

Annual Report of the Audit Committee

AUDIT COMMITTEE ANNUAL REPORT

I – Introduction

The Audit Committee (Committee) of Banco Comercial Português, S.A. (Bank) hereby presents its annual report on its supervisory functions regarding the 2020 financial year, in compliance with the provisos of article 423-F (1) (g) of the Portuguese Companies Code.

II – Powers of the Audit Committee

The Audit Committee is the supervisory body of the Bank, with the powers provided for in article 423-F of the Commercial Companies Code, being responsible for monitoring the compliance with the law and of the Bank's articles of association, having the responsibility, inter alia and among other powers, to supervise and monitor the management of the Bank in its Group dimension, in particular the process of preparation and disclosure of financial and prudential information and the compliance of the accounts with the applicable accounting and regulatory standards, including the opinion on the accounts and the proposal for the appropriation of results to be submitted to the General Shareholders' Meeting.

In addition, the Audit Committee is responsible for ensuring the existence and overseeing the effectiveness of risk management, compliance and internal audit functions, issuing an opinion on their activity plans, as well as on the Bank's internal control system and organizational culture, and for analysing and monitoring the main prudential indicators, the Risk Office risk report, the Compliance Office activity, the Internal Audit activity, the handling of complaints and claims, the relevant correspondence exchanged with the regulatory and supervisory authorities, and finally to analyse the transactions involving related parties and potential conflicts of interest, as well as the communication of irregularities.

The Audit Committee regularly supervises and monitors the activity of the Statutory Auditor and the External Auditor, discussing the relevant audit matters when examining the quarterly, half-yearly and annual accounts, and receives the additional report to the supervisory body. The Committee is also responsible for promoting the annual assessment of the ROC and its independence and objectivity in the performance of functions.

It should be noted that on July 16, 2020, Banco de Portugal Notice no. 3/2020 (Notice) came into force, which regulates the governance and internal control systems and defines the

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minimum standards on which the organizational culture of the entities covered by its scope must be based. The Commission followed-up the work for implementing the Notice, which culminated in a wide-ranging review of procedures and matters, including the powers of the supervisory body, which are established in its Regime, meanwhile updated in accordance with the Notice.

III - Activities carried out

The year 2020 was marked by the impact of the COVID-19 pandemic on the Bank's activity and its commercial policies. The Commission monitored the procedures adopted to manage the main risks arising from the current pandemic crisis, in Portugal and in the other geographies where the Bank operates, in particular the measures to protect employees, the changes in credit analysis and decision procedures, the customers' adherence to moratoria, the credit lines with State guarantee, and finally, the updating of the macroeconomic scenarios associated with the crisis.

Within this context, in 2020 the Audit Committee held 22 meetings with the participation of all its members, in person or through video conference, and minutes of meetings were drawn from the respective meetings and approved.

From the activities developed by the Audit Committee in the 2020 financial year, the following stand out:

A. Monitoring and supervision of the Bank's management

In the context of the monitoring and supervision of the Bank's activity, the Audit Committee, throughout 2020, became aware of and questioned the management by monitoring the activity of the Executive Committee, whose minutes were analysed and discussed at the Meetings of the Committee.

At the Committee's meetings participated, on a regular basis and as guests, the Executive Director responsible for the Financial Area, the Executive Director responsible for the Risk and Compliance areas, Deloitte & Associados - SROC, S.A. (Deloitte), Statutory Auditor and the Bank's External Auditor, the Risk Officer, the Compliance Officer, the Head of the Audit Division, the Head of the Research, Planning and ALM Division and the Head of the Segments and Support to the Network, to whom pertains the analysis and handling of complaints and claims, and the Customers' Ombudsman. Throughout 2020, the Committee also invited to take part in its meetings, when it deemed necessary, other members of the Bank's Executive

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Committee, namely the Chief Executive Officer, the Executive Director in charge of the Credit Area.

In addition, and based on the powers it has to summon any employee of the Bank to obtain information on the activity developed by the respective areas, the Committee held meetings with the Heads of the Tax Advisory, Accounting and Consolidation, Private Banking, Information and Technology, Corporate Direct Banking e Corporate & Business Marketing.

