construction sector. The sharp decline in economic activity, however, had a limited impact on the labor market, owing to the support measures for families and corporates deployed both by national authorities and the European Union (EU).

The effort of supporting the household and corporate income by the government led to a substantial deterioration of the fiscal performance and, consequently, of the public debt ratios, an evolution that should improve progressively in tandem with the recovery of economic activity.

The inflation rate fell by 0.1% in 2020, reflecting the deflationary pressures associated with the recession. From 2021 onwards, as the economic recovery picks up, it is expected that inflation will return to clearly positive figures.

Notwithstanding the context of elevated uncertainty, the European Commission (EC) foresees a GDP growth in 2021 of 4.1%, supported by the expansionism of both the monetary and fiscal policies, the rebound of tourism in the second half of the year and the expectations that the significant increase of households' savings in the last quarters will boost the private consumption.

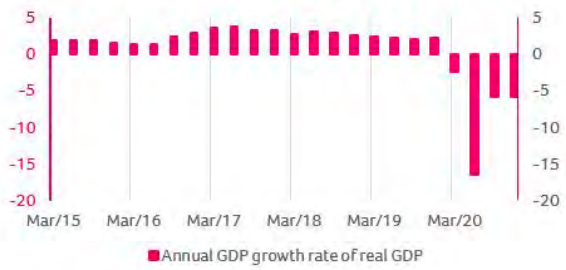
International operations

In Poland the fall of GDP in 2020 stood at 2.8%, reflecting the adverse effects of the of health restriction on economic activity, especially in what concerns consumption and investment. However, the better than expected performance of goods exports fostered by the recovery of the German and Chinese economies in the second half of 2020 contributed to cushion the severity of last year's recession. In 2021, the external demand and the expectation of progressive normalization of the restrictive measures should support the recovery of activity, with the EC projecting a GDP growth rate of 3.1%. On the foreign-exchange front, the heightened uncertainty environment that dominated the international financial markets in 2020 took a toll on the evolution of the Zloty, which for the whole year depreciated against the Euro.

In Mozambique, the global economic recession, the military instability in the northern and central regions of the country, and the occurrence of natural disasters resulted in a GDP contraction of 1.3%. In this context, the Metical depreciated significantly throughout the year, contributing to exacerbate the domestic inflationary pressures. For 2021, the IMF foresees a moderate GDP growth (2.1%), given the domestic political and economic vulnerabilities.

In Angola, the fragilities of the domestic economy together with a strong reduction of the oil price worsened the recessive situation that has persisted since 2016. In 2021, the structural reforms that have been implemented and the expectation of a rise in commodity prices amid the global economic recovery should translate into a GDP expansion of 0.4%, according to the IMF.

PORTUGUESE ECONOMY RECORDED A HISTORICAL DROP IN 2020



Source:Datastream

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2018	2019	2020	2021	2022
EUROPEAN UNION	2.1	1.6	-6.3	3.7	3.9
Portugal	2.8	2.2	-7.6	4.1	4.3
Poland	5.4	4.5	-2.8	3.1	5.1
SUB-SAHARAN AFRICA	3.3	3.2	-3.0	3.1	4.0
Angola	-1.2	-0.9	-4.0	3.2	3.0
Mozambique	3.4	2.3	-1.3	2.1	4.7

Source: IMF and national statistics institutes

IMF estimate (January 2020)

Financial system

The year of 2020 was strongly impacted by the COVID-19 pandemic, with the real impact on the national and international financial sector still highly uncertain, given the lack of a relevant precedent to enable a reliable projection of the severity and duration of this crisis, or the strength of the recovery. By the end of the year, encouraging results on the development and distribution of the vaccines began to emerge, with most countries starting their vaccination programmes in the beginning of 2021. However, uncertainty regarding the supply of vaccines may jeopardize the initially envisaged timeline for group immunization and the "normalization" of the current situation, which may affect the robustness of the expected economic recovery during 2021.

The extent and speed of the authorities' response, worldwide, with the announcement and adoption of a wide range of measures to ensure ample liquidity provision, the proper functioning of the monetary policy transmission mechanism, together with unprecedented fiscal stimuli, have contributed to the stabilisation of international financial markets and the containment of the impact of the crisis on the financial sector, when compared to previous economic crises (e.g. 'Global financial crisis' in 2008/09 and 'Sovereign debt crisis in the Euro Area' in 2011/12). The response programmes announced by the authorities reveal, however, widely diverging levels of support from the European Union members to companies and individuals. The non-homogeneity of support can generate large competitive distortions and generates diverging levels of indirect State support to banks in each EU jurisdiction (e.g. via what amounts effectively to indirect asset quality protection schemes). These developments could prove to be game changers in the process of banking sector consolidation in the European Union, which is being increasingly encouraged by the supervisors.

It should be noted that, unlike in the previous international financial crisis, this shock is of an exogenous nature and not directly related to pre-existing financial imbalances. As a matter of fact, after the previous economic and financial crisis, several countries, including Portugal, have implemented economic adjustment processes that have made it possible to reduce their overall degree of vulnerability. Therefore, the Portuguese banking system faces this crisis under better conditions than it did in the previous crisis, with a much more solid position in terms of capital and liquidity, and with significantly improved asset quality indicators, reflecting the efforts made in recent years to reduce non-productive assets ('NPAs') on banks' balance sheets. The stronger pre-crisis financial condition warrants increased confidence in the Portuguese financial system's capacity to accommodate the impacts that may arise from the materialization of specific risks, upon the total or partial withdrawal of the legal moratoria schemes. Also, it allows the Portuguese financial system to position itself as one of the key promoters of the expected economic recovery in Portugal, supporting both families and companies, with a special focus on SMEs.

In an increasingly challenging context, following the downward revision of macroeconomic projections for the coming years (recent data confirms a worldwide recession in 2020), the maintenance of negative interest rates for a considerably longer period than previously anticipated, the increasing legislative pressure on commissioning and the maintenance of disturbance factors of a geopolitical nature (e.g. trade tensions), the main domestic banks still managed to maintain positive profitability levels, despite the year-on-year reduction that was mainly attributable to precautionary additions to provisioning levels, reflecting the deterioration of the macroeconomic forecasts. Efficiency levels, as measured by the cost to income ratio, remained among the best in European terms. The evolution and performance of the banking system continued to be impacted by increasingly demanding and costly Supervision and Regulation, despite some temporary pandemic-induced flexibility, and by increasing regulatory contributions (e.g. Banking Sector Contribution and contributions to the European and National Resolution Funds, in the latter case at a clear disadvantage compared to other European jurisdictions).

The liquidity position in the Portuguese banking system remained at comfortable levels and the capital ratios continue to progress favourably on the back of organic capital generation and the issuance of prudential own funds-eligible subordinated debt instruments, as well as MREL-eligible instruments, with the exception of one player that continues to rely on the National Resolution Fund to top-up its capital ratios in order to comply with its minimum requirements. This situation, together with the other financial needs generated by the resolution processes of Banco Espírito Santo and BANIF, remains a source of risk potentially affecting the normalization of the profitability of the Portuguese banking system.

The pandemic accelerated the transformation process of the banking system and clearly confirmed the merits of the business model and customers relationship adjustment strategy adopted in recent years by some of the main domestic banks, which now offer a more digital, more convenient, but also safer and better quality service to increasingly demanding customers. As in recent years, the mitigation of compliance risks (associated for example with money laundering and the financing of illicit activities, e.g. terrorism) and cybersecurity, required enhanced investment in appropriate operating risk assessment and control policies, as well as in IT, and particularly data security systems, which will contribute to a more resilient response of the Portuguese financial system to the crisis.

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 (Macao). All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, 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 needs, both through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and customized management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking and also through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

International presence as a platform for growth

At the end of December 2020, 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 2020, operations in Portugal accounted for 71% of total assets, 69% 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 17.5% and 18.1% of loans to Customers and customer deposits, respectively, in December 2020.

At the end of December 2020, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.7 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 more than 1.2 million Active Customers and is the reference bank in this country, with 16.8% of loans and advances to Customers and 24.2% of deposits, on 31 December 2020. 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 2020, Bank Millennium had a market share of 6.1% in loans to Customers and of 5.3% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering customized 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 Far East since 1993. The activity of the existing branch in Macau was expanded in 2010, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

The Bank also has 9 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), 3 commercial protocols (USA, 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

The Bank had to adapt to the enormous challenges and constraints imposed by the pandemic in 2020, with the digital assuming a decisive role both as a catalyst for the Bank's overall results and in its relationship with Customers.

The major dimensions of accelerating the digital business were: the growth in the number of active digital customers, with a particular focus on Mobile; the migration of the Client's main day-to-day transactions to the App; the growth of digital sales and open banking, boosting the offer and expanding distribution.

For Private Customers, the growth trend of the Digital Assets base continued, with an increase of 17% compared December 2019, to which the growth of 29% of the users of the App Channel contributed decisively year-on-year. Of these, 48% already use this channel exclusively. Digital penetration in the new acquisition reached 58% of customers acquired in 2020l.

In the main Digital Transactions, the Bank recorded a growth of 47% compared to December 2019, very much based on the App channel (+74%). It is also worth highlighting the impact that the COVID-19 context had on the migration of the main transactions from the self-banking channel to digital channels.

Digital sales accounted for 32% of the Bank's total sales in 2020

Mobile – Individual Customers

Access and use of the Millennium App: the registration process was simplified with the possibility of obtaining access codes from the App, the use of biometrics to validate operations and the movements in the accounts were categorized for intuitive reading.

Credit: the Customer can now calculate how much he can borrow for his home loan with the new 'How much can I borrow' calculator. Following the needs arising from COVID-19, it was possible to request adherence to the credit moratoria and the subsequent acceptance of amendments to the respective contracts.

Investments: Consultation sessions on the securities portfolio and subscription, reinforcement or redemption of Investment Funds were created.

Open Banking: The aggregation of accounts of Revolut, Transferwise and 7 other French banks was extended and it became possible to carry out national and international SEPA transfers from aggregated accounts.

Payments: The MB WAY user experience was improved and the Money Order and Account Split were made available. With these changes and an integrated experience, Bank Customers who use the Millennium App exclusively to make MB Way transfers already represent 35% of the total.

It is now possible to request a credit card with a response at the moment and activate it right after receiving it.

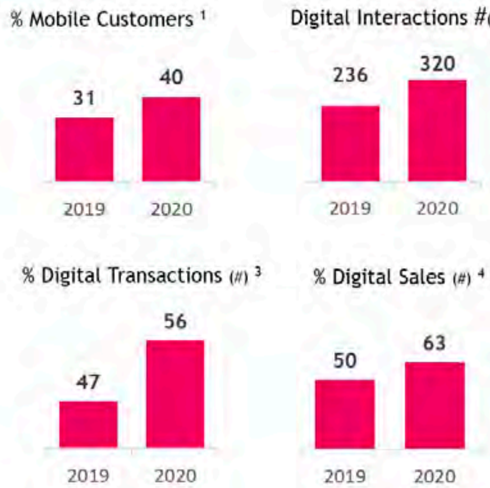
In order for Customers to feel safe when using credit cards, they can resort, whenever necessary, to a its temporary block or to its cancelling. It is now possible to make international SEPA transfers.

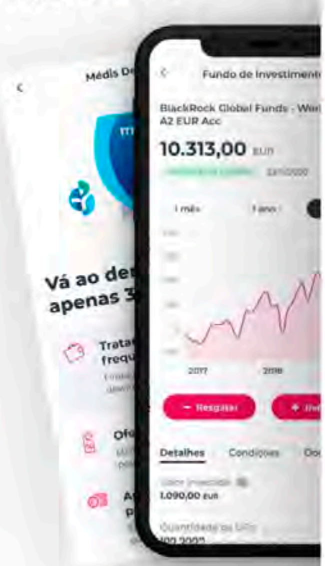
Payments by direct debit have not been forgotten and category icons, graphs with consumption trends and differentiation of charge status by colour have been included, all to facilitate the management of direct debits in the Millennium App.

Apple Pay was also made available.

Insurance: For those who travel the Bank now has the ideal protection with Travel Insurance ON / OFF, quick, easy and that the Customer only uses when needed. Just turn it ON!

Our digital capabilities were especially appreciated by Customers during the pandemic





Strong mobile growth Y/Y
(Jan-Dec 2020 vs. Jan-Dec 2019)

+68% Logins

+68% Payments

+84% Transfers

+68% Sales

48% of digital Customers are app-exclusive

89% of digital interactions are mobile

1 Mobile active Customers that have used the app at least once over the last 3 months
2 Interactions (Millennium website and app)
3 Includes mobile and online; excludes branches and ATMs
4 Digital sales (Millennium website and app) in number of operations

Best Digital Bank and Leader in Customer Satisfaction in 2020

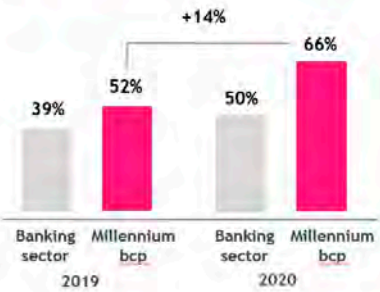
Marktest

 # 1 NPS[1] Digital Customers 2020, 5 largest Banks

 # 1 CSI Index Digital Customers[2] 1st and 2nd waves 2020

BRAND SCORE PORTUGAL 2020

Best Digital Bank in 2020[3]



Millennium app leads ratings

4.8 ★★★★★

4.8 ★★★★½

Best Consumer Digital Bank Award 2020 in Portugal[4]

Best Corporate/Institutional Information Security and Fraud Management 2020 in Western Europe[4]

ActivoBank: Consumer Choice 2021, "Digital banks" category[5]

1 Top recommendation index (NPS), digital channels: BASEF 5 largest banks, 2020 as a whole
2 Leading bank CSI index, digital Customers 1st and 2nd waves 2020, 5 largest banks
3 BrandScore research, nominated as 'Best Digital Bank', 4th quarter 2020 - Banking 2020
4 Awarded by Global Finance, August 2020
5 Awarded by ConsumerChoice, January 2021

Mobile – Companies

The Bank kept with the ambition to continue to innovate and reinforce the functionalities to support the day-to-day management of Companies and provide: Payment of the Single Social Fee and Scheduling national transfers and Immediate Transfers to SEPA countries.

Companies website

TPA Analytics: business support tool that allows Merchants to better understand their Customers' consumption habits, so that they can adjust their offer and maximize the profitability of their business.

Account association: a solution that allows Business Customers to check bank balances and transactions and manage current accounts that they have in other banks from the Millennium companies website.

MContabilidade: a service that digitally connects Companies and Accountants, allowing the sharing of banking information in a safe and agile way, improving the bank and accounting reconciliation processes.

Digital Sales

In 2020, the Bank continued to invest in the development and availability of digital sales processes on the App, simpler and with a significant improvement in usability and communication with the Customer. Seeking to take advantage of the COVID context to stimulate sales through digital channels, an intense plan for delivering new features and services throughout the year was promoted, supported by personalized and targeted campaigns, which allowed the year to end with around 32% of the sales through digital channels and to lead the Portuguese market.

Despite the adjustments to the Bank's credit policy due to the context of the pandemic, it recorded a product penetration rate of 29% in number of transactions. Own media and paid campaigns and the continuous improvement of the digital process, namely through the provision of a credit simulation assistant in the App, contributed to this growth.

The Bank has also launched a Credit Card order journey on the App with automatic decision of credit limits, also allowing our Customers to manage their cards on the App, in addition to the possibility of cancelling and/or replacing cards in case of loss or theft.

In new and renewal of savings, there was an aggregate growth of 29 p.p. compared to 2019 in the penetration rate in number of transactions. Also in terms of investments, there was a positive year-on-year change in the weight of most products sold on digital, with the sale of Certificates (62%, +16 pp compared to December 2019) and funds standing out in the investment area (33%, +1 pp compared to December 2019). In July, the Bank launched a new journey for the sale of investment funds on the Millennium App, with an innovative experience that soon gained space in the production of investment funds, already representing 14% of total digital production.

In the online trading business, it has to be highlighted the significant increase in the value of orders (+23%) through digital channels and the significant increase in the weight of the Bank's online trading platform - MTrader -, from 50% to 71% in the number of orders placed, with more than 10,000 new adhesions. From the perspective of providing customer service, the functionality of consulting the details of the securities portfolio through the Millennium App was also made available, seeking to ensure that each Customer would better monitor its investments.

At risk insurance the Bank ended the year with a weight of 27% of digital sales (+ 4 pp compared to December 2019), supported by continuous information and promotion campaigns on the website, also following a trend of increasing interest of Bank's Customers for products related to health insurance - Médis. At the beginning of the year, even before the pandemic, the Bank launched the Travel Insurance On / Off, the first 100% digital product, that is, a journey created only for digital and that allows the Customer to pay a premium only for the time of using the travel insurance, with a very attractive daily price for a high number of coverages.

Client-oriented relationship model

In 2020, Millennium bcp's Communication was able to respond to the greatest challenge of a different, demanding and unforeseen environment.

In a year marked by the pandemic, it was critical to know how to readjust the communication strategy, with a continuous activity of communication with Customers, either through commercial campaigns with a great focus on relationship, proximity and availability, or through the reinvention of the way of holding events, with thematic Webinars.

In terms of advertising communication, we highlight the “Vai correr bem – It will go well” campaigns, starring Bank Employees, artist Boss AC and tennis player João Sousa, with a view to publicizing support measures for individuals and companies; the launch of the Apple Pay service, which allowed the Bank to consolidate its position in the pioneering spirit of new instruments and solutions of payment; as well as the communication of the Global Finance award, which elected Millennium as "Best Digital Bank in Portugal", with the central message related to the Millennium App, consolidated in the headline "Esta App é do Melhor - This App is the from the Best".

Also noteworthy is the strong communication investment in the Companies segment, with the launch of a wide range of actions and initiatives, including the campaign based on the set of innovative products and solutions in the area of digital offer of Millennium - such as TPA Analytics, M Contabilidade, Associação de Contas and IBAN Digital - translated into the claim “Traga a sua Empresa para este Millennium - Bring your company to this Millennium”.

The completion of Webinars enabled, in addition, to strengthen the relationship with Customers through personalized sessions on the most varied themes, some of which with the presence of external guests, such as Nadim Habib, Sandra Tavares or Eurico Brilhante Dias.

The Bank maintained its support to culture, redefining, once again in view of the imposed and required constraints, the way to sponsor and organize an event as awaited as the Millennium Festival ao Largo. For the first time, the Festival was held at the National Palace of Ajuda, guaranteeing the maximum safety and the necessary social distance, nevertheless, being a landmark in the sharing of art and culture, with dance, classical music and theatre performances with free entry.

Also noteworthy is the "readjustment of internal events, with a constant commitment to regular contact - now digital - but always with a sense of togetherness and a strong team spirit.

The Millennium bcp brand continues to mark and convey a set of values that convey an unequivocal purpose of providing excellent customer service. The recognition of this commitment is evidenced in the various awards that it continuously obtains, of which the Marketeer 2020 Prize in the Banking Category stands out.

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 successfully implemented 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 approximately of 40% in Portugal since 2011 and a more than 70% reduction in the Group’s NPE since 2013 (from Euros 13.7 billion to Euros 3.3 billion in December 2020).

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 is 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

Millennium bcp: Closest to Customers, clearest information; most recommended bank; leader in Customer satisfaction, in quality of service and in product quality; leader in Customer satisfaction with digital channels, in all assessed items (Basef 5 largest banks, 2020); leader in Customer satisfaction (banking in general and digital, CSI Marktest, 2nd wave 2020)

Millennium bcp: Best Digital Bank and Best Bank for Companies (3rd year in a row).

Millennium bcp: Award for Best Homebanking Website by the readers of the PCGUIA magazine.

Millennium bcp: Marketeer award, "Banking" category (4th year in a row)

Millennium bcp: Quickest process in mortgage loans (ComparaJá.pt, mortgage credit meter)

Millennium bcp: Best FX Provider 2021 in Portugal

ActivoBank: "5 estrelas 2020" award, "Digital banking" category

ActivoBank: Best commercial bank, Best consumer digital bank and Best mobile banking app in Portugal

Millennium investment banking: Europe M&A deal of the year, for advisory services on the acquisition of shareholding in Brisa

Millennium bim: Best bank 2020 (11th year in a row), Best digital bank 2020, Best trade finance provider 2020, Best private bank 2020 and Best FX Provider 2021 in Mozambique

Millennium bim: Bank of the year 2020 in Mozambique, for the 13th time

Millennium bim: Distinguished for its response to the global crisis resulting from the pandemic

Millennium bim: Most innovative banking services in Mozambique

Bank Millennium: part of the WIG-ESG index of the Warsaw Stock Exchange for socially responsible companies, ranking 4th

Bank Millennium: Best digital bank 2020, Best trade finance provider 2020 and Best FX provider 2021 in Poland

Bank Millennium: European customer centricity award, "Complaints" category, attributed to the "Embrace the Problem" project

Bank Millennium: Most recommended bank and leader in Customer satisfaction ("*Customer satisfaction monitor of retail banks ARC Rynek i Opinia*")

Bank Millennium: Best online banking, best mobile banking and best remote account opening process in Poland ("Institutions of the year 2020" ranking)

Bank Millennium: CSR golden leaf award of the "Polytika" magazine for the implementation of the strictest corporate social responsibility standards

Bank Millennium: winner in the "Digital" and in the "People's choice" categories of the "TOP CDR Technologically Responsible Company" award

Bank Millennium: 1st in the "Fin-tech innovation" category for the Autopay service, and 2nd in the "Mortgage loan" category

Bank Millennium: Climate Leaders Poland 2021 (best ranked bank, 2nd among all companies)

Bank Millennium: winner in the overall ranking "Banks as assessed by Clients 2020" by the Polish Quality Research Institute

Bank Millennium: Service Quality Star for quality of service (as evaluated by a consumer survey)

Bank Millennium: 1st in growth, 2nd in Customer relationship and 3rd for overall achievement and for innovation ("Stars of banking" Dziennik Gazete Prawna/PwC)

Millennium bcp
Consumer Choice 2021, "Large banks" category

Millennium bcp
Main bank for companies; most appropriate products; most efficient; closest to Customers

Millennium bcp
"PME Líder '20" programme: largest number of awards among participating banks (3rd year in a row)

Millennium bcp
Best consumer digital bank 2020 in Portugal; Best corporate/ Institutional information security and fraud management in Western Europe

ActivoBank
Consumer Choice 2021, "Digital banks" category

These awards are the exclusive responsibility of the entities that awarded them.

Millennium network

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.

Portugal
477 Branches
200* 420

United Kingdom
1 Representative office

Poland
702 Branches
85 104 327

Macao (China)
1 Branch

France
Commercial protocols

Luxembourg
Commercial protocols

South Africa
1 Representative office

China
1 Representative office

Switzerland
1 Branch
1
3 Representative offices

Mozambique
199 Branches
30 63 189

Angola
Partnership

	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM (1)	POS (2)
Portugal	2,443	650,488	219,096	867,654	2,036	75,682
Poland	2,402	1,786,578	218,832	1,771,010	479	660
Switzerland	2	656	-	-	-	-
Mozambique	856	15,833	54,041	576,000	507	7,945
Macao (China)	3	-	-	-	-	-

Note: Considered Customers/active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days. AtivoBank Customers not included.
(1) Automated Teller Machines.
(2) Points of Sale.

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 5/2015, version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the version currently in force.

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 the 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 amortisation 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. As of this date, the financial statements of the Group began to reflect the consolidation of Euro Bank 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. In accordance with IFRS 3, the effective settlement of the acquisition would have to be completed no later than one year from the control acquisition date, which in the meantime occurred, with no material impact on the Group's financial statements.

During September 2019, the Board of Directors of Banco Comercial Português, S.A. and the Board of Directors of Banco de lnvestimento lmobiliário, S.A. approved the merger project of Banco de lnvestimento lmobiliário, 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. 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 third quarter of 2018 (after the communication and publication of results to the market) and whose sale took place in February 2019.

In 2019 and 2018, 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 June 2020, some figures that until then were recorded, in the activity in Portugal, as other administrative costs, are now recorded as other net operating income, in order to improve the quality of the reported information. The historical figures considered for the purposes of this analysis are presented in accordance with the reclassifications made in order to ensure comparability and therefore differ from the book values disclosed. The reclassifications made amounted to 3 million Euros for the years 2019 and 2018.

In 2020 no changes were introduced in the presentation of information relating to previous years, so the restatements made in order to ensure the comparability of information result exclusively from the situations mentioned above.

The evolution of the activity of Millennium bcp in 2020 was strongly conditioned by the impacts arising from the pandemic caused by COVID-19, both in the activity in Portugal and in the international activity, with consolidated net income amounting to 183 million Euros, falling short of the 302 million Euros achieved in 2019.

The referred impacts of the pandemic materialised to a large extent in the recognition of additional impairments for credit risk, in the revaluation of the corporate restructuring funds and in the reduction of income generated by commissions related with banking activity. Conversely, and also as a consequence of the general reduction in activity witnessed during the pandemic, relevant savings were observed with regard to other administrative costs, following the postponement or cancellation of several projects and events. At the same time, the performance of the Group's net income was also penalised by the reinforcement of the extraordinary provision made by the Polish subsidiary to address the legal risk associated with mortgage loans granted in foreign exchange, which amounted to 152 million Euros in 2020 (52 million Euros in 2019).

In the current adverse context, the evolution of core net income deserves particular note, with a growth of 2.8% compared to the amount achieved in the previous year, standing at 1,116 million Euros in 2020. This growth was driven by the performance of the activity in Portugal, whose core net income increased by 5.9% (4.2% excluding specific items), reflecting not only the already mentioned reduction in operating costs, but also the expansion of core income, namely net interest income. Despite the sustained growth of core net income generated by the Polish subsidiary, the core net income of the international activity was slightly below the amount achieved in the previous year due to the lower contribution of the Mozambican operation, which was penalised by the devaluation of the metical against the euro and by a context of sharp reduction in reference interest rates.

The Group's total assets reached 85,813 million Euros as at 31 December 2020, representing a 5.1% growth compared to the position at the end of the previous year, which amounted to 81,643 million Euros. This evolution benefited from the expansion of the activity in Portugal, as the contribution from the international activity showed a contraction year-on-year, to a large extent influenced by the dynamics in exchange rates.

The consolidated total liabilities accompanied the asset growth trend, in evolving from 74,262 million Euros as at 31 December 2019 to 78,427 million Euros in 2020, underpinned, on the one hand, by the increased deposits and customer funds and, on the other hand, by the additional funding obtained from the European Central Bank, via participation in the new targeted longer-term refinancing operation (TLTRO III).

Loans to customers (gross) reached 56,146 million Euros as at 31 December 2020, standing above the 54,724 million Euros at the end of the previous year, essentially via the performance of the activity in Portugal, whose credit portfolio primarily reflects the impact of loans granted to companies under the credit lines secured by the Portuguese State, following the pandemic caused by COVID-19.

Total customer funds reached 84,492 million Euros as at 31 December 2020, showing a favourable evolution in comparison to the 81,675 million Euros recorded on the same date of the previous year, thanks to the performance of the activity in Portugal, which ended up by being partially mitigated by the contribution of the international activity. In consolidated terms, total customer funds recorded a favourable evolution in all the items, where particular reference is made to the increased balance sheet funds, more specifically of deposits and other resources from customers.

PROFITABILITY ANALYSIS

NET INCOME

In 2020, the consolidated net income[1] of Millennium bcp amounted to 183 million Euros, compared to 302 million Euros recorded in the previous year. This evolution is strongly conditioned by the impacts arising from the pandemic caused by COVID-19, which largely materialised in the recognition of additional impairments for credit risk, the revaluation of corporate restructuring funds and the reduction of income generated by commissions related with banking activity. Conversely, and also as a consequence of the overall reduction in activity during the pandemic, there were relevant savings in other administrative costs, namely related to representation expenses, advertising, marketing and sponsorships and also to costs incurred with studies and specialised work, following the postponement or cancellation of several projects and events.

The performance of the Group's net income in 2020 was strongly penalised by the need to book extraordinary impairments, whose impacts more directly related to the adverse context caused by the COVID-19 pandemic were mainly recognised in the activity in Portugal, but also in the international activity. A significant part of the reinforcement resulted from the need to revise the credit risk parameters of the impairment models to reflect the new macroeconomic scenario dictated by the risks associated with the pandemic, both in Portugal and in Poland.

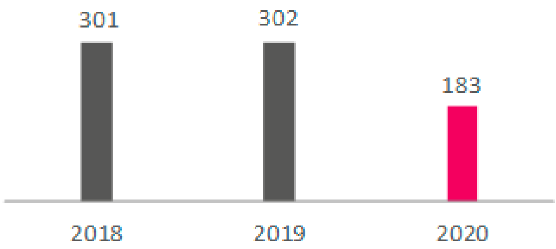
At the same time, the performance of the Group's net income was also penalised by the reinforcement of the extraordinary provision booked by the Polish subsidiary to address the legal risk associated with mortgage loans granted in foreign exchange, which amounted to 152 million Euros in 2020 (52 million Euros in 2019). This reinforcement, which was higher than the amount recognised in previous periods, occurred mostly in the fourth quarter of the year, following Bank Millennium's decision to reflect in its accounts the negative trends of judicial decisions and changes in the risk assessment methodology.

In consolidated terms, other net operating income also showed a relevant drop, in the amount of 51 million Euros, essentially explained by the fact that in 2020 there were no gains from the sale of non-current assets held for sale in the same magnitude as those recognised in the previous year and also by the higher costs with mandatory contributions incurred by Portugal and by the subsidiary in Poland. Although with a lower impact, net interest income was also lower than the amount achieved in 2019, essentially reflecting the context of falling reference interest rates in the main international geographies in which the Group operates.

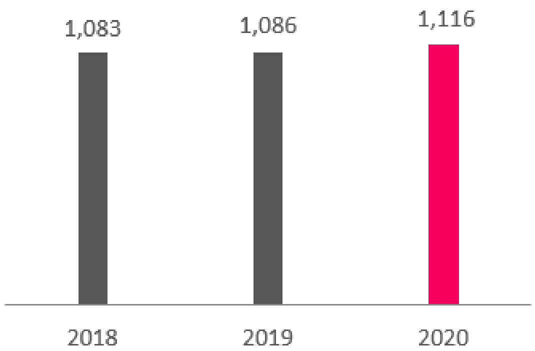
The gain of 13 million Euros, which had been recognised in February of that year, resulting from the disposal of the Planfipsa Group, reflected as discontinued operations, also contributed to the reduction in net income presented by the Group in 2020 compared to 2019.

On the other hand, the reduction in operating costs achieved, allowing Millennium bcp's consolidated core net income to evolve favourably, from 1,086 million Euros in 2019 to 1,116 million Euros in 2020, notwithstanding the adverse context in which this evolution occurred, deserves special mention.

NET INCOME
Million euros



CORE NET INCOME
Million euros



[1] Net income includes a negative impact of 46 million Euros in 2020 and 66 million Euros in 2019, both before tax, considered as specific items, related to restructuring costs and compensation for the temporary remuneration cuts recognised as staff costs in the activity in Portugal and costs incurred with the acquisition, merger and integration of Euro Bank S.A. recognised by the Polish subsidiary, as operating costs. In 2020, the specific items determined, in the activity in Portugal, also include the positive impact arising from the agreement reached with a former director of the Bank. Net income also include specific items recorded in net operating revenues related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (1 million Euros in 2019 and an immaterial amount in 2020).

QUARTERLY INCOME ANALYSIS

Million euros

	2020						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2019	2018
NET INTEREST INCOME	385	374	391	384	1,533	1,549	1,424
OTHER NET INCOME							
Dividends from equity instruments	0	3	1	0	5	1	1
Net commissions	180	165	173	185	703	703	684
Net trading income	61	(22)	65	48	153	143	79
Other net operating income	(40)	(79)	(24)	(12)	(155)	(104)	(92)
Equity accounted earnings	11	32	11	13	68	43	89
TOTAL OTHER NET INCOME	212	100	226	234	772	787	760
NET OPERATING REVENUES	597	474	617	618	2,306	2,335	2,184
OPERATING COSTS							
Staff costs	165	163	157	162	647	668	593
Other administrative costs	86	79	80	91	335	373	374
Depreciation	35	34	34	34	137	125	58
TOTAL OPERATING COSTS	286	276	271	287	1,119	1,166	1,024
RESULTS BEFORE PROVISIONS AND IMPAIRMENTS	311	198	346	331	1,186	1,169	1,159
IMPAIRMENT							
For loans (net of recoveries)	86	151	137	136	510	390	465
Other impairment and provisions	116	(2)	62	155	331	151	136
INCOME BEFORE INCOME TAX	110	48	147	40	345	627	558
INCOME TAX							
Current	27	29	31	26	113	101	106
Deferred	39	(36)	33	(12)	23	138	32
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	44	55	83	26	208	388	420
Income from discontinued operations	0	(0)	(0)	0	0	13	(1)
NET INCOME AFTER INCOME TAX	44	55	83	26	208	401	419
Non-controlling interests	9	14	13	(11)	25	99	118
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	35	41	70	37	183	302	301

In the activity in Portugal[2], special reference should be made to the core net income achieved in 2020, which reached 637 million Euros, 5.9% above the 601 million Euros obtained in the previous year. This evolution reflects the growth in core income, based mainly on the performance of net interest income, as commissions remained at similar levels to those seen in the same period of the previous year.

In this context, it is also relevant to highlight the reduction obtained in terms of operating costs, namely staff costs and other administrative costs. Staff costs reflect, in part, the lower level of restructuring costs, lower compensation for the temporary adjustment of salaries and the positive impact of the agreement concluded with a former director of the Bank, effects that are considered as specific items. Other administrative costs reflect relevant savings, following the general reduction of activity during the pandemic, through the postponement or cancellation of several projects and events. Excluding the specific items referred to above, in both years, the core net income of the activity in Portugal would have increased by 4.2%.

As regards net income, this was particularly penalised by the reinforcement of impairments and provisions, the negative impacts recognised in net trading income and the performance of other net operating income, standing at 134 million Euros in 2020, 7.2% below the 145 million Euros recorded in 2019.

Net income from the activity in Portugal was particularly influenced by the recognition of extraordinary impairments to address the unfavourable economic environment associated with the COVID-19 pandemic, largely deriving from the updating of the macroeconomic scenario implicit in the impairment calculation models for credit risk.

The evolution of net income in the activity in Portugal was also influenced by the revaluation of corporate restructuring funds, which had a negative impact of 72 million Euros (31 million Euros in 2019), of which 65 million Euros recognised following the updating of the value of the underlying assets in light of the extraordinary circumstances caused by the COVID-19 pandemic.

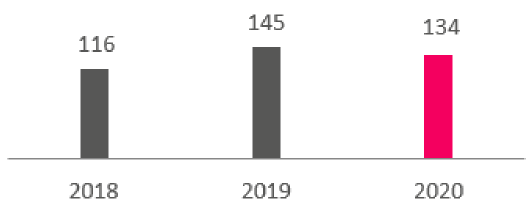
In addition, the evolution of net income in the activity in Portugal was also penalised by the performance of other net operating income, to the extent that in 2019 significant income was recognised on the sale of properties, which was not repeated in 2020.

On the other hand, the evolution of net income in the activity in Portugal benefited from the performance of equity accounted earnings, which grew 44.0% over the previous year, net interest income which grew 2.1% and net trading income which, notwithstanding the negative impact of the revaluation of corporate restructuring funds referred to above, stood 19.5% above the amount recorded in 2019.

Finally, the favourable evolution of income taxes in 2020, compared to the previous year, should be noted, justified, on the one hand, by the substantial reduction in income before income tax and, on the other hand, by the fact that 2019 was particularly penalised by the write-off of deferred tax assets associated with impacts resulting from the scenario of projection of the interest rates.

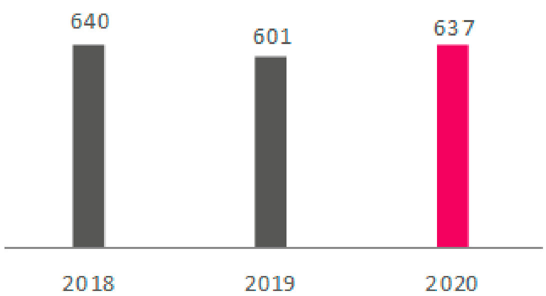
NET INCOME

Activity in Portugal
Million euros



CORE NET INCOME

Activity in Portugal
Million euros



Core net income in the international activity amounted to 480 million Euros in 2020, slightly below the 484 million Euros achieved in 2019, influenced by the depreciation of the metical against the euro which largely penalised the contribution of the operation in Mozambique. Conversely, the core net income of the Polish subsidiary continues to show a positive trend, benefiting from the integration of Euro Bank S.A. in May 2019.

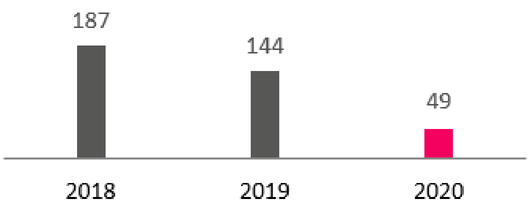
[2] Does not consider income arising from operations accounted as discontinued operations, amounting to 13 million Euros, recorded in 2019.

In the international activity, net income amounted to 49 million Euros in 2020, compared to 144 million Euros in the previous year, with this evolution being mainly due to the performance of the Polish subsidiary, although the contribution of the operation in Mozambique and the appropriation of income generated by Banco Millennium Atlântico were also lower than the amount achieved in the previous year.

NET INCOME

International activity

Million euros



Bank Millennium in Poland, despite a solid operating performance, posted net income considerably below the 131 million Euros achieved in the previous year, standing at 5 million Euros in 2020. This performance was determined by Bank Millennium's decision to reinforce the impairments and provisions booked to address the legal risk associated to mortgage loans granted in foreign exchange, which amounted to 152 million Euros in 2020 (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by Société Générale, S.A.; 52 million Euros in 2019), reflecting the negative trends in court decisions, the increase in the number of cases and changes in the risk assessment methodology. At the same time, the recognition of impairments, in the amount of 30 million Euros to address the increased credit risk arising from the pandemic caused by COVID-19, also contributed to the lower result achieved in the current year. It should also be noted that, following the decision taken by the Court of Justice of the European Union, additional provisions, amounting to 21 million Euros (net of the amount originating from the operations of Euro Bank S.A., to be repaid by Société Générale, S.A.) were recognised to meet the return of commissions to customers who repaid their consumer loans in advance (7 million Euros in 2019). The mandatory contributions to which the Polish subsidiary is subject also had an adverse impact on the evolution of results, having reached 100 million Euros, 14 million Euros more than in the previous year. Conversely, it is important to note the reduction in operating costs, partly resulting from the synergies obtained from the integration of Euro Bank S.A., which amounted to 38 million Euros (5 million Euros in 2019). The acquisition of Euro Bank S.A., in addition to influencing the performance of operating costs in the Polish subsidiary, also produced other impacts on the operating account, of which we highlight the positive contribution to the growth of net interest income and commissions, influenced by the five additional months of contribution. Lastly, reference should be made to the positive impact of the recognition of deferred tax assets, influenced by the deductibility of part of the provisions set aside to cover the legal risk of loans granted in foreign currency.

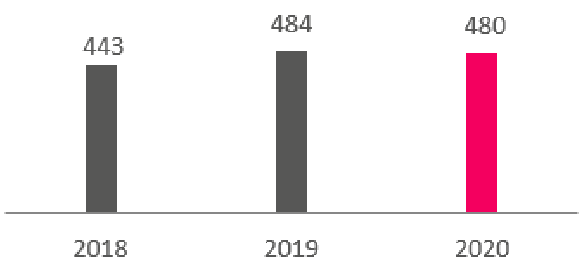
Millennium bim in Mozambique posted a result of 67 million Euros in 2020, 32.8% below the 99 million Euros achieved in the previous year, reflecting not only the effects of the normalisation of interest rates and the COVID-19 pandemic, but also the depreciation of the metical against the euro. The evolution of the result of the subsidiary in Mozambique was mainly influenced by the fall in net interest income and the increase in loan impairment, partially offset by the favourable performance of operating costs, whose reduction was determined by the exchange rate devaluation in the period. The recognition of deferred tax assets associated with the carry forward of tax losses also contributed to offset the reduction in net income compared to the previous year.

The contribution of Banco Millennium Atlântico to consolidated earnings decreased from a positive 3 million Euros in 2019 to a negative 7 million Euros in 2020, penalised by the recognition of impairments, in the total amount of 17 million Euros, to address the risks inherent to the investment made by the Group in this stake.

CORE NET INCOME

International activity

Million euros



NET INCOME OF INTERNATIONAL ACTIVITY

Million euros

	2020	2019	2018	Chan. % 20/19
Bank Millennium in Poland (1)	5	131	178	-96.1%
Millennium bim in Mozambique (1)	67	99	94	-32.8%
BANCO MILLENNIUM ATLANTICO (BMA) (2)				
Before the impact of IAS29	1	8	21	-93.4%
Impact of IAS29	(8)	(6)	1	-35.7%
BMA AFTER THE IMPACT OF IAS29 (2)	(7)	3	21	<-200%
Other	9	9	13	-9.0%
Non-controlling interests	(25)	(98)	(120)	74.8%
NET INCOME OF INTERNATIONAL ACTIVITY	49	144	187	-66.2%
NET INCOME OF INTERNATIONAL ACTIVITY EXCLUDING IAS29	56	149	186	-62.3%

(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 2020 (after taxes and non-controlling interests) attributable to the international operations amounted to 49 million Euros. For the same period, net income from Poland amounted to 5 million Euros (of which 3 million Euros attributable to the Bank). The net income from Mozambique ascended to 67 million Euros (of which 45 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 a negative amount of 7 million Euros (considering impairments booked to the investment in the operation in Angola, including goodwill). 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 stood at 1,533 million Euros in 2020, slightly (approximately 1.0%) below the 1,549 million Euros posted in the previous year.

In this evolution, it is important to note, however, the increase recorded in the activity in Portugal, although it was fully absorbed by the performance of the international activity, namely by the contribution of the operation in Mozambique.

In the activity in Portugal, net interest income evolved favourably, showing an increase of 2.1% compared to the 789 million Euros achieved in 2019, rising to 805 million Euros in 2020.

