

NOTES TO THE FINANCIAL STATEMENTS ON 31 DECEMBER 2020

1. ENTITY IDENTIFICATION

Fundação Millennium bcp (hereinafter referred to as Foundation), with head office at Rua Augusta, no. 62-64 in Lisbon, is a private non-profit legal person, incorporated on 27 December 1991 exclusively for social purposes, in the areas of culture, science and charity. The Foundation aims to develop activities that contribute to enhance and spread the Portuguese language and culture, develop scientific research, promote charitable actions in Portuguese speaking countries and financially support entities that promote activities targeting cultural training, scientific research, health care, charitable activities in general or humanitarian purposes.

The Foundation was recognised by the Minister for Internal Administration as a legal person, as published in the Portuguese Official Gazette no. 195, 2nd Series, of 24 August 1994, and was recognised as an entity that serves the public interest (utilidade pública) by a declaration published in the Portuguese Official Gazette no. 15, 2nd Series, of 18 January 1995. Its status of institution serving the public interest was renewed through Decision no. 2032/2019, from the Minister of the Presidency and Administrative Modernization, of February 13, 2019, and that renewal is valid for five years starting on February 18, 2018.

Under the terms of Article 62-B (1.c) of the Tax Benefits Statute “foundations and associations that carry out activities of cultural nature or of cultural interest, namely in the defence of the material and immaterial historical and cultural heritage are classified as entities beneficiary of cultural sponsorship” and the activity pursued by the Foundation falls into that classification.

The Foundation was created by its Founder, Banco Comercial Português, S.A., with registered office at Praça D. João I, 28, in Oporto, with an initial capital of Euros 1,496,394 (note 9). The allocation amount is fully paid at the balance sheet date.

2. ACCOUNTING REFERENCES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. The financial statements of the Foundation were drawn up in accordance with the Financial Reporting and Accounting Standard for Non-Profit Entities (NCFR – ESNL) adopted in Portugal in through the Accounting Standardization System.

The financial statements, which include the balance sheet, the income statement by nature, changes to own funds, the cash flow statement and the annex, where prepared and approved by the Executive Committee of the Foundation, to be sent to the Board of Directors on 25 March 2021, were made in Euros and were based on the premises of continuity and of an accrual basis whereby items are recognised as assets, liabilities, equity, income and expenditure when they meet the definitions and criteria for recognising those elements in the conceptual structure, in accordance with the qualitative features of being understandable, relevant, material, reliable, true, substance over form, neutral, prudent, complete and comparable.

The accounting policies, presented in note 3, were used in the financial statements for the financial year ended on 31 December 2020 and in the comparative financial information presented in these statements for the financial year ended on 31 December 2019.

2.2. No derogations were made to the provisions of the NCFR-ESNL.

2.3. There are no accounts in the balance sheet or income statements whose contents are not comparable with those of the previous financial year.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to draw up the financial statements are the following:

3.1. Measurement basis used to prepare the financial statements.

The financial statements were prepared in accordance with the assumption of the continuance of operations from the Foundation's accounting records.

The preparation of the financial statements in compliance with NCRF-ESNL requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and valuations of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent through other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgement or complexity, or where assumptions and estimates are significant are presented in note 3.3. – Accounting estimates and judgements when applying accounting policies.

3.2. Other relevant accounting policies.

a) Financial investments

Financial investments are measured initially in the balance sheet at fair value and all subsequent changes to the fair values are recognised directly in the income statements, in item "Fair value increases/reductions".

b) Recognition of income and expenditure

Income and expenditure items are recorded in the period to which they pertain, regardless of being payable or receivable, according an accrual basis. The differences between the amounts received and paid and the corresponding income and expenditure are recorded under Other accounts receivable or payable, depending on such amounts being receivable or payable and deferrals.

c) Cash and equivalents

Cash and equivalents include money in cash and in bank current deposits and short-term financial investments, with high liquidity that are readily convertible into known amounts in cash and that have an insignificant price volatility risk.

The cash flow statements are prepared using the direct approach, through which are disclosed the gross cash receivables and payables for operating, investment and funding activities.

The Foundation classifies interests and dividends received as investment activities.

d) Income tax

By a joint decision of the Ministers for Finance and Culture dated of 30 December 1997, published in the II Series of the Portuguese Official Gazette of 27 January 1998, the Foundation was exempted of Corporate Income Tax (IRC) under the terms of article 10 of the Portuguese IRC Code

e) Fixed tangible assets

Fixed Tangible Assets are recorded at the acquisition or production price, after deducting the depreciations and impairment losses accrued. The acquisition or production cost initially recorded includes the purchase cost, any costs directly attributable to the activities required to place the items on the location and condition required to operate as desired and, if applicable, the initial estimate of the costs involved in dismantling and removing the assets and in restoring the respective installation or operation locations that the Fundação foresees to incur.