In 2021, in the period prior to the preparation of this report, the Committee held meetings with the Heads of the Accounting and Consolidation and Tax Advisory Divisions to obtain some additional information regarding the accounts closing process.

The members of the Committee also participated in meetings of the Committee for Risk Assessment to analyse matters of common interest, in particular the process to identify and define the Bank's risk metrics, RAS – Risk Appetite Statement.

For the effective undertaking of its functions, the Audit Committee requested and obtained all the information and clarifications which it deemed relevant for that purpose, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal and regulatory provisions, meeting no constraints to its actions.

B. Supervision of the preparation and disclosure of the financial information

The Committee examined the main accounting policies adopted, in particular those that could have an impact on the financial statements of the Bank and of its subsidiaries. Particular attention was given to the impact of the COVID 19 pandemic on the Bank's accounts during the year 2020.

Throughout the year 2020, the Committee regularly monitored the performance of the major credit exposures and impairments, at an individual and collective level, as well as the respective calculation methodologies, in particular those resulting from the implementation of the new definition of default and from the effects of the COVID 19 pandemic, as well as of the calculation methodology of the impairment of credits in Swiss francs, which required new procedures in the management of credit risk, and also the execution of the Plan for Reducing Non-Performing Exposures (NPE).

The stock and the recoverability of deferred tax assets (DTA), the deductibility regimes of credit impairment losses, in particular those resulting from Banco Portugal Notice no. 3/95 and from Law no. 98/2019, of 4 September, were also object of analysis and debate by the Committee.

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In this item, it is observed that the value of DTA is significant in the Bank's balance sheet and their recoverability is based on projections and estimates over a long period (2021-2033), however the new tax legislation, that extended the period for reporting tax losses for 12 years, supported the conclusion on the total recoverability of its value.

The valuation of the real estate properties classified as non-recurrent assets held for sale and through holding units in Real Estate Investment Funds wherein the Bank is the majority holder, was also regularly followed up by the Committee throughout the year.

The Committee also regularly reviewed the information relative to the Pension Fund of BCP Group and the actuarial assumptions used to determine the liabilities with retirement pensions, particularly those resulting from changes in the discount rate. In addition, the Commission was kept informed of developments inherent to the Resolution Fund and potential impacts on the Bank.

The Committee also appraised, on a monthly basis, the financial statements, on an individual and consolidated basis, as well as the earnings and key financial indicators of the Group companies. It also periodically analysed the Bank's liquidity, cost-to-income and solvency ratios.

The Committee appraised the 2019 directors report and financial statements, and the Legal Certifications of the Accounts and Audit Reports prepared by Deloitte & Associados – SROC, S.A. (Deloitte), on the individual and consolidated financial statements, which were issued without reservations but with emphases due to the uncertainty regarding the impact of the pandemic. In accordance with article 420 (5) of the Companies Code, the Committee confirmed that the Corporate Governance Report, included in the Bank's Annual Report, with reference to 2019, contains the data mentioned in article 245-A of the Securities Code.

Following the analysis made, on 26 March 2019 the Committee issued a favourable opinion on the approval by the Bank's General Meeting of Shareholders of the Management Report and the other financial reporting documents regarding the 2019 financial year and on the proposal on the appropriation of profits, and of the dividend stabilisation reserve, presented by the Board of Directors.

As a result of the analysis of the Bank's financial statements, the Committee notes that, the results on a consolidated basis in the year 2020 amounted to 183 million euros, which compares unfavourably with the homologous period, due to the effects of the pandemic COVID 19 and to a less contribution from the operations abroad. The Committee also verified that, at the consolidated level, an impairment and provisions amount of 841.3 million euros were

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recognized - 378.6 million euros more than expected in the budget and 299.6 million euros more than in the financial year 2019 - with the Bank having an impairment coverage ratio of 63%, and, despite the current pandemic, a non-performing exposures ratio of 5.9%, decreasing slightly in relation to the previous year.

In terms of results, the activity in Portugal and abroad contributed unevenly, with Portugal now boosting the Group's activity, with a favourable result before impairments, with positive deviations in income, except in the commissions item, however benefiting in the margin of the TLTRO III financing facilities. The behaviour of costs, both non-recurring and recurring, allowed somehow to partially absorb the impact of the pandemic and of the recognized impairments (472.8 million euros), which, together with the sale of non-performing exposures portfolios and the consequent impact on the line of taxes, justify the deviation of results in activity in Portugal.