A decisive factor in this evolution of net interest income was the reduction in the cost of funding, to which a major contribution was made by the positive impact of the additional financing obtained from the European Central Bank, notably through participation in the new targeted longer term refinancing operation (TLTRO III), which the Bank decided to raise to 7,550 million Euros at the end of the second quarter of this year and whose remuneration, based on a negative interest rate, designed to encourage lending to the economy, had an impact of 35 million Euros on funding costs, in comparison to the amount recognised in the preceding year.

In addition, the reduction in the cost of funding, in the activity in Portugal, was also driven by lower costs incurred with customer resources, benefiting, in particular, from the continued decrease in the remuneration of term deposits, especially dollar-denominated deposits, although there was also a decrease in the average balance of interest-bearing deposits compared to the existing balance in 2019.

Inversely, the performance of net interest income in the activity in Portugal was penalised by the reduction of returns on assets, notably the fall in income generated by the securities portfolio and the loans to customers portfolio.

The lower income generated by the securities portfolio was mainly due to the performance of the Portuguese public debt portfolio, to the extent that the reduction of the investment in securities issued by the Portuguese Treasury, in the last quarter of 2019, through the disposals made, penalised net interest income of the current year, and the new securities acquired this year were not sufficient to offset the loss of income verified, due to the lower implicit yields. In addition, the sales of securities in 2020 continued to widen the differential between the remuneration generated by the current securities portfolio and the existing portfolio in place in the previous year.

In turn, income generated by the performing loans portfolio was strongly conditioned by the persistence of interest rates at historically low levels, notwithstanding the increase in volumes, reflecting both the impact of loans granted to companies under the credit lines guaranteed by the Portuguese State, following the COVID-19 pandemic, and the promotion of commercial initiatives to support households and companies with sustainable business plans.

At the same time, the high rate of reduction of non-performing exposures also made a negative contribution to the evolution of net interest income.

The lower income from the net investment of liquidity surpluses with credit institutions and the higher costs borne with subordinated debt issues, influenced by the impact of the 450 million Euros issue placed on the market in September 2019, also negatively influenced the evolution of net interest income in the activity in Portugal.

In the international activity, net interest income amounted to 728 million Euros in 2020, down 4.2% from 759 million Euros in 2019, mainly influenced by the performance of the subsidiary in Mozambique.

The evolution of net interest income in the subsidiary in Mozambique largely reflects the impact of the continued reduction of interest rates, together with the decrease in the average balances of the loan portfolio, strongly influenced by the depreciation of the metical against the euro.

Inversely, the Polish subsidiary's net interest income was higher than that achieved in the previous year, influenced, on one hand, by the positive impact of the integration of the commercial business of Euro Bank S.A. in May 2019 and, on the other hand, by the sharp fall in interest rates, following the successive cuts in reference rates imposed by the Polish Central Bank, which occurred during the first half of the year.

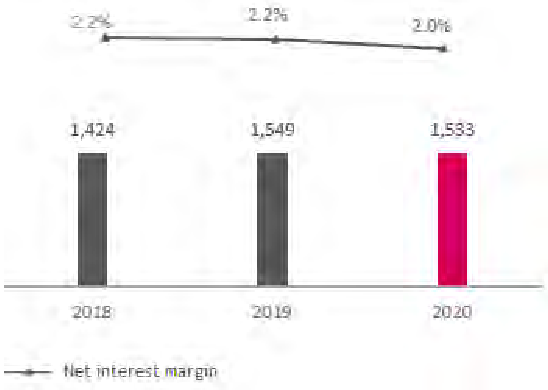
In consolidated terms, the net interest margin rate evolved from 2.2% in 2019 to 2.0% in 2020, mainly pressured by the context of international activity.

Notwithstanding the context of negative interest rates and the greater weight of products with lower rates in production of loans, arising from the scenario associated with the pandemic, particularly as regards credit lines with State guarantees, the net interest margin in the activity in Portugal reflected only a slight decrease from the 1.7% obtained in the preceding year, to 1.6% in 2020.

The net interest margin in the international activity increased from 3.2% in 2019 to 2.9% in 2020, reflecting the impact of the sharp reduction of reference interest rates in Poland and Mozambique.

NET INTEREST INCOME

Million euros



NET INTEREST INCOME

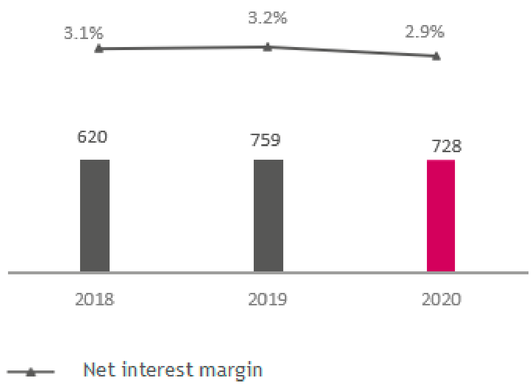
Activity in Portugal

Million euros

NET INTEREST INCOME

International activity

Million euros



AVERAGE BALANCES

Million euros

	2020		2019		2018	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	5,135	0.6%	4,033	1.0%	2,702	1.0%
Financial assets	17,412	1.1%	15,400	1.7%	13,250	2.2%
Loans and advances to customers	53,353	2.9%	50,674	3.2%	47,620	3.2%
TOTAL INTEREST EARNING ASSETS	75,900	2.3%	70,107	2.8%	63,572	2.9%
Non-interest earning assets	8,959		9,484		9,847	
TOTAL ASSETS	84,859		79,590		73,419	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	8,167	-0.4%	7,086	0.2%	7,457	0.1%
Deposits and other resources from customers	62,594	0.3%	58,209	0.5%	53,198	0.6%
Debt issued and financial liabilities	3,083	1.0%	3,271	1.2%	2,787	1.6%
Subordinated debt	1,449	4.8%	1,364	4.4%	1,116	5.5%
TOTAL INTEREST BEARING LIABILITIES	75,293	0.3%	69,930	0.6%	64,558	0.7%
Non-interest bearing liabilities	2,112		2,089		1,944	
Shareholders' equity and Non-controlling interests	7,454		7,571		6,917	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS	84,859		79,590		73,419	
NET INTEREST MARGIN (1)		2.0%		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 2020, 2019 and 2018, to the respective balance item.

In 2020, the average net assets of the Group stood at 84,859 million Euros, up 6.6% from 79,590 million Euros in the previous year.

This evolution is sustained by the overall increase in interest earning assets, recorded both in the activity in Portugal and in international activity, in the latter case partly reflecting the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, whose consolidation was reflected from May 2019.

In 2020, interest earning assets stood at 75,900 million Euros, which compares with 70,107 million Euros posted in 2019, driven by the growth in loans and advances to customers, from 50,674 million Euros in 2019 to 53,353 million Euros in 2020, the increase in financial assets, from 15,400 million Euros in 2019 to 17,412 million Euros in 2020, and the evolution of deposits in credit institutions, from 4,033 million Euros in 2019 to 5,135 million Euros in 2020. Notwithstanding the overall increase in average balances of the main categories of assets, there was a reduction in the implicit yields, justified not only by the context of even more negative reference rates in Portugal but also by the reduction of interest rates in Poland and Mozambique.

Non-interest earning assets, in turn, decreased from 9,484 million Euros in 2019 to 8,959 million Euros in 2020.

In terms of average balance sheet structure, interest earning assets represented 89.4% of average net assets in 2020, with an increase compared to the relative weight of 88.1% recorded in the previous year. Notwithstanding its relative weight in the balance sheet structure having declined from 63.7% in 2019, to 62.9% in 2020, loans to customers remained the main aggregate of the portfolio of interest earning assets representing 70.3% of said portfolio in 2020 (72.3% in 2019). In contrast, the financial assets portfolio saw its relative weight in the balance sheet structure strengthened, rising from 19.3% in 2019 to 20.5% in 2020.

The average liabilities of the Group amounted to 77,405 million Euros in 2020, increasing from 72,019 million Euros in 2019, mainly due to the evolution of interest-bearing liabilities, which showed an increase, from 69,930 million Euros in 2019, to 75,293 million Euros in 2020, induced by the growth verified, both in the activity in Portugal and in the international activity. The performance of interest bearing liabilities mainly reflects the growth of customer deposits, whose average balance, in consolidated terms, increased from 58,209 million Euros in 2019 to 62,594 million Euros in 2020, influenced both by the increase in deposits taken in Portugal and by the growth in international activity, in this case also partly explained by the impact of the acquisition of Euro Bank S.A. with effects from May 2019. At the same time, the rise in the average balance of deposits from credit institutions, whose balance increased from 7,086 million Euros in 2019 to 8,167 million Euros in 2020, also contributed to the increase recorded in interest-bearing liabilities compared to 2019.

The structure of average interest-bearing liabilities was similar to that recorded in the previous year, with Customer deposits remaining the main instrument for financing and supporting the activity, representing 83.1% in 2020 (83.2% in 2019) of the balance of interest-bearing liabilities. Deposits from credit institutions, in turn, accounted for 10.8% of the average balance of interest-bearing liabilities in 2020 (10.1% in 2019), while the aggregate of debt securities issued and financial liabilities accounted for 4.1% (4.7% in 2019).

The average balance of the shareholders' equity and non-controlling interests showed a slight decrease, from 7,571 million Euros in 2019, to 7,454 million Euros in 2020.

OTHER NET INCOME

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

In June 2020, some figures that until then were recorded, in the activity in Portugal, as other administrative costs, are now recorded as other net operating income, in order to improve the quality of the reported information. The historical figures considered for the purposes of this analysis are presented in accordance with the reclassifications made in order to ensure comparability and therefore differ from the book values disclosed. The reclassifications made amounted to 3 million Euros in both 2019 and 2018.

Other net income[3], amounted to 772 million Euros in 2020, lower than the 787 million Euros achieved in the previous year, due to the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, other net income reached 532 million Euros in 2020, compared to 542 million Euros recorded in 2019. Other net operating income, which was 39 million Euros lower than the amount achieved in 2019, strongly contributed to this evolution. However, this decline was partially absorbed by the positive performance shown by equity accounted earnings and net trading income, which increased by 18 million Euros and 10 million Euros, respectively, compared to 2019.

In the international activity, other net income amounted to 240 million Euros in 2020, down from 245 million Euros in the previous year. It should be noted that this evolution incorporates two opposite effects, since the reduction in other net income of the Mozambican subsidiary, in part influenced by the devaluation of the metical against the euro, was offset by the increase in the appropriation of the income generated by Banco Millennium Atlântico, recognised in equity accounted earnings.

[3] The amount of other net income includes the costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary and considered specific items (1 million Euros in 2019 and an amount considered immaterial in 2020).

OTHER NET INCOME

Million euros

	2020	2019	2018	Chan. % 20/19
Dividends from equity instruments	5	1	1	>200%
Net commissions	703	703	684	-0.1%
Net trading income	153	143	79	6.6%
Other net operating income	(155)	(104)	(92)	-49.4%
Equity accounted earnings	68	43	89	57.5%
TOTAL	772	787	760	-1.8%
of which:				
Activity in Portugal	532	542	507	-1.7%
International activity	240	245	253	-2.0%

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, increased from 1 million Euros in 2019 to 5 million Euros at the end of 2020. The amounts referred to, in both years, relate almost entirely to income on investments in the equity portfolio of the activity in Portugal.

NET COMMISSIONS

In 2020, the amounts recorded in Portugal and by the Polish subsidiary under some commission items were reclassified, in order to improve the quality of the reported information. The balances of these items presented in this analysis for 2019 and 2018 are pro forma to ensure comparability and the total amount of net commissions did not change.

NET COMMISSIONS

Million euros

	2020	2019	2018	Chan. % 20/19
BANKING COMMISSIONS				
Cards and transfers	160	172	167	-7.3%
Credit and guarantees	148	159	152	-7.1%
Bancassurance	118	119	105	-0.5%
Current accounts related	131	123	113	6.9%
Other commissions	12	13	12	-7.3%
SUBTOTAL	569	586	550	-2.9%
MARKET RELATED COMMISSIONS				
Securities	73	58	70	26.7%
Asset management	60	60	64	1.3%
SUBTOTAL	134	117	134	13.8%
TOTAL NET COMMISSIONS	703	703	684	-0.1%
of which:				
Activity in Portugal	482	483	475	-0.3%
International activity	221	220	209	0.4%

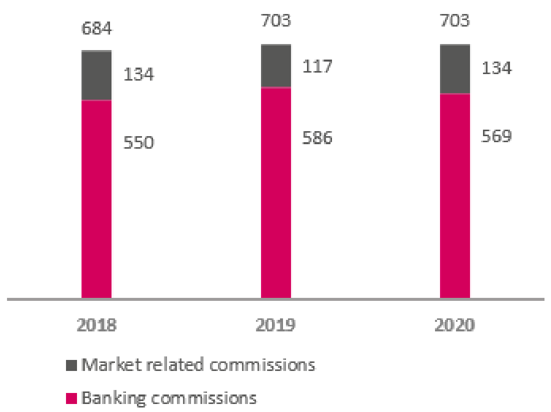
Net commissions, which include commissions related to banking business and commissions more directly related to financial markets, remained in line with the amount recorded in 2019, amounting, in consolidated terms, to 703 million Euros in 2020. It should be noted that, despite the negative impacts caused by the pandemic associated with COVID-19, commissions remained at a similar level to the previous year, both in the activity in Portugal and in the international activity. Reference should also be made to the fact that the evolution of international activity was determined by the depreciation of both the zloty and the metical against the euro, to the extent that total net commissions in the international activity in local currency evolved favourably in relation to the previous year.

In the activity in Portugal, despite the current context, net commissions were only 0.3% below the amount recorded in 2019, reaching 482 million Euros in 2020.

This evolution was possible thanks to the growth of 16 million Euros shown by commissions related to financial markets, although this was not enough to offset the reduction recorded by commissions related to the banking business, which decreased from 424 million Euros at the end of 2019, to 406 million Euros in 2020, influenced by the aforementioned impacts of the pandemic.

NET COMMISSIONS

Million euros



In fact, the performance of commissions related to the banking business in the activity in Portugal, from the second half of March 2020, was penalised not only by the direct impacts of the pandemic caused by COVID-19, but also by the initiatives to support the economy adopted by the Bank, embodied in exemptions granted to address the crisis situation that the country was experiencing. These impacts were particularly visible in commissions related to cards and transfers, which overall recorded a fall of 12 million Euros. These commissions relate mainly to amounts charged for transactions made with cards and respective payment networks, bank transfers and use of points of sale (POS), activities that were transversally affected by the decrease in activity during the pandemic period.

Similarly, commissions related to credit operations and guarantees as a whole fell by 8 million Euros compared to the previous year, in this case with particular focus on commissions generated by credit operations for discounting effects and also for the collection of values. In this context, it should be noted that commissions associated with credit granted to companies under the credit lines guaranteed by the Portuguese State, regulated and deferred, made little contribution to attenuate this evolution.

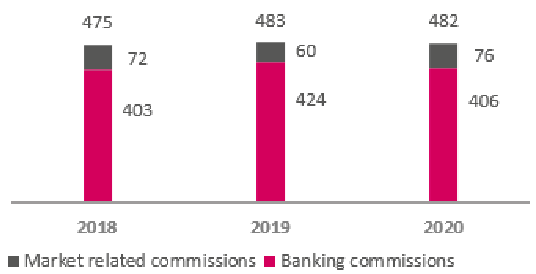
Management and account maintenance commissions, despite the negative impacts of the current context, posted a growth of 7 million Euros, explained by the strong dynamics of new customer acquisition and the change in the commercial policy implemented in 2019. It should be noted that this growth occurred despite the application of discounts on commissions during commercial campaigns carried out during 2020, with the objective of promoting the use of digital and mobile channels by the Bank's customers.

In turn, commissions related to financial markets in the activity in Portugal reached 76 million Euros, up 16 million Euros compared to the amount recorded in 2019, benefiting from the increase in commissions from structuring and setting up operations raised by the investment banking activity, as well as commissions related to stock market operations and asset management, in this case mainly associated with the distribution of investment funds.

NET COMMISSIONS

Activity in Portugal

Million euros

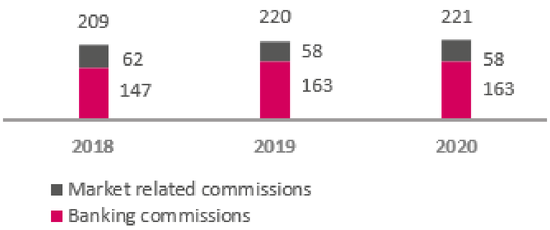


In the international activity, notwithstanding the negative effect of the depreciation of the zloty and metical against the euro, net commissions were 0.4% higher than the amount achieved in the preceding year, amounting to 221 million Euros in 2020. The favourable performance of the subsidiary in Poland, which benefited from the acquisition of Euro Bank S.A., mainly with an impact on commissions related to cards, bancassurance and account management and maintenance, and of the subsidiary in Switzerland contributed to this evolution, although they were practically offset by the fall in commissions generated by the operation in Mozambique. Commissions related to the banking business, in the international activity, stood 0.5% above the amount achieved in 2019, with the growth of commissions of the Polish subsidiary being offset by the decrease observed in the operation in Mozambique. Although commissions related to financial markets remained in line with the amount achieved in the previous year, this evolution incorporates two opposite effects, as the good performance of the Swiss subsidiary, associated with the brokerage activity and the growth of assets under management, was absorbed by the decrease recorded in the Polish and Mozambican subsidiaries.

NET COMMISSIONS

International activity

Million euros



In consolidated terms, the 13.8% increase recorded by comissions relate to financial markets made it possible to offset the 2.9% decline in commissions related to the banking business compared to the amount achieved in 2019.

In 2020, commissions related to the banking business totalled 569 million Euros, compared to 586 million Euros achieved in 2019. This decrease was mainly due to the performance of the activity in Portugal, influenced, as mentioned above, by the current pandemic context, penalising mainly the evolution of commissions related to credit and guarantees and to cards and transfer of values. Conversely, the growth in commissions related to account management and maintenance should be noted, which made it possible to offset the decline in banking commissions compared to the figures recorded in 2019.

In consolidated terms, commissions related to cards and transfers amounted to 160 million Euros at the end of 2020, down 7.3% from 172 million Euros in 2019. This decrease, despite reflecting the performance of all geographies, with the exception of the Polish subsidiary, results mainly from the contribution of the activity in Portugal, which turned out to be 10.7% lower than the amount reached in 2019, being strongly influenced both by the direct impacts of the pandemic caused by COVID-19, and by the initiatives to support the economy adopted by the Group, particularly with regard to the exemptions granted to combat the crisis situation that is currently being experienced. On the other hand, the imposition of price reductions by the Bank of Mozambique also led to a reduction of this type of commissions in that country.

Commissions related to credit operations and guarantees were also penalised by the current pandemic context caused by COVID-19, having decreased from 159 million Euros in 2019 to 148 million Euros in 2020, simultaneously reflecting the performance of the activity in Portugal, which fell 7.5%, and of the Polish subsidiary which contributed decisively to the 6.2% decline in international activity, dictated by lower production of consumer credit granted without a specific purpose.

Bancassurance commissions, which include commissions obtained from the placement of insurance products through the Bank's distribution networks in Portugal and Poland, were slightly lower than the 119 million Euros recognised in 2019, which came to 118 million Euros in 2020. The reduction mainly reflects the 3.2% decrease in the activity in Portugal, since the Polish subsidiary achieved a growth of 6.8% reflecting, on one hand, the increase in commissions charged by Bank Millennium on insurance sold to customers, mainly connected to personal and mortgage operations, and, on the other hand, the impact attributable to the integration of Euro Bank S.A.

Commissions associated with the management and maintenance of Customer accounts evolved favourably, up 6.9% from 123 million Euros posted in 2019 to 131 million Euros in 2020. This evolution was due to both the performance of the international activity, which grew by 9.5%, and mainly to the contribution of the activity in Portugal, whose account management and maintenance fees, notwithstanding the negative impacts associated with the current context, increased 6.4%, mainly reflecting the change in the commercial policy implemented in 2019.

Commissions related to financial markets stood at 134 million Euros at the end of 2020, showing an increase of 13.8% over the 117 million Euros recorded in 2019, determined by the performance of the activity in Portugal. However, it is also important to note the growth in the Swiss subsidiary, although it was almost entirely offset by the decline in the Polish and Mozambican subsidiaries, both penalised by the devaluation of their currencies against the euro.

Commissions related to securities totalled 73 million Euros in 2020, 26.7% higher than the amount for the previous year, having been essentially influenced by the performance of the activity in Portugal, which increased by 28.0%, boosted by the success of the investment banking activity in structuring and setting up operations. In the international activity, these commissions increased 21.7%, with the contribution of the Swiss operation being particularly noteworthy.

The commissions generated by asset management in 2020 were 1.3% higher than in 2019, with emphasis on the good performance of the activity in Portugal, with a growth of 24.9%, notwithstanding the fact that it was partially offset by the 5.6% decrease recorded in the international activity, mainly induced by the Polish operation.

NET TRADING INCOME

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

In 2020, net trading income amounted to 153 million Euros, up 6.6% from 143 million Euros posted in the previous year, thanks to the performance of the activity in Portugal. In the international activity, net trading income was at a similar level to that of 2019.

NET TRADING INCOME

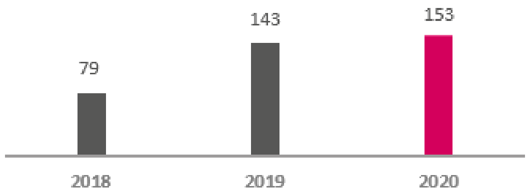
Million euros

	2020	2019	2018	Chan. % 20/19
Net gains / (losses) from financial operations at fair value through profit or loss	(10)	5	1	<-200%
Net gains / (losses) from foreign exchange	92	69	75	32.8%
Net gains / (losses) from hedge accounting operations	(2)	(6)	3	59.1%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(28)	(25)	(50)	-10.6%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	100	100	49	0.4%
TOTAL	153	143	79	6.6%
of which:				
Activity in Portugal	61	51	12	19.5%
International activity	91	92	66	-0.6%

In the activity in Portugal, there was a 19.5% growth in net trading income, which increased from 51 million Euros in 2019 to 61 million Euros in 2020, driven by the gains obtained with foreign exchange transactions, namely by the income, in the amount of 39 million Euros, arising from the hedging of the foreign exchange position inherent to the stake that the Group holds in Poland, following the devaluation of the zloty. Additionally, the market conditions and the composition of the Group's portfolio allowed the losses generated with derivative instruments in 2019, arising mainly from the impact of the fall in interest rates, not to be repeated in 2020, thus contrasting with the income generated in the current year. The costs of the sale of loans in 2020 of 28 million Euros also contributed, albeit to a lesser extent, to the favourable evolution of net trading income in the activity in Portugal, to the extent that they were lower than the 29 million Euros recognised in the previous year.

NET TRADING INCOME

Million euros



Conversely, net trading income last year was penalised by the 72 million Euros impact (31 million Euros in 2019) resulting from the revaluation of corporate restructuring funds, of which 65 million Euros recognised following the incorporation of assumptions consistent with the consequences of the pandemic caused by COVID-19 in the valuation of the underlying assets. The gains on the sale of Portuguese public debt also negatively influenced the evolution of net trading income in the activity in Portugal, which fell from 70 million Euros in 2019 to 58 million Euros in 2020.

In the international activity, net trading income remained close to the amount achieved in 2019, amounting to 91 million Euros in 2020. This evolution was determined by the exchange rate devaluation of the zloty and the metical against the euro, to the extent that net trading income, in local currency, were higher than those recorded in the previous year, both in the Polish subsidiary and in the operation in Mozambique. In the particular case of the Polish subsidiary, it should be noted that the gains from the sale of securities and the revaluation of VISA shares contributed to this good performance, which exceeded the income, in the amount of 10 million Euros, that had been recognised in September 2019 with the revaluation of PSP - Polish Payment Standard shares following the agreement entered into for the entry of Mastercard in the share capital of that entity.

OTHER NET OPERATING INCOME

Other net operating income includes other operating income, net of other operating costs, net gains from insurance activity and gains/losses arising from sales of subsidiaries and other assets. In June 2020, some figures that until then were recorded, in the activity in Portugal, as other administrative costs, are now recorded as other net operating income, in order to improve the quality of the reported information. The historical amounts considered for the purposes of this analysis are presented in accordance with the reclassifications made in order to ensure comparability and therefore differ from the book values disclosed. The reclassifications made amounted to 3 million Euros in both 2019 and 2018.

In 2020, other net operating income amounted to negative 155 million Euros, which compares with an also negative 104 million Euros in the previous year. The amounts referred to include specific items recognised by the Polish subsidiary associated with costs with the acquisition, merger and integration of Euro Bank S.A., amounting to 1 million Euros in 2019 and in an amount considered immaterial in 2020.

The evolution of other net operating income, in consolidated terms, was mainly due to the performance of the activity in Portugal, but also to the lower contribution of the international activity.

In the activity in Portugal, other net operating income in 2020 reached negative 73 million Euros, more than doubling the losses of 34 million Euros recognised in the previous year. This performance was mainly due to the reduction in income generated from the sale of non-current assets held for sale, influenced by the recording of relevant gains from the sale of properties in 2019, which were not repeated in 2020.

Other net operating income includes the costs borne with mandatory contributions amounting to 72 million Euros in 2020, increasing 4.9% from 69 million Euros in 2019, penalised by the introduction of the additional solidarity contribution to be applied on the banking sector to finance the costs with the public response to the impact of the current crisis caused by the COVID-19 pandemic, which in the particular case of Millennium bcp amounted to 6 million Euros. In addition to this additional contribution, the overall amounts paid as mandatory contributions in Portugal in 2020 includes the cost with the European Resolution Fund (SRF) of 19 million Euros (19 million Euros also in 2019), the contribution of 15 million Euros for the national resolution fund (16 million Euros in 2019), the contribution on the banking sector of 30 million Euros (32 million Euros in 2019), the supervision fee, which remained at around 2 million Euros in both 2020 and 2019, and the contribution to the deposit guarantee fund, whose amount is relatively immaterial.

In the international activity, other net operating income, including the above mentioned specific items, evolved from negative 71 million Euros in 2019 to an also negative 83 million Euros in 2020, driven by the performance of both the operation in Mozambique and the Polish subsidiary. In the operation in Mozambique, the reduction was due to lower results from the sale of other assets, largely due to gains from the sale of securities in 2019 that were not recorded in 2020 and the depreciation of the metical against the euro. The Polish subsidiary, in turn, was penalised by the increase in mandatory contributions which stood at 14 million Euros above the amount calculated in the previous year, which came to 100 million Euros at the end of 2020. The increases compared to the previous year concern the contribution to the deposit guarantee fund and the special tax on the Polish banking sector, having been partially offset by the reduction in the contribution to the resolution fund. On the other hand, in 2020, other net operating income includes the recognition of income, in the amount of 20 million Euros, corresponding to the amount receivable from Société Générale, following the acquisition contract of Euro Bank S.A., of which 8 million Euros associated with mortgage loans in foreign currency and 11 million Euros related to the return of commissions to customers who repaid in advance their consumer loans, partially offsetting the impact of the additional provisions booked for this purpose.

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 2020, equity accounted earnings amounted to 68 million Euros, up from 43 million Euros in the previous year, benefiting mainly from the improvement of the activity in Portugal, but also from the growth in the international activity.

In the activity in Portugal, equity accounted earnings reached 58 million Euros in 2020, increasing significantly from 40 million Euros recorded in 2019. The increase of 18 million Euros was mainly due to the higher contribution generated by Millennium Ageas, resulting from the valuation of liabilities of local insurance contracts based on assumptions that reflect a greater alignment with those used by the parent company. The results generated by the stake in Unicre also showed a favourable performance, presenting an increase of 3 million Euros compared with the amount achieved in the previous year.

Equity accounted earnings in the international activity evolved from 3 million Euros in 2019 to 9 million Euros in 2020, due to the greater appropriation of the income generated by Banco Millennium Atlântico. It should be noted that the positive evolution of the results generated by the stake in Banco Millennium Atlântico is largely due to the fact that the result calculated in 2019 was penalised by the strengthening of the coverage of risks by impairments and provisions and by the negative effect of the end of the application of IAS 29.

EQUITY ACCOUNTED EARNINGS

Million euros

	2020	2019	2018	Chan. % 20/19
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	44	28	35	56.0%
UNICRE - Instituição Financeira de Credito, S.A.	6	3	7	78.1%
Banco Millennium Atlântico, S.A.	9	3	34	>200%
Banque BCP, S.A.S.	3	4	4	-38.2%
SIBS, SGPS, S.A.	5	6	8	-12.2%
Other	—	(1)	1	103.6%
TOTAL	68	43	89	57.5%

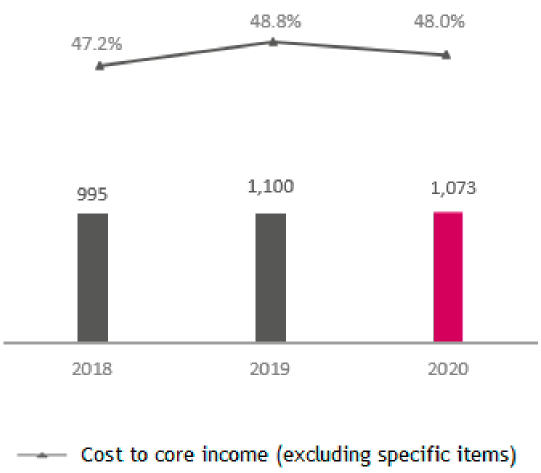
OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation. In June 2020, some figures that until then were recorded, in the activity in Portugal, as other administrative costs, are now recorded as other net operating income, in order to improve the quality of the reported information. The historical values considered for the purposes of this analysis are presented in accordance with the reclassifications made in order to ensure comparability and therefore differ from the book values disclosed. The reclassifications made totalled 3 million Euros, both in 2019 and 2018.

Excluding the effects of specific items[4], operating costs totalled 1,073 million Euros in 2020, showing a reduction of 2.4% compared to 1,100 million Euros in the previous year, thanks to the favourable evolution of both the activity in Portugal and the international activity.

OPERATING COSTS

Million euros



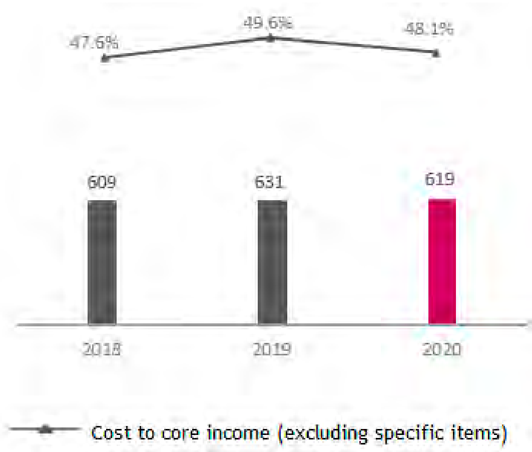
In the activity in Portugal, operating costs, excluding the effect of the above mentioned specific items stood at 1.9% below the 631 million Euros recorded in 2019, standing at 619 million Euros at the end of the current year. The 12 million Euros reduction in operating costs was mainly due to savings in other administrative costs, but also, albeit to a lesser extent, to lower staff costs, which were, however, partly absorbed by increased depreciation for the year.

In the international activity, operating costs, excluding the effect of the above mentioned specific items, stood at 454 million Euros in 2020, a reduction of 3.1% compared to the 469 million Euros accounted for in the previous year. This evolution of operating costs reflects a lower amount than the previous year, both in staff costs and in other administrative costs. Conversely, and similarly to the activity in Portugal, there was an increase in depreciation for the year compared to 2019. The decrease in operating costs in the international activity reflects the contribution of both the Polish subsidiary and the subsidiary in Mozambique, in both cases influenced by the devaluation of the respective currencies against the euro.

OPERATING COSTS

Activity in Portugal

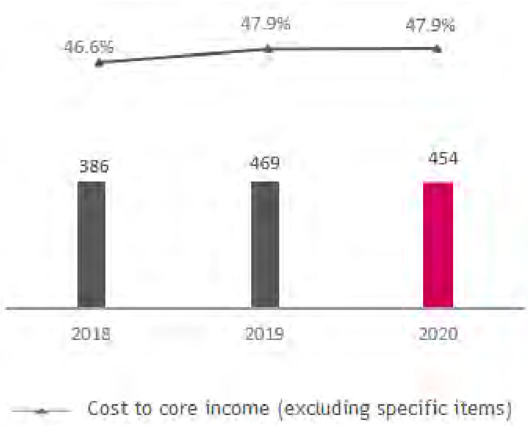
Million euros



OPERATING COSTS

International activity

Million euros



[4] Negative impact of 46 million Euros in 2020, of which 32 million Euros recognised as staff costs in the activity in Portugal (restructuring costs, costs with the compensation for the temporary adjustment of remunerations and income from the agreement with a former director of the Bank), and 15 million Euros related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary (9 million Euros as staff costs, 5 million Euros as other administrative costs and 1 million Euros as depreciation). In 2019, the impact was also negative, amounting to 66 million Euros, of which 40 million Euros were related to restructuring costs and compensation for the temporary adjustment of salaries, both recognised as staff costs in the activity in Portugal and 26 million Euros were related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary as other administrative expenses, which also recorded amounts considered immaterial in staff costs and depreciation for the year. In 2018, the impact was also negative, amounting to 29 million Euros, of which 27 million Euros were 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 the Polish subsidiary, despite the impact from the consolidation of Euro Bank S.A, operating costs were lower than in 2019, benefiting in part from the depreciation of the zloty against the euro. It should also be noted that, in 2020, as a result of the synergies obtained after the merger with Euro Bank S.A., the operating costs of the operation in Poland incorporate savings, amounting to 38 million Euros, more than doubling the costs recognised in the period with the integration of the acquired Bank (15 million Euros).

The reduction of operating costs in the Mozambique operation benefited mainly from the evolution of other administrative costs and staff costs, in both cases justified by the devaluation of the metical against the euro.

Despite the adverse context currently being experienced, influenced by the COVID-19 pandemic, the cost to core income ratio of the Group, excluding specific items, was below the 48.8% recorded in the previous year, standing at 48.0% in 2020, reflecting the reduction achieved in operating costs which, in relative terms, was greater than the decrease in core income.

In the activity in Portugal, the cost to core income ratio, excluding specific items, also showed a favourable evolution, from 49.6% in 2019 to 48.1% in 2020, reflecting, simultaneously, the reduction of operating costs and the increase in core income.

In international activity, the cost to core income ratio, not considering specific items, stood at 47.9% in 2020, remaining in line with the amount recorded in the previous year, with the reduction of operating costs, in relative terms, being equivalent to the decrease in core income.

OPERATING COSTS

Million euros

	2020	2019	2018	Chan. % 20/19
ACTIVITY IN PORTUGAL (1)				
Staff costs	364	371	359	-2.0%
Other administrative costs	178	191	213	-6.5%
Depreciation	76	69	36	10.8%
	619	631	609	-1.9%
INTERNATIONAL ACTIVITY (1)				
Staff costs	242	257	207	-5.8%
Other administrative costs	152	156	158	-2.8%
Depreciation	60	56	21	8.3%
	454	469	386	-3.1%
CONSOLIDATED (1)				
Staff costs	606	628	566	-3.5%
Other administrative costs	330	347	371	-4.8%
Depreciation	137	125	58	9.7%
	1,073	1,100	995	-2.4%
SPECIFIC ITEMS	46	66	29	-30.0%
TOTAL	1,119	1,166	1,024	-4.0%

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

STAFF COSTS

Staff costs evolved favourably, both in the activity in Portugal and in the international activity, showing, in consolidated terms, a decrease of 3.5%, from 628 million Euros recorded in 2019, to 606 million Euros recognised in 2020. The amounts referred to do not consider the effect of specific items which amounted to 41 million Euros in 2020 and 40 million Euros in 2019.

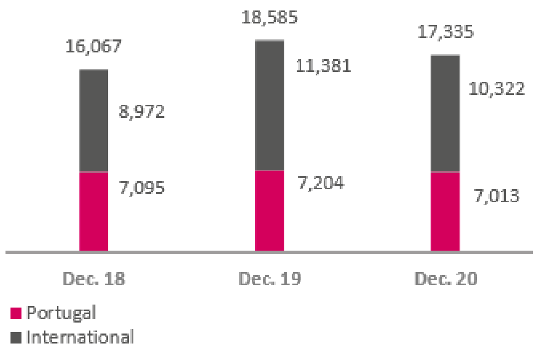
In the activity in Portugal, staff costs amounted to 364 million Euros in 2020, 2.0% lower than the 371 million Euros in 2019. Specific items, not included in the amounts referred to, amounted to 32 million Euros in 2020 and 40 million Euros in 2019 and relate to restructuring costs and compensation costs for the temporary adjustment of salaries. In 2020, the specific items also include a positive impact arising from the agreement reached with a former director of the Bank.

The favourable evolution of staff costs, in the activity in Portugal, is influenced by the reduction in the number of employees which, in net terms, decreased from 7,204 employees at the end of December 2019 to 7,013 employees on 31 December 2020, despite the hiring of new employees during the last year, namely with skills to strengthen the digital areas.

In the international activity, not considering the impact of the specific items fully recognised by the Polish subsidiary, relating to costs with the acquisition, merger and integration of Euro Bank S.A, amounting to 9 million Euros in 2020 (immaterial in 2019), staff costs amounted to 242 million Euros in 2020, being 5.8% below the 257 million Euros recorded in the previous year.

It is important to highlight that, despite the impact of the acquisition of Euro Bank S.A. on staff costs, the reduction in international activity, excluding specific items, was mainly due to the performance of the Polish subsidiary, which benefited from the depreciation of the zloty against the euro. It should be noted that staff costs recognised by the Polish subsidiary incorporate the effect of synergies obtained in the merger process of Euro Bank S.A., quantified as 19 million Euros. It should be noted that the synergies reflect, to a large extent, the impact associated with the progressive reduction in the total number of employees which, despite the inclusion, in May 2019, of 2,425 employees from Euro Bank S.A., evolved from 8,615 employees (8,464 FTE - full-time equivalent) at the end of 2019 to 7,645 employees (7,493 FTE - full-time equivalent) at 31 December 2020, exceeding the objective initially defined by Bank Millennium of reducing the workforce by 260 FTE - full-time equivalent.

EMPLOYEES



The operation in Mozambique also contributed to the good performance of staff costs in the international activity, although based on the devaluation of the metical against the euro.

The total number of employees in international activities decreased by 1,059, from 11,381 employees on 31 December 2019, to 10,322 employees at the end of 2020.

STAFF COSTS

Million euros

	2020	2019	2018	Chan. % 20/19
Salaries and remunerations	496	507	458	-2.3%
Social security charges and other staff costs	110	121	108	-8.9%
TOTAL EXCLUDING SPECIFIC ITEMS	606	628	566	-3.5%
SPECIFIC ITEMS	41	40	27	1.9%
TOTAL	647	668	593	-3.2%

OTHER ADMINISTRATIVE COSTS

In June 2020, some figures that until then were recorded, in the activity in Portugal, as other administrative costs, are now recorded as other net operating income, in order to improve the quality of the reported information. The historical values considered for the purposes of this analysis are presented in accordance with the reclassifications made in order to ensure comparability and therefore differ from the book values disclosed. The reclassifications made amounted to 3 million Euros in both 2019 and 2018.

Other administrative costs, not considering the impact of specific items, showed a decrease of 4.8% from the 347 million Euros recorded in 2019, totalling 330 million Euros in 2020. The specific items mentioned totalled 5 million Euros in 2020 and 26 million Euros in 2019, having been fully recognised by the Polish subsidiary following the acquisition, merger and integration process of Euro Bank S.A.

The favourable evolution of other administrative costs, in consolidated terms, benefited from both the savings achieved by the activity in Portugal and the reduction registered in the international activity.

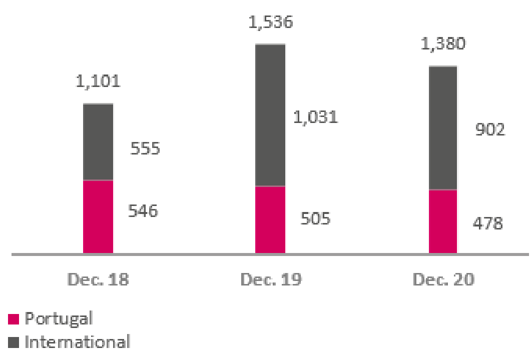
In the activity in Portugal, other administrative costs showed a reduction of 6.5% from 191 million Euros in 2019 to 178 million Euros in 2020.

The evolution of other administrative costs in the activity in Portugal was significantly influenced by the context underlying the COVID-19 pandemic, insofar as there was a significant reduction in costs normally incurred for advisory services and representation costs, due to the suspension or postponement of certain projects and travel. The costs usually incurred with litigation and independent work also showed a significant decrease compared to the same period of the previous year, as there was a reduction in the activity of judicial recovery following the COVID-19 pandemic, registering lower costs with court fees and services, with law firms and execution agents. Similarly, advertising and sponsorship costs were also lower than those recognised in the previous year, since, due to the conditions imposed by the pandemic, fewer advertising campaigns were carried out, and there was even the cancellation of some events that had been held in 2019. Finally, it should be noted that the absence of a significant number of employees from the Bank's facilities also contributed to savings in other administrative costs, as they began to perform their duties remotely. In this context, savings on travel, hotel and representation costs, water, energy and fuel are particularly relevant, as are reductions in items such as other specialised services, advisory, independent work, advertising, legal expenses and communications, along with others with less impact, such as transportation, staff training and consumables.

Conversely, there was an increase in outsourcing costs, IT costs and costs with services provided by SIBS, as well as an increase in costs associated mainly with the purchase of protection material, cleaning services and relocation of facilities.

In general, the performance of other administrative costs continues to reflect the pursuit of a disciplined management of costs, namely the impacts arising from the reduction of the branch network, which decreased from 505 at the end of 2019, to 478 at 31 December 2020.

BRANCHES



In the international activity, other administrative costs, excluding the impact of specific items, amounted to 152 million Euros in 2020, down 2.8% from 156 million Euros in the previous year.

The performance of the other administrative costs in the international activity was determined by the evolution recorded in the subsidiary in Mozambique, due to the devaluation of the metical against the euro, since in local currency these costs remained in line with the amount determined in the previous year.

