

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 Investimento Imobiliário, S.A. approved the merger project of Banco de Investimento Imobiliário, S.A., a subsidiary fully owned by Banco Comercial Português, S.A., by incorporation into the latter, and the process was concluded on 30 December 2019, after the signing of the merger deed and its registration with the Commercial Registry Office. 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 income¹ 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

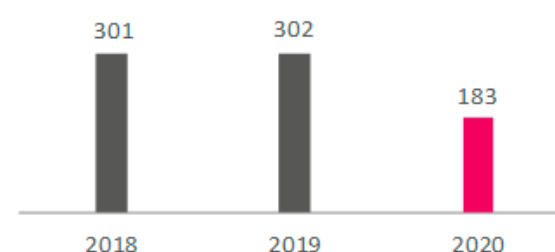
magnitude as those recognised in the previous year and also by the higher costs with mandatory contributions incurred by Portugal and by the subsidiary in Poland. Although with a lower impact, net interest income was also lower than the amount achieved in 2019, essentially reflecting the context of falling 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 Planfipa 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.

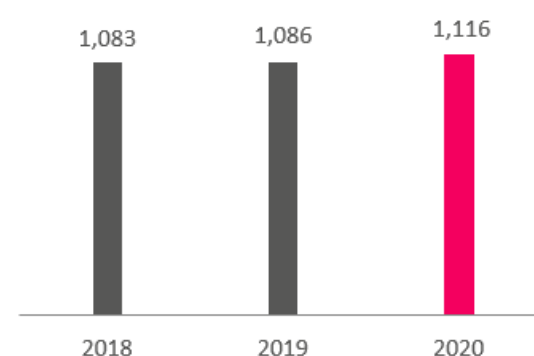
NET INCOME

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				Total	2019	2018
	1st quarter	2nd quarter	3rd quarter	4th quarter			
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 Portugal², 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.

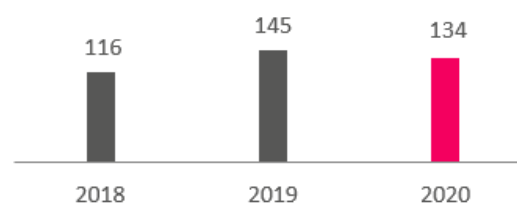
On the other hand, the evolution of net income in the activity in Portugal benefited from the performance of equity accounted earnings, which grew 44.0% over the previous year, net interest income which grew 2.1% and net trading income which, notwithstanding the negative impact of the revaluation of 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

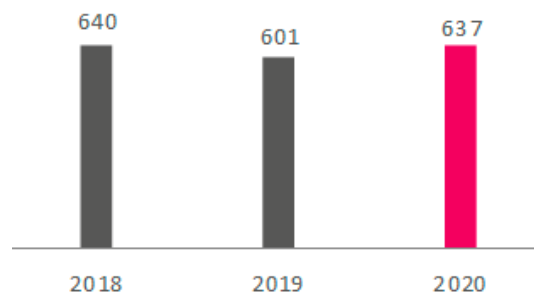
Million euros



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.

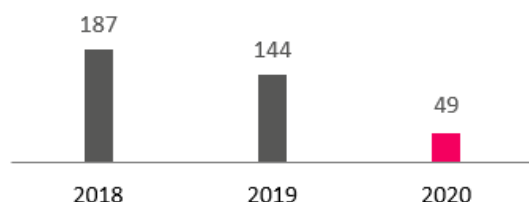
² Does not consider income arising from operations accounted as discontinued operations, amounting to 13 million Euros, recorded in 2019.

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.

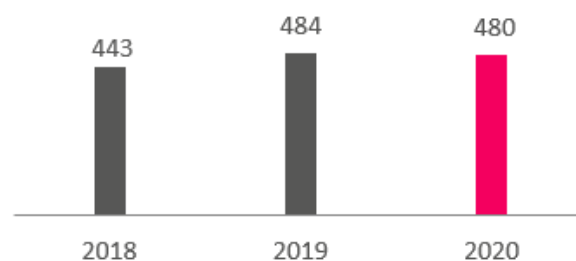
Millennium bim in Mozambique posted a result of 67 million Euros in 2020, 32.8% below the 99 million Euros achieved in the previous year, reflecting not only the effects of the normalisation of interest rates and the COVID-19 pandemic, but also the depreciation of the metical against the euro. The evolution 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

