

# Consolidated financial statements

## BANCO COMERCIAL PORTUGUÊS

### CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

	(Thousands of euros)	
	2020	2019
Interest and similar income	1,805,583	1,991,445
Interest expense and similar charges	(272,408)	(442,917)
<b>NET INTEREST INCOME</b>	<b>1,533,175</b>	<b>1,548,528</b>
Dividends from equity instruments	4,775	798
Net fees and commissions income	702,656	703,497
Net gains / (losses) from financial operations at fair value through profit or loss	(9,561)	4,837
Net gains / (losses) from foreign exchange	92,144	69,391
Net gains / (losses) from hedge accounting operations	(2,322)	(5,682)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(27,551)	(24,909)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	100,063	99,676
Net gains / (losses) from insurance activity	10,524	11,752
Other operating income / (losses)	(159,820)	(144,400)
<b>TOTAL OPERATING INCOME</b>	<b>2,244,083</b>	<b>2,263,488</b>
Staff costs	646,700	668,232
Other administrative costs	335,495	376,455
Amortisations and depreciations	137,149	124,785
<b>TOTAL OPERATING EXPENSES</b>	<b>1,119,344</b>	<b>1,169,472</b>
<b>NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS</b>	<b>1,124,739</b>	<b>1,094,016</b>
Impairment for financial assets at amortised cost	(513,412)	(390,308)
Impairment for financial assets at fair value through other comprehensive income	(10,360)	2,180
Impairment for other assets	(79,173)	(96,034)
Other provisions	(238,292)	(57,484)
<b>NET OPERATING INCOME</b>	<b>283,502</b>	<b>552,370</b>
Share of profit of associates under the equity method	67,695	42,989
Gains / (losses) arising from sales of subsidiaries and other assets	(6,188)	31,907
<b>NET INCOME BEFORE INCOME TAXES</b>	<b>345,009</b>	<b>627,266</b>
Income taxes		
Current	(113,317)	(100,908)
Deferred	(23,327)	(138,370)
<b>NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS</b>	<b>208,365</b>	<b>387,988</b>
Income arising from discontinued or discontinuing operations	—	13,412
<b>NET INCOME AFTER INCOME TAXES</b>	<b>208,365</b>	<b>401,400</b>
Net income for the year attributable to:		
Bank's Shareholders	183,012	302,003
Non-controlling interests	25,353	99,397
<b>NET INCOME FOR THE YEAR</b>	<b>208,365</b>	<b>401,400</b>
Earnings per share (in Euros)		
Basic	0.010	0.018
Diluted	0.010	0.018

## BANCO COMERCIAL PORTUGUÊS

### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

	(Thousands of euros)	
	2020	2019
<b>ASSETS</b>		
Cash and deposits at Central Banks	5,303,864	5,166,551
Loans and advances to credit institutions repayable on demand	262,395	320,857
Financial assets at amortised cost		
Loans and advances to credit institutions	1,015,087	892,995
Loans and advances to customers	52,120,815	49,847,829
Debt securities	6,234,545	3,185,876
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,031,201	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	1,405,513
Financial assets designated at fair value through profit or loss	—	31,496
Financial assets at fair value through other comprehensive income	12,140,392	13,216,701
Assets with repurchase agreement	—	—
Hedging derivatives	91,249	45,141
Investments in associated companies	434,959	400,391
Non-current assets held for sale	1,026,481	1,279,841
Investment property	7,909	13,291
Other tangible assets	640,825	729,442
Goodwill and intangible assets	245,954	242,630
Current tax assets	11,676	26,738
Deferred tax assets	2,633,790	2,720,648
Other assets	1,296,812	1,239,134
<b>TOTAL ASSETS</b>	<b>85,813,421</b>	<b>81,643,408</b>
<b>LIABILITIES</b>		
Financial liabilities at amortised cost		
Resources from credit institutions	8,898,759	6,366,958
Resources from customers	63,000,829	59,127,005
Non subordinated debt securities issued	1,388,849	1,594,724
Subordinated debt	1,405,172	1,577,706
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	278,851	343,933
Financial liabilities at fair value through profit or loss	1,599,405	3,201,309
Hedging derivatives	285,766	229,923
Provisions	443,799	345,312
Current tax liabilities	14,827	21,990
Deferred tax liabilities	7,242	11,069
Other liabilities	1,103,652	1,442,225
<b>TOTAL LIABILITIES</b>	<b>78,427,151</b>	<b>74,262,154</b>
<b>EQUITY</b>		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	254,464	240,535
Treasury shares	(40)	(102)
Reserves and retained earnings	642,397	435,823
Net income for the year attributable to Bank's Shareholders	183,012	302,003
<b>TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS</b>	<b>6,221,304</b>	<b>6,119,730</b>
Non-controlling interests	1,164,966	1,261,524
<b>TOTAL EQUITY</b>	<b>7,386,270</b>	<b>7,381,254</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>85,813,421</b>	<b>81,643,408</b>

# Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the aforementioned guidelines, in addition to the alternative performance measures, detailed below, additional information is presented throughout this document, in the respective chapters, that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

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

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

	Euro million		
	31 Dec. 20	31 Dec. 19	31 Dec. 18
Loans to customers (net) (1)	54,073	52,275	48,123
Balance sheet customer funds (2)	64,764	62,607	56,585
(1) / (2)	83.5%	83.5%	85.0%

## 2) Return on average assets (ROA)

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

	Euro million		
	2020	2019	2018
Net income (1)	183	302	301
Non-controlling interests (2)	25	99	118
Average total assets (3)	84,859	79,590	73,419
[(1) + (2), annualised] / (3)	0.2%	0.5%	0.6%

### 3) Return on average equity (ROE)

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

	Euro million		
	2020	2019	2018
Net income (1)	183	302	301
Average equity (2)	5,840	5,970	5,753
[(1), annualised] / (2)	3.1%	5.1%	5.2%

### 4) Cost to income

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

	Euro million		
	2020	2019	2018
Operating costs (1)	1,119	1,166	1,024
of which: specific items (2)	46	66	29
Net operating revenues (3)*	2,306	2,336	2,184
[(1) - (2)] / (3)	46.5%	47.1%	45.6%

\* Excludes the specific items, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary (1 million euros in 2019 and an immaterial amount in 2020).

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

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

	Euro million		
	2020	2019	2018
Loans to customers at amortised cost, before impairment (1)	55,766	54,352	50,724
Loan impairment charges (net of recoveries) (2)	510	390	465
[(2), annualised] / (1)	91	72	92

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

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

	Euro million		
	31 Dec. 20	31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)	3,295	4,206	5,547
Loans to customers (gross) (2)	56,146	54,724	51,032
(1) / (2)	5.9%	7.7%	10.9%

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

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

	Euro million		
	31 Dec. 20	31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)	3,295	4,206	5,547
Loans impairments (balance sheet) (2)	2,073	2,449	2,909
(2) / (1)	62.9%	58.2%	52.4%

# Application of Results

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## Taking into consideration:

- A. The provisions of the law and of the articles of association concerning the legal reserve;
- B. The dividends policy of Banco Comercial Português (BCP);
- C. The communication from the European Central Bank (ECB/2020/62), issued on 15 December 2020, recommending, at least until 30 September 2021, the adoption of extreme prudence in the management of capital and containment on the appropriation of profit during the COVID -19 pandemic crisis;
- D. That according to the management report and financial statements to be submitted for the approval of the Shareholders, Banco Comercial Português recorded in 2020, a consolidated net income of € 183,011,563.28.

The Board of Directors, reiterating its determination to, once this crisis is over, and in the extent that the Bank's standing and the domestic economy so allow, if it considers that the conditions are reunite to proceed with the remuneration of Shareholders, will call a general Meeting of Shareholders in the last quarter of 2021, to resume the application of the approved Dividends Policy, despite the extraordinary situation that characterized the years 2020/2021,

## Proposes:

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) of the Companies Code, and article 54 of the Bank's articles of association, we propose the following application of year-end results amounting to 50.633.022,23:

- a) For the reinforcement of legal reserve, € 5,063,302.23;
- b) The remaining, in the minimum amount of € 45,569,720.00, to Retained Earnings.

Lisbon, 26 April 2021

THE BOARD OF DIRECTORS

# Glossary

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

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

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

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

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

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

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

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

**Cost to income** - operating costs divided by net operating revenues.

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

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

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

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

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

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

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

**Dividends from equity instruments** - dividends received from investments classified as financial assets at fair value through other comprehensive income, from financial assets held for trading and, until 2017, from financial assets available for sale.

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

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

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

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

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

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

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

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

**Net commissions** - net fees and commissions income.

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

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

**Net trading income** - results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 2017).

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

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

**Off-balance sheet customer funds** - assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

**Operating costs** - staff costs, other administrative costs and depreciation.

**Other impairment and provisions** - impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

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

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

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

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

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

**Resources from credit institutions** - resources and other financing from Central Banks and resources from other credit institutions.

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

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

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

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

**Securities portfolio** - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).



**Spread** - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

**Total customer funds** - balance sheet customer funds and off-balance sheet customer funds.