In the Polish subsidiary, excluding specific items, the other administrative expenses in 2020 were higher than those recorded in the previous year, although it should be noted that this performance is strongly influenced by the impact of the acquisition of Euro Bank S.A., to the extent that the other administrative costs recorded in 2020 include costs relating to a longer period than those recorded in the previous year, which only consider the new entity as from May 2019. On the other hand, reference should be made to the restructuring measures in progress, which enabled a series of synergies to materialise into savings , amounting to 14 million Euros in 2020, including savings achieved in terms of information systems, marketing and advertising, consultancy costs and rents of closed branches, to the extent that the total number of branches fell from 830 existing branches at 31 December 2019, to 702 branches at the end of 2020.

It should be noted that the effects of the COVID-19 pandemic also had a positive impact on the evolution of other administrative costs of the Polish subsidiary, as the costs of marketing and advertising and travel expenses showed relevant decreases. Conversely, the costs of legal services incurred with mortgage loan processes granted in foreign currency, as well as the costs of purchasing protective material to deal with the COVID-19 pandemic penalised the evolution of other administrative costs.

OTHER ADMINISTRATIVE COSTS

Million euros

	2020	2019	2018	Chan. % 20/19
Water, electricity and fuel	14	16	15	-13.3%
Consumables	4	5	4	-26.6%
Rents	21	23	73	-8.4%
Communications	27	25	23	6.0%
Travel, hotel and representation costs	4	10	9	-59.1%
Advertising	23	29	27	-19.3%
Maintenance and related services	18	18	16	-4.8%
Credit cards and mortgage	8	8	8	-0.9%
Advisory services	22	19	11	16.1%
Information technology services	46	45	37	2.1%
Outsourcing	75	77	77	-1.5%
Other specialised services	28	29	32	-3.0%
Training costs	1	3	3	-49.6%
Insurance	3	4	4	-8.1%
Legal expenses	3	5	6	-33.2%
Transportation	9	10	10	-10.7%
Other supplies and services	24	22	16	9.5%
TOTAL EXCLUDING SPECIFIC ITEMS	330	347	371	-4.8%
SPECIFIC ITEMS	5	26	3	-80.7%
TOTAL	335	373	374	-10.1%

DEPRECIATIONS

Depreciations, excluding the specific items recognised by the Polish subsidiary in the scope of the acquisition of Euro Bank S.A. (1 million Euros in 2020 and an amount considered immaterial in 2019), totalled 137 million Euros in 2020, increasing 9.7% from 125 million Euros in the previous year.

This evolution resulted from the performance of the activity in Portugal and the international activity, which increased by 10.8% and 8.3% respectively, compared to 2019, in both cases mainly justified by the increase in investment in software and computer equipment.

In the activity in Portugal, depreciations amounted to 76 million Euros in 2020, above the 69 million Euros recorded in 2019, reflecting the investment made in recent years and the existing commitment to technological innovation and the ongoing digital transformation, providing the Bank with the capacity required to face the challenges imposed by the impact of the pandemic associated with COVID-19.

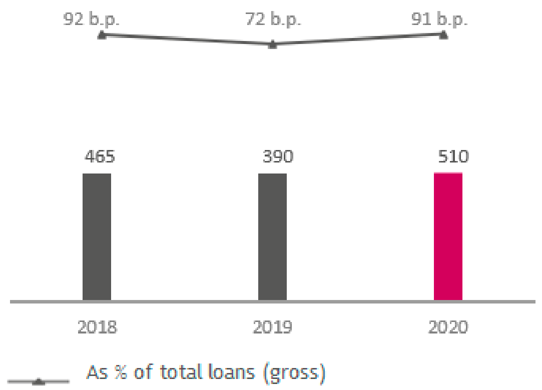
In the international activity, depreciations, excluding the specific items referred to above, totalled 60 million Euros in 2020, compared to 56 million Euros recognised in 2019, this evolution being mainly due to the performance of the Polish subsidiary, influenced by the impact arising from the acquisition of Euro Bank S.A. It should be noted, however, that the ongoing restructuring measures have allowed synergies amounting to 4 million Euros to be obtained.

LOANS IMPAIRMENT

Loans impairment (net of recoveries) stood at 510 million Euros in 2020, higher than the 390 million Euros recognised in the previous year.

The current context of economic crisis, caused by the pandemic associated with COVID-19, strongly influenced the evolution of loans impairment, both in the activity in Portugal and in the international activity, to the extent that the associated risks led to an extraordinary reinforcement of impairments was made for the credit portfolio, in the amount of 187 million Euros, in consolidated terms.

LOANS IMPAIRMENT (NET)
Million euros



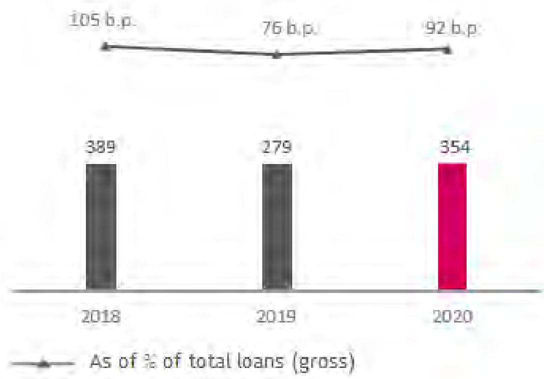
In the activity in Portugal, the loan impairment charges (net of recoveries) made in 2020 reached 354 million Euros, 26.8% above the amount that had been recognised in 2019 (279 million Euros). This evolution largely reflects the recognition of additional impairments, totalling 153 million Euros, to address the increased risks implicit in the current adverse context. In June 2020, the credit risk parameters of the impairment models were revised in order to reflect the new macroeconomic scenario dictated by the risks associated with the COVID-19 pandemic, having been updated at the end of the year in order to align some of the macroeconomic variables with the forecasts of Banco de Portugal . As a whole, the updating of the macroeconomic scenario implicit in the credit impairment calculation models led to the constitution of additional impairments, in the amount of 55 million Euros. In addition, within the scope of the individual analysis of credit customers, extraordinary impairments were also recognised in order to anticipate the expected impacts of the pandemic.

This extraordinary increase in impairments interrupted the downward trend observed up to early 2020 and the progressive improvement in portfolio quality witnessed in the preceding periods.

It should also be noted that at the end of the year impairments were also recognised to meet the minimum coverage of losses on non-performing exposures in order to promote greater alignment of the balance sheet of the Bank with the prudential regulations in force, namely Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 and the expectations of supervision on the need to reduce these exposures in the Balance Sheet of institutions, avoiding their future accumulation.

LOANS IMPAIRMENT (NET)

Activity in Portugal
Million euros



In the international activity, loan impairment charges (net of recoveries) increased from 111 million Euros in 2019 to 156 million Euros in 2020, reflecting the additional reinforcement in the amount of 35 million Euros to address the increased credit risk, following the current context of economic crisis.

LOANS IMPAIRMENT (NET)

International activity
Million euros

The Polish subsidiary was the main responsible for the performance of the international activity, strongly influenced by the recognition of impairments, in the amount of 30 million Euros, to address the risks associated with the pandemic caused by COVID-19. In addition, the negative impact caused by the new parameters of the definition of default which occurred in the second half of the year, contributed to a higher level of impairments compared to the previous year, despite the impairment that had been booked in June 2019 to address the risks implicit in the acquired credit portfolio, resulting from the consolidation of Euro Bank S.A.

In the subsidiary in Mozambique, loan impairment also showed an unfavourable evolution, partly reflecting the booking of additional impairments for the risks implicit in the portfolio, influenced by the context of the COVID-19 pandemic by 5 million Euros.

The cost of risk of the Group (net of recoveries) stood at 91 basis points in 2020. Its increase from the 72 basis points observed in 2019 was conditioned by the extraordinary reinforcement of impairments for credit risks associated with the COVID-19 pandemic in 2020, as well as by the impact of the acquisition of Euro Bank S.A. in 2019.

In the activity in Portugal, the cost of risk (net of recoveries) increased from 76 basis points in 2019 to 92 basis points in 2020, while in the international activity it increased from 63 basis points to 90 basis points in the same period, essentially due to the performance of the Polish subsidiary and the operation in Mozambique.

LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2020	2019	2018	Chan. % 20/19
Loan impairment charges (net of reversions)	533	414	478	28.5%
Credit recoveries	23	24	13	-6.5%
TOTAL	510	390	465	30.7%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	91 b.p.	72 b.p.	92 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 and at amortised cost not associated with credit operations); (iii) impairment for other assets, namely for repossessed assets, investments in associates and goodwill of subsidiaries and (iv) other provisions.

In 2020, other impairments and provisions amounted to 331 million Euros, more than double the amount recognised in the previous year (151 million Euros) due to the higher provisioning needs of the activity in Portugal, but mainly of the international activity.

In the activity in Portugal, other impairments and provisions increased from 92 million Euros in 2019 to 119 million Euros in 2020, essentially reflecting the reinforcement of the impairment for other risks and charges by 25 million Euros. Impairments for other financial assets, in this case debt instruments, together with the reinforcement of guarantees and commitments totalled 22 million Euros in the current year, influenced mainly by the revision of credit risk parameters which, in the year as a whole, had an impact of 14 million Euros.

On the other hand, reference should be made to the lower level of provisioning required for non-current assets held for sale, which, in 2020, stood 16 million Euros below the amount recognised in the previous year, making a favourable contribution to the evolution of other impairments and provisions.

In the international activity, other impairments and provisions stood at 213 million Euros, showing an increase of 153 million Euros compared to the 60 million Euros recognised in 2019. This increase essentially resulted from the activity of the Polish subsidiary, mainly driven by the reinforcement of the extraordinary provision, in the amount of 160 million Euros (52 million Euros in 2019), set up to cover the legal risk associated with mortgage loans in foreign currency, reflecting the negative trends in court decisions and the changes verified in the risk assessment methodology.

At the same time, the evolution of other impairments and provisions in the Polish operation was also penalised by the additional provision charges amounting to 32 million Euros (7 million Euros in 2019) to address the return of commissions to customers who repaid their consumer loans early, following a decision taken by the Court of Justice of the European Union. It should be noted that, in 2020, the impact of provisions associated with mortgage loans in foreign currency and the return of commissions to customers who repaid in advance their consumer credit was partially offset by the recognition of income, in the amount of 19 million Euros (reflected under other net operating income), corresponding to the amount receivable from Société Générale, following the contract for the acquisition of Euro Bank S.A.

In 2020, other impairments and provisions also include impairments, in the amount of 17 million Euros, for the investment in the stake in Banco Millennium Atlântico (including goodwill), aimed at addressing the risks inherent to the context in which the Angolan operation develops its activity.

INCOME TAX

Taxes (current and deferred) reached 137 million Euros in 2020, compared to 239 million Euros posted in the previous year.

In 2020, the income taxes include current taxes of 113 million Euros (101 million Euros in 2019) and deferred taxes of 23 million Euros (138 million Euros in 2019).

The increase in current tax expense in 2020 compared to 2019 is explained by the increase in contributions on the banking sector and provisions for other risks and charges, non-deductible for tax purposes. The deferred tax expense in 2019 arises primarily from the write-off of deferred tax assets related to tax losses as a result of the maintenance of the low interest rate regime 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 2020, the non-controlling interests amounted to 25 million Euros compared to 99 million Euros in 2019, mainly reflecting the decrease in net income of the subsidiary in Poland, but also, albeit to a lesser extent, of the subsidiary in Mozambique.

REVIEW OF THE BALANCE SHEET

Following the entry into force of IFRS 9 — Financial instruments on 1 January 2018 and the consequent impacts on the structure of the financial statements of Millennium bcp compared to previous years, some indicators were defined based on concepts that reflect the management criteria adopted by the Group in the preparation of financial information. The matching of the management criteria to the accounting information is described in the glossary and throughout the document, whenever applicable, where it is highlighted the concepts related to loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET AS AT 31 DECEMBER

Million euros

	2020	2019	2018	Chan. % 20/19
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	5,566	5,487	3,081	1.4 %
Financial assets measured at amortised cost				
Loans and advances to credit institutions	1,015	893	890	13.7 %
Loans and advances to customers	52,121	49,848	45,561	4.6 %
Debt instruments	6,235	3,186	3,375	95.7 %
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	1,031	878	870	17.4 %
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315	1,406	1,405	-6.4 %
Financial assets designated at fair value through profit or loss	—	31	33	-100.0 %
Financial assets measured at fair value through other comprehensive income	12,140	13,217	13,846	-8.1 %
Investments in associated companies	435	400	405	8.6 %
Non-current assets held for sale	1,026	1,280	1,868	-19.8 %
Other tangible assets, goodwill and intangible assets	887	972	636	-8.8 %
Current and deferred tax assets	2,645	2,747	2,949	-3.5 %
Other (2)	1,396	1,298	1,004	7.6 %
TOTAL ASSETS	85,813	81,643	75,923	5.1 %
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	8,899	6,367	7,753	39.8 %
Resources from customers	63,001	59,127	52,665	6.6 %
Non subordinated debt securities issued	1,389	1,595	1,686	-12.9 %
Subordinated debt	1,405	1,578	1,072	-10.9 %
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	279	344	327	-18.9 %
Financial liabilities measured at fair value through profit or loss	1,599	3,201	3,604	-50.0 %
Other (3)	1,855	2,051	1,853	-9.5 %
TOTAL LIABILITIES	78,427	74,262	68,959	5.6 %
EQUITY				
Share capital	4,725	4,725	4,725	
Share premium	16	16	16	
Other equity instruments	400	400	3	
Treasury shares	(0)	(0)	(0)	60.8 %
Reserves and retained earnings (4)	897	676	735	33.4 %
Net income for the period attributable to Bank's Shareholders	183	302	301	-39.4 %
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,221	6,120	5,780	1.8 %
Non-controlling interests	1,165	1,262	1,183	-7.7 %
TOTAL EQUITY	7,386	7,381	6,964	0.1 %
TOTAL LIABILITIES AND EQUITY	85,813	81,643	75,923	5.1 %

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

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

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

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

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

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

Loans to customers

Million euros

	2020	2019	2018
Loans to customers at amortised cost (accounting Balance Sheet)	52,121	49,848	45,561
Debt instruments at amortised cost associated to credit operations	1,598	2,075	2,271
Balance sheet amount of loans to customers at fair value through profit or loss	354	352	291
Loan to customers (net) considering management criteria	**54,073**	**52,275**	**48,123**
Balance sheet impairment related to loans to customers at amortised cost	2,037	2,417	2,852
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	11	12	40
Fair value adjustments related to loans to customers at fair value through profit or loss	26	20	17
Loan to customers (gross) considering management criteria	**56,146**	**54,724**	**51,032**

Regarding deposits and other resources from customers, the Bank continued to use the same criterion for the item “Resources from customers and other loans”, aggregating resources from customers at amortised cost and customer deposits at fair value through profit or loss. Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities placed with customers classified both at amortised cost and at fair value through profit or loss.

Balance sheet customer funds

Million euros

	2020	2019	2018
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,599	3,201	3,604
Debt securities at fair value through profit or loss and certificates (2)	1,341	1,481	1,020
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	**259**	**1,720**	**2,584**
Resources from customers at amortised cost (accounting Balance sheet) (4)	63,001	59,127	52,665
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	**63,259**	**60,847**	**55,248**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,389	1,595	1,686
Debt securities at fair value through profit or loss and certificates (7)	1,341	1,481	1,020
Non subordinated debt securities placed with institutional customers (8)	1,225	1,316	1,369
Debt securities placed with customers considering management criteria (9) = (6) - (7) - (8)	**1,505**	**1,760**	**1,337**
Balance sheet customer funds considering management criteria (10) = (5) + (9)	**64,764**	**62,607**	**56,585**

The securities portfolio includes debt securities at amortised cost not associated to 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 up to 2018.

Securities portfolio

Million euros

	2020	2019	2018
Debt instruments at amortised cost (accounting Balance sheet) (1)	6,235	3,186	3,375
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,598	2,075	2,271
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**4,637**	**1,111**	**1,104**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,315	1,406	1,405
Balance sheet amount of loans to customers at fair value through profit or loss (5)	354	352	291
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	**961**	**1,053**	**1,114**
Financial assets held for trading (accounting Balance sheet) (7)	1,031	878	870
of which: trading derivatives (8)	544	620	645
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	—	31	33
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	12,140	13,217	13,846
Assets with repurchase agreement (accounting Balance sheet) (11)	—	—	58
Securities portfolio considering management criteria (12) = (3) + (6) + (7) - (8) + (9) + (10) + (11)	**18,226**	**15,671**	**16,380**

2020 was characterised by an increase of the consolidated balance sheet of Millennium bcp, in particular, on the asset side, the growth of the loans portfolio and of the securities portfolio, and on the liability side, the increase of resources from customers and other loans. This evolution was primarily influenced, in the three categories referred to above, by the contribution of the activity in Portugal.

The consolidated balance sheet did not change significantly compared to the previous year, as the growth dynamics of deposits and other resources from customers was, to a large extent, accompanied by the evolution of the portfolio of loans to customers. This was reflected in a slight reduction of the commercial gap and, consequently, the loan-to-deposit ratio (measured by the ratio of net loans to deposits and other resources from customers), which shifted from 85.9% at the end of 2019, to 85.5% as at 31 December 2020.

TOTAL ASSETS

Million euros

Total assets of the consolidated balance sheet of Millennium bcp reached 85,813 million Euros as at 31 December 2020, showing a growth of 5.1% compared to the 81,643 million Euros recorded at the end of 2019. This was above all due to the expansion of the activity in Portugal, as the contribution of the international activity contracted year-on-year, largely influenced by the dynamics observed in exchange rates. In consolidated terms, in addition to the growth that occurred in the loans portfolio and securities portfolio referred to above, there was also an increase of cash and deposits at central banks, especially at Banco de Portugal. This evolution was partially offset by the decrease of non-current assets held for sale, mainly through the reduction of the stock of real estate properties arising from foreclosed loan contracts as well as other tangible assets.

Total liabilities stood at 78,427 million Euros in 2020, showing a growth of 5.6% in relation to the 74,262 million Euros recorded at the end of 2019, determined by the evolution of deposits and other resources from customers, which increased by 2,412 million Euros in this period. The increased deposits and other resources from customers reflect the strong performance of the activity in Portugal, whose growth reached 3,816 million Euros, essentially corresponding to the increased savings of individuals, partly explained by the reduction of consumption derived from the restrictions to mobility that curtailed usual household expenses. The evolution of the liabilities was also influenced, albeit to a lower extent, by the increase verified in resources from central banks, despite the reduction occurred in resources from other credit institutions. The contribution of the international activity in 2020 was largely influenced by the dynamics observed in exchange rates, in particular the Mozambican metical, as the growth of the balance sheet in the subsidiary of Mozambique was absorbed by the devaluation of the Mozambican currency in relation to the euro.

Equity, including non-controlling interests, amounted to 7,386 million Euros at the end of 2020, in line with the 7,381 million Euros recorded at the end of the previous year. The observed evolution showed an important contribution caused by the exchange rate differences arising from the consolidation, reflecting the volatility in exchange rates corresponding to the currencies of the subsidiaries of the international activity, whose impact, however, was offset by the capital generation associated with the net income generated in the year.

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp, as defined above, stood at 56,146 million Euros as at 31 December 2020, showing a 2.6% increase in comparison to the 54,724 million Euros recorded at the end of the previous year, mainly determined by the sound performance of the activity in Portugal.

In the activity in Portugal, the evolution of the loans to customers portfolio, in comparison to 31 December 2019, was primarily due to the growth of loans to companies, largely explained by the Bank's success in providing companies with the credit lines launched by the Government to overcome the impacts arising from the COVID-19 pandemic, thus strengthening Millennium bcp's role in supporting the Portuguese business fabric. It is also highlighted that the net growth of the loans portfolio in Portugal occurred in a context of pursuit of the strategy of disinvestment in non-performing exposures, in order to achieve the goals defined in the plan approved by the Bank for the reduction of this type of exposure.

In the activity in Portugal, loans to customers (gross) reached 38,473 million Euros as at 31 December 2020, standing 4.8% above the 36,715 million Euros recorded at the end of 2019. It is important to note that this evolution was determined by the reduction of 883 million Euros of non-performing exposures (NPE), which shifted from 3,246 million Euros as at 31 December 2019 to 2,363 million Euros at the end of 2020.

Inversely, reference should be made to the good performance of the performing loans portfolio

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros

(*) Before impairment and fair value adjustments.

which grew by 2,641 million Euros in the same period, with a strong contribution from the companies segment, as noted above.

In the international activity, after the significant growth of the portfolio of loans to customers (gross) in 2019, driven by the acquisition of Euro Bank S.A. by the Polish operation, the portfolio showed a relative stabilisation in 2020 compared to the 18,009 million Euros recorded as at 31 December 2019, having amounted to 17,673 million Euros at the end of 2020. This evolution primarily reflects the performance observed at the Polish subsidiary, where the effect of the devaluation of the zloty against the euro absorbed the growth that occurred in the local loan portfolio.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

	2020	2019	2018	Chan. % 20/19
INDIVIDUALS				
Mortgage loans	26,461	25,894	23,781	2.2%
Personal loans	5,789	6,016	4,017	-3.8%
	32,250	31,910	27,798	1.1%
COMPANIES				
Services	8,280	8,578	8,762	-3.5%
Commerce	4,031	3,487	3,504	15.6%
Construction	1,796	1,702	1,961	5.5%
Other	9,789	9,047	9,008	8.2%
	23,896	22,814	23,234	4.7%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	32,250	31,910	27,798	1.1%
Companies	23,896	22,814	23,234	4.7%
	56,146	54,724	51,032	2.6%

The structure of the consolidated portfolio of loans to customers (gross) maintained a balanced diversification, with the relative weight of loans to individuals in the total amount of the portfolio standing at 57.4% as at 31 December 2020, compared to 58.3% at the end of 2019. On the other hand, the weight of loans to companies stood at 42.6% at the end of 2020, in relation to the 41.7% recorded as at 31 December 2019. For the greater balance in the diversification of the loans portfolio in 2020 it contributed strongly the Bank's success in the placement among companies of the credit lines launched by the Government in the context of the COVID-19 pandemic.

Loans to individuals stood at 32,250 million Euros as at 31 December 2020, 1.1% above the 31,910 million Euros recorded at the end of the previous year, especially due to the evolution of the international activity, which grew by 1.7% in the same period. The expansion of the portfolio of loans to individuals in the international activity, from 12,511 million Euros in December 2019 to 12,722 million Euros at the end of 2020 was driven by the positive evolution of mortgage loans which, as at 31 December 2020, reached 8,999 million Euros, as a result of growth of 4.5%. In the activity in Portugal, loans to individuals increased as well, albeit at a more modest rate, in relation to the 19,399 million Euros recorded as at 31 December 2019, standing at 19,528 million on the same date of 2020. This was driven by the dynamics observed in mortgage loans, which recorded a 1.0% growth when compared to 31 December 2019, having benefited from a recovery of the production levels towards the end of the year, and also having been influenced by the impact of the moratoria granted by the Bank, which contributed to lower the amount of loans repaid in the period.

In consolidated terms, mortgage loans accounted for 82.1% of loans to individuals, with personal loans accounting for 17.9%.

On the other hand, personal loans decreased by 3.8% in consolidated terms when compared to the end of the previous year, standing at 5,789 million Euros in 2020, reflecting the trend observed both in

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros

(*) Before impairment and fair value adjustments.

Portugal and in the international activity, driven by the lower propensity of consumption of households in the context of uncertainty triggered by the pandemic.

Loans to companies amounted to 23,896 million Euros as at 31 December 2020, representing an expansion of 4.7% in relation to the 22,814 million Euros recorded at the end of 2019, largely justified by the contribution of the activity in Portugal. In fact, loans to companies in Portugal grew by 9.4% in comparison to the 17,316 million Euros recorded as at 31 December 2019, standing at 18,945 million Euros at the end of 2020, where it should be highlighted that, in addition to the positive impact of the loans granted under the lines secured by the Portuguese State, this level of growth was achieved despite the Bank's pursuit of a strategy of reduction of the stock of NPE in 2020.

It should be noted that the growth of loans to companies in the activity in Portugal was sufficient to offset the reduction in the international activity, where loans to companies reached 4,951 million Euros as at 31 December 2020, corresponding to a 10.0% reduction compared to the position as at 31 December 2019.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

	2020	2019	2018	Chan. % 20/19
MORTGAGE LOANS				
Activity in Portugal	17,462	17,281	17,179	1.0%
International Activity	8,999	8,612	6,602	4.5%
	26,461	25,894	23,781	2.2%
PERSONAL LOANS				
Activity in Portugal	2,065	2,118	1,992	-2.5%
International Activity	3,723	3,898	2,026	-4.5%
	5,789	6,016	4,017	-3.8%
COMPANIES				
Activity in Portugal	18,945	17,316	18,017	9.4%
International Activity	4,951	5,499	5,217	-10.0%
	23,896	22,814	23,234	4.7%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	38,473	36,715	37,187	4.8%
International Activity	17,673	18,009	13,845	-1.9%
TOTAL	56,146	54,724	51,032	2.6%

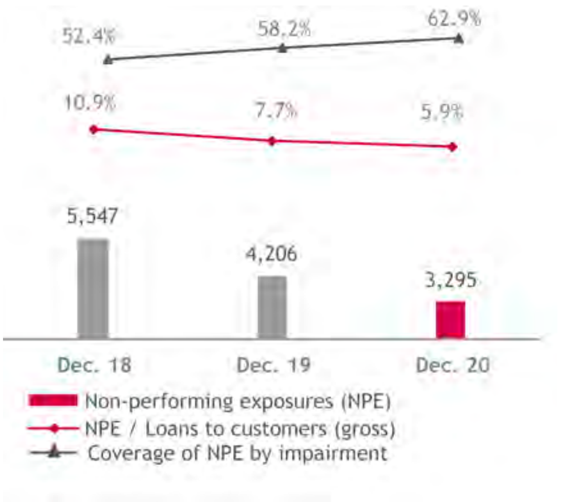
The focus on selectivity and monitoring of credit risk control processes and the initiatives taken by the commercial areas and credit recovery areas, aimed at reducing the amount of loans in default have improved the quality of the credit portfolio over the last few years.

This improvement is evidenced by the favourable evolution of the respective indicators, namely the overdue loans ratio for more than 90 days in total loans, which shifted from 2.7% as at 31 December 2019 to 2.3% as at 31 December 2020, and the ratios of NPL for more than 90 days and NPE as a percentage of the total loans portfolio, which evolved from 4.1% and 7.7% at the end of 2019 to 3.1% and 5.9% as at 31 December 2020, respectively, essentially reflecting the performance of the domestic loan portfolio.

At the same time, coverage by impairment of the different loans aggregates presented also showed a positive evolution, especially with the reinforcement of coverage of NPE by impairment, from 58.2% as at 31 December 2019 to 62.9% at the end of 2020. This evolution is explained by the provisioning made in the activity in Portugal, where the coverage of NPE by impairment increased by 5 percentage points, to stand at 63.0% as at 31 December 2020, compared to 57.8% recorded at the end of the previous year. The coverage of NPL for more than 90 days, in consolidated terms, also progressed very favourably, having increased by approximately 9 percentage points when compared to 2019. The loans overdue by more than 90 days coverage ratio by impairments, on a consolidated basis, stood at 159.8% as at 31 December 2020, compared to a ratio of 164.8% on the same date of 2019 (in Portugal and for the same dates, this ratio stood at 172.5% and 162.0%, respectively).

CREDIT QUALITY

Million euros



Overdue loans by more than 90 days decreased by 12.7% from the 1,486 million Euros recorded at the end of 2019, standing at 1,297 million Euros as at 31 December 2020. Total overdue loans also decreased by 11.5% from the 1,605 million Euros recorded as at 31 December 2019, having reached 1,420 million Euros on the same date of 2020, and having benefited from the evolution occurred in the activity in Portugal, in which there was a reduction of 184 million Euros in relation to the 1,117 million Euros recorded at the end of 2019.

The stock of NPE declined to 3,295 million Euros as at 31 December 2020, showing a reduction of 911 million Euros in relation to the end of 2019. In the activity in Portugal, the reduction was equally noteworthy: 883 million Euros in the same period, representing a year-on-year reduction of 27.2%.

CREDIT QUALITY INDICATORS

	Group				Activity in Portugal			
	Dec.20	Dec.19	Dec.18	Ch. % 20/19	Dec.20	Dec.19	Dec.18	Ch. % 20/19
STOCK (M€)								
Loans to customers (gross)	56,146	54,724	51,032	2.6%	38,473	36,715	37,187	4.8%
Overdue loans > 90 days	1,297	1,486	1,964	-12.7%	918	1,088	1,681	-15.6%
Overdue loans	1,420	1,605	2,084	-11.5%	933	1,117	1,733	-16.5%
Restructured loans	2,661	3,097	3,598	-14.1%	2,174	2,529	3,062	-14.0%
Non-performing loans (NPL) > 90 days	1,766	2,260	3,050	-21.8%	1,255	1,688	2,596	-25.7%
Non-performing exposures (NPE)	3,295	4,206	5,547	-21.7%	2,363	3,246	4,797	-27.2%
Loans impairment (Balance sheet)	2,073	2,449	2,909	-15.4%	1,488	1,877	2,383	-20.7%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS								
Overdue loans > 90 days / Loans to customers (gross)	2.3%	2.7%	3.8%		2.4%	3.0%	4.5%	
Overdue loans / Loans to customers (gross)	2.5%	2.9%	4.1%		2.4%	3.0%	4.7%	
Restructured loans / Loans to customers (gross)	4.7%	5.7%	7.1%		5.7%	6.9%	8.2%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	3.1%	4.1%	6.0%		3.3%	4.6%	7.0%	
Non-performing exposures (NPE) / Loans to customers (gross)	5.9%	7.7%	10.9%		6.1%	8.8%	12.9%	
COVERAGE BY IMPAIRMENTS								
Coverage of overdue loans > 90 days	159.8%	164.8%	148.1%		162.0%	172.5%	141.8%	
Coverage of overdue loans	146.0%	152.6%	139.6%		159.6%	168.1%	137.6%	
Coverage of *Non-performing loans* (NPL) > 90 dias	117.4%	108.4%	95.4%		118.6%	111.2%	91.8%	
Coverage of *Non-performing exposures* (NPE)	62.9%	58.2%	52.4%		63.0%	57.8%	49.7%	
EBA								
NPE ratio (includes debt securities and off-balance exposures)	4.0%	5.3%	7.6%		4.2%	6.1%	9.3%	

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

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

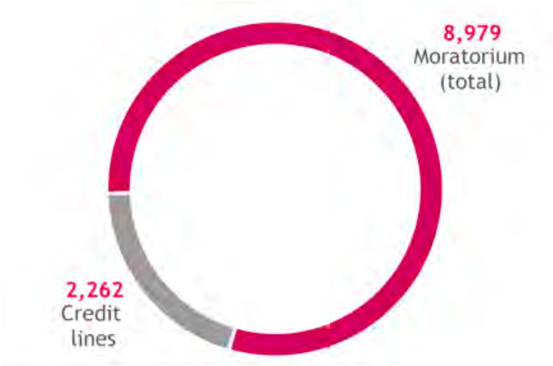
In the pandemic scenario caused by COVID-19, the Portuguese Government, like its European peers, has decreed measures to support the economy aimed at mitigating the harmful impacts on households and companies – the scale of which is yet unknown – arising from the need for more or less prolonged and intermittent lockdowns over time, which restrict the activity of the Portuguese business fabric and the movement of people within the country. Accordingly, support lines have been created for companies, so that they could access credit under more beneficial conditions than those applied up to date by the Portuguese banking system. Alongside this, public and private moratoria have also been instituted aimed at suspending the payment of interest and/or principal (depending on the nature of the applicable moratoria on a case-by-case basis and at any given time) relative to credit contracts granted both to individuals and companies.

In this context, Millennium bcp actively accepted its role in the protection of households and companies very early on, by materialising support to the national economy of more than 11 billion Euros, thus ensuring their continued solvency until the national economy is able to return to normal activity, in particular through the provision of these credit lines to the Portuguese business fabric.

As at 31 December 2020, the value of loans to customers (gross) recorded in the balance sheet provided under these credit lines reached 2,262 million Euros, embodied in the support to approximately 18 thousand companies, and representing 6% of the portfolio of loans to customers of the activity in Portugal.

SUPPORT MEASURES TO THE ECONOMY — COVID-19

Million euros



Furthermore, the Bank suspended the payment of interest and/or principal of loan operations covered by the moratoria of public and private initiative to more than 79 thousand customers, corresponding to a total of 8,979 million Euros of loans to customers covered by this support measure. It should be noted that the total amount of moratoria referred to above include 300 million Euros of expired moratoria, i.e., relative to contracts whose period of suspension of payment of interest and/or principal had terminated by the end of December. Reference is also made to the fact that, of the figure mentioned above, 47% refers to credit operations concluded with households, 52% with companies, and the rest with other types of customers.

CUSTOMER FUNDS

As at 31 December 2020, total customer funds reached 84,492 million Euros, having shown a favourable evolution, in increasing by 3.4% when compared to the 81,675 million Euros recorded on the same date of the previous year. This increase, by 2,816 million Euros, arose from the good performance of the activity in Portugal, which grew by 4,220 million Euros, partially mitigated by the contribution of the international activity, which declined 1,403 million Euros. The evolution of total customer funds, in consolidated terms, reflects the favourable evolution in all the items, where particular reference is made to the increase of balance sheet customer funds, more specifically, of deposits and other resources from customers, which grew by 2,412 million Euros, when compared to the amount recorded at 31 December 2019.

It should be highlighted the resilience shown by off-balance sheet customer funds throughout 2020, particularly if it is taken into account the volatility of financial markets, driven by the pandemic caused by COVID-19. The total amount of these, in consolidated terms, increased by 659 million Euros compared to the position recorded at 31 December 2019. Assets placed with customers showed the most significant contribution to this evolution, standing at 5,416 million Euros as at 31 December 2020. In the activity in Portugal, total customer funds also benefited from the favourable evolution

TOTAL CUSTOMER FUNDS

Million euros

recorded in all its items, having reached 60,987 million Euros as at 31 December 2020, compared to 56,767 million Euros recorded on the same date of the previous year, in which special reference should be made to the increase of 3,816 million Euros of deposits and other resources from customers in the same period.

In the international activity, total customer funds decreased by 5.6% compared to the 24,909 million Euros recorded as at 31 December 2019, and reached 23,505 million Euros at the end of 2020.

TOTAL CUSTOMER FUNDS

Million euros

	2020	2019	2018	Chan. % 20/19
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	63,259	60,847	55,248	4.0%
Debt securities placed with customers	1,505	1,760	1,337	-14.5%
	64,764	62,607	56,585	3.4%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	6,135	5,745	5,018	6.8%
Assets placed with customers (*)	5,416	4,312	3,793	25.6%
Insurance products (savings and investment)	8,177	9,011	8,627	-9.3%
	19,728	19,069	17,438	3.5%
TOTAL	84,492	81,675	74,023	3.4%

(*) Excludes assets under management.

Balance sheet customer funds of the Group, which include deposits and other resources from customers and debt securities placed with customers, amounted to 64.764 million Euros as at 31 December 2020, showing a growth of 3.4% in relation to the 62,607 million Euros reached at the end of the previous year, driven by the increased deposits and other resources from customers, as the debt securities placed with customers showed a reduction in relation to the previous year. The good performance of balance sheet funds observed in the activity in Portugal offset the negative contribution observed in the international activity, which primarily reflected the effect of the devaluation of the local currencies of the international operations against the euro.

As at 31 December 2020, balance sheet customer funds represented 76.7% of total customer funds, with deposits and other resources from customers representing 74.9% of total customer funds.

Deposits and other resources from customers increased by 4.0% in comparison to the 60,847 million Euros recorded as at 31 December 2019, standing at 63,259 million Euros at the end of 2020, confirming their weight in the asset-funding structure over the last few years. The increase in 2,412 million Euros from the amount recorded in December 2019 was due to the good performance shown by the activity in Portugal, which increased by 3,816 million Euros. This reflected, on the one hand, the lower volume of household expenditure during the lockdown period and, on the other hand, the savings made by individuals driven both by the natural feelings of insecurity triggered by the crisis, and by the goal of future consumption, namely once mobility has become reinstated. In the international activity, in December 2020, the amount of deposits and other resources of customers stood at 20,038 million Euros, compared to 21,442 million Euros in the same period of the previous year, with the evolution in the Polish operation, triggered by the devaluation of the zloty against the euro, having been the most important impact in explaining the reduction observed in this item.

Debt securities placed with customers, which correspond to the Group's debt securities underwritten by customers, decreased by 14.5% when compared to the end of 2019, standing at 1,505 million Euros as at 31 December 2020. This primarily reflected the evolution of the activity in Portugal, although the international activity, namely the Polish subsidiary, also recorded a decrease in the same period, albeit to a lower extent.

BALANCE SHEET CUSTOMER FUNDS

Million euros

Off-balance customer funds, which incorporate assets under management, assets placed with customers and insurance products (savings and investment), amounted to 19,728 million Euros at the end of December 2020, having grown by 3.5% from the 19,069 million Euros recorded on the same date of the previous year, even in a context shaped by the volatility shown by the financial markets, driven by the COVID-19 pandemic. The most significant increase resulted from the activity in Portugal, whose off-balance sheet customer funds evolved from 15,751 million Euros as at 31 December 2019 to 16,329 million Euros at the end of 2020.

OFF BALANCE SHEET CUSTOMER FUNDS

Million euros

Assets under management, which arise from the provision of portfolio management services under existing placement and management agreements, stood at 6,135 million Euros as at 31 December 2020, standing 6.8% above the 5,745 million Euros observed at the end of 2019. This evolution was due to the performance both of the activity in Portugal and of the international activity, where the amount of assets under management grew by 9.4% and 3.1%, respectively.

Assets placed with customers, which correspond to the amounts of third-party products held by customers that contribute to the recognition of commissions, also evolved favourably in 2020, having recorded an increase of 25.6% from the 4,312 million Euros recorded as at 31 December 2019, and reached 5,416 million Euros. The increase of 1,049 million Euros recorded in the activity in Portugal, especially driven by the distribution of investment funds, was primarily responsible for this evolution, although in the international activity, assets placed with customers also reached a higher level than that recorded at the end of 2019, although less significantly.

Insurance products (savings and investments) stood at 8,177 million Euros as at 31 December 2020, having declined by 9.3% in comparison to the 9,011 million Euros recorded on the same date of the previous year, with the activity in Portugal having contributed with 789 million Euros less to this evolution.

TOTAL CUSTOMER FUNDS

Million euros

	2020	2019	2018	Chan. % 20/19
BALANCE SHEET TOTAL CUSTOMER FUNDS				
Activity in Portugal	44,658	41,016	38,900	8.9%
International Activity	20,106	21,591	17,685	-6.9%
	64,764	62,607	56,585	3.4%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	16,329	15,751	14,361	3.7%
International Activity	3,399	3,318	3,077	2.5%
	19,728	19,069	17,438	3.5%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	60,987	56,767	53,261	7.4%
International Activity	23,505	24,909	20,763	-5.6%
TOTAL	84,492	81,675	74,023	3.4%

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale decreased by 19.8% as at 31 December 2020, year-on-year, having reached 1,026 million Euros at the end of the year. This evolution was particularly influenced by all the components of the item, especially by real estate properties: as at 31 December 2019, this item stood at 1,222 million Euros, while on the same date of 2020 it amounted to 978 million Euros (amounts net of impairment), reflecting the Bank's endeavour in pursuing the strategy of divestment of this type of non-productive asset. It is important to note that this reduction of 243 million Euros occurred in a particularly adverse scenario, with the COVID-19 pandemic reducing the mobility of national and international investors and negatively influencing the magnitude of the potentially achievable divestments.

Other assets (which primarily include equipment and financial assets) are of a very minor weight in the item and decreased by 17.6% in relation to 31 December 2019.

NON-CURRENT ASSETS HELD FOR SALE

Million euros

	2020	2019	2018	Chan. % 20/19
REAL ESTATE				
Arising from recovered loans	702	881	1,307	-20.4%
From investment funds and real estate companies	257	317	369	-18.9%
For own use	19	23	35	-17.0%
	978	1,222	1,711	-19.9%
OTHER ASSETS				
Equipment	28	34	59	-18.3%
Other (*)	20	24	99	-16.6%
	48	58	158	-17.6%
TOTAL	1,026	1,280	1,868	-19.8%

(*) In 2018, it includes 69 million Euros regarding subsidiaries acquired exclusively with the purpose of short-term sale.

SECURITIES PORTFOLIO

The securities portfolio, as previously defined, stood at 18,226 million Euros as at 31 December 2020, showing an increase in comparison to the 15,671 million Euros recorded on the same date of the previous year, having shifted to represent 21.2% of the total assets compared to 19.2% at the end of 2019. In this evolution, it should be highlighted the increase of 2,646 million Euros of the public debt securities portfolio held by the Group, which increased from 12,426 million Euros at the end of 2019 to 15,072 million Euros as at 31 December 2020, although its weight in the total portfolio remained in line with the previous year (82.7% and 79.3% at the end of 2020 and 2019, respectively).

The performance of the Group's securities portfolio was driven by the growth of 3,842 million Euros of the portfolio allocated to the activity in Portugal, whose balance sheet value stood at 13,324 million Euros at the end of 2020 compared to 9,482 million Euros recorded as at 31 December 2019. This growth was to a large extent the result of the increase of the investment made in Portuguese, Spanish and Italian sovereign debt.

SECURITIES PORTFOLIO

Million euros

	2020	2019	2018	Chan. % 20/19
Financial assets measured at amortised cost (1)	4,637	1,111	1,104	>200%
Financial assets measured at fair value through profit or loss (2)	1,449	1,343	1,372	7.9%
Financial assets measured at fair value through other comprehensive income	12,140	13,217	13,846	-8.1%
Assets with repurchase agreement	—	—	58	—%
TOTAL	18,226	15,671	16,380	16.3%
of which:				
Activity in Portugal	13,324	9,482	10,283	40.5%
International activity	4,902	6,189	6,097	-20.8%

(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, amounted to 7,621 million Euros at the end of 2020, compared to 5,153 million Euros as at 31 December 2019. This increase was primarily due to the adaptation of the funding policy in response to the COVID-19 pandemic, with the Bank having decided, from a precautionary management perspective, to use the additional liquidity mitigation measures provided by the European Central Bank (ECB), immediately in April 2020 (through the main longer term refinancing operations (LTRO)).