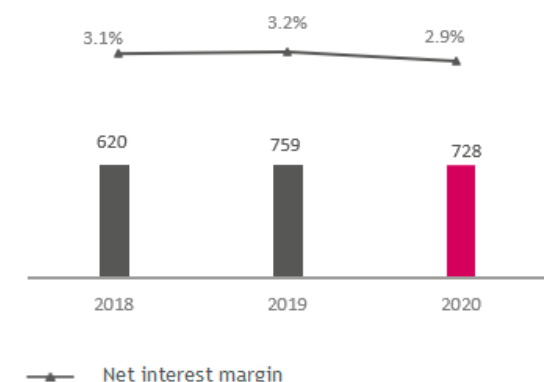
Million euros



NET INTEREST INCOME

International activity

Million euros



AVERAGE BALANCES

	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 income³, 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%

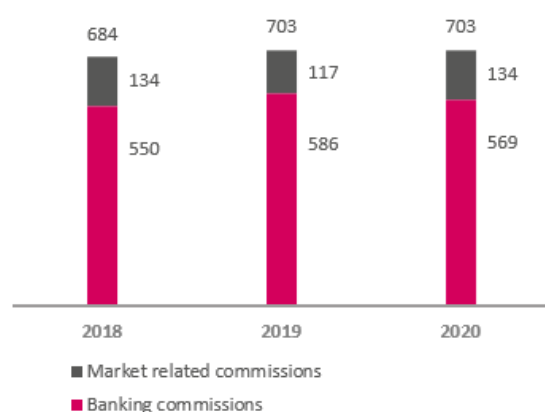
Net commissions, which include commissions related to banking business and commissions more directly related to financial markets, remained in line with the amount recorded in 2019, amounting, in consolidated terms, to 703 million Euros in 2020. It should be noted that, despite the negative impacts caused 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.

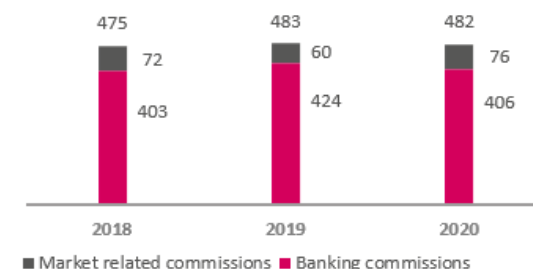
Management and account maintenance commissions, despite the negative impacts of the current context, posted a growth of 7 million Euros, explained by the strong dynamics of new customer acquisition and the change in the commercial policy implemented in 2019. It should be noted that this growth occurred 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



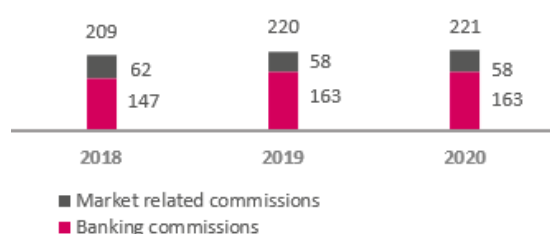
In the international activity, notwithstanding the negative effect of the depreciation of the zloty and metical against the euro, net commissions were 0.4% higher than the amount achieved in the preceding year, amounting to 221 million Euros in 2020. The favourable performance of the subsidiary in Poland, 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 commissions 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.

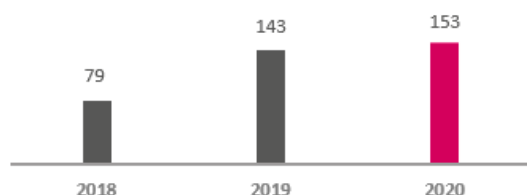
NET TRADING INCOME

	2020	2019	2018	Chan. % 20/19
Million euros				
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,

NET TRADING INCOME

Million euros



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.

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

	2020	2019	2018	Million euros Chan. % 20/19
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	44	28	35	56.0%
UNICRE - Instituição Financeira de Crédito, 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%

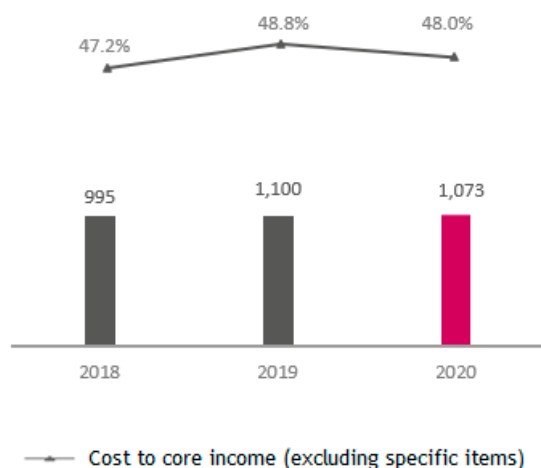
OPERATING COSTS

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 items⁴, 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.