The subsequent expenses that the Foundation has with maintenance and repair of the assets are recorded as expenditure for the period in which there are made, as long as they are not susceptible of allowing current and future additional activities.

The depreciations are computed as soon as the assets can be used, using the method of the straight line in accordance with the service life estimated for each group of assets.

The depreciation rate used for administrative equipment considers an estimated service life of eight years.

The Entity reviews the service life of each asset every year, as well as its residual value, if any.

The losses or gains from the sale of fixed tangible assets are determined by the difference between the fully paid up value and the amount inserted in the deed on the sale date, and are recorded in the Income Statement under item "Other expenditure and services".

f) Donations received

Donations received are recorded in the period of time in which they were granted and are measured at their fair value and are identified in the item "Subsidies, donations and legacies to operation" of the financial statements (note 13).

g) Donations granted

Donations granted are recorded under "Other expenditure and losses" in the period of time in which they were granted regardless of their payment, according to the financial year specialization principle and on an accrual basis, taking into account, namely, the validation of the conditions which the Foundation considers necessary for the attainment of the right to the donation by the beneficiary entity. The amounts granted and not yet paid, are recorded under "Other accounts payable" (note 14).

h) Events after the balance sheet date

The Foundation analyses the events occurred after the balance sheet date, that is, the favourable and/or unfavourable events that occur between the date of the balance sheet and the date when the financial statements were authorized for disclosure. Within this scope, two types of events may be identified:

- i) those providing proof of conditions that exist at the date of the balance sheet (events after the date of the balance sheet originate adjustments); and
- ii) those indicating conditions that emerged after the date of the balance sheet (events after the date of the balance sheet which do not originate adjustments).

The events occurred after the reference date of the financial statements that are not deemed as adjustable events, if significant, are disclosed in the annex to the financial statements.

3.3. Accounting estimates and judgements when applying accounting policies.

The NCRF require that estimates and judgements be made within the scope of the decision-making regarding some accounting actions with impacts on the amounts recorded as total assets, liabilities, equity, expenditure and income. The real effects may differ from the estimates and judgements made, namely in what concerns the effect of real expenditure and income.

The main estimate is related to the process of acknowledgement of costs with the donations granted, based on the accruals principle.

The main accounting policies used by the Foundation are presented in detail in note 3.2

3.4. Continuity

No situations were identified by the Executive Committee that could jeopardise the continuity of the Foundation.

4. FIXED TANGIBLE ASSETS

This item is analysed as follows:

| | (Euros) | |
|--------------------------------------|-----------|------------|
| | 2020 | 2019 |
| Office furniture | 17,910 | 17,910 |
| Losses | (434) | (2,245) |
| Losses from previous financial years | (17,438) | (15,193) |
| | 38 | 472 |

5. FINANCIAL INVESTMENTS

This item is analysed as follows:

| | (Euros) | |
|------------------------|------------------|------------------|
| | 2020 | 2019 |
| Other financial assets | 750 | 750 |
| TITLES | | |
| Cost | 939,304 | 910,000 |
| Fair value variation | 905,987 | 423,850 |
| | 1,846,041 | 1,334,600 |

The item Other financial assets recorded Euros 750 (2019: Euros 750) representing 0.2% of the capital of Millennium bcp – Prestação de Serviços, A.C.E. (note 16).

On 31 December 2020, the Foundation's portfolio is composed of 358,309 shares (2019: 350,000 shares of EDP – Energias de Portugal, S.A., which were measured according to fair value on 31 December of each year, computed using the market value on the last trading day. During the financial year ended at 31 December 2020 these securities recorded a gain of Euros 482,137 (2019: appreciated Euros 283,850), which was recognised in earnings according to the policy mentioned in note 3.2. a). During the 2020 financial year, the Foundation participated in the share capital increase of EDP – Energias de Portugal, S.A. and subscribed 8,309 shares with an average cost of Euros 3.3 per share.

In the financial year ended at 31 December 2020 this investment paid dividends amounting to Euros 66,500 (2019: Euros 66,500) (note 15).

6. STATE AND OTHER PUBLIC ENTITIES

This item is analysed as follows:

| | (Euros) | |
|--|---------------|---------------|
| | 2020 | 2019 |
| Withholding at source, VAT and Social Security | 11,771 | 35,697 |
| | 11,771 | 35,697 |

7. OTHER RECEIVABLES AND PAYABLES

This item is analysed as follows:

| | (Euros) | |
|--------------------------------------|----------------|----------------|
| | 2020 | 2019 |
| ADDITIONAL INCOME | | |
| Interests on term deposits (note 16) | 46 | 454 |
| | 46 | 454 |
| ADDITIONAL COSTS | | |
| Vacations and Sub. Vacations | 36,632 | 36,690 |
| Estimate of invoices payable | 509,960 | 547,375 |
| Other | 8,610 | 7,379 |
| | 555,202 | 591,444 |

The item Estimate of invoices payable corresponds to commitments related to donations granted, taking into account the accruals principle of the financial years, as well as the verification of the conditions that the Foundation considers necessary for the granting of the donation, but whose invoices have not yet been received.