The amount of the collateralised amounts borrowed from the ECB stood at 7.6 billion Euros, corresponding to the balance of the targeted longer term refinancing operations (TLTRO). The availability of TLTRO III in 2020 occurred, as described above, in the context of a series of additional liquidity measures promoted by the ECB, in which the Bank took 7.6 billion Euros in June 2020, the maturity date of the TLTRO II and LTRO taken previously. Consequently, the net amounts owed to the ECB, deducted from the value of the liquidity taken and deposited at Banco de Portugal and other liquidity denominated in Euros in excess of the minimum cash reserve, increased by 3.0 billion Euros compared to the previous year.

The additional liquidity provided by these measures, alongside the reduction of the commercial gap in the activity in Portugal, enabled, in decreasing order of materiality of the impacts, the reinforcement of the securities portfolio (primarily sovereign debt, as described in the previous section), the repayment of long-term loans from the European Investment Bank, and the reinforcement of the liquidity deposited at Banco de Portugal.

OTHER ASSET ITEMS

Other asset items, which include hedge and trading derivatives, investments in associates, investment properties, other tangible assets, goodwill and intangible assets, current and deferred tax assets, and other assets, stood at 5,907 million Euros as at 31 December 2020, representing 6.9% of the consolidated total assets, while at the end of 2019, other asset items represented 7.4% of the consolidated total assets, amounting to 6,037 million Euros.

EQUITY

As at 31 December 2020, total equity (including non-controlling interests) reached 7,386 million Euros, remaining at a level similar to the 7,381 million Euros recorded at the end of the previous year.

However, the stability of the Group's equity, including non-controlling interests, incorporates distinct dynamics as there was, on the one hand, an increase of the equity attributable to the Bank's shareholders, from 6,120 million Euros at the end of December 2019 to 6,221 million Euros as at 31 December 2020 and, on the other hand, a decrease of the non-controlling interests, from 1,262 million Euros at the end of the previous year to 1,165 million Euros in 2020. This last case was driven by the reduction of the net worth of the Bank's main subsidiaries in Poland and Mozambique, via the devaluation of the respective local currencies in relation to the euro.

The growth of equity attributable to the Bank's shareholders was primarily the result of the capital generation associated to the net income for the year which amounted to 183 million Euros and the positive impact of the fair value reserve that increased by 178 million Euros, net of tax. Inversely, equity was penalised by the consolidation exchange rate differences, of the total value of 146 million Euros, primarily caused by the devaluation of the metical against the euro, but also of the zloty and kwanza, by the negative actuarial deviations associated to pension funds which amounted to 70 million Euros after tax, and by the interest of the Additional Tier 1 instrument issues, which reached 37 million Euros.

Business Areas

Activity per Segments

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

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (*)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium Banque Privée (Switzerland) (**) Millennium bcp Bank & Trust (Cayman Islands) (**)
Other	Comprises the activity carried out by Banco Comercial Português, S.A. not included in the commercial business in Portugal which corresponds to the segments identified above, including the activity carried out by Macao branch. Also includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) From 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 2020 and 2019, 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 2020.

RETAIL

Mass Market

- In a year strongly marked by restrictions on travel and social interactions, a new model of remote management of the segment was created, complementary to the physical network of branches, with the aim of improving, serving and accompanying Customers. The Bank continued to encourage the usage of digital channels.
- Of the various campaigns carried out, the campaign to encourage adherence to the Digital Statement stands out in association with the AMI – Assistência Médica Internacional project, for reforestation of the Pinhal de Leiria, called "Vamos todos ser Dinis". The remarkable success of this sustainable partnership, which ran until the end of September, resulted in the delivery to AMI of a donation of 50,000 euros, which will allow reforestation of 5 hectares of the Pinhal de Leiria, which was greatly affected by the fires of 2017, as well as the strong impact seen in Customers' digital involvement.
- In order to increase customer loyalty, a wage and retirement campaign was in place in the last quarter, offering 5% of the value of purchases made by credit card (cashback). This campaign was also intended to contribute to the increase in the placement of Integrated Solutions for Banking Products and Services and to encourage purchases made by credit card.

Prestige

- In the 1st quarter, there was a strong dynamic in attracting Customers and in granting credit through the commercial campaigns carried out, however, as of the 2nd quarter there was a decrease motivated by the pandemic crisis.
- In terms of savings and investment, Customers were supported in a period of high market volatility, following the uncertainty about the pandemic, with the continuation of the activities to improve Customer journeys in all channels, in order to correspond to the Customers' expectations and objectives, with diversification of their financial assets.
- In Personalized Remote Management, the Bank continued to invest in service quality for Prestige Digital Customers.

Portuguese Diaspora & Foreigners

- A non-financial offer was launched to foreign Customers holding a Prestige Solution, resulting from a partnership with Kleya.
- The Welcome Campaign for Portuguese Customers who reside abroad and who visited Portugal this summer is worth mentioning. Under the motto "Um Brinde ao seu Regresso", a digital check-up of Customers was carried out.
- A digital frame with the inclusion of the signature for this Segment was offered to Customers who visited the Bank's branches: "Juntos Somos Portugal". The initiative was also extended to Representative Offices in South Africa, Brazil, United Kingdom, Switzerland and Venezuela.
- The offer of integrated solutions for Customers residing abroad was reformulated and the service of aggregating French Bank accounts was launched on the Millennium App, which enabled Customers of the Portuguese Diaspora to centralize all their accounts, whether Portuguese or French, in one App.
- For the 2nd consecutive year, the Bank joined the National Road Safety Authority, together with Cap Magellan (signatory of the European Road Safety Charter), as a Premium Partner, and was present at the borders of Vilar Formoso, Chaves and Valencia to welcome drivers to Portugal.

Business

- The first quarter was characterized by the consistent growth of the credit portfolio and the acquisition of new Customers. The 2nd quarter was marked by the COVID-19 pandemic and the Bank was mobilized from the first hour to support companies and the economy.
- The Bank has grown in a sustained manner in specialized credit and financial solutions within the scope of candidate projects for National and European Programs. With an expressive contribution from Retail business Customers, Millennium bcp reinforced its position as Bank # 1 in Factoring & Confirming, Leasings and Portugal 2020.
- BCP achieved leadership in the Mutual Guarantee system, fully mobilized by supporting Customers in combating the difficulties generated by the context of the pandemic crisis and won the PME Líder 2020, maintaining the leadership for the 3rd consecutive year.

Products

Personal loans

The Bank maintained:

- A competitive, simple and agile offer, adjusted to the needs of Customers;
- Strong commitment to attracting Personal Credit remotely through digital channels. Availability in the last quarter of a more competitive offer through Personal Credit linked;
- Support to education of young people, through the commercialization of University Credit with Mutual Guarantee;
- Continuous investment in the process of contracting credit for the purchase of Automobile.

Mortgage loans

- In the 2nd half-year period, the Bank implemented a highly visible campaign in various media and Digital, based on attractive and advantageous credit solutions, proving to be very appropriate to the current economic context, providing additional support to Customers, in terms of their available budget. A new contracting service was also made available, thus contributing to improve the level of service and the customer experience;
- Very attractive solutions and campaigns for Customers wishing to transfer the credit in progress at other credit institutions to Millennium bcp, and also for those wishing to move.
- For Customers who prefer service stability, the Bank continued to provide mixed rate solutions;
- At the same time, throughout the year, the Bank improved its applications and platforms, website and App Millennium, always aiming at innovation, simplification, agility and speed in processes.

Credit moratoria

Throughout 2020, in view of the evolution of the national and international economic situation caused by the pandemic, and assuming the commitment to support families affected by the impact and constraints associated with this pandemic, we have made available a set of measures with a view to preserve the financial stability of Clients, and we directed all the focus towards the implementation of public and private moratoria.

Investment solutions

- Given the current environment of negative interest rates, the Retail Network focused on commercial dynamics in presenting investment solutions suited to the profile of each Client, namely through products for diversifying financial assets, such as investment funds and financial insurance.
- At the same time, the Bank maintained its focus in helping Clients planning their future, namely through Reform solutions based on a varied offer of PPR funds and insurance.
- For retirees, the highlight goes to the dynamization of the new More Flexible Income solution, with a view to preserving capital and simultaneously a monthly income as a complement to the pension payments.
- Continuous improvement of the offer, and of the conditions that allow to consolidate the "Provision of Information" in investment solutions. Additionally, we provide an area dedicated to Investment Funds on the App, allowing the subscription, reinforcement and settlement of them, in an easy and intuitive way, with thematic selection or other filters, and with all the necessary information for decision making, in a totally customer-centric perspective.

Integrated Solutions

- The Bank started the year with a strong campaign to attract young adult Customers at the beginning of their professional careers by joining the Millennium GO Solution! and using digital channels.
- In view of the pandemic situation, the Bank approved a set of benefits for buyers / holders of Integrated Solutions in order to help its Private and Business Customers, of which we highlight access / maintenance to preferential price conditions for 6 months.
- The Bank reinforced the “Vantagens Família”, extending the family offers to grandparents and grandchildren and the Advantages for Residents Abroad, holders of the Mais Portugal Solution, with reinforcement of the offer.

ActivoBank

- Development and implementation of the COVID-19 contingency plan in the Active Points and central services with adjustments to the service hours, acquisition of Personal Protective Equipment, definition of minimum service teams, adoption of telework and decentralization of the Call Center.
- Implementation of the public credit moratorium and private moratorium within the scope of the agreement with APB in a total of 3,848 adhesions (387 public and 3,461 private).
- Launch of “Conversas Activo -Activo Talks” in live streaming to answer questions in a COVID-19 environment.
- Campaign #aprimeiracoisaquevoufazer, on Social Networks, representing a message of hope during the quarantine. This campaign was recognized with the Bronze award at the Lusophone Creativity Awards and World Top 1 in the weekly Top of the Ad Forum.
- Launch of the international transfer service in the ActivoBank App in partnership with Transferwise, which allows Bank Customers to access this service quickly, with lower rates, and based on the real exchange rate in the market.
- Launch of the new ActivoBank public website aligned with the Bank's current image and with an improved user experience.
- Launch of the “Quem simplifica, fica - Who simplifies, stays” campaign to attract Customers, involving Bank Customers for the first time in the testimony of the advantages of being a Customer and with a strong digital media plan on Youtube.
- Entry into force of a new price list of securities in order to reinforce competitiveness in stock exchange operations and to promote investment diversification.
- Availability of the Apple Pay service for Bank cards.
- Launch of the unit-linked Active Retirement aimed at those who intend to save for retirement with a medium / long term vision and with risk tolerance: 6% growth in the diversification portfolio and 23% increase in the customer base with this type of product.
- Provision of new product journeys in the ActivoBank app: Acquisition of credit cards with a decision on the spot and the new Mortgage simulator “Quanto posso pedir – How much can I ask”, designed to support prior decision-making when looking for a home.
- In the scope of investments, the possibility of subscribing to investment funds through the app was made available on a journey that counted until the end of the year with 35% of the subscription orders received in this product.
- At the end of 2020, the number of Customers on ActivoBank stood at 343,000 Customers, representing a 13% growth compared to the same period last year.
- Growth of the personal loan portfolio by 13% and the mortgage loan portfolio by around 37%.
- In terms of commercial campaigns, personal credit campaigns are highlighted based on the recognition of Right Choice and Housing credit with the offer of a KINDA voucher for the purchase of first homes.
- ActivoBank was recognized as a Consumer Choice as the Digital Bank category; with the Five Stars Award, in the Digital Banking category; in Marktest's most reputed brand, in the Online Banking category; as Best Mobile Banking App, as Best Consumer Digital Bank and as Best Commercial Bank from World Finance. These recognitions materialize ActivoBank's strategy of investing in innovation and digital solutions that allow a unique 100% digital banking experience.

Microcredit

In a scenario marked by the pandemic of COVID-19, the institutional activity of Microcredit was very restricted. On the other hand, with economic activity very much affected, particularly in the area of services and small commerce - the main recipients of this financing model -, the entrepreneurs' decision to start new businesses was much more subject to analysis. Thus, and despite the noticeable reduction in demand, the work carried out in 2020 by Millennium bcp Microcredit allowed the approval of the financing of 87 new operations, resulting in a total of 1,485 thousand euros of credit and 158 new jobs created.

21 Cooperation Agreements were signed with municipalities (4), consultants (6), business associations (6) and social economy entities (5).

To establish new cooperation links and strengthen the pre-established ones, Millennium bcp Microcredit held 100 presentation meetings and 79 follow-up meetings with its institutional partners throughout 2020, in person or via telematics.

The work to boost Microcredit and promote entrepreneurship with institutional partners had limitations and was adapted to the conditions that the Health Authorities were defining. Within this context, it was possible to hold 17 training / communication sessions, 8 face-to-face and 9 webinars, which reached 441 people. Of the 17 sessions that stand out are those held with the Municipality of Porto (City of Professions Project) and Lisbon Municipality (Lisboa Empreende + Project), with the Professional School Profensino de Penafiel, with the consultants Atlantic Hub and Eurofranquias and with Local Contracts of Social Development of Albergaria-a-Velha, Tabuaço, Águeda, Peso da Régua and Caldas da Rainha.

The Microcredit team was also present in 12 more webinars held by its institutional partners.

Million euros

RETAIL BANKING in Portugal	31 Dec. 20	31 Dec. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	490	475	3.1%
Other net income	383	399	-4.1%
	873	874	-0.2%
Operating costs	474	488	-2.8%
Impairment	99	25	>200%
Income before tax	300	361	-17.0%
Income taxes	91	111	-18.2%
Income after tax	209	250	-16.4%
SUMMARY OF INDICATORS			
Allocated capital	1,234	1,128	9.3%
Return on allocated capital	16.9 %	22.1 %	
Risk weighted assets	9,947	9,440	5.4%
Cost to income ratio	54.3 %	55.8 %	
Loans to Customers (net of impairment charges)	23,493	22,029	6.6%
Balance sheet Customer funds	33,080	30,255	9.3%

Notes:

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

Income

As at 31 December 2020, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 209 million, showing a 16.4% decrease compared to Euros 250 million in the same period of 2019, penalized mainly by the impairments recorded in 2020. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 490 million as at 31 December 2020, growing 3.1% compared to the previous year (Euros 475 million), positively influenced by the higher return on the loan portfolio, in particular through the increase of the existing volumes and by the continuous decrease in costs associated to term deposits, attenuated by the lower income arising from the internal placements of the excess liquidity.
- Other net income fell from Euros 399 million at the end of December 2019 to Euros 383 million at the end of December 2020, a 4.1% decrease, due to lower banking commissions, namely related with transfers and cards, which were penalized not only by the impacts directly linked to the COVID-19 pandemic, but also by the support initiatives implemented by the Bank, namely some exemptions granted to deal with this particular situation, despite the increase verified in commissions from management and maintenance accounts.
- Operating costs dropped 2.8% from the amounts recognized in the same period of the previous year, benefiting, on the one hand, by the progressive reduction in the number of employees and, on the other hand, by the savings in other administrative costs, as a consequence of the generalized reduction in activity observed during the COVID-19 pandemic.
- Impairment charges amounted to Euros 99 million by the end of December 2020, almost four times the amount of Euros 25 million recorded in December 2019, reflecting namely the downgrade of the credit risk parameters considered in the impairment calculation model, following the update of the macroeconomic scenario, which now incorporates the impacts of the COVID-19 pandemic.
- In December 2020, loans to customers (net) totalled Euros 23,493 million, 6.6% up from the position at the end of December 2019 (Euros 22,029 million), while balance sheet customer funds increased by 9.3% in the same period, amounting to Euros 33,080 million by the end of December 2020 (Euros 30,255 million at the end of December of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

2020 was marked by adversity caused by the pandemic and the need to support Portuguese entrepreneurs and companies, the need to provide financial aid and the implementation of government measures that have become a priority for the economy.

With 18,187 financing operations and an amount of 2,514 million euros, under the COVID-19 Lines, Millennium bcp supported more than 17,500 companies. With this result, Millennium bcp won in 2020 the leadership of the National Mutual Guarantee System, having been Bank # 1 in supporting companies affected by the pandemic COVID-19, exceeding 33% of market share in the year and leading with more than 28% market share in the global loan portfolio with State Guarantees of the National Mutual Guarantee System.

In addition to this State Guaranteed financing, the Bank expanded its support to the economy through 190 million euros from other SGM Investment Lines, 484 million euros from EIF and EIB Guaranteed Lines and 1,020 million euros from Loans for Investment.

Overall, Millennium bcp financed 4,208 million euros in 29,411 credit operations in 2020, which allowed to safeguard the access to finance by Portuguese companies.

The year of 2020 was also marked by companies' moratoriums. In this regard, 14,073 Customers were supported with the implementation of 27,436 requests for moratoriums, representing a total of 4,897 million euros of credit.

Globally, combining the 4,208 million euros of new financing and the 4,897 million euros of credit in moratoria, Millennium bcp's direct support to the national economy amounted to 9,105 million euros (about 4.5% of GDP).

In 2020, Millennium bcp returned to Portuguese society, only in the corporate sector, 3 times the amount of support received in 2011-2012, being the main Bank of the Portuguese Economy with a global position of 19,100 million euros.

The year of 2020 allowed the Bank to grow in its main market shares, having reached:

- 19.3% credit market share in Non-Financial Companies;
- 20.2% credit market share in SMEs;
- 22.1% credit market share in Exporting Companies.

With all the adversities, it was possible to create conditions for multiple achievements and renewed leadership in 2020:

- Main corporate bank, closer, more efficient and with more suitable products. Bank # 1 used by Customers, in commerce, services, industry and construction and in satisfaction with Net Banking (BFin Data-E 2020).
- More than 2,700 companies became PME Líder with Millennium bcp. For the 3rd year in a row (2018-2020), Millennium bcp was the Bank that supported more small and medium-sized companies to achieve their status as SME Leader, with a market share and leadership of 28%.

In addition, the reinforcement of competitive financial solutions, the expansion of the offer to new Customers and new business sectors allowed to reinforce the leadership of Millennium bcp as Bank # 1 of Companies in Portugal, with more than 19,100 million euros of loans, being worth mentioning:

- Portugal 2020: As part of the support to companies with applications and investment projects approved under the Portugal 2020 Program, new financing of 343 milion euros was granted in the year.
- Strengthening leadership as Bank # 1 in choosing companies in the new SI Innovation notices, with the option of a hybrid financing system. Summing up the various phases of the Notices of SI Innovation, the Bank received 332 applications with a total investment amount of more than 774 million euros and potential for financing under the Protected Line Capitalize Mais of 224 million euros.
- Financial Instrument for Urban Rehabilitation and Revitalization (IFRRU): crucial focus on financial support for operations that total around 34 million euros of total investment in the rehabilitation, sustainability and energy efficiency of buildings.
- Leadership of SNGM (National Mutual Guarantee System) and of all SGMs (Norgarante, Lisgarante, Garval and Agrogarante) for the first time in the history of Millennium bcp with the support of around 19,600 Customers, representing approximately 20 thousand operations and more of 2.7 billion euros disbursed.
- Leadership in placing European guarantee solutions from the European Investment Fund (FEI COVID COSME, FEI Social Economy EASI, FEI Cultural and Creative Sectors CCS, FEI COSME and FEI Innovation) with 3,279 new loans, worth 484 million euros (accumulated).
- Market leadership in leasing with a 22% market share (data as of May 2020).
- Market leadership in factoring & confirming, according to ALF - Associação de Leasing e Factoring, with a market share of 28% (data as of May 2020).
- Market leadership in confirming, according to ALF - Associação de Leasing e Factoring, with a market share of 38% (data as of May 2020).
- 8 billion euros in factoring and confirming invoicing, with more than 3,200 million euros in factoring and more than 4,700 million euros in confirming (data as of December 2020).
- More than 230 factoring & confirming operations contracted online, with a digital end to end simulation and contracting process, for a total of 13 million euros.

Proximity to the Primary Sector

With a specialized team dedicated to the business of the agri-food and agroforestry sectors, the Bank reinforced in 2020 its commitment to proximity with businessmen, aware of the challenges and the range of their financial needs, highlighting:

- Line of Credit to Support the Fisheries Sector, to finance the treasury of natural or legal persons active in the fisheries, aquaculture, processing industry and marketing of fishery products, affected by the pandemic COVID-19 .
- Lines of Credit to Support the Sectors of Floriculture and Weather-2020, in the context of the extraordinary support granted by the State in combating the effects of COVID-19.
- Maintenance of the quarterly publication of AgroNews, already in its 6th edition, communicating the main developments of the agricultural sector and promoting in each edition an examination of a particular sector or sector of activity.
- Presence at SISAB-2020, which took place at Parque das Nações, in Lisbon.
- Presence and participation in the Almencor Seminar, in Portel and in the Entrepreneurs Meeting, in Mértola, with an intervention on the Bank's sectorial offer.
- Participation in the online edition of Agroglobal 2020, with presence through a virtual stand and with intervention in the main conference on the Innovation Agenda for Agriculture 2030, by the Vice-President of the Executive Committee.

- Webinar dedicated to the Common Agricultural Policy of the European Union and its foreseeable applications in Portugal, in the period 2021-2027.
- Investment in internal and external communication in the primary sector, with dissemination and promotion actions, aiming to raise awareness of the Millennium Agro offer.

Trade finance

- The year of 2020 was characterized by the rapid response to the needs of Customers with international business, as a result of the pandemic. The Bank adapted the offer for the international business with solutions to support the treasury of exporting and importing companies, while ensuring the security of transactions. This adaptation allowed a proactive performance in the market with a positive impact on the market share in Trade Finance.
- The Bank's international business represented a turnover of 58.8 billion euros in 2020, which translated into a market share of 26.5%, measured through the annual variation in SwiftWatch. Regarding financing for exporting companies, Millennium bcp increased its market share to 22.1% (according to information from Banco de Portugal), which represents an increase of 2.4 percentage points compared to the previous year.

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 various projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In Mergers & Acquisitions, the assistance to Arcus Infrastructure Partners in the sale of its stake in Brisa, to the consortium composed by APG, NPS and Swiss Life; the assistance to Arena Atlântico in the sale of a stake in Blueticket to Altice Portugal as well as the financial advisory to Neuce in the acquisition of the powder coatings business from Spanish group Titan, should be emphasized.
- In terms of Project Finance, in Portugal, we highlight the closing of the following transactions: (i) financing the acquisition of 74.7% of the share capital of Brisa Auto-Estradas de Portugal, S.A.; (ii) refinancing of Iberwind's debt; and (iii) financing the acquisition of six hydro power plants with an installed capacity of 1.7 GW. Additionally, a strong effort was made in terms of origination of renewable energy deals. On the international front we highlight the origination efforts in the energy sector with a special focus in the large natural gas projects in Mozambique which in the long run will position the country within the top three largest world LNG exporters.
- In Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal in diverse segments, namely agribusiness, metallurgic, utilities, coatings/paints, transports, automotive, retail and distribution, pharma, hotels and tourism. Despite 2020's economic framework, it is particularly noteworthy the successfully closing of EEM's investment plan financing, Aero-OM brand acquisition financing by Medinfar, the financing of the almonds project developed by Treemond in Alentejo, acquisition finance by Nors of a Canadian player and Lagoas Park debt refinancing related with ownership change, among others.
- During 2020, on the debt capital markets, we note the joint lead of the € 750 million green hybrid bond issued by EDP and the joint organization, structuring and placement of a bond issue by the Autonomous Region of Azores and two bonds issues by the Autonomous Region of Madeira. Regarding Madeira, it's worth noting the bond issued in December that marked the return of Madeira to the market with a non-guaranteed public deal, very successfully placed with international institutional investors.
  - In the Equity segment, a special emphasis should be given to MIB's participation in the organization, structuring and placement of EDP's Rights Issue, while acting as Joint Global Coordinator, bookrunner and underwriter. The Bank, through Millennium investment banking, was the only Portuguese bank involved in this Euros 1.02 billion Offer which, despite having been performed in a COVID-19 market environment, with the demand reaching 256% of the Rights available for subscription and a successful placement for EDP.
- In the Sectoral Approach, ecosystems were mapped in order to create business opportunities and maximize the number of new clients, increasing, in conjunction with the Bank's networks, the added value to companies and investors.
- Lastly, in 2020 Millennium investment banking received, for the second consecutive year, the Best Investment Bank in Portugal award, by Global Finance, which reflects recognition of our work by the market.

arcus INFRASTRUCTURE PARTNERS
FINANCIAL ADVISORY
Financial advisory to Arcus IP in the sale of a stake in Brisa
Undisclosed
2020
Millennium

apg NPS SwissLife
MANDATED LEAD ARRANGER
Acquisition Finance
€ 770,000,000
2020
Millennium

Lagoas Park
MANDATED LEAD ARRANGER
Debt refinancing
€ 251,000,000
2020
Millennium

Iberwind Natural Efficiency
MANDATED LEAD ARRANGER
Refinancing of Iber wind's Wind Farm Portfolios
€ 754,500,000
2020
Millennium

edp
JOINT GLOBAL COORDINATOR
Capital increase executed through a rights issue
€ 1,020,172,800
2020
Millennium

NEUCE
FINACIAL ADVISORY
Financial advisory to Neuce in the acquisition of Titan Powder Coatings
Undisclosed
2020
Millennium

Região Autónoma da Madeira
JOINT LEAD MANAGER
Bond Issue non-Government Guaranteed Due 2034
€ 458,000,000
2020
Millennium

BLUE TICKET
FINANCIAL ADVISORY
Financial advisory in the sale of Blueticket (51% stake) to Altice Portugal
Undisclosed
2020
Millennium

edp
JOINT LEAD MANAGER
1,7% hybrid green bonds
€ 750,000,000
2020
Millennium

JOINT LEAD MANAGER
Bond Issue Due 2030
€ 200,000,000
2020
Millennium

YILPORT HOLDING INC.
MANDATED LEAD ARRANGER
Financing of port concessions of Yilport Iberia in Portugal
€ 279,806,000
2020
Millennium

JOINT LEAD MANAGER
Public Bond Offer 2020-2023
€ 50,000,000
2020
Millennium

Jerónimo Martins
LEAD MANAGER
Commercial Paper Programme
€ 50,000,000
2020
Millennium

Electricidade da Madeira
MANDATED LEAD ARRANGER
Investment plan financing
€ 25,000,000
2020
Millennium

Região Autónoma da Madeira
JOINT LEAD MANAGER
Bond Issue Government Guaranteed Due 2032
€ 299,000,000
2020
Millennium

AMORIM
LEAD MANAGER
Commercial Paper Programme
€ 20,000,000
2020
Millennium

TREEMOND
MANDATED LEAD ARRANGER
Almonds project financing
Undisclosed
2020
Millennium

NORS
MANDATED LEAD ARRANGER
Acquisition finance
€ 15,000,000
2020
Millennium

BA
LEAD MANAGER
Commercial Paper Programme
€ 50,000,000
2020
Millennium

medinfar
MANDATED LEAD ARRANGER
Aero-OM brand acquisition financing
Undisclosed
2020
Millennium

Real estate business

Main lines of action in 2020:

- Management of properties available for sale - the Bank maintained its objectives of reducing the portfolio of assets available for sale, even in the face of the pandemic and all the impact generated on the business, with emphasis on the closing of essential services for the conclusion of operations, which halted deed and caused a temporary flight of investors. In this sense, there was a need to adapt strategies to the new reality and develop several promotional initiatives, some innovative, also using digital and online platforms, being closer to potential stakeholders, transmitting all the support in decision making and showing confidence to the market and agents. Considering the current composition of the portfolio for sale, mainly made up of non-residential assets, the focus and the majority investment in communication were directed to these segments, having carried out a campaign, involving various media and transmitting greater visibility and increased confidence with the motto “Local Commerce cannot stop”, with very positive results.
- The strategy adopted was the most adequate to obtain excellent results in real estate sales, having been based on the proximity and daily monitoring of each region and real estate business segment, in a personalized way and at fair prices, thus preserving the bank's profitability;
- Property Management not available for sale - a competent physical, legal, administrative regularization and implementation of actions for the valuation / non-degradation of properties acquired through credit recovery or that are no longer used for exploitation in order to be sold / sold led the objectives initially outlined for the sale of this properties to be exceeded;
- Management of Participations controlled by the Bank in Entities that generate real estate risk, Funds and Companies kept a divestment strategy with value preservation.

Interfundos

Interfundos pursued its strategy of reinforcing the financial sustainability of Real Estate Investment Agencies and creating liquidity conditions for Participants and Shareholders, a situation evidenced by the execution of capital increase operations in a Real Estate Investment Fund (Oceanico II) and capital reduction in five Real Estate Investment Funds (Fimmo, Imopromolução, Renda Predial, Neudelinveste and Funsita).

- Following the deliberations of the respective Participants, the duration of three fixed-term Real Estate Investment Funds (Building Income, Immopromotion and Cimóvel) was extended.
- Four Real Estate Investment Funds (Intercapital, Grand Urban, Oceanico and Gestão Imobiliária) were also liquidated and the management of a Real Estate Investment Fund (Imovalue) was transferred.
- In 2020, global sales amounted to 38 million euros, corresponding to a total of 205 properties.
- Interfundos' net income in 2020 amounted to 3,492 thousand euros, which corresponds to a decrease of 2% compared to the value verified in the same period (3,581 thousand euros). This performance is mainly attributable to the unfavorable evolution of the results of services and commissions, resulting from the reduction of 39 million euros in assets under management, and partially offset by the favorable evolution of operating costs.
- Net commissions decreased by 7.0%, justified by the 6.5% decrease in commissions received, mainly explained by the reduction of assets under management resulting from capital reduction operations in five Real Estate Investment Funds, from the liquidation of four Funds Real Estate Investment Fund and the transfer of a Real Estate Investment Fund.
- Operating costs decreased by 10%, due to reductions in all items, with emphasis on the 20% reduction in FST’s. As a result of this situation, the efficiency ratio registered a favorable evolution from 42.6% to 41.1%.

International

2020 was strongly restricted by the effects of the pandemic and the resulting changes in the framework, mainly due to the sudden contraction of international trade and the deepening of the ECB's monetary policy that prolonged the environment of negative interest rates.

The impacts on the business were felt in different areas, namely the: i) reduction in trade finance activity and cross-border payments; ii) need to get credit to national companies under competitive conditions, taking advantage of the instruments negotiated with the EIB / EIF group (strong portfolio guarantees) and the iii) challenge of quickly putting in place contingency plans, with the opportunity to revisit processes and its governance and accelerating the digital agenda.

The adjustment of performance protocols in correspondence banking, particularly in the ways of interacting with counterparties, also deepened innovation processes already underway, reinforcing the commitment to efficiency and sustainability of the business model.

Within this framework, the following stand out in the 2020 activity:

Multilaterals: A particularly dynamic period in the negotiation of financial instruments, especially with the EIB / EIF group, allowing it to maintain a position of reference in the national market in this field, which translates into the offer of particularly attractive conditions in support of the national businesses.

It should be highlighted:

- signing a contract with EIF Cultural and Creative Sectors (CCS), in the amount of 200 million euros, whose recipients are companies from the cultural and creative sectors, with 70% EIF guarantee;
- signing of a contract under the Employment and Social Innovation Program (EaSI) in the amount of 120 million euros, a European initiative aimed at promoting sustainable employment and social inclusion and with an 80% EIF guarantee; applications for new InnovFin, Cosme and CCS guarantees, which included the COVID-19 component.

In addition, existing products were improved - namely in the COSME and InnovFin guarantee - incorporating the initiatives in this sense promoted by the EIF.

Payments: conclusion of the SWIFT Global Payment Initiative project, a service that allows, among other things, faster, safer and more visible international payments and traceability, with consequent effects in reducing errors, mitigating risks and improving the quality of the service provided to Customers. In parallel, we continued to monitor initiatives such as ISO 20022, a new global messaging standard and another step in the industry towards ensuring fast, reliable and secure cross-border payments.

Custody activity: The Bank continued to strengthen its reference role in the domestic market, and was particularly dynamic in the Venture Capital Funds segment. The year ended with a significant growth (approximately 40% compared to 2019) of the new entities to which the Bank provides FCR depositary bank service, clearly above initial expectations.

Trade finance: there was a reverse movement, with a drop in the activity of confirming letters of credit, in line with the contraction of international trade.

The result, due to the performance in diversified business lines and with asymmetric performance - and always with great focus and proximity to the needs of the target segments the Bank serves - was positive, despite the particularly adverse context.

This result was achieved by continuing to increase the weight of commissions in the total income mix, while continuing to adopt measures to mitigate idiosyncratic, reputational and compliance risks, with close monitoring of the activity of Customers and counterparties, with a philosophy of partnership and reciprocal creation of value in the different business ecosystems in which the Bank operates.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Dec. 20	31 Dec. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	255	275	-7.4%
Other net income	146	136	7.6%
	401	411	-2.5%
Operating costs	123	126	-2.2%
Impairment	268	271	-1.4%
Income before tax	10	14	-25.5%
Income taxes	2	3	-33.3%
Income after tax	8	11	-22.9%
SUMMARY OF INDICATORS			
Allocated capital	1,272	1,218	4.4%
Return on allocated capital	0.6%	0.9%	
Risk weighted assets	10,784	11,165	-3.4%
Cost to income ratio	30.8%	30.7%	
Loans to Customers (net of impairment charges)	11,990	11,971	0.2%
Balance sheet Customer funds	8,605	7,885	9.1%

Notes:

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

Income

Companies, Corporate and Investment Banking segment in Portugal reached an income after tax of Euros 8 million in December 2020, showing a 22.9% decrease compared to Euros 11 million in the same period of 2019. The performance of this segment remains constrained by the progressive implementation of non-performing exposures reduction plan, with an impact on the volumes of the loan portfolio and on its levels of impairment charges. In this context, it should be noted that impairments charges ended up being penalized by the additional amounts recorded following the revision of the credit risk parameters linked to the update of the macroeconomic scenario underlying the impairment calculation model. The performance of this segment in 2020 is explained by the following changes:

- Net interest income stood at Euros 255 million as at 31 December 2020, 7.4% below the amount attained in the previous year (Euros 275 million), penalized mostly by the income arising from the loan portfolio, as a result of lower average interest rates. It should be noted that, despite the reinforcement of the credit portfolio with the loans granted under the credit lines backed by the Portuguese Government to support the economy during the pandemic, the margin of the credit portfolio continues to be under pressure by the current macroeconomic context characterized by a persistent low interest rate scenario.
- Other net income reached Euros 146 million in December 2020, being 7.6% higher compared to the amount achieved in December 2019, which is mainly explained by the increase in commissions, namely deal structuring commissions raised by the investment banking activity.
- Operating costs totalled Euros 123 million by the end of December 2020, 2.2% down in comparison with the previous year, mainly due to reduction in other administrative costs which reflects the decrease in activity verified during the pandemic period.
- Impairments showed a 1.4% drop, decreasing from Euros 271 million in December 2019 to Euros 268 million in December 2020. This evolution results from two opposite effects, given that, on the one hand, it incorporates additional impairments charges following the worsening of credit risk parameters arising from the update of the macroeconomic scenario embedded in the impairment calculation model and, on the other, reflects a reduction in impairments related to loans allocated to recovery areas, as a result of the provisioning effort made in the previous year.

- As at December 2020, loans to customers (net) totalled Euros 11,990 million, in line with the position in December 2019 (Euros 11,971 million), reflecting simultaneously the Bank's positive performance in granting credit under the credit lines guaranteed by the Portuguese State and also the effort made to reduce the non-performing exposures, as previously mentioned. Balance sheet customer funds reached Euros 8,605 million, 9.1% above the amount recorded in December 2019.

PRIVATE BANKING

Prepared to deal with the challenges created by the pandemic and demonstrating versatility and the ability to adapt to this new reality, Millennium Private Banking remained close, albeit at a distance, to its Customers.

It promoted, with particular emphasis, the placement of digital channels with Customers who had not yet subscribed to digital solutions, which resulted in an exponential growth in the number of active Customers with an installed App, in the number of users of the Millennium website and in adhering to the digital statement.

A culture of even greater proximity between Private Bankers and Customers was fostered, using the usual tools and platforms such as Teams and others of the Customers' preference. Procedures were aligned, teams' productivity, and Customer service levels were continuously monitored, ensuring the maintenance of productivity and service levels to which Private Banking Customers are used to.

Also noteworthy is the strong and continuous monitoring of Customers' assets and the implementation of exceptional credit protection measures, with a view to supporting families and companies affected by the pandemic situation.

In parallel, most of the measures identified within the scope of the Private 2.0 Project, a 3-year project that had started in late 2019, were implemented:

- the commercial structure was enlarged and reinforced, with the highlight being the opening of a new space called “Private Direct” created with Millennials and Generation X in mind (with digital profile);
- evolution in the service provided to execution Customers through the creation of an Investment Center;
- adoption of new tools appropriate to the challenges imposed by the diversification of the type of Customer and the offer, in particular, the investment in the implementation and promotion of paperless processes, namely digital signature and the account opening process, which currently can be done based on the citizen card;
- capitalization on innovation, developing new products and new ways of contacting and formalizing the business;
- investment in the systematization of the commercial network and the business, ensuring proximity to Customers and maximizing commercial efficiency, privileging a multi-subject approach, and
- launch of a new communication style that reflects the spirit of the new Millennium Private Banking, which is looking to the future.

On the other hand, Millennium Private Banking wanted to continue to make a difference in the different aspects of its Customers' lives, promoting spaces for dialogue on current themes that really add value and providing its Customers with interesting and challenging experiences. Private Banking network reinforced communication with Customers, keeping them informed about the impacts of the pandemic through e-mail communications.

Considering the distance imposed by the pandemic, a new typology of events with a non-face-to-face focus was developed and implemented. The following were promoted:

- webinars about the Society of the Future conducted by prominent speakers (Nadim Habib and António Costa Silva);
- micro digital conferences with clients on the Impact of COVID-19 in the financial markets, portfolio performances and what was expected until the end of 2020, during which clients had the possibility to interact in real time with the Vice President of Millennium bcp, the Coordinating Director of Private Banking and the Chief Economist of Millennium bcp. The first Private Dinner was organized. This live cooking group experience consisted of preparing a meal using a selection of the best national products, without leaving home, in the company of Chef Alexandre Silva, who accompanied Customers at a distance and taught them step by step making a menu chosen by him.

Million euros

PRIVATE BANKING in Portugal	31 Dec. 20	31 Dec. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	12	10	15.8%
Other net income	26	26	3.7%
	38	36	7.2%
Operating costs	21	20	5.3%
Impairment	3	(1)	<-200%
Income before tax	14	17	-16.6%
Income taxes	4	5	-16.6%
Income after tax	10	12	-16.6%
SUMMARY OF INDICATORS			
Allocated capital	73	68	7.8%
Return on allocated capital	13.4%	17.4%	
Risk weighted assets	642	595	7.8%
Cost to income ratio	55.3%	56.3%	
Loans to Customers (net of impairment charges)	276	274	0.8%
Balance sheet Customer funds	2,569	2,288	12.3%

Notes:

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

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 10 million in December 2020, showing a 16.6% drop compared to the net profit posted in the same period of 2019 (Euros 12 million), mainly due to the unfavourable evolution of impairment charges. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 38 million in December 2020, 7.2% up from the previous year (Euros 36 million). This increment is mainly explained by the favourable performance of net interest income, but also, to a lesser extent, by the evolution of other net income. Net interest income totalled Euros 12 million in December 2020, comparing to Euros 10 million reached in 2019, mostly benefiting from the lower costs incurred with term deposits, regardless of the lower income arising from the internal placements of the excess liquidity. Other net income amounted to Euros 26 million in December 2020, reflecting an increase of 3.7% compared to the same period of the previous year, due to the higher volume of commissions raised with stock exchange transactions and with the management of customer portfolios, as well as with the placement of investment funds.
- Operating costs amounted to Euros 21 million in December 2020, above the operating costs recorded in 2019 (Euros 20 million).
- Impairments negatively impacted the profit and loss account by Euros 3 million, in contrast to the reversals recorded by the end of 2019.
- Loans to customers (net) amounted to Euros 276 million by the end of December 2020, showing an increase of 0.8% compared to figures accounted in the same period of the previous year (Euros 274 million), while balance sheet customer funds grew 12.3% during the same period, from Euros 2,288 million in December 2019 to Euros 2,569 million in December 2020, mainly due to the increase in customer deposits.

FOREIGN BUSINESS AND OTHERS

Poland

- Net income of 5.1 million euros, affected by one-off provisions (including 151.9 million euros for legal risk on CHF loans) and by the increase of mandatory contributions.
- Euro Bank became earnings-accretive in 2020: synergies totalled 37.6 million euros in 2020, exceeding integration costs of 15.0 million euros.
- Continued implementation of measures to rationalise the workforce and to optimise geographic presence: reduction of the workforce by 971 employees and of the number of branches by 128 units.
- Stable Customers funds; loans to Customers increased by 6.7%.
- Continuation of the reduction of the CHF mortgage portfolio, that stood at 3.0 billion euros (17.4% of the loan portfolio), a 8.1% decrease from end-2019.
- CET1 ratio of 16.5%, with total capital of 19.5%

Switzerland

- Net income of 7.1 million euros, in 2019 (+2.6%) with a 9.1% ROE.
- Increase in net operating income (-1.8%), driven by the decrease in net interest income (-38.1%) in spite of the increase in net fees and commissions (+5.5%).
- Operating costs expanded 2.8% to 25.7 million Euros, although in CHF they have reduced from 27.78 million Euros to 27.44 million euros.
- Total customer funds decreased by 114 million euros to 3.3 billion Euros.
- Credit portfolio decreased by 18 million Euros to 354 million euros.

Mozambique

- Net income of 66.8 million euros, impacted by provisions and by the normalisation of the interest rate environment.
- Customer funds grew 17.7%; loans to Customers decreased by 4.4%.
- Capital ratio of 43.9%

Macao[5]

- Net income reached 7.5 million euros in 2020, a decrease of 29.9% from 2019. This underperformance was mainly due to the increase in the generic provision for loans to customers (1% over the loan portfolio), originated by the significant increase of the loan portfolio (+156.1%) and lower net trading income, which more than offset the excellent performance of commissions. The strong appreciation of the euro against Pataca (+9.4%) had a significant negative impact on the conversion of local accounts to euros.
- The Branch acted as a support platform for companies doing business in Macao an in Mainland China.
- Trade finance operations to support companies with exports to and/or imports from China.
- Attracting companies with international trade operations with China.
- Attracting Chinese clients wishing to invest in Portugal, both individually and at the business.
- Promotion contacts between the Investment Banking area of Millennium bcp and Chinese companies seeking investment opportunities in the Portuguese-speaking countries.