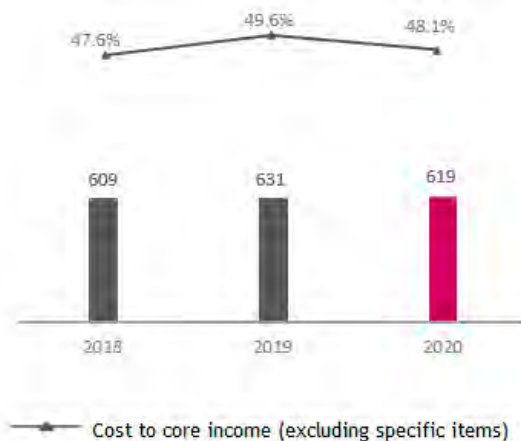
In the international activity, operating costs, excluding the effect of the above mentioned specific items, stood at 454 million Euros in 2020, a reduction of 3.1% compared to the 469 million Euros accounted for in the previous year. This evolution of operating costs reflects a lower amount than the 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

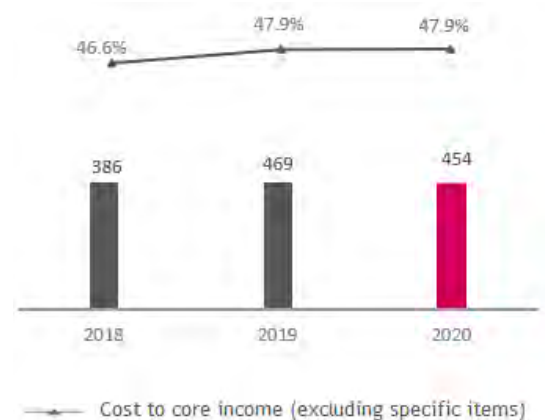
Million euros



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.

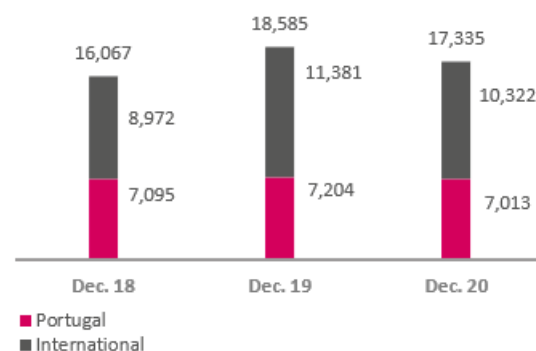
The favourable evolution of staff costs, in the activity in Portugal, is influenced by the reduction in the number of employees which, in net terms, decreased from 7,204 employees at the end of December 2019 to 7,013 employees on 31 December 2020, despite the hiring of new employees during the last year,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

	2020	2019	2018	Chan. % 20/19
Million euros				
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.

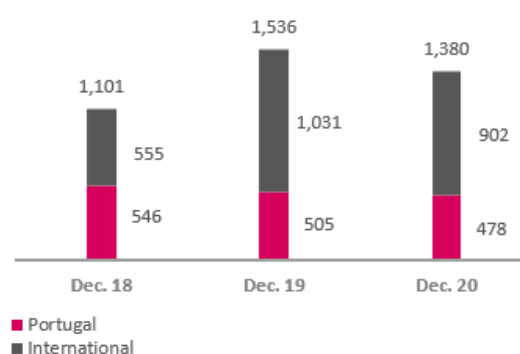
The evolution of other administrative costs in the activity in Portugal was significantly influenced by the context underlying the COVID-19 pandemic, insofar as there was a significant reduction in costs normally incurred for advisory services and representation costs, due to the suspension or postponement 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.

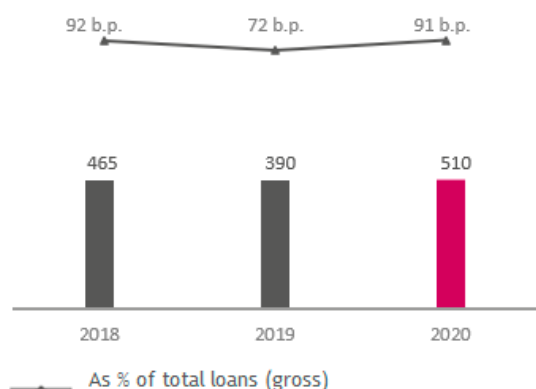
LOANS IMPAIRMENT

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.