By the end of 2020, the Committee also appraised the Group Budget for 2021, examining the assumptions used, the earnings and activity indicators forecast, the risk factors, the market shares, the investments and the evolution of own funds as well as the sensitivity analysis prepared, which presented a set of adverse scenarios. As a result of the analysis made, the Audit Committee issued an opinion underlining the quite significant deviations between the projections included in the Budget and the projections included in the Strategic Plan, largely caused by the effects of the current pandemic crisis, in addition to a set of less favourable factors, such as the continuation of a context of negative interest rates and legal constraints on commissions, which impacted the financial margin in the financial year 2020. It should be noted, however, that the Bank foresees complying with the medium- and long-term capital requirements, even in the most adverse scenarios.

C. Follow-up of international operations

Throughout the year, the Committee regularly monitored the performance of the international operations namely, due to its size and relevance for the Group, of Bank Millennium (BM) and Banco Internacional de Moçambique (BIM). It also monitored the activities performed by Banco Millennium Atlântico (BMA), an entity in whose capital the Bank holds a 22.5% stake.

The Committee received monthly information on the performance of the subsidiary companies abroad, on the respective financial statements and main business indicators, giving a particular attention, concerning Poland, to the monitoring of the legislative instability regarding the proceedings related with loans in Swiss francs in Bank Millennium and the need of to reinforce

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the corresponding provision, as well as the solutions under study by the polish authorities to solve this matter, analysing the consequences to the Bank arising therefrom, and NPE as well.

The Committee noted that the results in Poland were greatly influenced by the pressure on the financial margin, as a result of the abrupt decline in the reference rates for consumer credit, despite including EuroBank, with a significant reinforcement of the provision for credits in Swiss francs, in the amount of 151.9 million Euros. The outcome for the Bank of the situation regarding Swiss franc credits involves uncertainty as to the magnitude of its risks, so the local auditor has emphasized the accounts, without however affecting the audit opinion.

Regarding BIM, the performance of the credit portfolio and the amount of impairments was also monitored by the Committee. Although the results contributed positively to the Group's results, they were below expectations, having been greatly influenced by the pressure on the financial margin, the write-off of the credit to Proindicus and a significant amount of associated deferred tax assets, which the Bank expects to recover.

The evolution of the value of the stake in Banco Millennium Atlântico was regularly assessed, and incorporates a devaluation through the recognition of an impairment with effects on its valuation and on the associated goodwill. The Commission also monitored the fulfilment of BMA's currency rebalancing plan.

Whenever justified, the Committee analysed, together with the Executive Directors, the main risks presented by each operation and country.

D. Supervision of the effectiveness of the internal control system including risk management, compliance and internal audit

The Committee monitored the works for the revision of the internal control system, which included an analysis and evaluation made by Deloitte within the scope of the audit works specifically contracted for this purpose since 2011 regarding some of the aspects of the internal control system which are not related with financial reporting. It also monitored the drafting of the Reports on Internal Control, under the responsibility of the Board of Directors, with contributions from the Risk Office, the Compliance Office and the Audit Division, and issued the opinions addressed to the Board of Directors on those Reports, which were exceptionally sent to the supervision authorities by the end of September, as the deadline set forth in Notice of Banco de Portugal no. 5/2008 was postponed, within the scope of the exception measures adopted as a result of the pandemic.

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The Committee also monitored the preparation of the Report on the Prevention of Money Laundering and Terrorism Financing required by Notice of Banco de Portugal no. 2/2018, on which it also issued an opinion addressed to the Board of Directors and took cognizance of the conclusions of the supporting work developed by Deloitte on the prevention of money laundering and terrorism financing.

Throughout the year, the Committee appraised the implementation of the recommendations made in the Reports on the Internal Control System and on the Prevention of Money Laundering and Terrorism Financing.

Regarding the risk management system, the Committee appraised the activities developed by the Risk Office, namely the evolution of the main risk indicators that contain information on credit, liquidity, market, operational, compliance and reputation risks, regarding all the countries where the Group operates. Therein, we point out the special follow-up of non-performing exposures, Corporate Restructuring Funds, Pension Fund, cost to core income, stock of legal proceedings regarding loans in Swiss francs, exposure to Mozambique and the value of the Bank's stake in BMA.