Cayman Islands

- Net income of 1.5 million euros (-44%), with a 0.5% 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 2020, customer funds of Millennium bcp Bank & Trust stood at 2 million euros and gross loans decreased to 0 million euros.

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

Million euros

FOREIGN BUSINESS	31 Dec. 20	31 Dec. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	728	759	-4.1%
Other net income (*)	240	245	-2.0%
	968	1,004	-3.6%
Operating costs	469	495	-5.3%
Impairment	369	171	116.0%
Income before tax	130	338	-61.5%
Income taxes	56	95	-40.7%
Income after income tax	74	243	-69.6%
SUMMARY OF INDICATORS			
Allocated capital (**)	2,939	3,009	-2.3%
Return on allocated capital	2.5%	8.1%	
Risk weighted assets	16,114	15,465	4.2%
Cost to income ratio	48.5%	49.3%	
Loans to Customers (net of impairment charges)	17,088	17,437	-2.0%
Balance sheet Customer funds	20,106	21,591	-6.9%

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

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

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, stood at Euros 74 million in December 2020, reflecting a 69.6% decrease compared to Euros 243 million achieved in December 2019. This evolution is mostly explained by the impairment charges and, although to a lesser extent, by the decrease in the banking income.

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

- Net interest margin stood at Euros 728 million in December 2020, which compares to Euros 759 million achieved in December 2019. Excluding the impact arising from the foreign exchange effects, the increase would have been 1.4%, reflecting mainly the positive performance of the Polish subsidiary, partly mitigated by the evolution observed in the subsidiaries in Mozambique and Switzerland.

- Other net income decreased 2.0%. Excluding foreign exchange effects, other net income increased 3.5%, as a consequence of the equity accounted earnings from Banco Millennium Atlântico and by the performance of the subsidiary in Poland, although other net income in Poland has been penalized by the increase in mandatory contributions. The performance of the Mozambican subsidiary, whose results in 2019 had been influenced by relevant gains from the sale of other assets, proved to be lower in 2020.

- Operating costs amounted to Euros 469 million as at 31 December 2020, 5.3% down from December 2019. Excluding foreign exchange effects, operating costs would have dropped 0.5%, mainly influenced by the operation in Poland, namely by lower costs associated with the acquisition, merger, and integration of Euro Bank S.A., and also, in part by the synergies obtained with its integration.

- Impairment charges at the end of 2020 presented a substantial increase compared to figures reported in the same period of 2019, reflecting mainly: (i) the additional extraordinary provision for legal proceeding related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary; (ii) the impact of the additional provisions related to risks from COVID-19 pandemic, recorded both by the Polish and Mozambican subsidiaries; (iii) the additional charges to cover the return of commissions to customers who early repaid their consumer credit loans, following the decision taken by the Court of Justice of the European Union; and (iv) the impairment for the investment in participation in Banco Millennium Atlântico to face the risks in which that operation develops its activity.
- Loans to customers (net) stood at Euros 17,088 million at the end of December 2020, under the amount attained as at 31 December 2019 (Euros 17,437 million). Excluding foreign exchange effects, the loan portfolio increased 5.5%, benefiting from the growth achieved by the Polish subsidiary. The Foreign business' balance sheet customer funds decreased 6.9% from Euros 21,591 million reported as at 31 December 2019 to Euros 20,106 million as at 31 December 2020. Excluding the foreign exchange effects, balance sheet customer funds increased 0,9%, mainly driven by the performance of the subsidiary in Mozambique.

BANCASSURANCE BUSINESS

Sale of Insurance through the banking channel

During the year 2020, all strategic pillars and ongoing projects were continued, which allow for an excellent service to the Client and the maintenance of the Group's leadership in the sale of insurance through the banking channel (Bancassurance), with emphasis on the following themes:

- Digital transformation and intensification of the focus on analytical insight models supporting the capture, management and retention of Customers, across the board in Life and Non-Life;
- Launching of campaigns on several products with advantages in terms of price (monthly fees) and, in the case of Médis, a strong investment in the visibility of new services (telemedicine) in the "everyone takes care of everyone" campaign - two vacancies (July and September). Campaigns were also carried out with donation of funds in favor of "Animarco" (Pétis Insurance for domestic animals) and "Just a Change" (Yolo Life Insurance);
- Launching of Médis Vintage, with the reinforcement of prevention and service components, such as the annual check-up, the flu vaccine, home tests and the Online Doctor;
- Launch of YOLO life insurance, a flexible product, tailored to the needs of each Client. This insurance stands out for allowing higher capital in life coverage than in death coverage and for providing coverage for serious illnesses;
- Development of the "Clínicas Médis" dental care network, with the opening of five new clinics, at Av. Novas and Parque das Nações (Lisbon), in Almada, Aveiro and Porto (Boavista).

COVID-19

The year 2020 is marked by the impact of COVID-19, transversal to the whole society. Protection in the different business lines is an invaluable safety factor for our Clients, being examples:

- Life insurance, which guarantees situations of death and disability by COVID-19;
- Payment Protection Plan Insurance, which guarantees coverage in case of illness caused by the COVID-19 infection;
- The Workplace Accident Insurance, which covers teleworking;
- Médis Health Insurance, in which Médis, as a personal health service, created a series of measures to support and protect the health of its Customers, namely the implementation of the Online Medical service on the App, the home medicine delivery service, evaluator if COVID-19 symptoms and bear the costs of diagnostic tests;
- Insurance moratoriums: extension of the flexible payment of insurance premiums.

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 70% since 2013 (from Euros 13.7 to Euros 3.3 billion in December 2020). 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 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 emerged 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 aspires to capture the full potential of ActivoBank's simple and value-based offer and to assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the intrinsic high-growth 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 volumes 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).

		2020	2021 Steady State (Original Plan)
Franchise growth	**Total active Customers***	5.7 million	>6 million
	Digital customers	64%	>60%
	Mobile customers	48%	>45%
Value creation	**Cost-to-income**	49% (47% excluding non-usual items)	≈40%
	ROE	3.1%	≈10%
	CET1**	12.2%	≈12%
	LTD	85%	<100%
	Dividend payout		≈40%
Asset quality	**NPE stock *****	EUR 3.3 billion	EUR 3.0 billion
	Cost-of-risk	91 bp	<50 pb

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings of 2020.

*** 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.

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. The Heads of these three divisions are appointed by the Bank's Board of Directors – the body that has has the capacity to approve 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 Committee and of the Committee for Risk Assessment.

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a ‘check and balance’ system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and 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 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 of the risks assumed, and supporting the independent review of the risk levels incurred as compliant with the Risk Appetite Framework.

The internal control system is consistently applied across all Group entities, taking into account and complying with local, legal or regulatory requirements of the countries where operations are based supported on a Group Code issued for this purpose.

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 among others.

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

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

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, respectively the second and first lines of defence. The internal audit, as third line of defence, ensures independent analysis concerning the risk activity of the first and second lines.

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 Board of Directors and the Executive Committee.

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 Division is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

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 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 reporting of the various types of risk at consolidated level.

The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying Customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP. The 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 and respective impact on impairments ▪ Regular practice of conducting Stress Tests by the ECB European Commission and ECB guidelines on NPL provisioning EBA's guidelines on IRB models	High	↑	▪ Provisioning for legal risk in Poland ▪ Proposal by the Polish Financial Regulator (KNF) to out-of-court settlement of the conflict between banks and borrowers ▪ Total CET1 requirements in 2020: 8.83% (9.27% fully implemented) ▪ Approval of a set of measures aimed at temporarily easing capital requirements, in order to enable European banks to support the economy during the crisis motivated by the short of COVID-19 ▪ Most guidelines have already been translated into our risk models, as a result of continuous dialogue with the ECB
Sovereign	▪ Slow economic recovery in Portugal may lead to deterioration of public finances, to which must be added the high state exposure through the granting of guarantees in credit lines to support the economy ▪ Interruption of the budgetary consolidation process and the reduction of public and private sector indebtedness, in Portugal ▪ Lower capacity to implement fiscal and budgetary stimulus ▪ Low interest rates and compression of the spread for active interest rates in Portugal, mainly due to the COVID-19 credit lines ▪ Exposure to Portuguese, Mozambican and Angolan sovereign debt ▪ Slower than expected speed of execution of the vaccination, causing a delay in group immunity, with repercussions on economic recovery	High	↑	▪ Possible increase in bankruptcies and unemployment ▪ 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 ▪ Making vaccines available and increasing the efficiency of the COVID-19 vaccination plan in the Eurozone and Portugal
	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 Customers interest in off- BS applications due to the low level of interest rates	Low	↔	▪ Balance sheet customer deposits and funds paramount in the funding structure ▪ Significant growth in total Customers funds due to the pandemic and confinement periods ▪ Need for access to the financial markets to meet MREL requirements, although the gap is manageable

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Credit risk	▪ Possible interruption of the downward trend in NPAs, due to the economic impact of COVID-19 ▪ Increase in defaults by companies and individuals, in a scenario of slow economic recovery ▪ Increase in corporate indebtedness due to the usage of moratoriums and COVID-19 credit lines ▪ Still high NPA stock ▪ Execution Risk of the NPA Reduction Plans, including reduction of exposure to CRFs ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Significant exposure to sovereign debt, in a context of high indebtedness by countries ▪ Credit to Mozambican companies ▪ Exposure to emerging countries strongly dependent on commodities	High	↔	▪ NPA reduction plan execution is critical, considering capital requirements (SREP) and regular assessments by Rating Agencies ▪ Significant participation in the distribution of COVID-19 credit lines (positively) and NPEs reduction (negatively) influencing loan book growth ▪ Need to reduce the length of credit and/or companies recovery processes ▪ 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
Market risk	▪ Volatility in capital markets ▪ Increase of funding costs, risk premiums and refinancing risk, as a result of the increased volatility caused by the pandemic ▪ Decrease of short-term interest rates to more negative values ▪ Decrease of fair value of assets and 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 ▪ Growth of cyber-risk	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 in some dimensions	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 ▪ Development of Off-BS applications and investments activity ▪ Indiivudal losses incurred on legal disputes with Customers related to mortgage loans indexed to foreign currency, in Poland	Medium	↑	▪ Possible complaints from Customers ▪ Possible sanctions or other unfavourable procedures resulting from inspections ▪ Instability and more demanding regulatory framework applicable to financial activity ▪ AML and counter terrorism financing rules ▪ Development of possible solutions for conversion of mortgage loans indexed to foreign currency, in Poland

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Profitability	▪ Possible impacts on net interest income, commissions and cost of risk as a result of the impacts of COVID-19 ▪ Possible deterioration of asset quality may constrain profitability, mainly through provisioning ▪ 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 and mediatic pressure on commissioning ▪ Imposition of limitations on the coverage of problematic assets due to impairments ▪ Exposure to emerging economies ▪ Competition from other market players as Bigtechs and Fintechs	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 ▪ Reinforcement of provisioning related to legal risks associated to mortgage loans indexed to foreign currency ▪ Reformulation of the business model and digital transformation
ESG risk	▪ Regulatory initiatives for the reporting of ESG related impacts, with impacts not completely defined yet, namely in terms of capital requirements or RWAs ▪ Increasing inclusion of ESG criteria in the decision to invest in stocks or bonds ▪ Increasing scrutiny by analysts, including Rating Agencies, on the impact of ESG risks ▪ Legal risk associated with CHF loan book	Low	↑	▪ 2021 Sustainability Master Plan with objectives and metrics that guide performance in the three ESG dimensions ▪ ESG criteria incorporated in Risk Appetite Statement ▪ Creation of a Sustainability Committee and an ESG-dedicated division ▪ Reinforcement of innovation and development of ESG solutions for Customers across segments ▪ Adoption of measures with environmental impact ▪ Improvement of the Gender Equality Plan

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 27 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 part of the Corporate RAS, being obligatory metrics for all geographies (but with appropriate limits for each of the operations and structure in question), disaggregating the Group's risk appetite into the local geographies risk appetite. Besides the Corporate RAS metrics, local RAS include other metrics aiming to measure idiosyncratic risks in each geography.

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors, by proposal of the Committee for Risk Assessment. Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, 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.

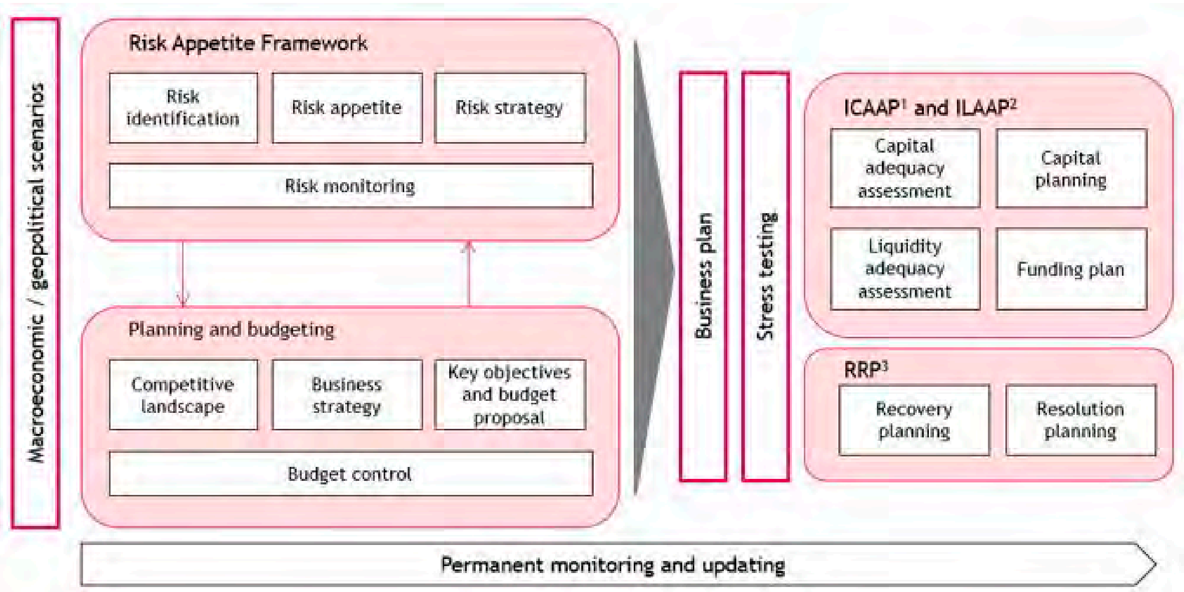
Integration between the business and risk management

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

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

The following figure 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 Internal Capital Adequacy Assessment Process
2 Internal Liquidity Adequacy Assessment Process
3 Recovery and Resolution Planning

Internal control

The Risk Management function is an integral part of the Group's Internal Control System (ICS), 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 ICS, the Risk Management and Compliance functions form the Group's Risk Management System (RMS), which substantiated 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 ICS and the RMS 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.

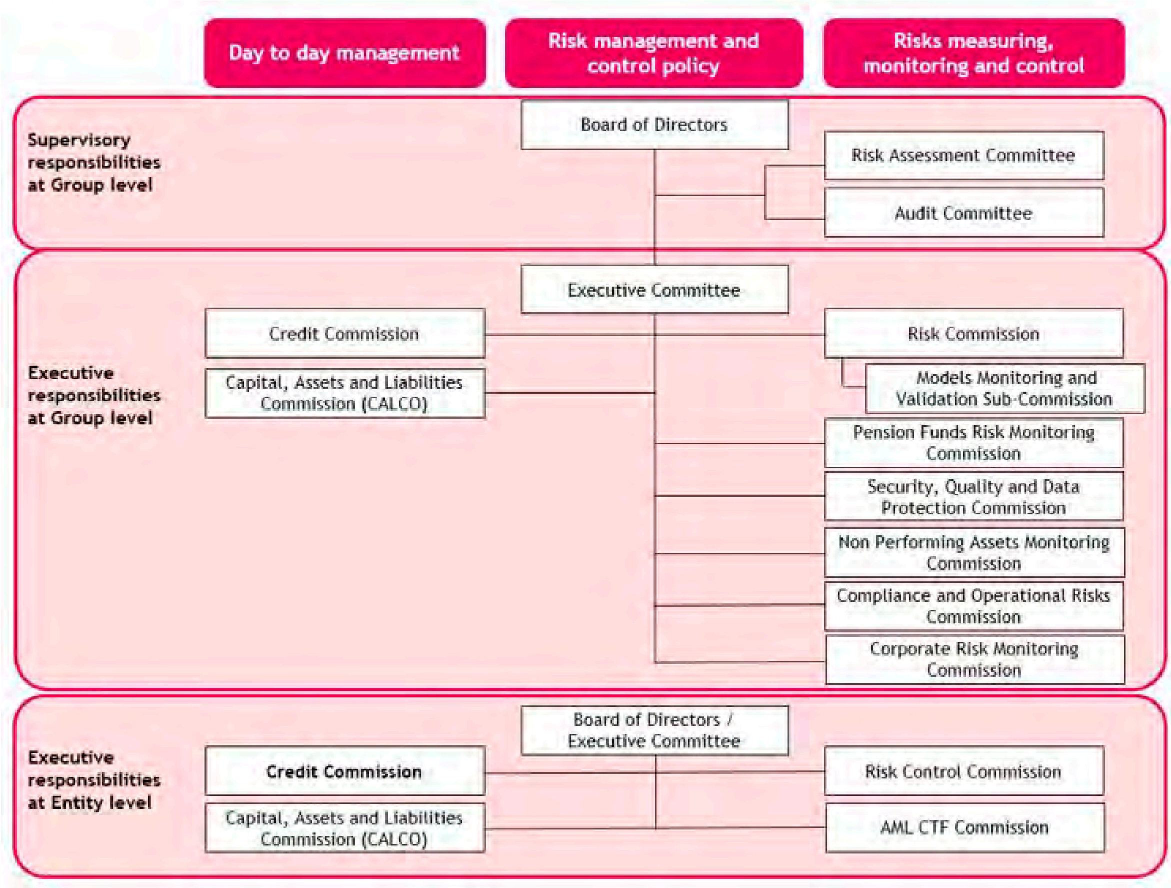
Thus, the RMS embodies the second Line of Defence in relation to the risks that impend over all the Group's activities. Under this approach, the first Line of Defence is ensured, on a day-to-day basis, by all of the Group's organizational units - based on adequate training and awareness of risks, as 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 ICS:

- 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, and any situation of, insufficient internal control is registered - under the form of recommendations/ deficiencies or improvement opportunities – for correction/ elimination and regulatory reporting.

Risk management Governance

The following figure represents the RMS's Governance, as at 31/12/2020, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision.



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The composition, capacities and responsibilities of the management and control 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 the defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities;
- 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 RMSS.

Audit Committee

The BoD's Audit Committee is elected by the Shareholders' General Meeting and is composed by three to five non-executive Directors. 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 ICS, namely:

- Supervising and controlling of the RMS's and the ICS'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 an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests.

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 RMS, 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 Monitoring and Validation Office (GAVM) and Regulatory and Supervision Monitoring Office (GARS). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

The Models Monitoring and Validation Sub-Commission monitors the performance and confirms the validity of the rating systems and models used by the Bank within the scope of its risk management functions (e.g. PD, LGD, CCF, market risk and ICAAP) and informs the Risk Commission on their adequacy. Moreover, it presents the model's risk management results and suggests improvement measures to increase the model's performance and adequacy.

Non-performing Assets (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/NPE Reduction Plan, including its operational scope and the fulfilment of the quantitative goals assumed; besides the Non Performing Exposures (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.

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 Commission

This Commission is appointed by the EC and has the following capacities and responsibilities, in order to ensure that the Bank's activity contributes to an adequate culture of risk and internal control:

- Monitoring of the Bank's activities, as well of those of the other Group entities, regularly coordinating and managing the policies and the duties of the Bank and its branches/subsidiaries, in order to ensure the compliance with the legal and internal rulings, the alignment of Group strategies and the definition of priorities in Compliance matters;
- Monitoring of the operational risks management framework, which encompasses the management of IT 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;
- Follow-up of the management and improvement of the Bank's processes, in order to monitor and reduce the level of exposure to compliance and operational risks.

The Commission members are the CEO, the COO, 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.

[*] Anti-money laundering.

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;
- Follow-up of initiatives and projects in the area of systems/data security, physical security and data protection and monitoring of the respective performance metrics;
- Approval of the annual plans for the exercises of security assessment, Disaster Recovery Plan (DRP) and business continuity, and their respective quantitative/qualitative evaluation.

The Commission members are the 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).

Corporate Risk Monitoring Commission

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

- Monitor the evolution recorded by the main performing corporate Clients credit exposures, particularly assessing the implications from the COVID-19 pandemic versus the specific risk factors of each client (sector of activity, prior COVID-19 financial standing, cost structure, etc.), issuing opinions regarding the credit strategy to adopt;
- The members of this committee are: the CEO, CRO, CCorpO and CRetO. Any other members of the EC may participate in the meetings of this Committee, whenever they consider it convenient to do so. Members of this Committee are also primarily responsible for the following directorates: ROFF, Corporate Network North and South, Large Corporates, Investment Banking Division, Institutional Banking Division, DRE, DCR, DRAT and Corporate and Business Marketing.

Credit Commission

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

The members of this Commission are the CEO, the 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 2 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 Executive Committee, the Committee for Risks Assessment and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk;
- Promoting the revision of the Group's Risk Appetite and the risk identification process;
- Issuing opinions related with the compatibility of the risk management decisions considering the approved RAS limits;
- Participate in the definition of the risk strategy and decisions related with risk management;
- Coordinating the NPA (non-performing assets) Reduction Plan and of the ICAAP and ILAAP processes;
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk;
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits;
- Participating in the Internal Control System;
- Preparing information relative to risk management for internal and market disclosure;
- Supporting the works of the following Commissions: Risk, NPA Monitoring, Pension Funds Risk Monitoring, Compliance and Operational Risk.

The Risk Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Committee for Risks Assessment.

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 foster 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 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 action 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 products and services approval process, corporate processes and conflicts of interest;
- Issues proposals for the correction of processes and risks mitigation;
- Permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.

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

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

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

Main developments and accomplishments in 2020

In 2020, 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:

- Participation in the implementation of the Bank's contingency plan regarding the COVID-19 pandemic, particularly in adjusting the risk framework to the challenges arising from the pandemic (e.g. design and implementation of specific reporting to monitor the credit portfolio within the scope of pandemic; identification of non-productive assets; adjustment of IFRS9 methodologies; identification of the operating costs related to the coronavirus crisis; monitoring of economic support measures within the scope of the impact of the COVID-19 pandemic and its reporting to the Supervisory Entities);
- Continuous improvement of the internal governance model, risk management, measurement and control at the Group level, including the implementation of a new department in the Risk Office specifically dedicated to the monitoring of credit risk, of a new structure dedicated to the analysis of operations restructured due to financial difficulties and the reinforcement of the Risk Office staff;
- Coordination of the Risk Strategy and the review of the Risk Appetite Statement (RAS) at the Group level, including the risk identification process;
- Completion of the annual reports of ICAAP and ILAAP and participation in other Bank planning processes such as the Funding and Capital Plan and the Group's Recovery and Resolution planning;
- Reinforcement of supervision and support for the BCP Group's subsidiaries, continuously promoting a solid and common risk management framework and implementing a daily reporting system of the main risk indicators in all geographies;
- 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;
- Focus on improving the effectiveness of the internal control system;
- Definition of the procedures to meet the credit granting requirements for increased risk debtors, following Banco de Portugal Circular Letter CC/2020/00000013;
- Implementation of the provision for backstop provisioning as directed by the SSM as well as the respective reporting system;
- Review of the NPA/NPE reduction plan including the sale of credit portfolios to institutional investors;
- Consolidation and monitoring of the implementation process of the new definition of default and its dissemination within the organization;
- Launch of a project for the implementation of the new EBA guidelines on credit origination and monitoring;
- Submission of several authorization requests in the scope of IRB models, in Portugal and Poland, responses to TRIMIX inspections, broadening the scope of model development and monitoring (Retail PD models) and launching the re-development of several models;
- Continuous improvement of the liquidity and funding risk control and management systems at the Group level, in particular: first annual review of the internal liquidity stress test framework, specifically considering the impact of the collateral easing measures promoted by the ECB as a response to the COVID-19 crisis and the design and implementation of an intraday liquidity stress test completing the original approach; and the implementation of short-term liquidity risk indicators and of the internal liquidity stress test framework by the Banco International de Moçambique;
- Improvement of the interest rate risk control framework of the Banking portfolio, in line with the most recent guidelines of the regulator in force on the subject;
- Participation in the 2020 EBA benchmarking exercise;

- Reinforcement of market risk monitoring and control processes and continuation of the FRTB implementation project - Fundamental Review of the Trading Book;
- Continuous improvement of the quality of the data supporting the Group's risk management decisions, notably participating in BCBS 239 related projects and in the upgrade of the Risk Office's technological platform;
- Execution of the self-assessment annual exercises for operational risks and for information and communication technologies (ICT) risks;
- Outsourcing risk monitoring for the most relevant contracts, in liaison with the respective contract managers and implementation of the EBA/GL/2019/02 (Guidelines on outsourcing arrangements) in internal regulations;
- Continuous review of internal regulations on policies and procedures related to risk management and control;
- Reinforcement of account opening and transaction filtering processes, in order to ensure compliance with the sanctions and embargoes regimes enacted by the competent national and supranational authorities, as well as their monitoring, in order to detect and prevent potentially irregular situations;
- Development of new, more efficient solutions, based on automation processes to analyse the risk factors inherent in establishing new business relationships or deepening existing relationships;
- Reinforcement and specialization of the Compliance Office teams within the scope of AML/CFT in its various dimensions;
- Execution of the Communication Plan dedicated to the 1st lines of defence with the most important aspects to be taken into account both in terms of the risk of financial crime and in other risks of compliance and regulatory compliance;
- Development of a systematic set of internal communications to prevent internal fraud risk;
- Reinforcement of the conflict of interest risk monitoring mechanisms, with the development of a new platform for registering operations and entities;
- Integration of the normative documents management function in the Compliance Office, in order to take advantage of the joint management of legal and compliance risks in reinforcing the Bank's regulatory framework;
- Implementation of new management structures the monitor of AML/CFT risk, designated by International AML/CFT Committees, with the participation of management and Compliance bodies of the subsidiary units, in order to assess and monitor specific compliance risk factors in each geography, as well as the existing business segments in each operation;
- Development of joint Compliance Office projects with teams of subsidiaries and branches abroad in order to analyse and improve the effectiveness of existing controls for mitigating the main risks in the area of AML/CFT;
- Strengthening of the subcontracting process with regard to the identification of situations of conflict of interest;
- Development of a new process for monitoring Legislative/Regulatory changes;
- Development of a set of initiatives with the objective of fostering the compliance with the requirements expressed in the Notice 3/2020, which regulates the systems of governance, internal control and organizational culture. These initiatives will continue for 2021;
- Submission to the Supervisory Entities of the Report on Prevention and Money Laundering and Financing of Terrorism for the activity carried out in 2019;
- Submission to the Supervisory Entities of the Internal Control Reports of the various eligible entities that make up the BCP Group, for the period from 1 June 2019 to 31 May 2020;
- Updating the content and training programs related to AML/CFT and the Code of Conduct;
- Monitoring of Supervisory Entities' On Site Inspections;

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 31/12/2019 and 31/12/2020, in terms of EAD (Exposure at Default)*, in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented almost the total Group's EAD by 31/12/2020.

(million euros)

Geography	Dec 20	Dec 19	Change	
			Amount	%
Portugal	59,708	50,979	8,730	17,1%
Poland	22,148	23,439	(1,291)	-5,5%
Mozambique	1,869	2,177	(308)	-14,1%
TOTAL	**83,726**	**76,594**	**7,131**	**9,3%**

* 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).

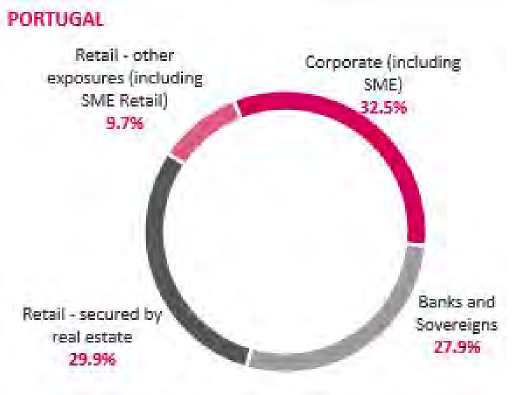
The growth of the Group's credit portfolio in 2020, measured in euros (EUR), was slightly higher than that the growth recorded in 2019 (+ 9.3% vs. + 8.3%, respectively). However, contrary to what happened in 2019, the year in which the growth came mainly from geographies abroad, with emphasis on the impact of the acquisition of Euro Bank in Poland, in 2020 the evolution is explained almost entirely by the € 8 growth , 7 billion in Portugal, which corresponds to an annual rate of change of 17.1%.

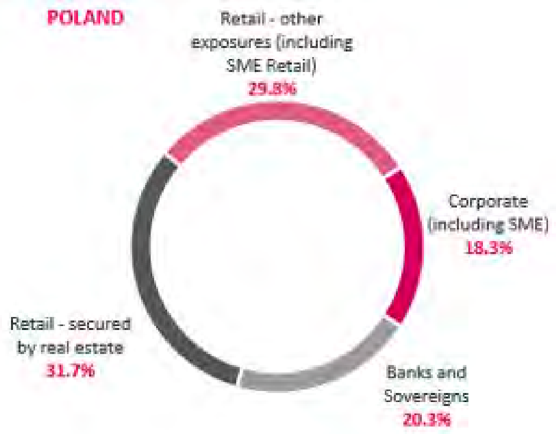
The significant dimension of the increase in Portugal is explained, on the one hand, by the expressive level of the Bank support to companies through the use of protocol lines sponsored by the Portuguese State, to respond to the impact of the pandemic outbreak COVID-19 (about € 2.5 billion) and, on the other hand, due to exposure to the segment Banks and Sovereigns, which increased by approximately € 5.9 billion, highlighting the position in public debt of the Portuguese State and investments in Banco de Portugal with a growth of € 3 thousand millions. It should be noted that this evolution was made in a context of a reduction of the NPE portfolio by € 883 million.

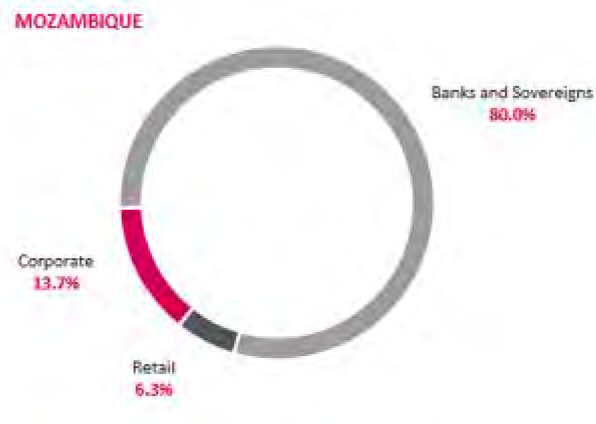
In the Polish loan portfolio, there was a decrease of 5.5%, measured in EUR, explained, almost entirely, by the decrease in exposure to Banks and Sovereigns, which represent a decrease of € 1.3 billion.

Likewise, with respect to Mozambique, there was a 14.1% reduction in the loan portfolio, measured in EUR, mainly related to the decrease in exposure to Banks and Sovereigns in the total of € 265 million.

Regarding the composition of the portfolio by risk classes, it is illustrated by the following graphs, representative of the portfolio structure on 31/12/2020:







In what concerns the structure of portfolios by counterparty segment, in Portugal the most significant portion continues to be assumed by the retail segment with 39.6% of the total, with 29.9% relating to exposures that benefit from mortgage guarantees. Corporate segment represents a weight of around 32.5%, slightly lower than at the end of 2019, with emphasis on the growth of the weight of the Banks and Sovereigns segment, which registered an increase in its representativeness to a level close to 27.9 %, coming from a weight of 21% on 31/12/2019.

In Poland, after the structural change in the portfolio, resulting from the acquisition of Euro Bank in 2019, the structural changes in 2020 were of a more limited size. In this domain, we highlight the mortgage collateralized retail segment with the most relevant weight, around 31.7%, a stabilization of the Corporate segment, and an increase of 3.6 percentage points in the representativeness of the remaining retail segments by counterpart of a reduction in the Banks and Sovereigns segment, ending the year 2020 with weights of 29.8% and 20.3%, respectively.

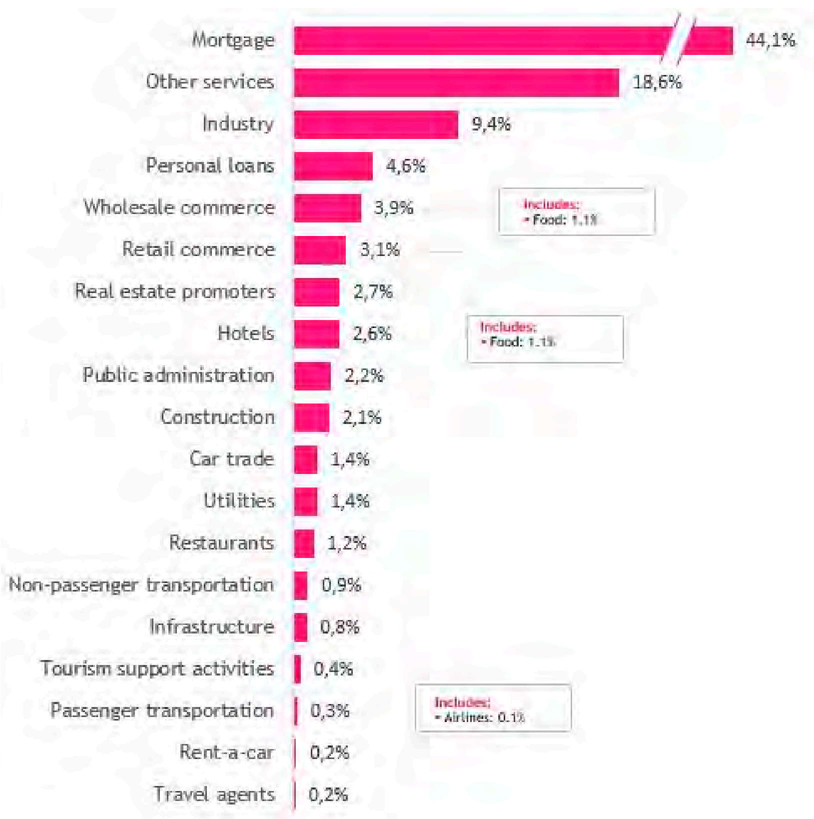
The year 2020, was marked by the outbreak of the COVID-19 pandemic. In order to assess the dimension of the Group's exposure in Portugal to the sectors considered most sensitive to the effects of the aforementioned pandemic, the table below presents the six sectors of activity considered most vulnerable, concluding that these represent 4.9% of the total domestic exposure.

Exposure to sectors most sensitive to the pandemic:

(million EUR)

Sector	Exposure
Hotels	979
Restaurant	444
Tourism support activities	164
Passenger Transportation	97
Rent-a-car	84
Travel agents	57
Total	**1,824**
% of Total	**4,9%**

It is important to note that the Bank has a dispersed portfolio, especially in comparison with the situation of the previous financial crisis, as reflected in the graph below.



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

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

The following graph illustrates the distribution of the portfolio amounts, in terms of Exposure at Default(EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on 31/12/2020. 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 80.7% of the total EAD on 31/12/2020, which compares with similar corresponding weights of 76,8%, 73,6% e 69,8% at the end of 2019, 2018 and 2017, 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 5,9% on 31/12/2020 in the two geographies as a whole, a much lower weight than that registered at the end of the previous three years: 7,8% (2019), 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: 6,1 % (2020), 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 2020 and 2019:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
2020	16,1%	32,0%	32,6%	37,8%	38,3%	42,8%	27,0%
2019	16,0%	32,7%	32,3%	39,6%	39,9%	45,1%	27,4%

Thus, in 2020, the LGD parameters in Portugal improved slightly for all segments.

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between 31/12/2019 and 31/12/2020, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
CONSOLIDATED					
NPE/Gross credit	**5,9%**	6,5%	7,0%	7,2%	7,7%
NPL > 90 days / Gross credit	**2,3%**	2,5%	2,5%	2,6%	2,7%
Past due credit / Gross credit	**2,5%**	2,7%	2,7%	2,9%	2,9%
Impairment / Gross credit	**3,7%**	4,1%	4,1%	4,0%	4,5%
PORTUGAL					
NPE/Gross credit	**6,1%**	7,0%	7,6%	7,8%	8,8%
NPL > 90 days / Gross credit	**2,4%**	2,4%	2,5%	2,7%	3,0%
Past due credit / Gross credit	**2,4%**	2,5%	2,5%	2,8%	3,0%
Impairment / Gross credit	**3,9%**	4,3%	4,3%	4,3%	5,1%
POLAND					
NPE/Gross credit	**5,0%**	4,8%	5,1%	5,1%	4,7%
NPL > 90 days / Gross credit	**2,1%**	2,2%	2,3%	2,1%	2,0%
Past due credit / Gross credit	**2,7%**	2,8%	2,9%	2,8%	2,5%
Impairment / Gross credit	**3,3%**	3,2%	3,2%	2,9%	2,8%
MOZAMBIQUE					
NPE/Gross credit	**16,9%**	25,1%	25,5%	25,7%	24,4%
NPL > 90 days / Gross credit	**6,2%**	12,4%	12,1%	11,4%	8,4%
Past due credit / Gross credit	**6,3%**	12,5%	12,2%	11,5%	8,4%
Impairment / Gross credit	**7,4%**	14,4%	13,8%	12,6%	11,9%

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments; NPE include loans to customers only.

Despite the negative impacts resulting from the pandemic outbreak COVID-19, the evolution of credit risk indicators in 2020 was favourable at a consolidated level, in Portugal and in Mozambique, especially in the last quarter of the year, and registered a small deterioration in Poland. This globally positive trend is evidenced in the 'NPE / Gross Credit' ratio, with a reduction of 1.8 percentage points at a consolidated level and of 2.7 percentage points in Portugal. The same favourable evolution was observed in the Overdue Credit and Overdue Credit 90 days over Gross Credit ratios, at the domestic and consolidated level.

The dynamics of these ratios result from a positive effect that were due not only to the continuation of the effort to reduce credits classified as non-performing and overdue pursued in recent years, but also from the growth of Gross Credit, largely due to the impact of the high level of the Bank's supports to the economy through the lines sponsored by the State to respond to the impact of the pandemic outbreak COVID-19. In any event, this increase in the portfolio continues to be based on prudent credit concession criteria in order to preserve the quality of the portfolio in the long term and the high coverage provided by the guarantee underlying the operations carried out on the aforementioned lines should be taken into consideration.

It should also be noted that between the end of 2019 and 31 December 2020 the consolidated 'Impairment / Gross Credit' ratio decreased to a lesser extent than the 'NPE / Gross Credit' ratio (0.8 vs. 1.8 percentage points), which also reflects the conservative provisioning policy.

Unlike to what occurred in Portugal and at a consolidated level, in Poland there was a slight worsening of risk indicators, which stood at 0.3 percentage points in the 'NPE / Gross Credit' ratio and 0.2 percentage points in the ratio ´Credit Due / Gross Credit', also explained by adverse impacts of the global pandemic and a deterioration in the level of risk, especially in the Corporate segment. It should be highlighted the 0.5 percentage points increase of the 'Impairment / Overdue Credit' ratio, reinforcing the prudent provisioning levels of the Bank.

Reflecting the persistence of a less favourable economic and financial environment, aggravated by the impact of the pandemic COVID-19, the operation in Mozambique registered a deterioration in the credit risk indicators in the first 9 months of the year, but showed a significant favourable evolution in the last quarter of the year, especially in the ´NPE share in Gross Loans" ratio, influenced by the write-off of a large exposure. Because of the high level of coverage by impairment of that written-off exposure, the ratio 'Impairment to Gross Credit' registered a reduction.

NPA/NPE Reduction Plan

The implementation of the Group's NPA Reduction Plan continued to be a priority along 2020, 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. In order to respond to the challenges arising from the pandemic COVID-19, the Bank has been developing and strengthening the methodologies and installed capacity of the recovery areas, aiming to ensure an adequate monitoring of the exposures that prove to be the most impacted.

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.

Despite the pandemic crisis, the NPA Reduction Plan has consistently registered very positive results although below the targets set before the outbreak of the crisis.