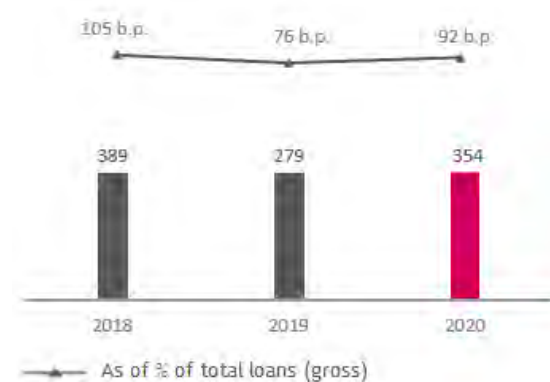
This extraordinary increase in impairments interrupted the downward trend observed up to early 2020 and the progressive improvement in portfolio quality witnessed in the preceding periods.

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



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.

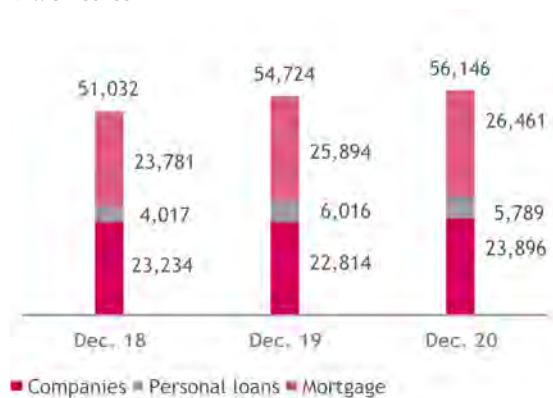
Loans to individuals stood at 32,250 million Euros as at 31 December 2020, 1.1% above the 31,910 million Euros recorded at the end of the previous year, especially due to the evolution of the international activity, which grew by 1.7% in the same period. The expansion of the portfolio of loans to individuals 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

CREDIT QUALITY



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).

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

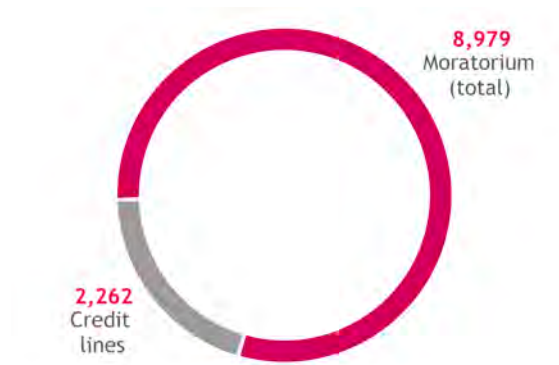
In the pandemic scenario caused by COVID-19, the Portuguese Government, like its European peers, has decreed measures to support the economy aimed at mitigating the harmful impacts on households and companies - the scale of which is yet unknown - arising from the need for more or less prolonged and intermittent 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.

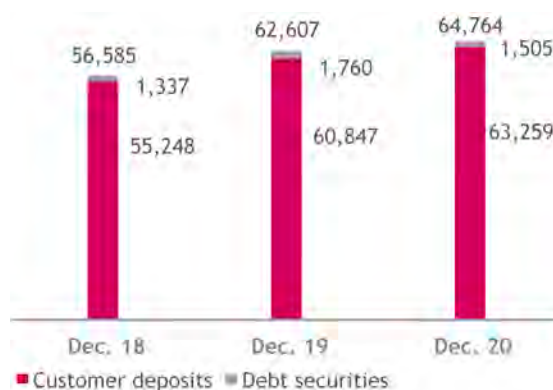
As at 31 December 2020, balance sheet customer funds represented 76.7% of total customer funds, with deposits and other resources from customers representing 74.9% of total customer funds.

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

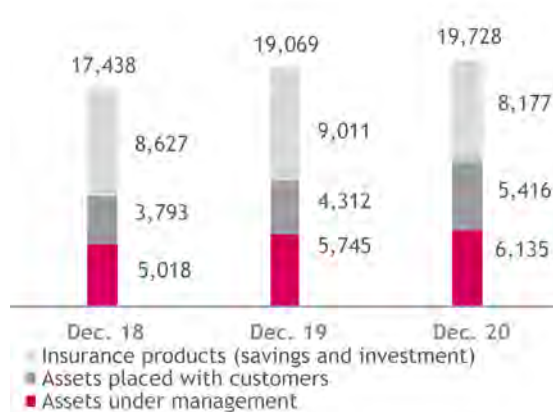
Million euros



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 AML - 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 AML 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 #aprimeiracoisaquevofazer, 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 million 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
















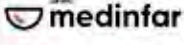
- The year of 2020 was characterized by the rapid response to the needs of Customers with international business, as a result of the pandemic. The Bank adapted the offer for the international business with solutions to support the treasury of exporting and importing companies, while ensuring the security 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 Tremond 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.