The Committee analysed and approved the Activities Plan of the Audit Division for the 2020 financial year, as well as the proposal to adjust such Plan due to the changes occurred, in the meantime, as a result of the pandemic. The Committee also approved the annual report of the activity developed by that Division during 2019 and the quarterly reports of 2020 and followed up the status of the implementation of the recommendations issued due to the internal audit actions carried out, especially those resulting from deficiencies classified as of high or medium risk. On this regard, the Committee points out a decrease in 2020 in the stock of recommendations, particularly the ones with low risk, stressing, however, that the Bank needs to continue with this process, giving a special attention to older recommendations and those in delay.

The Head of the Audit Division informed the Committee, every month, on the prudential inspection actions carried out by the supervisory entities and on the status of implementation of the recommendations resulting from those inspections.

The Committee analysed and approved the Activities Plan for 2020 of the Compliance Office as well as the annual report on the activity developed by that area in 2019 and the 2020 quarterly reports. The Compliance Officer provided monthly information to the Committee on the behavioural inspection actions carried out by the supervisory entities and on the status of implementation of the recommendations resulting from those inspections.

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Within the scope of the gifts policy, the Committee followed-up and decided on the communication of gifts received by the Bank's employees, as well as by the members of the governing bodies.

The Committee also monitored the irregularities reported via the whistleblowing channel "Comunicar Irregularidades". The detailed information on the irregularities reported through this channel and respective processing is presented in a separate report, in accordance with article 116-AA (7) of the Legal Framework for Credit Institutions and Financial Companies.

Throughout the year, the Committee received regular information on the correspondence exchanged between the Bank and supervisory authorities and asked the Executive Committee and the Bank's various areas for additional clarifications and information on the issues handled in that correspondence, whenever deemed necessary.

The Committee took note of the circular letter from Banco de Portugal with reference CC/2020/00000020 and analysed in detail the content of the letter from the European Central Bank (ECB) with reference DGMS2/2020/0597, in which the ECB informed the Chairman of the Bank's Board of Directors on its concerns regarding the robustness of the control environment and pointed out several flaws both in terms of the content of the Report on the Internal Control System presented in June 2019 and in the identification, classification and monitoring of the deficiencies reported therein, and discussed with the Heads of the internal control functions the action plans to be implemented to resolve such failures prior to the finalization and submission of new reports to Banco de Portugal at the end of September.

The Committee was also informed on the main legislative and regulatory alterations, with a special focus on Banco de Portugal Notice no. 3/2020 (Notice), which came into force on 16 July 2020, however giving the recipient institutions a period of six months for the adoption of the requirements therein. The Commission analysed in detail the impact of the Notice on its activity, as well as on the activity of the other government bodies and the internal control areas of the Bank and its subsidiaries, and followed-up the work aimed at ensuring the full implementation of the Notice's requirements, developed in collaboration with Deloitte and KPMG.

The Committee has also issued an opinion on the group codes for which its opinion has been requested or is required by regulation. In particular, the Committee commented on the proposal to change the group code GR0022 - Selection and Designation of Statutory Auditors/Audit Firms and Contracting of Non-Audit Services, which, among other changes, includes of the

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rules previously provided for in OS0209 - Policy for the Assessment and Selection of the External Auditors and the Statutory Auditor, which has since been revoked.

E. Complaints and claims

The Committee was regularly informed on the handling of complaints and claims from customers by the Client Ombudsman's Office and by the Segments and Network Support Division (SNSD). There has been a more continuous and closer monitoring of the handling of claims and complaints, either by the Head of SNSD or the Customers' Ombudsman. During the year 2020, there was an increase in complaints and claims in the second and third quarters of the year, due in large part to the effects of the current pandemic, having evolved to normal values at the end of the year.

F. Supervision and monitoring of the activities of the Statutory Auditor and of the External Auditor

In 2020, the Audit Committee analysed the conclusions of the audit to the 2019 financial statements, on an individual and consolidated basis, made by Deloitte, the Bank's Statutory Auditor and External Auditor, and the corresponding legal certifications of accounts and audit reports, as well as the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters of 2020 and the Limited Review of the half-year interim financial statement.