8. CASH AND DEPOSITS

This item, in the amount of Euros 2,180,780 (2019: Euros 1,859,307) corresponds to the balances of current and term deposits with Banco Comercial Português S.A. (BCP) (note 16).

Term deposits on 31 December 2020 and 2019 were composed as follows:

| | (Euros) | | | |
|------------|------------|------------|----------------------------|------------------|
| | 2020 | | | |
| Deposit | Beginning | Maturity | Annual Gross Interest rate | Amount |
| 3097803253 | 2020-06-25 | 2021-06-21 | 0.010% | 850,000 |
| 3115545814 | 2020-11-23 | 2021-11-18 | 0.001% | 1,250,000 |
| | | | | 2,100,000 |

(Euros)

| 2019 | | | | |
|------------|------------|------------|----------------------------|------------------|
| Deposit | Beginning | Maturity | Annual Gross Interest rate | Amount |
| 3052817660 | 2019-05-01 | 2020-05-04 | 0.070% | 750,000 |
| 2990522902 | 2019-11-19 | 2020-11-20 | 0.010% | 1,000,000 |
| | | | | 1,750,000 |

Regarding liquidity, early withdrawals, full or partial, are allowed at any time during the term deposit, with a penalty applied to interest for the amount withdrawn in the period under way.

Considering the liquidity and term of these deposits, the same were considered as cash equivalent for the purposes of the cash flow statement, in accordance with the policy defined in note 3.2. c).

9. FUNDS

This item records the Capital Fund of the Foundation and corresponds to the initial amount allocated by BCP to incorporate the Foundation, worth Euros 1,496,394.

10. SUPPLIERS

On 31 December 2020, this item corresponds to unpaid invoices of which Euros 24,695 (2019: Euros 5,273) from entities of Group BCP (note 16) and the amount of Euros 64,014 concerning donations.

11. SUPPLIES AND OUTSOURCING

This item is analysed as follows:

(Euros)

| | 2020 | 2019 |
|-----------------------------|----------------|---------|
| Specialised works | 588,378 | 644,692 |
| Other supplies and services | 5,088 | 10,842 |
| | 593,466 | 655,534 |

The item Specialized works includes the amount Euros 300,694 (2019: Euros 233,596) regarding assignment of staff by BCP and services provided by Millennium bcp – Prestação de Serviços, A.C.E., amounting to Euros 32,641 (2019: Euros 37,024) (note 16).

The Specialized works also includes the amount Euros 256,953 regarding the project for the renovation of the museum of the Archaeological Nucleus of Rua dos Correios (NARC), which is almost completed. In 2020, additional costs amounting to Euros 40,000 related with this project were recognised. The remaining expenses related with the renovation works are paid by Banco Comercial Português.

12. STAFF RELATED COSTS

In 2020, this item amounting to Euros 239,436 (2019: Euros 259,418) includes remunerations earned by the corporate bodies and expenses with social security.

13. SUBSIDIES, DONATIONS AND LEGACIES TO OPERATION

In the financial year ended on 31 December 2020, this item included the donation granted by BCP, amounting to Euros 2,503,680 (2019: Euros 2,505,437) (note 16).

14. OTHER EXPENDITURE AND SERVICES

This item is analysed as follows:

| | (Euros) | |
|-------------------|------------------|------------------|
| | 2020 | 2019 |
| Donations granted | 1,414,942 | 1,834,679 |
| Fees | 1,500 | 1,500 |
| Miscellaneous | 2,918 | 2,200 |
| | 1,419,360 | 1,838,379 |

15. INTERESTS AND SIMILAR INCOME

This item is analysed as follows:

| | (Euros) | |
|--------------------|---------------|---------------|
| | 2020 | 2019 |
| Interests | 293 | 1,087 |
| Dividends (note 5) | 66,500 | 66,500 |
| Other income | 29,470 | 1,308 |
| | 96,263 | 68,895 |

Interests were paid by financial investments with BCP (Notes 8 and 16).

Pursuant to the share capital increase of the company "EDP – Energias de Portugal, SA" made in July 2020, the Foundation sold in the stock exchange a portion of the rights attributed to it, a process that generated a profit amounting Euros 29,470, recorded at the item Other Income.

16. RELATED PARTIES

Are considered related parties the subsidiary companies and associated companies of Group Banco Comercial Português, as well as the Pension Fund, the members of the Board of Directors and the key management individuals. Apart from the members of the Board of Directors and key-management individuals, were also considered related parties the individuals that are close to them (family relations) and the entities controlled by them or entities wherein they exercise a significant influence in their management.