 <p>ARCUS INFRASTRUCTURE PARTNERS</p> <p>FINANCIAL ADVISORY</p> <p>Financial advisory to Arcus IP in the sale of a stake in Brisa</p> <p>Undisclosed</p> <p>2020</p> <p>Millennium</p>	 <p>apg NPS StuviaLife</p> <p>MANDATED LEAD ARRANGER</p> <p>Acquisition Finance</p> <p>€ 770,000,000</p> <p>2020</p> <p>Millennium</p>	<p>Lagoas Park</p> <p>MANDATED LEAD ARRANGER</p> <p>Debt refinancing</p> <p>€ 251,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>Iberwind Nature at Efficiency</p> <p>MANDATED LEAD ARRANGER</p> <p>Refinancing of Iber wind's Wind Farm Portfolios</p> <p>€ 754,500,000</p> <p>2020</p> <p>Millennium</p>	 <p>edp</p> <p>JOINT GLOBAL COORDINATOR</p> <p>Capital increase executed through a rights issue</p> <p>€ 1,020,172,800</p> <p>2020</p> <p>Millennium</p>
 <p>NEUCE UNIVERSIDADE DA NOVA</p> <p>FINANCIAL ADVISORY</p> <p>Financial advisory to Neuce in the acquisition of Titan Powder Coatings</p> <p>Undisclosed</p> <p>2020</p> <p>Millennium</p>	 <p>Região Autónoma da Madeira Autarquia Regional</p> <p>JOINT LEAD MANAGER</p> <p>Bond Issue non-Government Guaranteed Due 2034</p> <p>€ 458,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>BLUE TICKET</p> <p>FINANCIAL ADVISORY</p> <p>Financial advisory in the sale of Blueticket (51% stake) to Altice Portugal</p> <p>Undisclosed</p> <p>2020</p> <p>Millennium</p>	 <p>edp</p> <p>JOINT LEAD MANAGER</p> <p>1,7% hybrid green bonds</p> <p>€ 750,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>Região Autónoma da Madeira Autarquia Regional</p> <p>JOINT LEAD MANAGER</p> <p>Bond Issue Due 2030</p> <p>€ 200,000,000</p> <p>2020</p> <p>Millennium</p>
 <p>YILPORT YIL PORTFOLIO P.I.</p> <p>MANDATED LEAD ARRANGER</p> <p>Financing of port concessions of Yilport Iberia in Portugal</p> <p>€ 279,806,000</p> <p>2020</p> <p>Millennium</p>	 <p>Região Autónoma da Madeira Autarquia Regional</p> <p>JOINT LEAD MANAGER</p> <p>Public Bond Offer 2020-2023</p> <p>€ 50,000,000</p> <p>2020</p> <p>Millennium</p>	<p>Jerónimo Martins</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>€ 50,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>Electricidade da Madeira</p> <p>MANDATED LEAD ARRANGER</p> <p>Investment plan financing</p> <p>€ 25,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>Região Autónoma da Madeira Autarquia Regional</p> <p>JOINT LEAD MANAGER</p> <p>Bond Issue Government Guaranteed Due 2032</p> <p>€ 299,000,000</p> <p>2020</p> <p>Millennium</p>
<p>AMORIM</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>€ 20,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>TREMOND</p> <p>MANDATED LEAD ARRANGER</p> <p>Almonds project financing</p> <p>Undisclosed</p> <p>2020</p> <p>Millennium</p>	<p>NORS</p> <p>MANDATED LEAD ARRANGER</p> <p>Acquisition finance</p> <p>€ 15,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>BA</p> <p>LEAD MANAGER</p> <p>Commercial Paper Programme</p> <p>€ 50,000,000</p> <p>2020</p> <p>Millennium</p>	 <p>medinfar</p> <p>MANDATED LEAD ARRANGER</p> <p>Aero-OM brand acquisition financing</p> <p>Undisclosed</p> <p>2020</p> <p>Millennium</p>

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%

Macao⁵

- 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 and 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.

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.