The following table presents the evolution of NPE volumes between 31/12/2019 and 31/12/2020, for the Group and for Portugal:

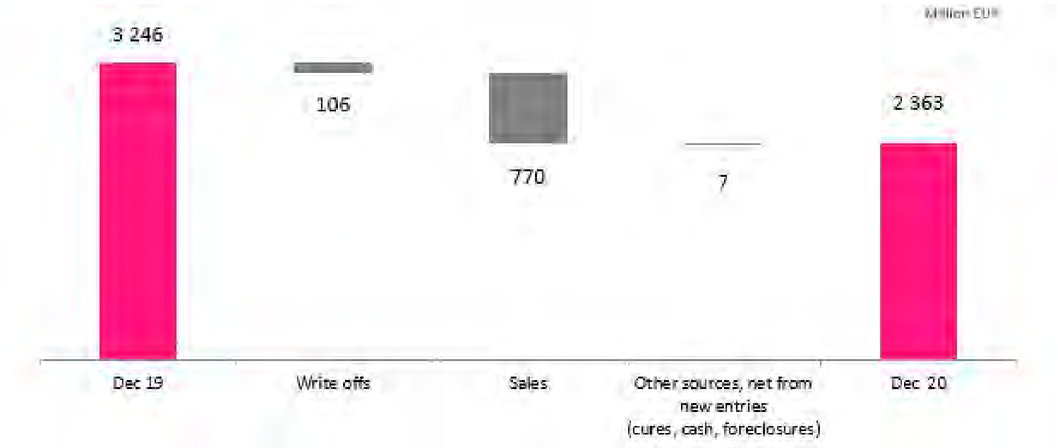
(Million EUR)

		Dec 20	Sep 20	Jun 20	Mar 20	Dec 19
CONSOLIDATED		3,295	3,663	3,934	3,928	4,206
	Change YoY	-911				
PORTUGAL		2,363	2,701	2,908	2,918	3,246
	Change YoY	-883				

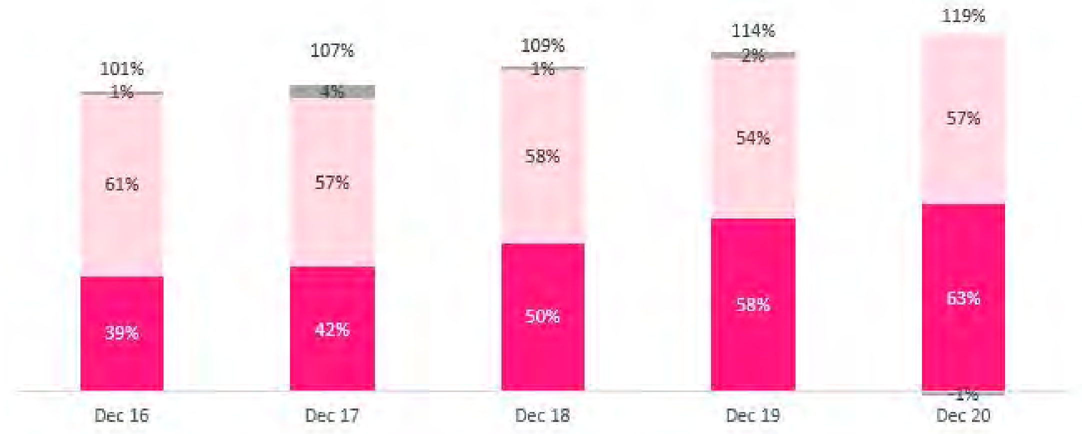
Comparing the value of Customers classified as NPE at the end of 2020 with the one at the end of 2019, there is a very favourable evolution, with a reduction of 911 million euros at the consolidated level and of 883 million euros in the activity in Portugal, which corresponds to a contraction rate of 21.7% and 27.2%, respectively. This result reflects the continuity of the success work carried out over the past few years in the identification and implementation of procedures that allow the reduction of these non-performing assets, even in an adverse environment.

It should be noted that this evolution was consistent with significant values in all quarters, with the exception of the second, which was characterized by a stabilization of NPE levels, as it was the first period fully impacted by the effects of the COVID-19 pandemic and in which the Bank reassessed the situation and adjusted the strategies for reducing non-performing assets.

The following graph shows the main drivers that explain the reduction of NPE in Portugal during the year 2020, where it is possible to highlight the contribution of credit sales, which amounted to a gross value of € 770 million. The write-offs amounted to € 106 million, with the other sources of NPEs reduction representing a dimension very similar to the new entries resulting, namely, from the classification as unlikeness to pay (UTP) of Customers, including those with activity more vulnerable to adverse effects of the COVID-19 pandemic.



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. NPE coverage increases 5 percentage points, reaching around 119% at the end of 2020, with 63% of the coverage ensured by impairment.



The trend observed in 2020 with regard to the balance sheet assets resulting from credits repayment (foreclosed assets) was favourable, as shown in the following table, which presents the evolution of the total stock of Foreclosed Assets and the breakdown by type of assets, as well as the aggregate value of assets of this nature of the subsidiaries abroad (amounts before impairment):

(Million EUR)

	Dec-20	Dec-19	Dec-18	Dec-17
Real estate properties	809	1,020	1,474	1,778
Real estate Funds and companies	246	306	330	466
Other assets (non-Real estate)	92	87	156	95
SUB-TOTAL - Portugal	**1,146**	**1,413**	**1,960**	**2,339**
Other geographies Foreclosed Assets	40	52	58	37
GROUP TOTAL	**1,186**	**1,465**	**2,019**	**2,376**

Despite the more adverse context in the real estate sector for carrying out divestment operations of assets of this nature, in 2020 there was a reduction of 19% in the Foreclosed portfolio in relation to the position at the end of 2019, corresponding to an amount of 267 million euros, explained mainly by the Real Estate component in Portugal, which amounted to 211 million.

Taking into consideration the negative environment for carrying out operations of disposal of larger assets, special attention from the respective monitoring areas has been devoted to the preparation of assets for disposal. In this respect, it is also worth mentioning the flow of new entries of Foreclosed Assets in 2020, which amounted to 162 million euros, composed almost exclusively by residential and commercial real estate assets, which are known to have greater liquidity, explained by the smaller size of the NPE portfolio as well as the reduced activity of the courts in the second quarter of 2020.

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures, as at 31/12/2020, in terms of EAD and using the concept of "Groups of Clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

	Dec 20	Dec-19
Client Groups	**Exposure weight in total (EAD)**	**Exposure weight in total (EAD)**
Client group 1	0,8%	1,10%
Client group 2	0,6%	0,6%
Client group 3	0,5%	0,6%
Client group 4	0,5%	0,5%
Client group 5	0,4%	0,5%
Client group 6	0,4%	0,4%
Client group 7	0,4%	0,4%
Client group 8	0,3%	0,4%
Client group 9	0,3%	0,3%
Client group 10	0,3%	0,3%
Client group 11	0,3%	0,3%
Client group 12	0,3%	0,3%
Client group 13	0,3%	0,3%
Client group 14	0,3%	0,2%
Client group 15	0,2%	0,2%
Client group 16	0,2%	0,2%
Client group 17	0,2%	0,2%
Client group 18	0,2%	0,2%
Client group 19	0,2%	0,2%
Client group 20	0,2%	0,2%
Total	**6,9%**	**7,4%**

Globally, this set of 20 largest 'non-NPE' exposures accounted for 6.9% of total EAD as of 31/12/2020, which compares with a global weight of 7.4% by the end of 2019. 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 and Switzerland).

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 exposure to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management framework encompasses the three relevant Group geographies – Portugal, Poland and Mozambique – and the operational risk management system adopts the 3 lines of defence model, based on an end-to-end processes' structure. Each geography defines its own processes' structure, which is regularly reviewed/updated. This approach, transversal to the functional units of the organisational structure, is more appropriate for the perception of risks and to implement the corrective measures for their mitigation. Furthermore, this processes' structures also support other initiatives, such as the actions to improve operating efficiency and the management of business continuity.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence, with special relevance of the operations' areas and the process owners (seconded by process managers), whose mission - beyond the management of their processes' effectiveness and efficiency - is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement appropriate actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment.

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.

The highlights of operational risk management and control in 2020 are:

- The presentation of the operational processes' 2019 RSA exercise results and the execution of the 2020 exercise in Q4 of 2020;
- Computation and presentation of the ICT risks RSA annual exercise executed in Q4 of 2019.

The COVID-19 pandemic

2020 was marked by the COVID-19 pandemic, which constituted an unprecedented global contingency event and significantly affected the entire Group's activities.

In this context, the Group's operating ability, together with the protection of Clients and Employees, was ensured through the activation of contingency plans for business continuity, which implied the extensive use of telework - with considerable reinforcement of the IT and communications infrastructure in Portugal, alongside specific measures and increased vigilance in the area of systems security - the distribution/ installation of protective materials and rules for occupying spaces and for people's movements within the premises, through the use of appropriate signage.

From a transactional point of view, it is also important to highlight the impact - translated into operational effort and increased operational risk – implied by the moratoriums on loans granted to individuals and companies (as well as credit lines with mutual guarantees covered by the State, in Portugal), from the second half of March. In domestic operations, this impact was mitigated by introducing, in a very short time, automatic and massified processing mechanisms that ensured an operational response that was not only effective, but also robust (from the point of view of controlling the risk of errors in the processing of operations).

Risks self-assessment (RSA)

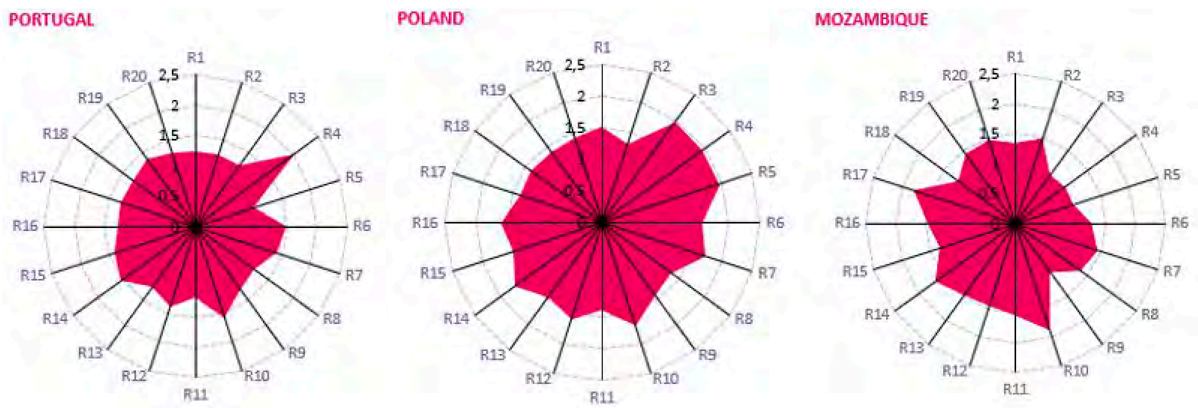
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

The aim of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the 'worst-case event' that might occur in each process, for three different scenarios: Inherent Risk (without considering the existing/implemented controls), Residual Risk (considering the existing/implemented controls) and Target Risk (the desirable risk level). These exercises are typically carried out in the second half of each year.

The 2020 RSA exercise for operational risk processes incorporated:

- Qualitatively, the results of the ICT risks RSA computed in the beginning of the year, as input information to process owners, regarding 3 of the 20 risks assessed. The ICT risks RSA was made over 109 critical technological assets – hardware, software and communication lines and infrastructures – under 3 evaluation dimensions: availability/integrity/data confidentiality;
- The input stemming from the CORPE (Compliance and Operational Risk Process Evaluation) factors, which introduce and highlight operational risk components that result from the compliance and internal control status of the processes.

The results from the 2020 exercise are presented in the following charts, in terms of the average score for each of the 20 risk subtypes considered for the set of process in each geography, in which the outer line represents a score of 2.5 in a scale from 1 (lowest exposure) to 5 (highest exposure):



R1 Internal fraud and theft
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

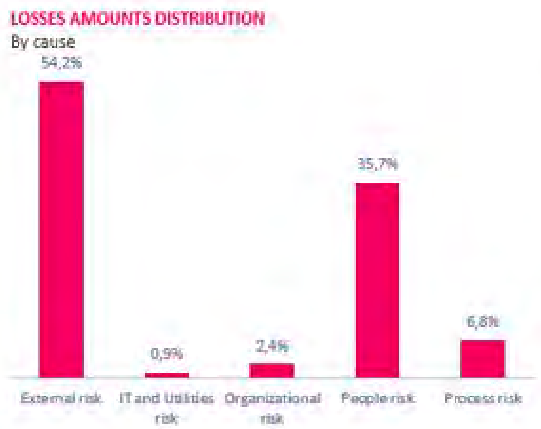
Operational losses capture

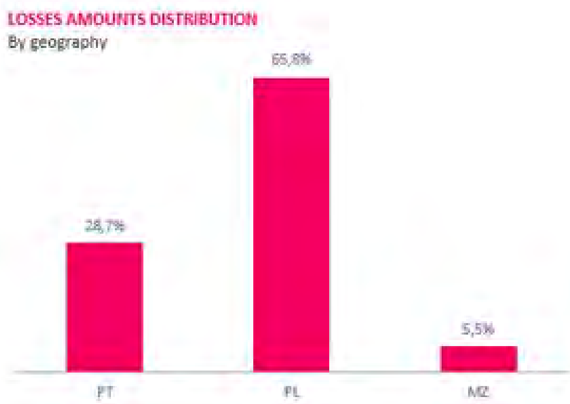
The operational losses data capture (i.e. the identification, registration and typification) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information for process owners to incorporate within their process management. As such, it is an important instrument to assess risk exposures as well as for a generic validation of the RSA results.

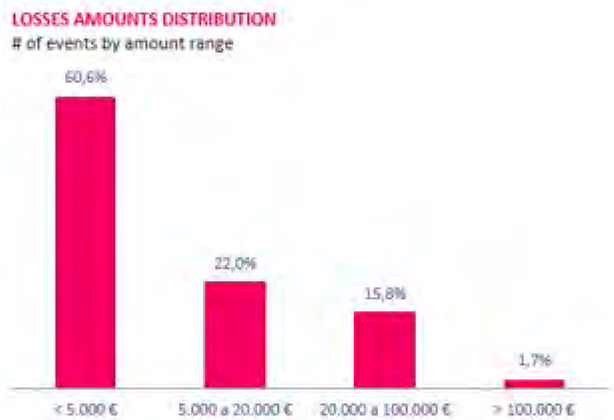
The detection and reporting of operational losses is a responsibility of all Employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding certain thresholds, "Lessons Learned" reports are presented to and discussed by the specialised governing body for operational risk (the EC's Compliance and Operational Risks Commission).

The following graphs present the profile of the losses captured in the respective database in 2020:







As can be seen from the distribution of loss events (in loss amount) due to External risks and People risks assumed a marked predominance in the set of losses recorded in 2020, representing practically 90% of the global amount of losses. This resulted, respectively, from a fraud event on the part of a corporate client that reached a very significant global amount and from the extraordinary costs of the COVID-19 pandemic response (equivalent to operational losses and thus registered in the losses database).

In what concerns the distribution of losses by class of amount (in number of losses), there was no change in the typical profile of the distribution of operating losses. Regarding the distribution of losses by Banking business line, there was an expected concentration in the Retail Banking and Commercial Banking segments, the weight of the latter activity being also influenced by the aforementioned corporate fraud event.

Key risk indicators (KRI)

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

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

Business continuity management

2020 was marked by the COVID-19 pandemic, which tested ways of living and of working, constituting a real threat that even the most demanding scenarios and tests could not anticipate. The Group was able to respond from an early stage, activating its Contingency Plans developed within the scope of its Business Continuity Management Systems.

As provided for in these plans, the Group has implemented a set of response measures, following the guidelines of the health authorities, of which the following stand out:

- Emergency response procedures regarding events – such as the detection and referral of affected Employees, creation of isolation rooms, prophylactic teleworking confinement of Employees that contacted potentially infected persons, special teams for the support of reported infection;
- Prevention and protection measures: creation of a specific internal information channel for the dissemination of preventive measures (behaviours to be observed), distribution of protective equipment (gloves, masks, disinfectants, acrylic screens, etc.), reinforcement of cleaning routines;
- Measures to ensure continuity of the Bank's operations, namely: the creation of conditions for teleworking for a large number of Employees, the segregation of the most critical teams (involving, in some cases, the dislocation of Employees to alternative premises, destined to business recovery, in order to ensure the recommended social distancing), as well as the necessary coordination with the main suppliers/ Outsourcers.

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 EC.

Legal, Compliance, Conduct and Financial Crime risks

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

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

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

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

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

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 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/CFT 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/CFT risk
- Deployment of new AML/CFT 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
- Strengthening the subcontracting process regarding the identification of conflict of interest situations;
- In collaboration with Communication Department - Sustainability Area, a series of communications actions were developed on topics related to the Code of Conduct;
- Development of a systematic set of internal communications to prevent internal fraud risk;

- Development of a set of initiatives with the objective of promoting compliance with the requirements expressed in Notice 3/2020, which regulates the systems of governance and internal control and of organizational culture that will continue for 2021;
- Development of a new process for monitoring Legislative/Regulatory changes;

Market risks

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

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

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

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

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

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

Trading Book market risks(*)

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.

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

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

The table below presents the amounts at risk for the Trading Book, between 31/12/2019 and 31/12/2020, as measured by the methodologies referred to above, that registered moderate levels along the period under analysis:

(Thousand EUR)

	Dec 20	Max of global risk in the period	Min of global risk in the period	Dec 19
GENERIC RISK (VaR)	3,863	4,895	826	2,095
Interest rate risk	3,770	3,244	800	1,876
FX risk	341	4,555	183	1,170
Equity risk	318	195	91	81
Diversification effects	*(567)*	*(3,100)*	*(249)*	*(1,033)*
SPECIFIC RISK	19	10	10	3
NON-LINEAR RISK	0	0	0	0
COMMODITIES RISK	—	3	—	5
GLOBAL RISK	**3,882**	**4,905**	**839**	**2,103**

VaR model monitoring and validation

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

The VaR model's hypothetical backtesting exercise for the Portugal's Trading Book, during 2020, resulted in 3 negative excesses over the results predicted by the model (and 2 positive), representing a frequency of 1% in 257 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 31/12/2020, 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 p.b.	-10,495
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	- 25 p.b.	-2,321
4 combinations of the previous 2 scenarios	- 100 p.b. e + 25 p.b.	-7,995
	- 100 p.b. e - 25 p.b.	-13,049
Variation in the main stock market indices by +/- 30%	-30%	-380
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-316
Variation in swap spreads by +/- 20 bps	-20 bps	-315
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Narrowing	-2,497
Significant vertices (1)	VaR w/o diversification	982
	VaR w/ diversification	323
Historical scenarios (2)	7/May/2010	-5,298
	18/jul/11	-6,803

(1) Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.
(2) Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis (from 2010 onward)

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general decrease in interest rates, especially when accompanied by a decrease in the slope of the yield curve (the case of a higher increase in shorter terms than in longer terms). In what concerns the non-standard scenarios, the main loss case refers to the variations occurred at 18/07/2011 when 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 and the economic value of the Group, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the Banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. 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). Additionally, although with less impact, there is also the risk of unequal variations in different reference rates with the same repricing period (basis risk).

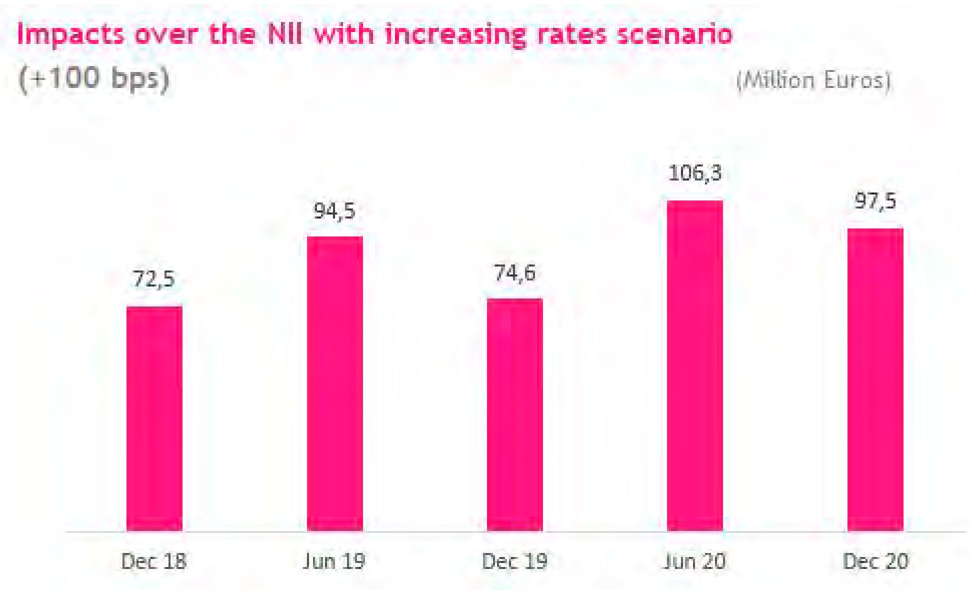
In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component 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) and impacts of any potential prepayments on credits with defined maturity.

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 31/12/2020 consists in a positive impact on the balance sheet's economic value of around 67,4 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 +61,6 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. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of original maturity and price is generated.

To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution. The graph below 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 scenario for the coefficients that transmit the market variations over the deposits' rates and other liabilities that generate interest ('betas').

Hence, for a variation in interest rates of +100 b.p. on December 31, 2020, the net interest income would have increased by around 100 million euros, however, the sensitivity to a decrease of 50 bp. of about 20 million euros.



FX and equity risks of the Banking Book

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

As at 31/12/2020, the Group's holdings in convertible foreign currency were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, through a 'Fair Value Hedge' methodology, I this case.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 0.34 million euros in terms of VaR, as at 31/12/2020.

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

Liquidity risk

Liquidity risk 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.

The COVID-19 pandemic, whose negative effects on the economy and in particular on the Banking sector are not yet fully known, led Supervisors and Central Banks to promptly take a broad range of mitigation measures. In the case of the ECB, these were announced throughout April, involving the provision of additional liquidity to the Banking system through the creation of "Targeted longer-term refinancing operations III" ("TLTRO III") and the transversal reduction of haircuts applicable to all types of assets eligible for discount with the ECB.

Although the daily monitoring of all liquidity indicators has shown since the beginning of the crisis, both at BCP and at its subsidiaries, a total stability of the deposit base and liquidity buffers with central Banks, the Bank decided to rapidly adjust its funding policy from a precautionary point of view: still in April, BCP SA borrowed an additional 1.5 billion from the ECB through the use of Main refinancing operations ("MRO") with a 3-month term, thus increasing its exposure to the central Bank from 4.0 billion euro related to the Targeted long-term refinancing operation II ("T LTRO II") to 5.5 billion euro; and in June, on the due date of the T LTRO II and the MROs referred to above, it took over 7.6 billion euro in T LTRO III. After these operations, net financing from the ECB increased to a maximum of 4.9 billion euro in September 2020, decreasing until the end of the year to 3.3 billion euro, 3.0 billion more than in the previous year.

The additional liquidity thus obtained, added to that resulting from the reduction of the commercial gap in Portugal, was applied to the repayment of long-term loans from the European Investment Bank which totaled 1.1 billion euro in 2020 (of which 750 million euro with early repayment in June), the strengthening of the securities portfolio in Portugal (3.8 billion euro, of which 3.6 billion euro in sovereign) and in liquidity deposited with the Banco de Portugal (increase of 638 million euro, to Euro 4.3 billion euro).

The following table illustrates the WSF structure as of 31 of December 2019 and 31 of December 2020, in terms of the relative weight of each of the instruments used:

	Dec 20	Dec 19	Change in weight
Money Market	6,0%	-0.7%	6,7%
ECB	48,1%	5.9%	42,2%
Private Placements	0,0%	1.5%	-1,5%
REPOS	0,6%	0.0%	0,6%
Loan Agreements	8,2%	39.3%	-31,2%
EMTN	0,8%	1.2%	-0,4%
Covered Bonds	14,6%	20.8%	-6,3%
Subordinated Debt	21,6%	31.9%	-10,3%
Total	100.0%	100.0%	

The aforementioned funding decisions involved the increase of the weight of the net resort to ECB funding, from 5,9% to 48,1%, and a decrease of the weight of loan agreements, from 39,3% to 8,2% among less material variations.

The strengthening of the sovereign debt portfolios was reflected in an increase in the size of the portfolio of assets eligible for discount at the ECB, which also benefited, within the scope of prudent liquidity management, from the inclusion in the monetary policy pool of a retained covered bond issuance worth 1,8 billion euro after haircuts. Together with the collateral easing measures determined by the ECB, this decision contributed to raise the balance of assets eligible for discount at the ECB to 22,5 billion euro (after haircuts), 5,4 billion euro more than in December 2019.

In the same period, the liquidity buffer with the ECB increased by 2,4 billion euro, to 19,2 billion euro.

As in BCP, all liquidity indicators regarding Bank Millennium (Poland) and Bim (Mozambique) demonstrate the resilience of their liquidity positions throughout the COVID-19 crisis, supported from the outset by the stability of deposit bases and the solidity of liquidity buffers held with the respective Central Banks. Accordingly, both operations position themselves comfortably within the comfort zone of the liquidity risk indicators adopted across the Group, as well as regarding the regulatory standards.

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 30 of June 2020, registered for Portugal an estimated total value of 1,925 million euros, with the following sources: sale of corporate bonds, securitization of a consumer credit portfolio and own issue of covered bonds to be mobilized for the ECB's monetary policy pool. In consolidated terms, the refinancing risk of medium-term liabilities will remain at very low levels over the coming years, as maturing debt will be reaching 1,0 billion euro only in 2022. Even in this case, it will involve the payment of a covered bond issue in that exact amount, the collateral of which will be integrated into the ECB's liquidity buffer after repayment, thus meaning a minor loss of liquidity.

The conclusions of the Bank's ILAAP process reiterates the adequacy of the Group's liquidity to meet its liquidity commitments as well as the conformity of its liquidity risk management practices to the supervisor's requirements.

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 its liquidity profile in the structural and short-term perspectives by regularly monitoring a set of internal and regulatory indicators that aim to characterize it, for which pre-established limits are defined and reviewed periodically, and which together define the Bank's appetite for liquidity risk, such as: the loans-to-deposits ratio (83% on December 31, 2020), the regulatory indicators LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) - 230% and 140% respectively on December 31, 2020 (very comfortable and reinforced levels compared to December 31, 2019) - and, also, the dimension of the collateral buffer available for discount at the European Union Central Banks compared to total Customer deposits - an indicator which was comfortably within the levels of liquidity considered adequate, within the scope of risk appetite of the Group.

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 2020 the BCP Group Pension Fund had a net performance of 5.77% to which the share stock component contributed decisively through an appreciation of 15%. This significant valuation originates from the participation in EDP and investment in assets that replicated the North American market, benefiting the Fund via selection (EDP and USA) but also via allocation, since the fund maintained an overweight in the class except for the last days of December where it positioned itself more conservatively, reducing at that time the exposure.

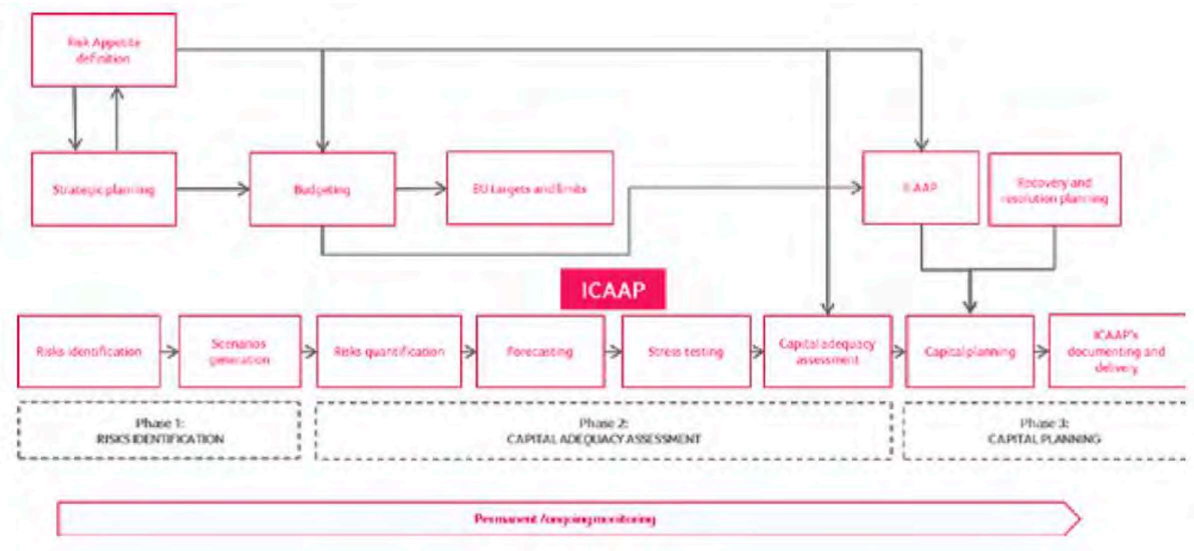
In the Bonds portfolio, the Fund also achieved a positive return on both fixed rate and indexed rate. The positioning was characterized by a preponderance in fixed rate assets but with a less duration, when compared to the respective benchmark. In this component, exposure to peripheral countries benefiting from the narrowing of spreads in the public debt component of the Eurozone was also privileged.

In the Alternatives and Real Estate portfolios, the Fund maintained an expressive underweight, with both classes showing positive yields in 2020.

The evolution of market interest rates in 2020 led to the need to update the discount rate to clear the Fund's liabilities. Thus, the discount rate in force on 12.31.2019, from 1.4%, was changed to 1.55% on 06.30.2020 and again changed to 1.05% on December 31, 2020. On that date, the coverage of the pension fund's liabilities had an excess of around EUR 93 million.

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 second 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 monitor and validate the risk assessment 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, according to the Model Risk Management (MRM) framework.

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 the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission.

Besides the activities directly related with the monitoring and validation of models, in terms of performance and quality, GAVM is responsible for the coordination of the model risk management (MRM) activities, including the maintenance of a complete repository of the models used by the Bank and its permanent monitoring and updating through the use of a model management and risk assessment tool implemented at the Bank to support the MRM framework.

In 2020, several actions were carried out to monitor and validate the internal models in use by the Bank, including the regulatory report of the new templates on the validation results of the credit risk internal models, according with ECB instructions "Instructions for reporting the Validation results of internal models". These actions aim, inter alia, to reinforce the confidence in the models, to monitor their performance and evolution, verifying their business adequacy and their compliance with applicable regulatory requirements and best practices, as well as to reinforce the identification and adaptability to changes in their predictive quality.

Within the scope of models' validation, a highlight is made to the 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. It is also noteworthy the validation made to the Loss Given Default (LGD) model for the Retail segment, the validation performed to the internal market risk model and the validation activities performed within the scope of the ICAAP quantification of risks.

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 requirements, by reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

As part of models monitoring, GAVM ensured, among others, quarterly presentations to the Risk Commission on the performance and quality of internal models within the IRB scope, as well as the execution of the 2020 regulatory Credit Risk Benchmarking exercise promoted by EBA.

Recovery Plan

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

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

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are defined by the Recovery Plan, which 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.

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

Ratings assigned to BCP

During 2020, there was a deterioration of macroeconomic indicators in Portugal, due to the impact of the COVID-19 pandemic, despite the measures implemented to contain the spread of the pandemic and mitigate both economic and social impacts. Namely, the deterioration of external vulnerability and budgetary position, with an expected budget deficit of 7.3% in 2020. Additionally, the Portuguese economy continues to record a level of debt over GDP above the Euro Zone average.

Despite the negative environment, is noteworthy the stability of public debt's sustainability, recognized by rating agencies through the affirmation of the Portuguese Republic's rating, in a year with high pressure over sovereign ratings. During 2020, Fitch Ratings and Standard & Poor's revised the Portuguese Republic's outlook, to Stable from Positive, on April 17 and 24, respectively.

Portuguese banks continued to pursue their activities within a challenging environment during 2020, with the ECB maintaining interest rates at historically low levels. These conditions constrain the evolution of net interest income. However, in some cases, the negative impact on net interest income was compensated by long-term refinancing operations (TLTRO III) announced by the ECB, trading gains and the continued reduction in operating costs.

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 liquidity levels, contributing to a better outlook of the Portuguese banking sector's performance, even in an adverse context.

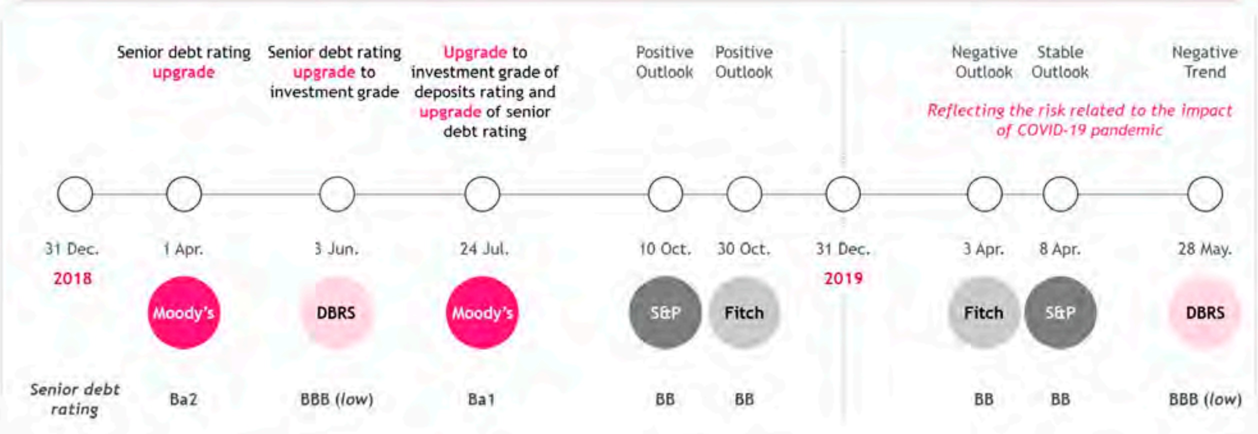
Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high, which is, together with profitability and capitalization levels, one of rating agencies' main concerns.

In 2020, based on the unprecedented economic shock following the strict lockdown measures to contain the health crisis, which represents a key risk to the overall sector, three rating agencies took negative actions on BCP's Outlook:

On April 3, Fitch Ratings revised BCP's Outlook, to Negative from Stable. On April 8, Standard & Poor's revised BCP's Outlook, to Stable from Positive. Finally, on May 28, DBRS revised BCP's Trend to Negative from Stable.

These actions taken by rating agencies – common across the entire sector – are based on the high degree of uncertainty caused by the current health, social and economic context, that results on increasing risk on asset quality evolution and possible profitability deterioration in the sector, in 2021. However, the Portuguese financial sector is better prepared to face this crisis than when it entered the previous global financial crisis. Portuguese banks have materially improved asset quality and its capitalization and liquidity levels, also presenting more efficient cost structures.

Rating Agencies have taken negative rating actions on Portuguese banks since April 2020



Moody's	
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	Ba2
Counterparty Risk Assessment LT/ ST	Baa2(cr)/ P-2(cr)
Counterparty Risk LT / ST	Baa2/P-2
Deposits LT / ST	Baa3/ P-3
Senior Debt	Ba1 /NP
Senior Non Preferred	Ba3
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P)Ba3
Subordinated Debt	Ba3
Additional Tier 1	B2(hyb)
Other Short Term Debt	P(NP)
Covered Bonds	Aa3

Rating Actions

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

Rating Actions

8 April 2020 - Outlook downgrade, to stable from positive. SACP rating reaffirmed at 'bb', the Resolution Counterparty Credit Rating at 'BBB-/A-3' and the Issuer Credit Rating at 'BB/B'.

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	Negative
Subordinated Debt Lower Tier 2	B+
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

3 April 2020 - Outlook downgrade, to negative from stable.
7 April 2020 - Covered Bonds rating reaffirmed at 'BBB+'.
22 October 2020 - Viability Rating reaffirmed at 'bb', the Subordinated Debt Lower Tier 2 rating at 'B+', the Senior Debt rating at 'BB/B', the Senior Non Preferred rating at 'BB-' and the Deposits rating at 'BB+/B'.

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

Rating Actions

28 May 2020 -Outlook downgrade, to negative from stable. Deposits rating reaffirmed at 'BBB/R-2 (high)'.

Capital

According to our interpretation of CRD IV/CRR to date, the CET1 estimated ratio as at 31 December 2020 stood at 12.2% both phased-in and fully implemented, consistent with the amounts presented at the same period of 2019 (12.2% phased-in and fully implemented) and above the minimum required ratios under the SREP (Supervisory Review and Evaluation Process) for 2020, adjusted by the early adoption of the option provided in the review of Directive Capital -CRD V that allows the partial use of capital instruments that do not qualify as Common Equity Tier 1 (CET1) to meet the Pillar 2 Requirements (P2R) (CET1 8.828%, T1 10.75% and Total 13.313%).

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

Capital buffers required by the regulator were established with the objective of allowing banks to face adverse shocks. While the European banking sector has built up a significant amount in capital buffers, the ECB has allowed banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the systemic buffer (O-SII). Furthermore, several National Supervisory Authorities have reduced or temporarily eliminated the need for the creation of countercyclical buffers (CCyB).

The CET1 phased-in ratio performance during 2020 mainly reflects the organic generation of capital, which offset the negative impacts of the increase in weighted risks and of the pension fund, keeping the CET1 ratio at the same levels as in 2019, in line with the bank's medium-term objectives.

SOLVABILITY RATIOS

(Euro million)

	31 Dec. 20	31 Dec. 19	31 Dec. 20	31 Dec. 19
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	5,657	5,508	5,651	5,496
Tier 1	6,194	6,012	6,187	6,000
TOTAL CAPITAL	7,212	7,036	7,213	7,028
RISK WEIGHTED ASSETS	46,413	45,031	46,322	44,972
CAPITAL RATIOS (*)				
CET1	12.2%	12.2%	12.2%	12.2%
Tier 1	13.3%	13.4%	13.4%	13.3%
Total	15.5%	15.6%	15.6%	15.6%

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

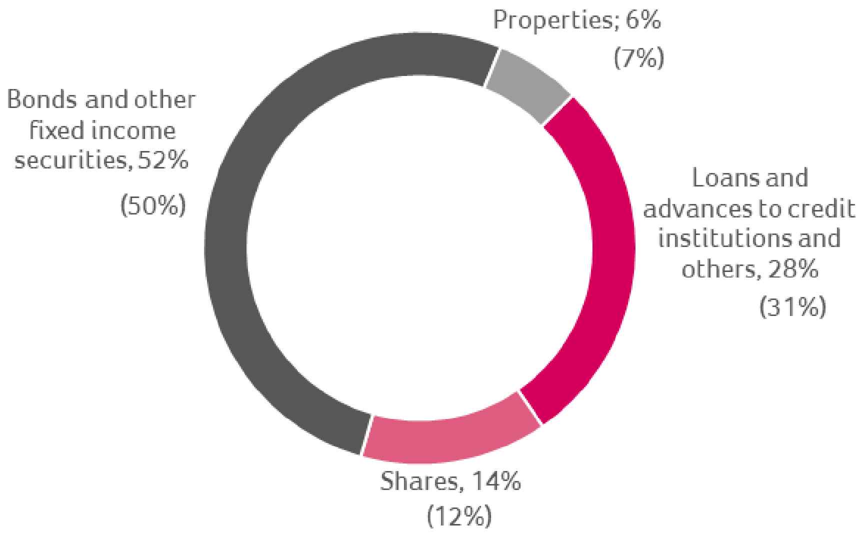
Pension Fund

The liabilities assumed by the Group Banco Comercial Português with pensions on retirement and other benefits are related with the payment to Employees of pensions on retirement, permanent disability pensions and widow and orphan benefits. As at 31 December 2020, the Group's liabilities stood at 3,658 million Euros, comparing to 3,490 million Euros at the end of 2019.

At the end of 2020, the Pension Fund's assets which are financing said liabilities reached 3,751 million Euros (3,501 million Euros as at 31 December 2019) and a year-to-date rate of return of 5.8%, which compares favourably to the rates of 1.40% and 1.55% considered in actuarial assumptions for the first and second half of the year, respectively. It should be noted that the discount rate considered by the Group for the purpose of the actuarial assessment to measure its liability was changed from 1.40% to 1.55% at the end of first half of 2020 and to 1.05% at the end of 2020.

As at 31 December 2020, the structure of the Pension Fund's asset portfolio shows in comparison with the previous year, identical patterns of diversification. At the end of 2020 and 2019, the main asset categories in the Pension Fund's portfolio presented the following distribution:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2020



(xx%) Proportion as at 31 December 2019

The actuarial assumptions considered by the Group for calculating the liabilities with pension obligations were based on market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees. The main actuarial assumptions used to determine the Pension Fund's liabilities for the years ended in 2020, 2019 and 2018 are shown below:

ASSUMPTIONS	2020	2019	2018
Discount rate	1.05%	1.40%	2.10%
Increase in future compensation levels	0.75%	0.75 %	0.25% until 2019 0.75% after 2019
Rate of pensions increase	0.50%	0.50 %	0% until 2019 0.5% after 2019
Projected rate of return on fund's assets	1.05%	1.40%	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 5 months	66 years and 4 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%	1.00%

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.

At the end of 2019, the Bank started a negotiation process with the Unions for the full revision of the Collective Bargaining Agreements, with work continuing to take place during the first months of 2020, until they were interrupted in March, in view of the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals received in the meantime from the Unions regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labor Agreements under negotiation. The Bank formally presented on 3 July 2020, a counter-proposal to the Unions to update them by 0.30%, in line with the variation recorded in 2019 in the Consumer Price Index, according to official information from the National Statistics Institute.

It should be noted that, at the end of July, the Bank reached an agreement with the SBN - Northern Banking Union, meanwhile renamed to SBN - Union of Workers in the Financial Sector of Portugal, the SNQTB - National Union of Staff and Banking Technicians and the SIB - Independent Banking Union, to update the salary tables and other pecuniary clauses for 2020. The agreement established effectively provides for a 0.30% salary update on the level of remuneration for each employee, an increase in the lunch allowance, birth allowance and in other cash benefits, namely seniority allowances, subsistence allowances and student allowances, among others.

In September 2020 an understanding was reached with the remaining trade unions subscribing to the Group's Collective Labor Agreements, namely SBSI - South and Islands Banking Union, meanwhile renamed to SBSI - More Financial Sector Union and SBC - Central Banking Union consisting in an agreement in principle to the salary update agreed with other unions. This understanding allowed for the application of the same salary update to all Bank Employees under the September 2020 salary processing, regardless of their union affiliation. In September, negotiations were resumed with all the Unions subscribing to the Group's Collective Labor Agreements, for the conclusion of the full revision of the respective Clause, negotiations that are still ongoing. The publication of the Agreements under the Labor and Employment Bulletin with the respective trade unions referring to the update of salary tables is in progress.

The actuarial differences recorded in 2020 were negative by 89 million Euros, before taxes (285 million Euros, before taxes of also negative actuarial deviations in 2019), including 140 million Euros of positive financial deviations related to the pension fund's return, 198 million Euros of actuarial losses as a consequence of the reduction in the discount rate and 31 million Euros of actuarial deviations between expected and actual liabilities.

The main indicators of the Pension Fund as at the end of 2020, 2019 and 2018 are as follows:

MAIN INDICATORS	2020	2019	2018
Liabilities with pensions	3,658	3,490	3,066
Minimum level of liabilities to cover*	3,596	3,431	3,015
Value of the Pension Fund	3,751	3,501	3,078
Coverage rate	102.5%	100.3%	100.4%
Coverage rate of the minimum level of liabilities*	104.3%	102.0%	102.1%
Return on Pension Fund	5.8%	8.1%	0.2%
Actuarial (gains) and losses	89	285	98

* According to the Bank of Portugal requirements (assuming the application of the minimum requirement to all Group companies)

As of 31 December 2020, the Group’s responsibilities showed a 102.5% coverage level, being fully funded at a higher level than the minimum set by Banco de Portugal.