On 31 December 2020 and 2019, the Foundation recorded the following assets and liabilities with related parties:

| (Euros) | | | | |
|---|-----------------------------------|---------------------------------|---------------------|--------------------------------|
| 2020 | | | | |
| Related party | Other amounts receivable (note 7) | Cash and bank deposits (note 8) | Suppliers (note 10) | Financial investments (note 5) |
| Banco Comercial Português, S.A. | 46 | 2,180,780 | - | - |
| Millennium bcp – Prestação de Serviços, ACE | - | - | 24,695 | 750 |
| | 46 | 2,180,780 | 24,695 | 750 |

| (Euros) | | | | |
|---|-----------------------------------|---------------------------------|---------------------|--------------------------------|
| 2019 | | | | |
| Related party | Other amounts receivable (note 7) | Cash and bank deposits (note 8) | Suppliers (note 10) | Financial investments (note 5) |
| Banco Comercial Português, S.A. | 454 | 1,859,307 | - | - |
| Millennium bcp – Prestação de Serviços, ACE | - | - | 5,273 | 750 |
| | 454 | 1,859,307 | 5,273 | 750 |

As of December 31, 2020, the results for transactions with related parties were as follows:

| (Euros) | | | |
|---|------------------------------------|---|--|
| 2020 | | | |
| Related party | Supplies and outsourcing (note 11) | Interests and Similar income obtained (note 15) | Grants Donations and legacies to operation (note 13) |
| Banco Comercial Português, S.A. | 300,694 | 293 | 2,503,680 |
| Millennium bcp – Prestação de Serviços, ACE | 32,641 | - | - |
| | 333,335 | 293 | 2,503,680 |

As of December 31, 2019, the results for transactions with related parties were as follows:

| (Euros) | | | |
|---|------------------------------------|---|--|
| 2019 | | | |
| Related party | Supplies and outsourcing (note 11) | Interests and Similar income obtained (note 15) | Grants Donations and legacies to operation (note 13) |
| Banco Comercial Português, S.A. | 233,739 | 2,395 | 2,505,437 |
| Millennium bcp – Prestação de Serviços, ACE | 37,024 | - | - |
| | 270,763 | 2,395 | 2,505,437 |

17. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Pursuant to the activities of the Foundation within the scope of its several cultural, educational and social initiatives, the Foundation had assumed on 31 December 2020 commitments regarding future donations amounting to Euros 635,100 (2019: Euros 763,600), concerning signed protocols.

In addition, there are donations which have already been approved by the Foundation but the conditions for the effective attribution, including initiatives to be developed by the respective beneficiary entities, were not met until 31 December 2020..

18. RELEVANT FACTS IN 2020

Covid-19

2020 was featured by the dissemination of the disease Covid-19 at a global scale after the first cases of infection by the virus SARS-CoV-2 (Coronavirus) were detected in China by the end of 2019 leading the pandemic declared by the World Health Organisation on 11 March 2020. The immediate impacts of this pandemic reached an unprecedented dimension in terms of social alarm the exhaustion of the health services and the severe measures adopted to contain and fight the disease implemented in many countries.

In accordance with the International Monetary Fund (IMF) the pandemic Covid-19 provoked a contraction of the world economy of 3.5% in 2020, within a context of strong restrictions to the normal prosecution of the economic activity. Although global, the degree of the recession revealed to be a mixed one and affected more the developed economies than the emerging ones. For 2021, the IMF foresee a scenario of strong recovery of the economic activity, which is, naturally dependent on the confirmation that the pandemic has dissipated.

The extraordinarily negative impact of the pandemic in the global economy generated a global and unprecedented reply in terms of economic policy, both in the monetary and budget components.

The institutions were forced to make plans of action to respond to the crisis. Within this context, the Foundation reacted swiftly and adjusted its priorities, seeking to anticipate the impacts of the crisis. The strategic orientation then in force was temporarily replaced by a model oriented towards the reinforcement of the component Solidarity and adjustment to the processes of the current situation, based on the following pillars:

- 1 – Protect the Employees;
- 2 – Aid families and institutions;
- 3 – Adapt models and processes to the new normality;
- 4 – Reinforce the component of social aid to the most vulnerable.

The financial statements were prepared on a basis of continuity since it is considered that the Foundation has the necessary resources to continue its operations and businesses in a foreseeable future. The evaluation is based on an enlarged set of information related with the current and future conditions, but the Covid-19 pandemic introduced an increased level of uncertainty and the need to consider its impact on operations.

19. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date and before the financial statements' disclosure was authorised, there were no relevant transactions and/or events that merit disclosure or adjustment.