In what regards other reports made by Deloitte, the Committee analysed: (i) the opinion from the Statutory Auditor on the adequacy and efficiency of the internal control system underlying the process of preparation and disclosure of financial information; (ii) the reports from the External Auditor on impairment of the credit portfolio as of December 2019 and June 2020; (iii) the report from the External Auditor on the safeguard of the customers' assets; iv) the report on the assets eligible to collateralize credit operation on the Eurosystem; and v) the report on the compliance with the legal and regulatory requirements regarding mortgage bonds.

The Committee debated with the External Auditor, among other matters, the evolution of the credit risk of customers with impairments, the expectation of recoverability of deferred tax assets, the effect of the decrease in interest rates on liabilities with the Pension Fund, and the evolution of non-current assets held for sale and of the matters related to the Resolution Fund. In addition, the Commission discussed with the Auditor the interaction with the external auditors of the subsidiaries abroad, in particular with regard to Banco Internacional de Moçambique and Bank Millennium, and in particular the methodology for calculating the

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provision for credits in Swiss francs at Bank Millennium and its impacts, as well as the consolidation procedures of Banco Millennium Atlântico and the changes in the real estate assets of this bank.

The Committee supervised Deloitte's independence in the exercise of their functions as Statutory Auditor and External Auditor by means of an ongoing evaluation of the respective performance. From the evaluation made regarding its performance as Statutory Auditor and External Auditor throughout the 2019 financial year, the Audit Committee concluded as positive points that the Statutory Auditor and External Auditor performed his activity with independence, objectivity and professional scepticism, highlighting the improvement observed in meeting deadlines and, as points to improve the interaction and communication with the Bank. A summary report on the evaluation carried out was prepared and this report was debated with Deloitte.

Along 2020 the Committee also appraised the proposals for contracting additional services to be provided by the External Auditor, within the scope of the "Policy for the Approval of Audit Services provided by External Auditors".

Considering the proximity of the term of office of the Statutory Auditor and External Auditor, in the fourth quarter of 2020 the Committee assessed the advantages and inconveniences of selecting a new entity to perform these functions or proposing the reappointment of Deloitte. As a result of the analysis carried out, the Committee initiated the procedures to propose to the Bank's General Meeting the reappointment of Deloitte as Statutory Auditor and External Auditor for a new three-year term, a process that is underway.

G. Issue of opinions on credit operations and other contracts established with members of corporate bodies and holders of stakes above 2% in the Bank's share capital and on other specific situations

Throughout the financial year, the Committee issued its opinion on twenty credit operation proposals (including revisions of lines and limits) and five proposals for the contracting of goods and services regarding shareholders holding stakes above 2% in the Bank's share capital, members of its administration and supervisory bodies and entities related with them, subsequently submitted for approval by the Board of Directors.

The Committee monitored the performance of the Bank's exposure to holders of qualified stakes and entities that are in a control or group relation with them, ensuring the compliance

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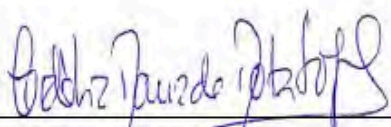
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with the prudential limits defined in article 109 of the Legal Framework for Credit Institutions and Financial Companies.

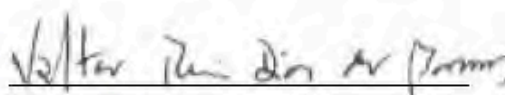
III – Acknowledgements

The Committee wishes to express its gratitude to the Corporate Bodies and Services of the Bank it contacted and with which it collaborated throughout 2020, especially to Mr. Mário Neves and Ms. Adozinda Pinto, for all the collaboration provided and commitment shown in the performance of their duties in the Support Office of the Board of Directors.

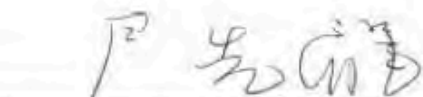
Porto Salvo, 23 March 2021



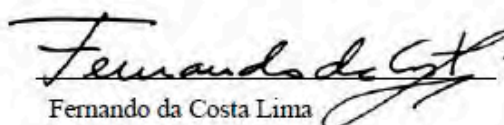
Cidália Moja Lopes



Valter de Barros



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Fernando da Costa Lima

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