Information on trends

COVID-19 impact

The year of 2020 was marked by the emergence and spread of COVID-19 on a global scale, leading to the declaration of a pandemic by the World Health Organization. The immediate impacts of this pandemic reached an unprecedented dimension in the social alarm situation generated, in the exhaustion of health systems and in the severe containment and combat measures implemented in numerous countries, including Portugal. Additionally, lock downs were imposed by European governments, with severe restrictions on the movement of people and economic activity.

The Portuguese financial sector is better prepared for this crisis than when it entered the previous global financial crisis. Portuguese banks have substantially improved asset quality, liquidity and capitalization levels and have more efficient cost structures. Notwithstanding the greater robustness of the Portuguese financial sector and the beginning of the vaccination process in December - the road to reaching a level of immunity that allows for a gradual return to normality is still long - the economic impact observed in 2020 was unprecedented, mirrored in the 7.6% decline in Portuguese GDP.

In 2021, Bank of Portugal's projections point to a moderate recovery, with GDP growing 3.9% and the unemployment rate reaching 8.8%.

At the European level, with the aim of accelerating economic recovery, an extraordinary package of European funds (NextGeneration EU) was approved in July, totalling 750 billion euros, distributed between grants and loans, which will run from 2021 to 2023 and will be financed through the issuance of European debt.

Impact on the Group's activity

The current economic and social context presented, in 2020, a set of challenges to the development of the Bank's activity. The repercussions of the crisis caused by the pandemic will continue to be felt in the coming years.

Despite the recent trend of reduction and/or maintenance of interest rate levels at historically low values - in many cases, negative values - the Group's net interest income is projected to grow slightly in 2021. In Portugal, margin growth will continue to benefit from TLTRO III and expected volume growth, with particular emphasis on new mortgage loan production.

In international operations, with a special focus on the Polish operation, the strong growth in new mortgage loan production should be the main driver of Bank Millennium's net interest income growth in 2021.

Commissioning levels have been subject to strong regulatory limitations, particularly in the Portuguese operation, which has constrained its contribution to the Group's profitability. In view of these challenges, the Bank has been promoting the transfer of on-Balance Sheet Customers Funds to off-Balance Sheet Funds. Additionally, the current pandemic context has increased the levels of volatility in the financial markets, leading to a greater adherence of Customers to services related to financial markets. In this sense, the Bank has invested in the development and improvement of digital solutions to increase/ improve the offer of services related to financial markets. Commissions are expected to increase in 2021 in the Group, both in the activity in Portugal and in the international activity.

Optimising efficiency levels and consolidating the Bank's position as one of the most efficient in the Eurozone are priorities that will continue to shape the Bank's activity in the future. In that context, the digitalization process that has been implemented, both in terms of the Group's operations and the services provided to customers, will continue to be a priority in the Group's strategy.

The cost of risk, one of the most relevant indicators in the current context of economic crisis originated by the pandemic, should remain, in 2021, aligned with the Bank's previously established guidance, between 90 and 120 basis points. This guidance is based on the the central macroeconomic scenario projected by the Bank of Portugal and is, naturally, impacted by possible deviations from this same scenario, which, in the current context, may be due to a slower economic recovery or a longer than foreseen period in the fight against the pandemic. It is projected that, for each additional 100 basis points decrease in GDP, against Bank of Portugal's central scenario, the Bank's cost of risk will increase by around 10 basis points.

Significantly reducing exposure to problematic loans has been one of the Group's top priorities. However, the onset of this new economic crisis may prove to be a challenge in continuing the execution of this reduction.

The implementation of public and private support measures, with a special emphasis on credit moratoria, have as main objectives to protect Customers from the economic impacts originated by the pandemic and to protect the financial sector from a possible increase of its exposure to NPEs. Given the duration of the support granted, mostly until the end of September 2021, the visibility of the pandemic's impact on the creation of new NPEs during 2021 will be limited. However, given the pace of NPEs reduction recently shown by the Group, as well as the projections of net inflows, new inflows are expected to be offset by NPE sales and write-offs.

The Group's commercial activity volumes were strongly influenced, during 2020, by the pandemic. If, on one hand, there was a significant growth in total Customer Funds, originated by the pandemic and confinement periods, on the other hand, there was a contraction in new personal loan production, which was more than offset by the growth in new corporate credit production, deriving from the strong demand for credit lines with state guarantees, created to fight the economic consequences of the pandemic by injecting liquidity into the Portuguese businesses. For 2021, the Group's commercial activity is projected to continue its good performance, albeit at a more subdue pace, with further expansion of the volume of the loan portfolio.

MREL

On 30 October 2019, the Single Resolution Board (SRB) updated and confirmed the MREL requirements applicable to BCP, based on information as of 31 December 2017 and within the scope of Banking Resolution and Recovery Directive 1 (BRRD1):

- The resolution strategy is the Multiple Point of Entry (Portugal, Poland and Mozambique);
- The BCP Resolution Group is composed by Banco Comercial Português, S.A., Banco ActivoBank, S.A., Millennium bco Bank & Trust (Cayman) and by Banque Privée BCP (Suisse), Lda.;
- The resolution measure for the BCP Resolution Group is the bail-in.

The entrance into effect of the new banking regulations (particularly of the Banking Resolution and Recovery Directive2 - BRRD2) plus the COVID-19 pandemic altered the context:

- The need to comply with MREL requirement changed to 1 January 2024. The SRB should also establish interim targets for 1 January 2022 (binding) and 1 January 2023 (indicative);
- The revised requirements shall be established by SRB within the scope of the 2020 resolution planning cycle and must be communicated to the Bank by mid-2021;
- SRB publicly informed the intention of using the discretionary power and the flexibility given by the regulations in force to establish new transition periods and MREL targets. This assessment will be made on a case-by-case basis.

It will only be possible to accurately assess the Resolution Group's funding needs once the SRB has clarified the requirement the Group must meet.

Several banks, including BCP, have rebalanced their funding profiles relative to the previous crisis. The ratio of credit over deposits is, for the sector, below 100%. Banks hold relatively large liquidity buffers.

CHF denominated loans

Regarding mortgage loans indexed to Swiss francs (CHF) granted by Bank Millennium, there are risks related to verdicts issued by Polish courts in lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans, as well as risks related with the possible application of a sector-wide solution, i.e. a solution applied to all contracts (Swiss Franc-denominated/indexed mortgage loans) in the Polish financial sector. The Polish Financial Supervisory Authority suggested a possible sector-wide solution in December 2020, which has, since then, been under consideration by Polish banks.

On 3 October 2019, the Court of Justice of the European Union (CJEU) issued a judgment on Case C-260/18. This judgement has legal interpretations in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG, relative to CHF-indexed loans.

Since then, the trend of court rulings, that had been mostly favourable to banks, begun to reverse. The CJEU ruling only concerns situations where the national court has previously determined that contract terms are unfair. It is the exclusive competence of national courts to assess, in the course of judicial proceedings, whether a particular term of a contract can be identified as unfair according to the circumstances of the case.

On 29 January 2021, it was published a set of questions addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, there would be applicable the theory of equity (i.e., does it arise a single claim which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested for commenting on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract. The date of the Supreme Court meeting, which was scheduled for 25 March 2021, has since been changed to 13 April 2021. Bank Millennium will assess in due time the implications of the potential decisions of the Supreme Court on the level of provisions constituted for the legal risk. Given the Group's inability to predict the results of that Supreme Court decision, this matter was not considered in the determination of the provision.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loan.

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

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank took any decision regarding the implementation of such program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

According to preliminary calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the current portfolio would be converted) with a pre-tax impact between PLN 4.100 million (Euros 899.06 million) to PLN 5.100 million (Euros 1,118.35 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other assumptions of diverse nature. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of Pillar 2 buffer. The above mentioned impact would be substantially higher than the estimated impact of PLN 500 million (Euros 109.64 million) to PLN 600 million (Euros 131.57 million) (non-audited data) in the scenario of replacing the exchange rate applied in the contracts by the average NBP exchange rate. Finally, it should be mentioned that Bank Millennium, as at 31 December 2020, maintained additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II buffer), in the amount of 3.41 p.p. (3.36 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as due to the potential implementation of PFSA Chairman's solution or potential Supreme Court decisions, it is difficult to reliably estimate potential impacts of such outcomes and their interaction as at the date of publication of the Group's financial statements.

Resolution Fund

It is not yet possible to determine what will be the final impact of the resolution of Banco Espírito Santo on BCP, as an institution participating in the resolution fund created by Decree-Law no. 31-A/2012, of 10.

Regarding payments to be made in 2020 under the Contingent Capital Agreement, the following reference is made in the Resolution Fund's 2019 annual report: "Novo Banco's 2019 annual accounts, as publicly presented by its Executive Board of Directors on 28 February 2020, include the quantification of the liability arising from the Contingent Capital Agreement, of 1 037 000 thousand euros. In this context, and without prejudice to the verification procedures to be carried out prior to disbursement by the Resolution Fund, a provision was made by that amount for 2019".

According to a notice issued by the Resolution Fund on 4 June 2020, the payment made by the Resolution Fund to Novo Banco in May 2020 of 1,035 million euros, results from the execution of the 2017 agreements, under the process of the sale of the 75% stake of the Resolution Fund in Novo Banco, complying with all the procedures and limits defined therein.

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Banco's decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at 3,890 million euros. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of 3,890 million euros in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of 3,890 million euros".

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that may still be used amounts to 912 million euros.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that "the Resolution Fund has also provided the Budget and Finance Committee, in writing, of all the clarifications on its decision to deduct from the amount calculated under the Contingent Capital Agreement, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco".

Following the payment made in May 2019 by the Resolution Fund to Novo Banco, in compliance with the Contingent Capitalization Agreement, a special audit determined by the Government was conducted. According to a statement issued by the Resolution Fund on September 3, "The information presented by the independent entity that conducted the special audit shows, in particular, that Novo Banco has been operating in a framework strongly marked by the vast legacy of non-productive assets, still generated in the sphere of Banco Espírito Santo, S.A., with the consequent recording of impairments and provisions, but that it has also strengthened its internal procedures. Regarding the exercise of the Resolution Fund's powers under the Contingent Capitalization Agreement, the audit results reflect the adequacy of the principles and criteria adopted".

Non-financial information

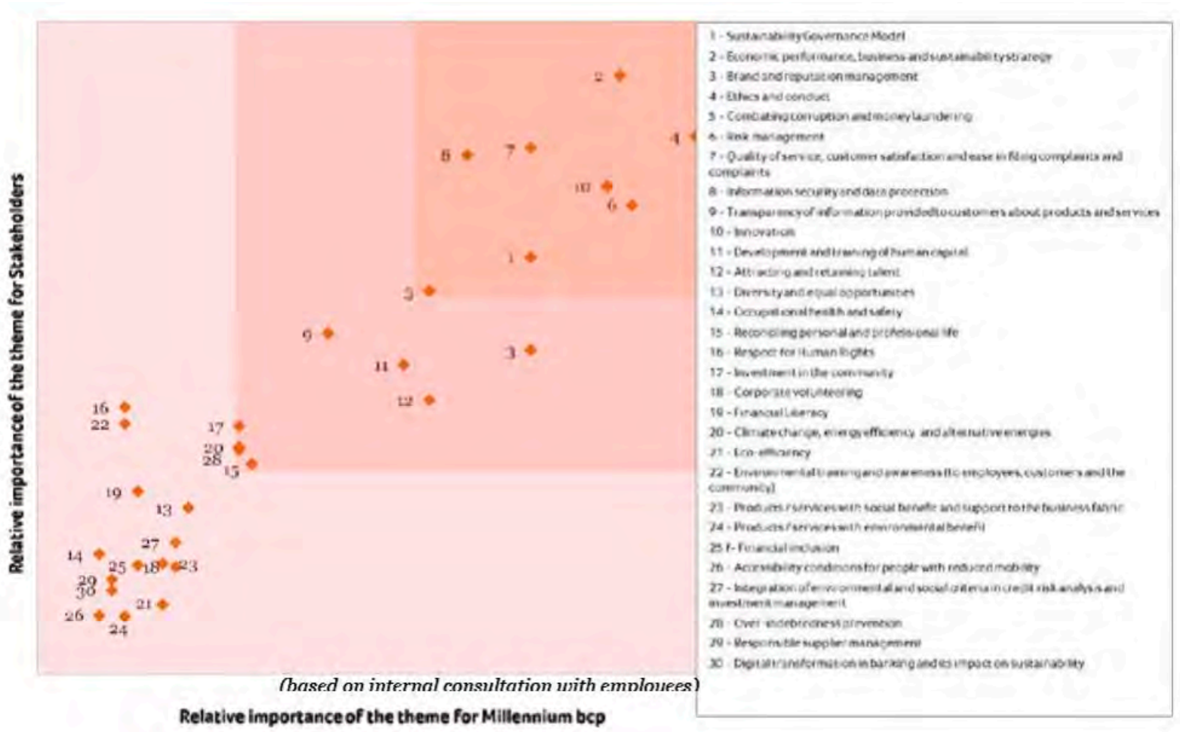
Involvement of Stakeholders

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 themes included in the matrix, that will guide us until 2021, translates the Bank's level of maturity in the activity areas identified as a priority, 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.

Corporate social responsibility increasingly requires the adoption of behaviour and commitments to the communities in which we operate, such as environmental protection, social welfare and the quality of institutional governance. More recently, conscious and fair tax behaviour by companies has been gaining prominence as an integral dimension of corporate social responsibility. Companies are faced with high fiscal burdens (taxes, duties and contributions), which often lead to aggressive tax planning schemes that undermine desired standards of fiscal responsibility.

The payment of a fair amount of taxes by companies has become one of the main challenges of the European Union (EU (2018) Action Plan for Fairer and More Efficient Corporate Taxation in the EU) and the OECD, in the recent BEPS Report - (Base Erosion Profit Shifting) whose actions have focused on controlling and tax avoidance. In this context, the concept of tax governance emerges as a fundamental part of corporate social responsibility, requiring companies to adopt good tax governance practices, such as (i) compliance and timely payment of their tax obligations; (ii) tax risk management; and (iii) good relations with tax authorities, shareholders, investors and other stakeholders.

Good corporate tax responsibility practices involve the promotion of principles such as tax transparency, careful and transparent definition of tax strategies and the disclosure of tax governance practices. Aware of the relevance of this issue, BCP complies with the tax burden to which it is subject, having adopted a policy of fiscal transparency based on the good practice of disclosing the amount of its taxes and contributions, as expressed in notes 6 and 30 of the notes to the accounts.

It is also through this relevant contribution that BCP assumes itself as an institution with a relevant contribution to the development of a more inclusive, fair and sustainable society.

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.

Complying with the principles of the Global Compact, proposed by the United nations, Group BCP commits to support its 10 Principles establishing a set of values in what concerns Human Rights, Labour Conditions, Protection of the Environment and Anti-corruption.

BCP acknowledges the importance of the Sustainable Development Goals (SDGs) of the United Nations. Considering that the accomplishment of its 17 objectives imply a joint effort from the States and private entities, namely from companies, the Bank assumes the commitment of actively working towards a sustainable development, featured by social inclusion and responsibility in terms of environment, in all countries where it operates. It was within this context that the Bank published in 2020 its first follow-up report on the "Contribution of BCP for the SDG of the United Nations".

The strategy of Millennium bcp in terms of Sustainability is translated in the Sustainability Master Plan (SMP), 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 Sustainability Master Plan 2021,that guides the Bank in the implementation of ESG (Environmental, Social and Governance) policies and practices and is an integrating instrument which, through a close, transparent and consequent relation, intends to face the main expectations identified during the regular surveys made to the Bank's main Stakeholders foresees, in its different aspects, the following initiatives and lines of action:

SUSTAINABILITY MASTER PLAN (SMP) 2021

Area	Action
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

Within the scope of the "Think tank on sustainable funding in Portugal", promoted by the Ministries of Environment, Economy and Finances (within the context of the Route to Carbon Neutrality in 2050) that had the participation from the major banks that operate in the market, supervisors and sector associations, two documents were produced: (i) "Guidelines to accelerate sustainable funding in Portugal"; and (ii) ""Engagement Letter for the Sustainable Funding in Portugal" - subscribed by Millennium bcp in 2019 -, targeted at showing the importance of including environmental, social and governance risks in the decision-making and risk management processes in the financial sector.

Still in 2019, the Bank also joined the "Business Mobility Pact for the City of Lisbon", a joint initiative from the Municipality of Lisbon (CML) and, WBCSD - World Business Council for Sustainable Development and from BCSD Portugal, that aggregates in a public voluntary agreement , companies that operate in Lisbon and have as a common goal to improve and transform mobility in the city, making it more sustainable.
In 2020, Millennium bcp also subscribed the "European Green Capital 2020 Commitment", promoted by the Municipality of Lisbon, that joins more than 200 significant entities of the city, companies, schools and institutions, in a commitment towards more climate actions and targeted at sustainability.

Also in 2020, BCP signed the "Statement from Business Leaders for Renewed Global Cooperation",an international statement that aims showing the commitment with an ethical leadership, based on good governance practices, materialised through values, strategy, policies, operations and proximity relations and involvement with all stakeholders.

Millennium bcp also joined the Declaration "Aproveitar a crise para lançar um novo paradigma de desenvolvimento sustentável" promoted by BCSD Portugal, stating its will to contribute for the construction of a development model based on five main pillars: (i) Promotion of growth, (ii) Search for efficiency, (iii) Reinforcement of Resilience, (iv) Corporate Citizenship and (v) Promotion of sustainable and inclusive development.

In Poland, Bank Millennium adopted an Environmental Policy , assuming the commitment to fund environmentally responsible investments, also aimed at reducing the consumption of energy, while foreseeing sector exclusions concerning the financing to new mines of coal and new investments with generation of energy from coal sources, exception made to the initiatives aimed at reducing the levels of pollution.

Partnerships

BCP, aware of the importance of sharing good practices and of an active participation in the pursue of Responsible Business Principles, is an associate and a member of the corporate bodies of BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável.

It is also member of the Global Compact Network Portugal from the United Nations and, within a logic of proximity and support to the surrounding communities, of the Program Oeiras Solidária (POS).

It also participates in a selected number of work groups and discussion forums on Sustainable Finance, a presence that should be understood within the scope of the Action Plan from the European Union, the ongoing alterations in the ruling and regulatory framework and evolution of the risk and business management practices applicable to ESG (Environmental, Social e Governance) issues, in what also represents an opportunity to re-assess impacts, anticipate trends and project future transformations.

This way,it is part of the Work Groups on Sustainable Finance froma (i) APB - Associação Portuguesa de Bancos, (ii) EBF - European Banking Federation, (iii) BCSD Portugal e (iv) AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado.

It is also a member of the (v) Technical Debate Group for Sustainable Financing in Portugal from the Ministry of Environment, (vi) the Technical Sub-Commission on Sustainable Finance ISO/TC 322 da APEE - Associação Portuguesa de Ética Empresarial and from ISO - International Organization for Standardization and (vii) the Task Force on ESG Taxonomy from APB.

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	2020 Annual Report Information on the BCP Group Business Model	Page 10-29 Page 30-44
b) A description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented	2020 Annual Report: Involvement of Stakeholders	Pag. 158-163
c) The outcome of those policies	2020 Annual Report: Value added to each Stakeholder Group Environmental impact	Pag. 165-186 Pag. 187-194
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	2020 Annual Report: Main Risks and Uncertainties Risk Management Value added to each Stakeholder Group	Pag. 108-110 Pag. 111-148 Pag. 165-186
e) Non-financial key performance indicators relevant to its specific activity	2020 Annual Report: Summary of Indicators Main Highlights Value added to each Stakeholder Group	Pag. 10-13 Page 11-13 Pag.165-186
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.	2020 Annual Report: Non-financial Statement 2020 Corporate Governance Report	Pag. 158-194 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 2020, the Bank obtained a profit of 183,0 million Euros, strongly influenced by the social and economic impacts due to the manifestation and spread of the pandemic COVID-19. The results in the domestic and international activities fell down, from 144,8 million Euros to 134,5 milhões de Euros and from 143,8 to 48,5 million euros, respectively. In addition, the results of the international activity translate the continuation of the provisioning for legal risks associated with the portfolio of mortgage loans Swiss francs in Poland. Millennium bcp appears as one of the most efficient banks in the euro area, with cost-to-core income and cost-to-income ratios of 48% (50% including one-off items (and 47% (49% including one-off items), respectively, in 2020. The Return on Equity (ROE) stood at 3.1%

It is important to mention the improvement in asset quality, translated in the decrease in Non-Performing Exposures (NPE) in Portugal to 2.4 billion Euros, as at 31 December 2020, which shows a descent of 10.4 thousand million euros since 31 December 2013. Maintenance of a comfortable level of liquidity, seen in the 85% loan-to-deposit ratio. The capital ratio Common Equity Tier 1, in accordance with the criteria fully implemented, stood at 12.2%.

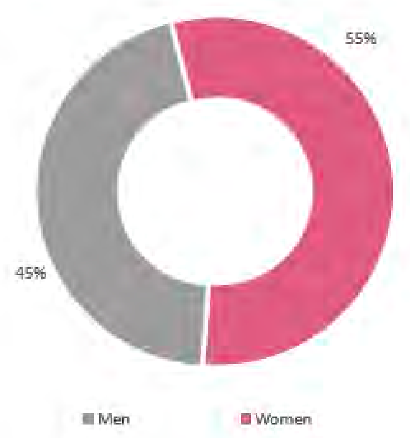
During 2020, the BCP share showed a devaluation of 39,3%, reflecting the uncertainties related with the manifestation, propagation and economic and social impacts of the Covid-19 pandemic. Moreover, it also translated specific factors, namely associated with the Polish operation, such as the uncertainty around the development of the theme of loans granted in foreign currency.

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.

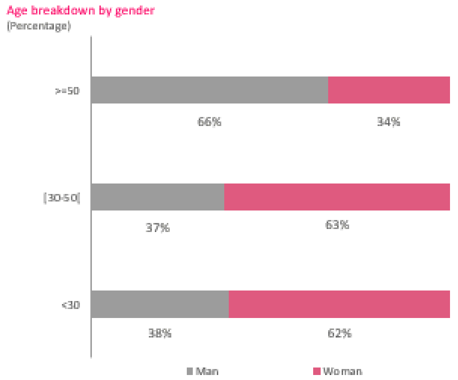
Breakdown by gender
(Percentage)

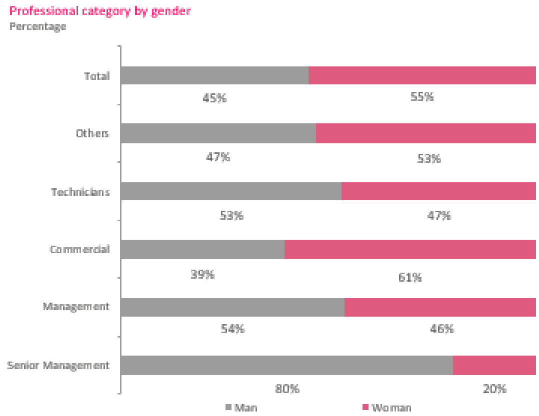


The commitments undertaken by the BCP Group within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies, of which the policies on Human Rights, Equality and Non-Discrimination and Occupational Health and Safety are an example. These policies are available for consultation on the Bank's website, in the Sustainability area

Within the scope of gender diversity in the Board of Directors, in 2020, globally, in BCP, in Portugal, 23.5% of these functions were performed by women.

Within the scope of gender diversity in management functions (Executive Committee/Senior Management and Management) in 2020, globally, 44% of these functions were performed by women – 22% in Portugal, 59% in Poland and 27% in Mozambique. In commercial functions, this figure increases to 61% in the Group, i.e. 48% in Portugal, 75% in Poland and 61% in Mozambique.





Information about the number of employees (not FTE's - Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

In 2020, the Bank, in Portugal, published a revised version of its plan for gender equality, a document that describes a number of specific actions and practices to implement until the end of 2021 in order to foster diversity and inclusion.

Millennium bcp had subscribed in 2019 the "CEO Guide to Human Rights" an initiative from the World Business Council for Sustainable Development (WBCSD) and from the Business Council for Sustainable Development (BCSD, Portugal). The Guide includes the policies and practices of reference and intends to contribute for the implementation and promotion of the human rights in the organization and in their value chains.

Already in 2021, BCP was also included, for the second time, in the Bloomberg Gender-Equality Index, joining to the group of companies that, in the world, stood out in terms of implementation of practices and policies on gender equality, diversity and inclusion.

The presence in this index, that puts together companies from 44 countries is a landmark that shows the Bank's commitment with the development of its Sustainability Plan and the recognition of its commitment on matters related with equality of gender and a clear and transparent non-financial reporting.

In 2020, the processes for the management of People were marked by the prevention and control actions developed in the wake of the COVID-19 pandemic declared by the World Health Organisation (WHO) on 11 March, that led the bank to trigger its Contingency Plan, with two clear objectives: (i) protect people, employees and all the surrounding community; and (ii) keep the Customer service levels.

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

	2020	2019	2018	VAR.% 20/19
NUMBER OF PARTICIPANTS (1)				
In person	18,231	31,043	42,906	-41.3%
E-learning	376,977	311,211	158,845	21.1%
Remotely	61,648	59,592	63,512	3.5%
NUMBER OF HOURS				
In person	128,153	319,236	298,361	-59.9%
E-learning	421,190	343,403	121,634	22.7%
Remotely	136,504	184,544	205,998	-26%
BY EMPLOYEE	40	46	39	-13.2%

(1) The same employee may have attended several training sessions.

In overall terms, in the Group, 3,670 training actions were ministered, corresponding to over 685 hours of training, with an average of 40 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.

In 2020, because of the policies and practices for the management of People, Millennium bcp foi was classified, in Portugal, as one of the best companies to work in the financial sector. This conclusion was reached by Randstad Employer Brand Research, in an annual research that gathers the opinion from the Portuguese active population on which are the most attractive companies to work in, from amongst the 150 largest Portuguese employers.

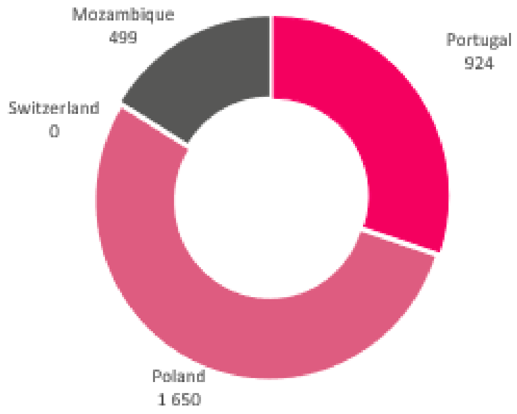
Evaluation and Recognition

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 incentive to the valuing of the employees and the adoption of practices of excellence, Group BCP keeps using a policy of recognition of the individual merit and commitment of each employee, particularly through an incentives system, of a plan for the professional merit valuation and specific distinctions attributed to employees who are excellent in the performance of their functions.

This is the way the Bank found to materialize a policy for recognising merit, valuing the professionalism shown by 3,073 employees in Portugal (1,802 are women and 1,271 are men).

Promotions
(Number of Employees)



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.

Thus, the Bank continued to make, in 2020, the annual survey on the satisfaction with the internal services near the Employees in Portugal, which obtained a global value of 80,6 .i.p, above the one recorded in the previous year (79,8 i.p), being even the best result ever, a fact that, within the pandemic context that we are going through, is particularly appreciated.

The Bank carried out other 26 surveys to Employees, with specific purposes, ones with the objective of improving the operational procedures but, mostly, related with the COVID Contingency Plan, which allowed a close and efficient monitoring and management of issues related with the pandemic (Covid Tests, Vaccination, Disinfectants, the use of masks in Branches, …).

In Poland the value recorded in 2020 was 89 i.p., reflecting an improvement of 2 i.p. compared to 2019 (87 i.p.). In Mozambique, the value recorded in 2020 was 70 i.p. translating a decrease versus the 73 i.p., recorded in 2019 and the 71 i.p. recorded in Switzerland that compare with the 73 i.p recorded in 2019.

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.

Within a context of pandemic, like the one experienced in 2020, one of the main challenges for the different countries where Group BCP operates, was to ensure, with the available scientific information and in articulation with the public authorities, the timely definition and implementation of the measures that, at each ,moment, are considered more appropriate to ensure a safe and healthy working environment for the Employees, Customers and of all that contact with the Bank, an example of which is the almost immediate placement of a significant number of employees in teleworking and the protection measures adopted at Branches.

HEALTH SERVICES (1)

	2020	2019	2018	VAR.% 20/19
MEDICAL SERVICES				
Medical appointments carried out	35,007	26,539	22,507	31,9%
Check-ups carried out	6,487	9,416	9,142	-31,1%
HEALTH INSURANCE				
Individuals involved	46,737	46,311	47,257	0,9%

(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

	2020		2019		2018	
	Amount	Staff Members	Amount	Staff Members	Amount	Staff Members
HOUSING						
Portfolio	529,8	7,940	562,1	8,294	607,7	8,747
Granted in 2018	23,1	217	29,8	281	25,8	304
SOCIAL PURPOSES LOANS						
Portfolio	9,1	2,199	11,1	2,429	9,7	2,548
Granted in 2018	3,2	265	3,9	981	3,5	870

(1) Includes active Employees and retired Employees.

Evolution of Staff Numbers

In 2020, the number of Employees of group BCP decreased 6.7%, (1.250 Employees less) versus 2019, mostly justified by the rationalisation of the operation in Poland due to the purchase of Eurobank in 2019. Around 60% of the Employees of the Group worked in the international business and 40% in Portugal.

EMPLOYEES (1)

	2020	2019	2018	Var. % 20/19
TOTAL IN PORTUGAL	7,013	7,204	7,095	-2,7%
Poland	7,645	8,615	6,270	-11,3%
Switzerland	82	82	77	0,0%
Mozambique	2,591	2,680	2,619	-3,3%
INTERNATIONAL TOTAL	10,318	11,377	8,966	-9,3%
TOTAL FOR THE GROUP	17,331	18,581	16,061	-6,7%

(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 there was a reduction in staff, with less 191 employees versus the previous year. 132 new employees were admitted to service (52% were women) mostly for the performance of technical functions in digital banking (54%) and for and commercial (39%) and 322 employees left the Bank, 73% by mutual agreement and/or retirement plans and 18% by initiative of the employee. Among the Employees who left, 53% worked in the commercial areas and 22% in management functions.

In Poland, the number of Employees decreased about 11% (970 employees less versus 2019) due to the reorganisation of the operation due to the purchase of Eurobank, achieving a number of 7.645 employees, of which 67% are women.

In Mozambique there was also an increase in staff (-3.3% versus 2019), with the engagement of 45 new employees, 56% for the performance of commercial functions. 130 employees left the Bank, 51% of which were allocated to 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.

The Bank assessed over 120,000 experiences of Clients who visited Branches of Millennium bcp or were contacted by Client Managers.

In 2020, 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 65.4 points, 0.5 points than in 2019; the Mass Market segment, that improvement showed an increase of 2.3 points, to 74.1. Regarding the NPS of Business Clients, it also recorded an expansion, improving to 64.3 (62.4 in 2019). Based on these results per segment, the global NPS of Millennium bcp stands at 71.8 points, an indicator that has been recording a positive performance since the process was initiated in 2013, reaching, this year, the highest value ever (69.8 points in 2019).

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, (ii) handling of Claims, (iii) interaction with the Contact Centre, (iv) mortgage loans and (v) the moment when the Account is closed - to be able to assess why the Bank lost those clients, (vi) the use of Internet banking and (vii) the utilization of new Millennium Transactions Machines (MTM). Globally, in 2020, the Clients evaluated more than 215.000 experiences with Millennium.

In 2020, only two of the four actions of the "Mystery Customer" foreseen for the Mass market Branches, took place. The 1st wave was carried out until March, involving 421 visits to branches of Millennium bcp and a global result of 74%. The study was interrupted due to the pandemic and only resumed in October with the carrying out of 432 visits to Branches of Millennium bcp, recording an improvement in the global result of 76%.

To strengthen the competences of the Employees and improve the service provided to the Client, the Bank continued the "Program #1", extending the same to the business segment – a complete diagnosis of the segment was made and a plan of action was defined to be implemented in 2021. In the segments Mass Market and Prestige, the Bank reformulated this program and called it "#1 in the Customer's Heart", and the behavioural training began to be given every quarter, based on modules made by experts.

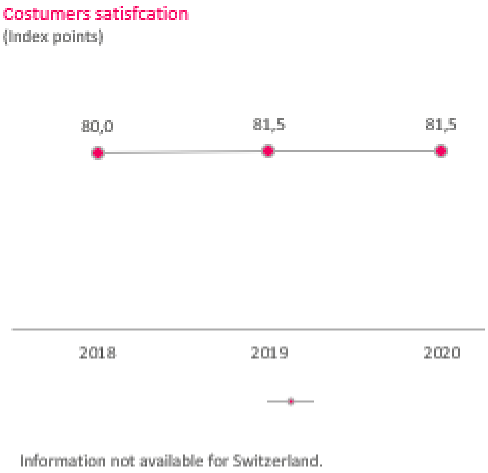
We continued with the project "Momento #1", that intends, in a simple manner through the weekly disclosure of addressed short videos, to transmit practical knowledge on themes with a direct impact on customer servicing.

The remote channels satisfaction levels remained high. An example of this are the 89% of the user clients who replied that they are happy or very happy with the Internet Banking - Companies, of which the 80% of Mobile Banking Companies are an example.

In 2020, Millennium bcp was once again recognised, in the wake of its digital channels, with the awards Global Finance "World's Best Digital Bank Awards", in the categories "Best Consumer Digital Bank in 2020" in Portugal and, "Best Corporate/Institutional Information Security and Fraud Management 2020", in Western Europe. Millennium BCP was also distinguished in "Best Homebanking website" in Portugal, within the scope of the awards "Leitor PC Guia 2020."

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 CSI Banca (Marktest), e BFin (DataE), the BrandScore and the Consumer Choice.

In the international activity, customers' overall satisfaction levels with the Bank remained unchanged at 81.5 index points (p.i.).
Poland, with 89 i.p. of overall satisfaction, saw Internet banking and mobile banking channels reach 95% and 97%, respectively, of positive ratings in 2020.



Claims

In Portugal, the complaints process is monitored by the commercial areas and the Customer Care Centre (CAC). In this operation, the number of complaints increased compared to the previous year, with a total of 44,474, mainly explained by card-related issues, namely the acquisition 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 improve the average response time from 6 to 4 business days.

CLAIMS (Portugal and International

	2020	2019	2018	VAR.% 20/19
CLAIMS RECORDED	172,674	136,562	108,244	26,4%
CLAIMS RESOLVED	160,368	125,891	125,891	27,4%

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 the international activity: i) Poland recorded an increase in the number of claims versus 2019 of around 30%, mostly due to mortgage loans, current accounts and transactions with cards; ii) in Mozambique, the number of claims recorded a decrease of around 10.9%, mostly due to ta less number of various claims.

The average deadline for claims resolution in Poland improved, being now of 6 days and in Mozambique worsened, to 7 days.

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 presence of 13,231 employees in training actions in Portugal 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.

These figures, that show a significant increase if compared with the one recorded in 2019, results from several training actions of which we point out those on the prevention of money laundering and terrorism financing, trade finance and the Code of Conduct. In 2020, the reinforcement of the culture of compliance was one of the priorities of the Bank, either through the normal development of the Training Plan or through programs of proximity communication programs addressed to all areas of the bank, notably of the commercial networks. The “100% Compliance”, the “Compliance A to Z” and the "Culture of Compliance “are the most visible faces of the transformation initiated in 2019 where, through regular actions addressed to all networks of the Bank , it tries to convey information, explain and provide support on the most important aspects to consider in the component of financial crime risk and in all the remaining compliance and regulatory compliance risks, with a simple but informative and formative language. Together with the Communication Division - Sustainability Area - were also developed several communication actions on issues related with the Code of Conduct.

NUMBER OF TRAINING SESSIONS (1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Issues.

	2020	2019	2018	VAR.% 20/19
Activity in Portugal (2)	25,828	5,798	30,300	345,5%
International Activity	28,507	20,733	2,219	37,5%
TOTAL	54,322	26,531	32,519	104,7%

(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 1,925 communications to local Judicial Entities and replies were given to 3,124 requests.

Social and Environmental Products and Services

Group BCP offers a complete and comprehensive range of financial products and services and has been providing an increasing number of products and services that include social principles and of respect for the environment and for the nature, within the scope of the development of its lines of responsible business.

An example of this commitment was the launching, already in 2021, of two new products, the personal loan renewable energies and the personal loan energy efficiency, for the acquisition of equipment for the production of renewable energy and more efficient solutions in terms of energy.

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, meeting the needs and ambitions of a market increasingly related with sustainability.

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 87 new operations, which corresponds to total credit granted of 1,458 thousand euros, and helped to create 158 jobs. The volume of loans granted to the 628 operations in portfolio amounted to 8,563 thousand euros, corresponding to principal of 5,353 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, 6,681 contractual amendments were made during 2020 (3,163 mortgage loans and 3,569 consumer credit), with a restructuring value of 284 million Euros (267 mortgage loans and 17 consumer loans) and comprised 7,280 Clients (3,711 mortgage loans and 3,569 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. 242 accounts with these features were opened, corresponding to a total of 4,834 accounts in the Bank's portfolio.

For students who decided to pursue their academic career, the Bank concluded, in the first six months of 2020, within the University Credit Line, 66 new loans totalling 737 thousand euros. The volume of credit granted to the 370 operations in the portfolio amounted to 2,969 thousand Euros. Within the scope of the Credit Line with Mutual Guarantee, 442 contracts were signed, involving a total credit amount of 5.135 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 43 entrepreneurs to a total of 624,49 thousand Euros; and ii) Invest+ Line which supported 26 entrepreneurs, to a total value of 929.48 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 - 17 operations were carried out, with a total funding of 111 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 1,089 operations, with total funding of 126,415 thousand euros thousand euros.

- Regarding support to companies in the agricultural and/or fisheries sector and through the credit lines with IFAP (Short-term and Medium-Long Term), 154 operations were conducted involving a total financing of 11,238 thousand Euros.

- A credit line - Social Invest - was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2020, the Bank maintained 4 operations in portfolio, with a total value of 75 thousand Euros.

- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 14 operations were financed, up to a total amount of 3,934 thousand Euros.

- The Bank also made available the - Linha Capitalizar Mais/SI Inovação -, 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 139 operations totalling 67,914 million Euros in credit.

- Due to the development of the domestic and international situation originated by COVID-19, Millennium bcp is committed in supporting the families and companies by making available a set of measures aimed at preserving the financial stability of its customers, of which we highlight : i) application of more than 100 thousand moratoriums to families and of 27.436 to companies; ii) Increase of the support given to the economy by means of financings made with guarantees from the EIF in the amount of €429 million. iii) Financing of 18.127 operations in an amount of 2.499 Mio€, under the COVID-19 lines (with the support from the State) through which more than 18.127 companies received aid.

- Within the scope of its Sustainability Policy, Millennium bcp established, within the scope of the campaign for the migration into e-statement, a partnership with AMI - Assistência Médica Internacional, project Ecoética "Vamos todos ser Dinis", with the objective of participating in the reforestation of the Leiria pine forest. Guaranteeing a contribution of 1 Euro per each statement in paper that migrated to its digital version, Millennium bcp was able to deliver a donation of 50 thousand Euros to AMI, an amount that enable to rehabilitate 5 hectares of land affected by the 2017 fires in the Leiria pine forest, where 5 thousand trees were planted.

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.

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, these funds are available through: i) an online platform of Millennium bcp – which marketed 3 environmental funds in the area of energy and sustainable investment , amounting to, on 31 December, a portfolio value above 10,009 thousand euros; and ii) ActivoBank – offering 19 investment funds, of which 7 are ethical funds and 12 are environmental funds, with a total portfolio value above 4,558 thousand euros, representing a growth of 218% versus 2019 (1.434 thousand Euros) and already around 4% of the total of funds under management. On 31 December 2020 these funds had a volume of subscribed participation units of 3.429 thousand Euros, a positive evolution versus the 436 subscribed in 2019;

- In Poland, Bank Millennium also has a solid offer of SRI (Socially Responsible Investing), funds, fundamentally aimed at Customers of the Prestige and Private segments, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change.

Support to the Community

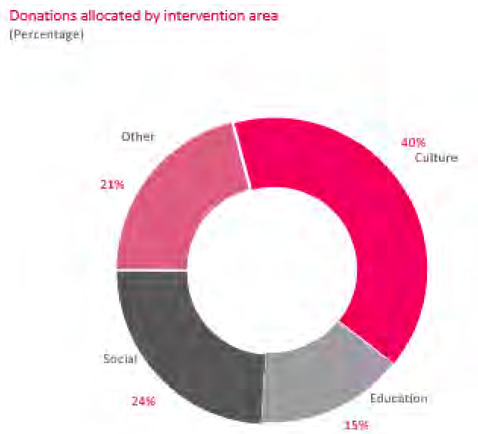
The BCP Group's strategy is the promotion of a culture of social responsibility, developing actions for and with several groups of Stakeholders aiming at, directly and indirectly, contributing to the social development of the countries where it operates. It is in this context of proximity to the community that its policy of social responsibility has developed, giving priority to its intervention on cultural, educational and social initiatives.

Within this context, 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:

- Within the scope of the six-month campaign for the collection of food of the Food Bank, in 2020, since it was impossible to ensure the usual participation of volunteers from Millennium, we participated by resorting to the communication corporate platforms of the Bank , in the national campaign of disclosure and appeal to the solidary participation of our employees, clients and social media followers;
- “Millennium Solidário - Natal 2020”, campaign for the collection of donations, included in the international movement “Giving Tuesday# in favour of Fundação do Gil, of CASA - Centro de Apoio ao Sem Abrigo and Fundação Just a Change.

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 established with Entrajuda , has been maintained. The Bank donated over 1,058 items of IT equipment and furniture to 25 institutions during 2020.
- Pursuant to the termination of PNCB - Plataforma de Negociação Integrada de Crédito, the bank delivered IT equipment and other goods to Associação EPIS, which will deliver the same to schools and social institutions included in the initiative Jovens Especiais, aimed at developing the professional inclusion of young people with special needs.
- Culturally speaking, we must point out the 12th edition of Festival ao Largo, which every year presents on stage, this time at Palácio Nacional da Ajuda, and only with Portuguese artists, 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.
- Support to external solidarity initiatives, namely the project “Vela Sem Limites”, an initiative from Clube Naval de Cascais which enables 60 disabled individuals to regularly practice sailing and many other to have their first sea experience.

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;
- Also with the goal of stimulating saving habits, ActivoBank launched a live streaming video App on its Facebook page, called "Conversas Activo" (also available on Youtube), on issues that contribute for an increased knowledge on themes related with the provision of financial services.
- The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Bank Association), together with several financial institutions and Instituto de Formação Bancária, whose mission is to develop and support initiatives for the promotion of the financial education of all citizens. From the activity developed in 2020, 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 2.000 students from 48 schools throughout the country.

- Millennium bcp participates in an international paper on Financial Inclusion promoted by EFMA - European Financial Management Association (within a partnership estabWavestone and Ecole des Ponts Business School), that was able to gather experiences and good practices from a group of world banks.

In Poland, Bank Millennium continues to carry out a significant number of actions, notably:

- Financial ABCs, a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children In 2020, and since it was impossible to carry out in-person *workshops*, the bank provided nwe digital training contents available at the social networks of Foundation Bank Millennium, such as the "How to teach finance to children – A guidebook for parents", a multimedia content that was able to achieve more than 420.000 views. The program "Financial ABCs" has the high patronage of the Minister of Education and of the ombudsman for children;
- 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;

- Within the scope of education, we must emphasise the attribution, within a pluri-annual partnership with the University of Warsaw and Instituto Camões, of scholarships to the best students in Portuguese Studies.
- Within the scope of culture, was once again attributed, with the support from Bank Millennium, the "Golden Sceptre", an annual award organized by the Polish Foundation for Culture that aims at distinguishing the Polish artists able to stand out in the musical area;
- Bank Millennium was once again 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 online in 2020, and had more than 60.000 tickets sold.

In 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, even under a pandemic context, continued to focus on projects in the area of health, education, culture and community development:

- Clube Empresarial da Gorongosa - Millennium bim started to give 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;

- 'Mais Moçambique pra Mim' - intervention to improve the attendance and internment conditions of Hospital Central de Maputo, notably by means of the purchase of hospital equipment and works to rehabilitate the ward of cardio-respiratory diseases;

- "Millennium bim Solidário" support to the displaced persons of Cabo Delgado – development of several initiatives to support the displaced persons due to terrorist attacks that occurred in the region.From among these, we may point out (i) the launching of a digital campaign – "One Like, One Hope" – which enabled gathering more 20.000 Mzn, an amount donated, in the meantime, to the platform Makobo, for the purchase of food, hygiene material, among other needs from the refugees; (ii) promotion of self-employment within a partnership establsihed with the Chamber of Commerce Portugal Mozambique (CCPM), through the offer of sewing machines, and sewing kits containing several material for the commencing of the activity and (iii) offer of construction material and food, this time within a pertnership establsihed with insurance Company Ímpar, to displaced families resettled in Nanjua, district of Ancuabe.

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 and of promotion of sustainability in the several areas where it intervenes which are Culture, Education/Research and Social Solidarity.

In the development of its activity, the Foundation tried to favour policies and initiatives able to respond to the challenges placed in aspects such as the social, environment and governance, aligning its performance with the main guidelines of the Sustainability Master Plan of Banco Comercial Português, especially in the areas of influence of the Foundation.

In 2020, the Foundation supported a total of 100 projects, of which 57% in the area of Culture, 20% in Knowledge and 24% in Social Solidarity.

In that sense, it provided support to projects oriented towards the development of national museums, the recovery of national architectonic and art heritage and the disclosure of modern art and of new artistic talents.

These contributions are part of the strategic line of action of the Foundation that has been actively seeking to contribute for the safeguard, disclosure, promotion, and enjoyment of the national cultural heritage and for the disclosure and promotion of Portuguese artists.

In the course of the year, a number of actions were carried out that will enable that, from 2021 onwards, a significant effort is made in the disclosure of significant art and archaeological assets of Banco Comercial Português, with the purpose of sharing them with the community.

From amongst them, we may point out the intervention in Museu do Chiado, in MNAC - Gallery Millennium bcp, creating the required conditions to give practical expression to the cooperation protocol signed with the General-Directorate of Cultural Heritage articulating, namely, the Collection with the exhibition projects of the Millennium bcp Gallery.

Also came to an end the preparations for the re-opening of the Archaeological Nucleus of Rua dos Correeiros (ANRC), classified as a National Monument, considering the remains of pre-Roman and Roman times.

After deep renovation works in the museum, which were made throughout the year with a project from the art studio Brükner, the ANRC should re-open in 2021 as a place of excellence for the exhibition and enjoyment of the archaeological, cultural and art assets of the Bank.

In terms of Culture, the Foundation provided support to the following initiatives:

Conservation and Disclosure of the Bank's Art Assets

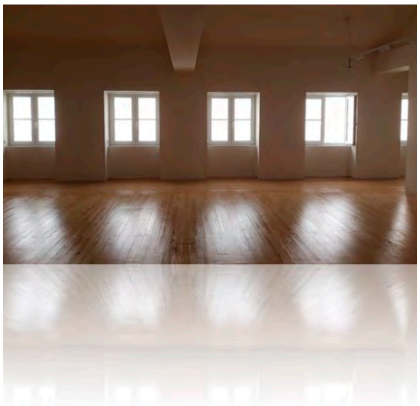
- Continuance of the rehabilitation works of the Archeological Nucleus of Rua dos Correios (NARC), closed for that specific purpose on 1 June 2019; the architecture and design project that is currently being implemented has been developed by the art studio Brükner;
- Within the scope of the project “Shared Art” the Foundation inaugurated, on 26 June, the exhibit “Manuel Amado Pintura sem Alibi” which could be visited until 20 September at Fundação Arpad-Szenes Vieira da Silva, in Lisbon. It welcomed 2.030 visitors;
- Concerning the disclosure of the Bank’s art heritage and its own cultural initiatives, the Foundation maintains 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- Gallery Millennium bcp - , and the museum will remain in charge of programming and curatorship.

Museum Activities

- Museu Nacional de Arte Antiga (MNAA) (Portuguese Museum of Ancient Art) - support to the conservation and restoration of the Saint Vicent panels, in accordance with the Triennial Patronage Protocol to be in force from 2020 to 2022, signed by the Museum, Grupo de Amigos do Museu Nacional de Arte Antiga, the General-Directorate for the Cultural Heritage and Fundação Millennium bcp;
- Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - support to the museum activities;
- Museu Nacional de Arqueologia (Archeology National Museum) - Support for the making of the inventory and upload in the registry of the collection of item found in the archaeological excavations made in the NARC.
- Restoration of Heritage:
- Palácio Nacional da Ajuda: support to the conservation and restoration works of the Throne Room;
- Associação World Monuments Fund Portugal - support to the 3rd stage of the conservation project of the Jerónimos Monastery.
- Church of the parish of São Tiago de Custoias – support for the construction of the organ and restoration of the church's main door.

Other Cultural Initiatives

- A.I.R. 351 - (Art Residences) - project for welcoming national and international artists in Portugal (visual arts) for the establishment of art residences; Since the beginning of its programme, the AiR 351 welcomed more than 32 artists and curators from 18 nationalities;
- Architecture Triennial - 6th edition 2022 - support granted fro the preparation of this 6th edition of this initiative, expected to take place in 2022;
- Church of São Cristóvão (Mouraria-Lisboa) - Restoration of the triumphal arch and of the painting – “Retrato de Cristo por São Lucas”;
- A.I.C.A. - Association of Art Critics – AICA/MC/Millennium awards of Visual Arts and Architecture attributed every year in Portugal to one plastic artist and one architect.



- Publication of a book on the Monastery of Santa Maria de Celas - support granted fro the launching of the book “Santos, Heróis e Monstros” dedicated to the cloister of the abbey;
- Book store Lello - support to an initiative aiming at the development of children literature;
- DSCH – Associação Musical - Festival e Academia Verão Clássico - 2020 Edition - support to the making of the festival and production of the Beethoven album by pelo DSCH - Schostakovich Ensemble; Within the scope of the Academy, the Masterclasses recorded a participation of 200 young musicians, 100 of them Portuguese and 100 coming from more than 20 countries;
- Clube de Lisboa - 4th Conference "A Aceleração das Mudanças Globais" - approaching issues that bring the future to everyday life – Climate Changes, Energy Transitions, technological evolution, growth models, demographic trends and geopolitical challenges.
- Escola Superior de Santarém - support to the course on Digital Literacy for the labour market through the development of an immersion room Escape Room with several learning activities within the scope of employability competences for young people with Development and Intellectual difficulties;
- Associação Internacional de Música da Costa do Estoril - support for the making of the 46th edition of the Festival Estoril Lisboa, of Classical Music;
- Carpe Diem Art and Research - 5th Edition of the Award “Young Art Fundação Millennium bcp” for final-year students of visual arts;
- Associação Portuguesa de Historiadores da Arte (Portuguese Association of Art Historians) – Award APHA / Millennium José Augusto França 2019 - an initiative that intends to distinguish works of excellence in Art History, carried out within the scope of the 2nd and 3rd levels of study of college education in Portugal;
- Municipality of Lisbon - support for the launching of the collection Roman Lisbon / Felicitas Iulia Olisipo;

- BoCA - Biennal of Contemporary Arts - support to the educational program consisting in a group of three activities to be held in three cities at the same time, Lisbon, Almada and Faro;
- “Drawing Room Lisboa 2020”, that, in this 3rd edition, highlighted the Portuguese contemporary design, by means of an in-person edition, together with international galleries, in an online edition. Within the scope of this initiative, the following awards were granted: (i) Award Aquisição Fundação Millennium bcp Talento Emergente, that aids an artist by acquiring his/her work and including the same in Mbcp collection; (ii) Award Projeto Artístico Destacado, that distinguishes an artist of the edition of the current year; (iii) Award Projeto Curatorial Galeria, that distinguishes a curatorial project from a participating gallery .
- Municipality of Lisbon - support to the 12th edition of Festival TODOS – Caminhada de Culturas 2020, an initiative that celebrates, since 2009, Lisbon as an inter cultural city, through the contemporary performing arts;
- SPIRA and Universidade Nova de Lisboa - completion and presentation of the Research “Património Cultural em Portugal (Cultural Heritage in Portugal): Evaluation of the Social and Economic Value”;

In what regards Science and Knowledge:

Scientific Investigation Projects

- Fundação Rui Osório Castro - Prémio Rui Osório de Castro / Millennium bcp - protocol established for the period of 2020 to 2022 aiming at, by means of an award, promoting the development of innovative scientific projects on paediatric oncology, able of encouraging and promote the improvement in health care provided to children with a cancer disease. In February 2020 the award of the 4th edition was delivered to Patrícia Nunes Correia from Instituto de Ciências da Saúde da Universidade Católica Portuguesa;
- Instituto de História da Arte (IHA) da Universidade Nova de Lisboa –Within the scope of the existing protocol established with IHA and the MNAC/Museu do Chiado, attribution of an investigation scholarship in Art History to enable the in-depth study of relevant artists common to the collection Millennium bcp and the one of MNAC/Museu do Chiado, thus contributing for the investigation, disclosure and valuing of art assets;
- Portuguese Olympic Committee - Protocol established for the triennial 2018-2020 with the goal of contributing for the development of investigation in Physical Education in Portugal including the annual attribution of 3 Awards and six Honourable Mentions to the best research projects on Physical Education;
- Instituto de Biologia Molecular e Celular - support to the investigation on Alzheimer's disease;
- 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;

University

- 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;
- A partnership with Millennium bim so as to give scholarships (in several areas) from Universities of Mozambique to young people that evidenced academic merit and lack economic means; In the course of 6 years of cooperation, it was possible to finance 156 students of several courses from 10 universities;
- Junior Achievement: StartUp Programme: (13th edition) this initiative aims to undertake entrepreneurial programmes with college students by creating new micro companies.

Basic Education

- 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.

- 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;
- Fundação Dr. António Cupertino de Miranda - support to the 10th 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;
- Associação Empresários pela Inclusão Social (EPIS) - support to the promotion of initiatives addressed to the creation of work opportunities and social reintegration of persons, families or groups which are under situations of exclusion or of risk of social exclusion.

Concerning Social Solidarity, Fundação Millennium bcp tried to promote relevant projects in social innovation and structuring social programs able of contributing for local development, namely in the assistance to the most vulnerable parts of society.

The extension and depth of the impacts provoked by Covid-19, that led to a quite significant aggravation of the living conditions and isolation of the most fragile populations, gave rise to a special follow-up and support to the projects launched in order to mitigate the effects of this pandemic.

In what regards the Social Solidarity area, the Foundation supported actions from different entities, among which:

- Program GOS – Gestão de Organizações Sociais - this program results from a partnership established between AESE / ENTREAJUDA / CNIS and is intended for the training in management of leaders of entities developing their activities in the social economy sector, exclusively non-profit; trying to provide a response to the training needs in this particular sector; In 2020, this program had 68 participants coming from 58 entities.
- Portuguese Food Bank – support to annual food collection campaigns and reinforcement of the Emergency Network created to cope with the needs emerging due to the Covid-19 pandemic;
- Food Emergency Network - the donation granted by Fundação Millennium bcp enable the purchase of 109.072 kgs of food, representing a total of around 272.679 meals;
- CERCICA - Cooperativa para a Educação e Reabilitação de Cidadãos Inadaptados de Cascais - sport to the launching of the "Line of Assistance for Families" , the purpose of which is to respond to the aggravation of social isolation of individuals with mental disabilities and respective families, due to the Covid-19 pandemic ; The support granted by Fundação Millennium bcp enable the carrying out of 639 follow-ups;
- ASSOCIAÇÃO DIGNITUDE – COVID -19 Emergency Fund - created to support the individuals that, due to the context generated by the pandemic Covid-19, present specific needs in terms of access to health care, aggregating, in a coordinated manner, access to medication and to health products and services;
- 55 MAIS - Project for the upgrade of inactive people aged 55 or more that, through a human and technological platform, connects the needs of citizens with the services provided by individuals aged 55+ years;
- 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.
- EAPN - Projects ACEDER – pursuant to the serious sanitary emergency caused by Covid-19, support was granted for the purchase of protection kits, hygiene and cleaning for the gypsy communities;
- APGES - Global Platform for the Syrian Students - a program for the granting of emergency scholarships to enable students coming from countries at war to pursue their education;

- Project cancer patient at Hospital Central de Maputo - the protocol established supports a project to improve health care for cancer patients in Mozambique. This project contributed to a 53% decrease in mortality in patients in an early stage of breast cancer;
- Critical Concrete - attribution of a scholarship for the program “Sustainable Architecture Programme”, an educational program of post-graduation studies, with the duration of 1 year, in the fields of sustainable construction, participative design and inclusive town planing;
- Association Help to Newly Born Babies (baby Bank) – support to the project “Ser mais família” that comprises home support to newly born babies with disabilities or under social risk;
- Fundação do GIL - support to the project Paediatric Home Support that, within a partnership established with 5 hospitals, monitors children with chronic diseases at their homes, thus avoiding unnecessary visits to the hospital, through monitoring and use of therapeutics at home and the provision of a psychosocial, emotional and spiritual support;
- AMEC | Metropolitana - attribution of a Social Support Scholarship for the course of orchestra direction. In addition, this institution also received, to be used in scholarships of social support, the amount which hade been donated to Fundação Millennium bcp by Banco Comercial Português, S.A. Concerning the award attributed by Fósun to the Direct Banking Division and to the Digital Transformation Office of that Bank at the Global Conference carried out in Shanghai;
- Portuguese Large Families Association (APFN) - support to the "Observatory of Family Responsible Municipalities" with the goal of raising awareness, rewarding and publicising municipalities that adopt family responsible measures.

Reference, given the role played by Fundação Millennium bcp in the promotion of culture, to the recognition by APOM – Associação Portuguesa de Museologia (Portuguese Association of Museums) that, in the edition of the Awards APOM 2020, distinguished, for the second time (the previous one was in 2018) Fundação Millennium bcp as one of the winners in the Category Patronage.

Social aid within a pandemic context

The year of 2020 will remain undoubtedly marked by the COVID-19 pandemic. In just a few months, the new coronavirus SARS-CoV-2 introduced radical changes in our way of living and in our way of work. In companies, the pandemic was a real stress test to management ability, particularly in what concerns Management of People, within a context featured by significant uncertainties.

Since the financial services are crucial for the normal functioning of societies, of companies and of people, Millennium bcp continued to function as usual even during the State of Emergency, in force from 19 March to 30 April. The Bank confirmed its capacity to adjust to unexpected challenges and, rapidly, adapted the way it operates. Even before the first confirmed case of COVID-19 in Portugal, Millennium bcp activated the Contingency Plan foreseen in the Business Continuity Plan, with two clear and prime objectives:

- Protect the health of people - Employees, Customers and of all contacting with Millennium bcp;
- and ensure the continuance of a service of quality in line with the Customer’s expectations.

The swift definition and implementation of measures and the strong focus on the direct communication with the Employees, enabled Millennium bcp to protect People and Business and, in spite of the required physical distance, we remained close and stood by those who needed us, internally and externally.

Thus, Millennium bcp was a front-line player in the emergency response to the pandemic caused by Covid-19. The following initiatives stood out in Portugal and in the other countries where the Bank operates:

- Measures to support families and companies, totally amounting, in Portugal, to 4,7 billion euros;
- Participation in the campaign "Unidos pela Sobrevivência" (United for Survival), for the purchase of clinical means to fight against COVID-19;
- Actions to support the Portuguese National Health Service (SNS), like the construction of the Contingency Structure of Lisbon, reconversion of Hospital Curry Cabral and donation of 100 ventilators through APB;
- Contribution within the scope of the initiative from the EU - international donor's conference - and part of the Portuguese effort for the research and development of a vaccine for COVID-19;
- Fundação Millennium bcp support the Food Emergency Network of the Food Bank, increasing its annual contribution;
- Clube Millennium bcp supports social institutions by donating individual protection equipment;
- Associação Dignitude – support to the project Abem: emergency COVID-19 - created to support the individuals that, due to the context generated by the pandemic COVID-19, present specific needs in terms of access to health care, aggregating, in a coordinated manner, access to medication and to health products and services;
- Payment in advance of invoices to Suppliers, particular SME, from 30 days to 1 week.
- Millennium bcp was also part of the movement Portugal #EntraEmCena, that joins artists, public and private companies, in the support to Culture.
- In Poland, Bank Millennium attributed an aid in the amount of 5000.000 PLN to the academy of sciences for the development of the first local COVID-19 test;
- In Mozambique, Millennium bim gave up from celebrating its 25 the anniversary and donated the respective amount to Hospital Central de Maputo.

Suppliers

At the BCP Group, the process for selecting suppliers mainly obeys criteria of global competence of the company, functionality, quality and flexibility of the specific solutions to acquire and continuous capacity of providing the service. In all the Group's operations, it is given preference to purchasing from Suppliers of the respective country, registering 92.2% 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 2020, suppliers were subject to continuous monitoring, 489 suppliers were evaluated in 2020, with an average rating of 4.32.

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.

Already in 2020, in Portugal, the Bank revised the Suppliers Sustainability Guidelines, which are now part of all the contracts for the purchase of goods and provision of services signed by Millennium bcp. This document includes aspects such as compliance with the law, environmental and labour good practices, but also human rights and the application of these principles in the contracting of third parties.

Environmental Impact

Climate Approach

The climate approach of Group BCP is based upon the promotion of a culture of environmental responsibility, involving commitments, measures and investment in themes related with climate changes, energy efficiency and environmental performance of its operations.

Currently, and at an environmental level, there are several tools, commitments, and indexes with which BCP agrees and commits to observe:

In 2020, BCP got the award **A-** in CDP Climate Change.

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.

In terms of ownership of the initiatives in terms of environment and of the SMP, the Sustainability Commission has been monitoring the implementation of this plan, being the Executive Committee and the CEO in charge of the sustainability strategy, the Risk Commission defines a global framework for risk management (including sustainability risks) and, finally, the Sustainability area implements, promotes and monitors the SMP actions.

Sustainable Operations

The Bank regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency regarding its main consumption of resources. The year 2020 was an atypical year, marked by the effects of the pandemic COVID-19 and its economic, social, and environmental impacts.

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 objectives of the environmental policy implemented in all the operations of BCP.

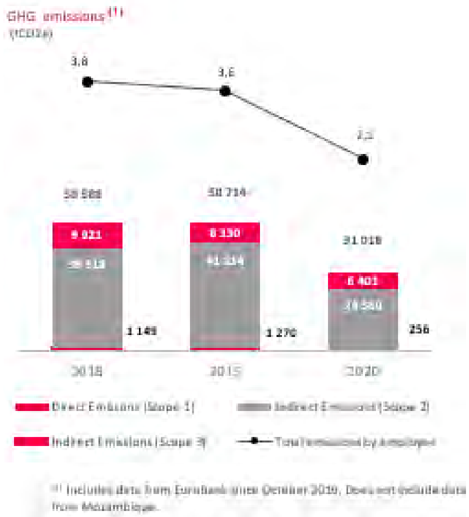
The environmental performance of the group was suffered the impact of the pandemic in 2020, with the major percentage of its employees working from home, together with the under-utilization of the Bank's premises. Consequently, there were significant reduction in the consumption of energy, materials, water and waste. These improvements resulted not only in a reduction of the environmental impact of the Bank's operations, but also in a significant reduction of the associated costs.

In 2020, apart from the monitoring of the environmental indicators, BCP has reinforced its action in terms of assessment of risks related with climate changes and the incorporation of, standards, policies and of defined procedures in order to ensure the Bank's ongoing activity in case of natural disasters able of discontinuing it. These themes are under the supervision of the Sustainability Commission and of the Risk Office (ROFF). The Bank also continued to manage indirect environmental risks, during the credit and project finance evaluation and granting process and carries out environmental impact studies, in accordance with the applicable legislation in effect.

De-carbonozation

Within the scope of the commitment of adjusting to climate changes, BCP estimates the Group's carbon footprint to be able to contribute to reduce the emissions of Greenhouse Gas Emissions (GEE).

In 2020, the data from Mozambique were accounted and the downward trend in the emissions of GEE associated with the Group's banking activities continues to be a fact. If one compares with previous years, there was a decrease of approximately 40% versus 2019, due to the pandemic effect of minimisation of the use of offices and of travels and due to the ongoing implementation of several energy efficiency measures in the several countries where the Bank



Reduction of the emission of GHE (Greenhouse Gas Emissions) in the last 5 years

45%

Globally, and without considering the data on Mozambique, for a comparability issue, the emissions associated with the consumption of fuel (scope 1) recorded a 23% reduction versus 2019, with emphasis on the emissions associated with the consumption of natural gas. Regarding the emission associated with the consumption of electricity, there was a reduction of 41% versus 2019. In emissions associated to service mobility (scope 3), they decreased by around 80%, imputable mainly to the drastic reduction in employee's travels.

In line with the Master Sustainability Plan (MSP), the Bank is committed in enlarging the estimation of scope 3, both upstream and downstream of the Group's activity.

Concerning domestic activity (Portugal), Millennium bcp recorded a 35% reduction in its greenhouse gas emissions versus 2019, largely exceeding the pre-defined goal (-5%). Direct emissions decreased 41% year-on-year, due to the decrease in the consumption of fuel, particularly of natural gas.

The indirect emissions associated with the consumption of electricity decreased 26% due to the reduction of electricity coming from the public grid versus the previous year while the indirect emissions associated with mobility (scope 3) also recorded significant reductions, of around 96%, due to the reduced number of employee's travels made in 2020.

MAIN INITIATIVES AND DE-CARBONISATION HIGHLIGHTS

Installation of LED lighting

In 2021, all the electricity used by Millennium bcp in its premises in Portugal will be 100% green, through a mix of energy produced at the bank's photovoltaic solar energy plant and energy acquired with a renewable origin energy certificate.

In 2020, **trees were planted** in the region of Leiria. In a partnership established with Assistência Médica Internacional (AMI) five hectares of pine forest destroyed in the 2017 fires were rehabilitated, with the use of a total amount of 50 thousand obtained via de commitment of donating one euro per each client that subscribes to the e-statement instead of the paper one. This campaign enabled not only to reduce the emissions by means of the reduction in the use of paper but also through the carbon storage made by the planted trees.

Millennium BCP **compensated the emissions of GHE associated with an internal event**, which accounted 67,0 tCO2e, through the certified forestation of an area in Portugal. This event was held in Pavillion Carlos Lopes (Parque Eduardo VII), in February 2020, with the presence of 1.560 employees.

Bank Millennium was the bank with the best score in the ranking "Climate Leaders Poland 2021" published by the magazine Forbes, occupying the 2nd place among all the Polish companies in the list of reduction of greenhouse gas emissions.

Within the scope of the Mobility pact for the City of Lisbon, Millennium bcp committed to de-carbonise its car fleet in accordance with the following targets: 30% until 2025 and 80% until 2030. Concerning the **"Commitment Lisbon European Green Capital 2020"** the same was continued in 2020.

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 Car-bon Neutrality until 2050.

Mobility

- There was a reduction in the consumption of fuel in Poland due to the **replacement of cars with traditional engines by hybrid ones,** that took place in the period comprised between 2017 and 2020 and due to the pandemic and the **employee's teleworking.** In Poland, the use of bikes is encouraged and the infrastructures for bikes were expanded (bike parking and additional showers).

- In Portugal, by the end of 2020 there were 19 electric/hybrid cars, comparing with the 9 that existed in the end of 2019. To accelerate this process, the Bank adopted the following measures: substantially increased the number of cars available for selection by the employees, 22 in 76 (corresponding to 29% of the total), when, by the end of 2019 they were 7 in 75 (9,3% of the total); and installed 4 double charging posts in Taguspark.

Energy efficiency

As mentioned above, BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency regarding its main consumption of resources (excluding the consumption of the eco-generation plant and premises with data centres in Portugal). In 2020 the Bank resumed the estimation of the consumption of energy in Mozambique and therefore, analysis are carried out including this country, or not, for comparability reasons.

In 2021, all the electricity used by Millennium bcp in its premises in Portugal will be **100% green**

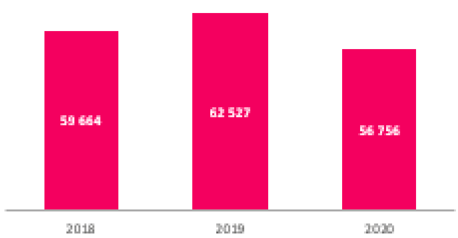
Reduction in the total consumption of ENERGY in the last 5 years

45%

The Bank recorded again a year of improvement in the eco-efficiency levels due to the minimisation of the use of the Group's infrastructures due to the pandemic in 2020 and of the optimization of the thermal power stations, installation of the photovoltaic plant, the ongoing investment in the optimization of procedures, focusing on dematerialization and on the alteration of the daily behaviour of the Employees regarding the rational use of resources.The Bank's consumption of energy is mostly of indirect origin (electricity and thermal energy) and meets 69% of the Bank's energy needs In 2020, the Bank continued to reduce its consumption of direct and indirect energy, both falling around 30% versus 2019, (concerning the same scope - without Mozambique)
Concerning the domestic activity, BCP in Portugal reduced all types of energy consumption by 25% in total, and succeeded in attaining its annual target (-4%). The electricity from the public grid recorded a reduction of 13% versus 2019.

Electricity consumption [2]

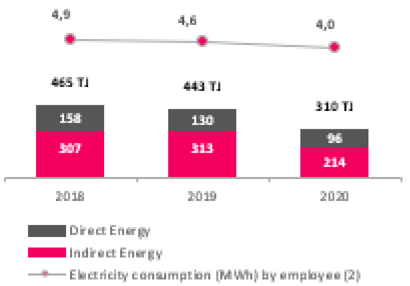
(MWh)



[2] Excludes data from the cogeneration plant and data center in Portugal and exludes data from Mozambique.

Total energy consumption - GRI 302-1 [3]

(TJ and MWh/employee)



[3] Includes consumption of cogeneration plant in Portugal. Exludes data center in Portugal and data from Mozambique.

MAIN INITIATIVES AND ENERGY EFFICIENCY HIGHLIGHTS

Installation of LED lighting in Taguspark

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.

The solar energy plant continues to operate: In 2020, the plant in Taguspark, with 1 MW of power, enabled generating 539 MWh of energy for self-consumption, cutting CO_2 emissions by 194 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.

Adjustments to the lighting and heating systems in Poland:

In all Branches, the external bank logos with traditional LED light were replaced and a lighting timer was introduced. In 2020, were installed LED bulbs in 4 Branches, contributing for a total of 117 branches with LED lighting. At the registered office 1,200 traditional light bulbs were replaced by LED technology, leading to a 54% reduction in energy consumption;

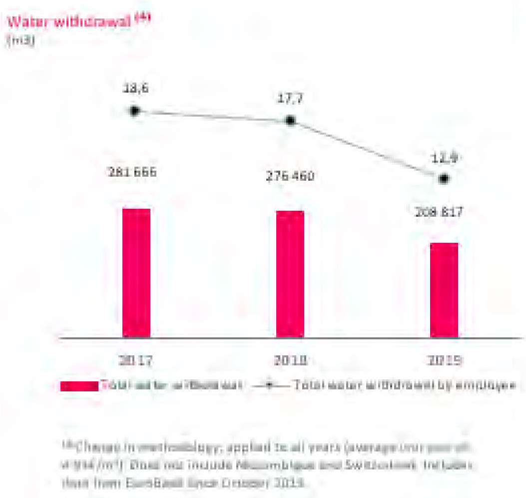
Due to changes in opening hours imposed by the pandemic, the consumption associated with lighting and functioning of the branches, decreased. In the registered office, the office lighting hours, of functioning of the ventilation devices, and air-conditioning and the changes in the configurations of temperature in the individual areas were changed.

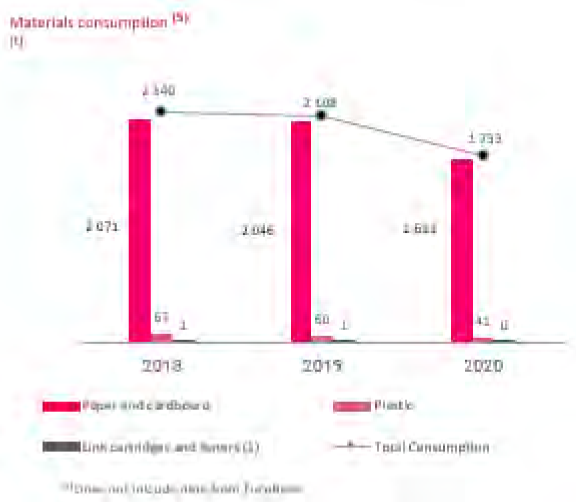
The Branches with the highest consumption of energy are examined and the recommendations for the building management companies are implemented.

The action of **communication and awareness** "push yourself, not the button "encouraged the employees in Poland to use the stairs instead of the elevators, with benefits not only in terms of energy saving but also in the well-being and health of the employees.

Management of resources (water, materials and waste)

In 2020, globally, the total water withdrawal in Group BCP fell approximately 24%, considering the same scope than last year. In Portugal, total water consumption was 115.426 m3, 37% down, which enabled the Bank to comply with the annual goal (-2% of water consumption).





Overall, BCP recorded a 18% reduction in the consumption of its main supplies (paper and cardboard, plastic, and toners and cartridges), thus maintaining the trend of previous years because of process optimization measures.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in overall terms, fell by 17% in relation to 2019, as a result of the dematerialisation initiatives that are being implemented in all the countries where the Bank operates. Ink and toner cartridges also showed a significant reduction of 64% due to measures adopted to decrease printed documents and promote scanning.

In Portugal, in 2020, the reduction in materials continued - 33% versus 2019 - and it was possible to reach the defined annual target (-2% in materials consumption). We must point out that the A4 and A3 paper brand used by the Bank has an Eco-label certificate of the European Union which certifies that the paper manufacturing process is environmentally sound.

MAIN INITIATIVES AND RESOURCES MANAGEMENT HIGHLIGHTS

Green IT Programme: Reduction in local printing, giving preference to digital tools in the development of software

The Bank pursued the "GO P@perless" project which focuses on the dematerialisation of operations to innovate and opti-mise processes, using solutions of electronic production and signing of documents. During 2020 the Bank was able to save 3.317.687 prints of cashier transactions, corresponding to 28% less prints made using the Branch's equipment if compared with 2019, resulting in a monthly savings of 552.948 prints.

Aiming at decreasing the CO2, emissions in the course of the second half-year, although atypical due to the COVID-19 pan-demic, with the consequent adjustment to new circumstances, in what regards the productivity and cooperation tools MS Teams and Skype, the Bank recorded a value above 179.109 in what concerns the number of meeting sessions, 4.942.843 instant messages sessions, 1.002.752 audio sessions and 293.026 video sessions. These results enable the Bank to pursue a culture of sustainable consumption habits, to the extent strictly required for functional needs, reducing costs and waste and optimising the resources consumed.

Clients who subscribed to the e-statement in 2020: 91% of accounts in Portugal; 73% of clients in Poland; 317,308 accounts in Mozambique (24%); and 96% of clients in Switzerland.

To reduce the use and circulation of paper, at the beginning of June, an E-Statement campaign was launched, in an associa-tion with the project of AMI – Assistência Médica Internacional, of re-foresting the Leiria pin-tree forest, named “Vamos todos ser Dinis”. The success of this campaign, which lasted until the end of September, enabled to deliver to AMI a dona-tion amounting to 50.000 euros, an amount that enabled to re-forest 5 hectares of the Leiria pine-tree forest, partially devastated by the 2017 fires. It is estimated that the number of subscriptions to the e-statement due to this campaign will enable to save around 1 million of sheets of paper per year.

Program Kaizen which promotes, daily, a set of practices 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. During the year 245 improvement initiatives were implemented, of which 9% represent savings in consumer goods amounting to 2.979€ (ex. paper, prints, internal mail seals, among other), and recovery of non-charged fees of around 120,000€.

In **Mozambique,** transactions made at cashier only print the customer’s slip and the copies for internal archive are digital. At the level of account opening, all the procedures are totally digital and there isn't any physical circulation /archive of any document.

In **Switzerland**, some of the measures put into place in 2020 include: automated lighting outside working hours, promotion of an internal message to print only the required documents and encouragement for the use of video conferences. It was also created, in 2020, the work group called “The Green Team”, to promote awareness in sustainability themes. This group writes an internal monthly newsletter on the theme and expects, in the future, to be able to organize events to increase sustainability awareness.

In **Poland**, several measures for the management of resources were implemented. Among them, we may point out the following:

- In 2020, the investment in14 buildings came to an end, consisting in the installation of special taps that optimise the water flow. This investment will enable to save from 15% to 25E in water consumption.

- In 2020, to reduce the consumption of plastic, the disposable plastic cups were replaced by environment friendly paper cups (they do not have plastic, are 100% biodegradable and used twice and later turned into organic compound).

- paper waste and documents previously stored are destroyed in industrial machines and 100% recycled.

- Donation of 300 computers to schools, community centres and underprivileged social groups in Poland. This initiative, besides contributing for the re-utilization of equipment, contributes to support the educational and financial needs of numerous families.

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.

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
Interest and similar income	1,805,583	1,991,445
Interest expense and similar charges	(272,408)	(442,917)
NET INTEREST INCOME	1,533,175	1,548,528
Dividends from equity instruments	4,775	798
Net fees and commissions income	702,656	703,497
Net gains / (losses) from financial operations at fair value through profit or loss	(9,561)	4,837
Net gains / (losses) from foreign exchange	92,144	69,391
Net gains / (losses) from hedge accounting operations	(2,322)	(5,682)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(27,551)	(24,909)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	100,063	99,676
Net gains / (losses) from insurance activity	10,524	11,752
Other operating income / (losses)	(159,820)	(144,400)
TOTAL OPERATING INCOME	2,244,083	2,263,488
Staff costs	646,700	668,232
Other administrative costs	335,495	376,455
Amortisations and depreciations	137,149	124,785
TOTAL OPERATING EXPENSES	1,119,344	1,169,472
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,124,739	1,094,016
Impairment for financial assets at amortised cost	(513,412)	(390,308)
Impairment for financial assets at fair value through other comprehensive income	(10,360)	2,180
Impairment for other assets	(79,173)	(96,034)
Other provisions	(238,292)	(57,484)
NET OPERATING INCOME	283,502	552,370
Share of profit of associates under the equity method	67,695	42,989
Gains / (losses) arising from sales of subsidiaries and other assets	(6,188)	31,907
NET INCOME BEFORE INCOME TAXES	345,009	627,266
Income taxes		
Current	(113,317)	(100,908)
Deferred	(23,327)	(138,370)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	208,365	387,988
Income arising from discontinued or discontinuing operations	—	13,412
NET INCOME AFTER INCOME TAXES	208,365	401,400
Net income for the year attributable to:		
Bank's Shareholders	183,012	302,003
Non-controlling interests	25,353	99,397
NET INCOME FOR THE YEAR	208,365	401,400
Earnings per share (in Euros)		
Basic	0.010	0.018
Diluted	0.010	0.018

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
ASSETS		
Cash and deposits at Central Banks	5,303,864	5,166,551
Loans and advances to credit institutions repayable on demand	262,395	320,857
Financial assets at amortised cost		
Loans and advances to credit institutions	1,015,087	892,995
Loans and advances to customers	52,120,815	49,847,829
Debt securities	6,234,545	3,185,876
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,031,201	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	1,405,513
Financial assets designated at fair value through profit or loss	—	31,496
Financial assets at fair value through other comprehensive income	12,140,392	13,216,701
Assets with repurchase agreement	—	—
Hedging derivatives	91,249	45,141
Investments in associated companies	434,959	400,391
Non-current assets held for sale	1,026,481	1,279,841
Investment property	7,909	13,291
Other tangible assets	640,825	729,442
Goodwill and intangible assets	245,954	242,630
Current tax assets	11,676	26,738
Deferred tax assets	2,633,790	2,720,648
Other assets	1,296,812	1,239,134
TOTAL ASSETS	85,813,421	81,643,408
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	8,898,759	6,366,958
Resources from customers	63,000,829	59,127,005
Non subordinated debt securities issued	1,388,849	1,594,724
Subordinated debt	1,405,172	1,577,706
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	278,851	343,933
Financial liabilities at fair value through profit or loss	1,599,405	3,201,309
Hedging derivatives	285,766	229,923
Provisions	443,799	345,312
Current tax liabilities	14,827	21,990
Deferred tax liabilities	7,242	11,069
Other liabilities	1,103,652	1,442,225
TOTAL LIABILITIES	78,427,151	74,262,154
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	254,464	240,535
Treasury shares	(40)	(102)
Reserves and retained earnings	642,397	435,823
Net income for the year attributable to Bank's Shareholders	183,012	302,003
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,221,304	6,119,730
Non-controlling interests	1,164,966	1,261,524
TOTAL EQUITY	7,386,270	7,381,254
TOTAL LIABILITIES AND EQUITY	85,813,421	81,643,408

Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the aforementioned guidelines, in addition to the alternative performance measures, detailed below, additional information is presented throughout this document, in the respective chapters, that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

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

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

Euro million

	31 Dec. 20	31 Dec. 19	31 Dec. 18
Loans to customers (net) (1)	54,073	52,275	48,123
Balance sheet customer funds (2)	64,764	62,607	56,585
(1) / (2)	**83.5%**	**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

	2020	2019	2018
Net income (1)	183	302	301
Non-controlling interests (2)	25	99	118
Average total assets (3)	84,859	79,590	73,419
[(1) + (2), annualised] / (3)	**0.2%**	**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

	2020	2019	2018
Net income (1)	183	302	301
Average equity (2)	5,840	5,970	5,753
[(1), annualised] / (2)	**3.1%**	**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

	2020	2019	2018
Operating costs (1)	1,119	1,166	1,024
of which: specific items (2)	46	66	29
Net operating revenues (3)*	2,306	2,336	2,184
[(1) - (2)] / (3)	**46.5%**	**47.1%**	**45.6%**

* Excludes the specific items, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary (1 million euros in 2019 and an immaterial amount in 2020).

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

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

Euro million

	2020	2019	2018
Loans to customers at amortised cost, before impairment (1)	55,766	54,352	50,724
Loan impairment charges (net of recoveries) (2)	510	390	465
[(2), annualised] / (1)	**91**	**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. 20	31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)	3,295	4,206	5,547
Loans to customers (gross) (2)	56,146	54,724	51,032
(1) / (2)	**5.9%**	**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. 20	31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)	3,295	4,206	5,547
Loans impairments (balance sheet) (2)	2,073	2,449	2,909
(2) / (1)	**62.9%**	**58.2%**	**52.4%**

Application of Results

Taking into consideration:

A. The provisions of the law and of the articles of association concerning the legal reserve;

B. The dividends policy of Banco Comercial Português (BCP);

C. The communication from the European Central Bank (ECB/2020/62), issued on 15 December 2020, recommending, at least until 30 September 2021, the adoption of extreme prudence in the management of capital and containment on the appropriation of profit during the COVID -19 pandemic crisis;

D. That according to the management report and financial statements to be submitted for the approval of the Shareholders, Banco Comercial Português recorded in 2020, a consolidated net income of € 183,011,563.28.

The Board of Directors, reiterating its determination to, once this crisis is over, and in the extent that the Bank's standing and the domestic economy so allow, if it considers that the conditions are reunite to proceed with the remuneration of Shareholders, will call a general Meeting of Shareholders in the last quarter of 2021, to resume the application of the approved Dividends Policy, despite the extraordinary situation that characterized the years 2020/2021,

Proposes:

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) of the Companies Code, and article 54 of the Bank's articles of association, we propose the following application of year-end results amounting to 50.633.022,23:

a) For the reinforcement of legal reserve, € 5,063,302.23;

b) The remaining, in the minimum amount of € 45,569,720.00, to Retained Earnings.

Lisbon, 26 April 2021

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.

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

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

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

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

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

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

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

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

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