ANNUAL REPORT 2020

Millennium bcp

Millennium
bcp

2020
REPORT & ACCOUNTS

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

2020 Annual Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The 2020 Annual Report is a translation of the “Relatório e Contas de 2020” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas de 2020” prevails.

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

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

Nuno Amado
Chairman of the Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Miguel Maya

Chief Executive Officer

Vice-Chairman of the Board of Directors

Nuno Amado

Chairman of the Board of Directors

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

BCP in 2020

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

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

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

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

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

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

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

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

Main highlights (1)

Euro million

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

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter, being reconciled with the accounting values. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A.

(2) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 31 December 2017 and 31 December 2016 is presented according to the new criteria.

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

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

(5) Given the booking of Banco Millennium Angola, in accounting terms, as a discontinued operation as at 31 March 2016, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in April 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income statement.

(6) Excludes the impact of specific items: negative impact of 46 million euros in 2020, of which 32 million euros recognized as staff costs in the activity in Portugal (restructuring costs, costs with compensation for temporary salary cuts and income arising from the agreement with a former director of the Bank) and 15 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9 million euros as staff costs, 5 million euros as other administrative costs and 1 million euros as depreciations). In 2019, the impact was also negative in the amount of 66 million euros, of which 40 million euros related to restructuring costs and costs with compensation for temporary salary cuts, both recognized as staff costs in Portugal and 26 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as other administrative costs. In 2018, the negative impact amounted to 29 million euros, of which 27 million euros related to restructuring costs recognized as staff costs and 3 million euros associated with the ongoing digital transformation project, recognized as other administrative costs, both in the activity in Portugal. In 2017 and 2016, the impact was positive, arising from the gains from negotiation/revision of Collective Labour Agreement, net of restructuring costs, in the amount of 14 million euros and 186 million euros respectively, recorded as staff costs in the activity in Portugal. The profitability and efficiency indicators does not consider the specific items recognized in net operating revenues (1 million euros in 2019 and an immaterial amount in 2020), related to costs with the acquisition, merger and integration of Euro Bank S.A. in the Polish subsidiary.

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

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

KEY INDICATORS

	Unid.	2020	2019	2018	2017	2016	Var. % 20/19
CUSTOMERS							
Total of Customers	Thousands	6,667	6,617	5,827	5,429	5,482	0,8%
Number of Active Customers (1)	Thousands	5,705	5,598				1,9%
Interest paid on deposits and interbak funding	Million euros	188	301	341	353	389	-37,5%
Claims registered (2)	Number	172,674	136,562	108,244	76,918	72,498	26,4%
Claims resolved	Percentage	93,0%	92.2%	99.3%	97.7%	93.2%	---
ACESSIBILITIES							
Branches	Number	1,380	1,536	1,101	1,120	1,163	-10,2%
Activity in Portugal		478	505	546	578	618	-5,3%
International activity		902	1,031	555	542	545	-12,5%
Branches opened on Saturday		167	143	122	118	112	16,8%
Branches with access conditions to people with reduced mobility		937	875	866	800	828	7,1%
Internet	Users number	2,453,555	2,214,885	1,980,905	1,665,987	1,700,114	10,8%
Call Center	Users number	491,969	431,169	429,982	353,003	261,620	14,1%
Mobile banking	Users number	3,214,664	2,601,401	2,106,289	1,520,378	1,268,804	23,6%
ATM	Number	3,022	2,988	2,952	2,950	2,965	1,1%
EMPLOYEES							
PORTUGAL EMPLOYEES	Number	7,013	7,204	7,095	7,189	7,333	-2,7%
INTERNATIONAL EMPLOYEES	Number	10,318	11,377	8,972	8,653	8,594	-9,3%
LABOUR INDICATORS (3)							
Breakdown by professional category	Number						
Executive Committee (Portugal, Poland and Mozambique)		28	28	28	28	26	0,0%
Senior Management		163	221	178	150	146	-26,2%
Management		1,874	2,157	1,728	1,642	1,669	-13,1%
Commercial		9,949	10,664	9,446	9,424	9,453	-6,7%
Technicians		4,067	4,388	3,682	3,531	3,459	-7,3%
Other		1,250	1,116	1,027	1,061	1,167	12,0%
Breakdown by age	Number						
<30		2,841	3,350	2,393	2,235	2,225	40.0%
[30-50[		9,872	10,648	9,318	9,498	9,820	14.3%
>=50		4,618	4,583	4,350	4,103	3,875	5.4%
Average age	Years	41	41	41	41	41	0.0%
Breakdown by contract type	Number						
Permanent		15,969	16840	14,685	14,668	14,876	-5,2%
Temporary		1,362	1681	1,376	1,168	1,044	-19,0%
Trainees		275	453	339	208	0	-39,3%
Employees with working hours reduction	Number	230	254	215	187	202	-9,4%
Recruitment rate	Percentage	6,4%	12.5%	12.3%	9.7%	8.2%	---
Internal mobility rate	Percentage	20,7%	16.3%	16.6%	18.5%	18.0%	---
Leaving rate	Percentage	13,8%	11.9%	11.0%	10.3%	9.1%	---
Free association (4)	Percentage						
Employees under Collective Work Agreements		99,8%	99.7%	99.7%	99.6%	99.6%	---
Union Syndicated Employees		77,0%	76.9%	78.6%	78.5%	78.9%	---
Hygiene and safety at work (HSW)							
HSW visits	Number	186	182	159	376	194	1,1%
Injury index (5)	Percentage	2,19	2,42	1,99	2,91	2,69	-9,5%
Death victims	Number	0	0	0	1	0	
Absenteeism rate	Percentage	6,5%	4.8%	4.3%	4.2%	4.0%	
Lowest company salary and minimum national salary	Ratio	1,3	1.3	1.3	1.1	1.9	0,0%
ENVIRONMENT							
Greenhouse gas emissions (6)	tCO_2eq	31,018	50,714	50,588	55,683	59,864	-38,8%
Electricity consumption (7)	MWh	59,214	62,527	59,664	63,131	68,055	-10,3%
Production of waste t	t	768	617	677	2,330	2,547	24,5%
Water consumption (8)	m^3	208,817	276,460	281,666	366,872	372,409	-24,5%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	1	1	0,0%
Purchase from local suppliers	Percentage	92,2%	91.4%	92.2%	86.4%	91.7%	---
DONATIONS	Million euros	2,0	2.1	2.0	1.9	1.7	4.2%

(1) Primary holders with at least 1 product with a balance > 50 cents, in absolute value and with card transactions in the last 90 days, or holding financial assets > 100 euros.

(2) It includes a structural change effect in the complaint handling process at Bank Millennium Poland, aiming at improving the Customer experience by optimizing the immediate treatment.

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

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

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

(6) Data does not include Mozambique.

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

(8) Data does not include Switzerland and Mozambique. Data include electricity from public grid. Does not include the cogeneration plant in Portugal. Data does not include Mozambique and Switzerland.

Information on BCP Group

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private sector bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA and now the Bank holds a equity accounted shareholding) and in Europe through its banking operations in Poland and Switzerland. Since 2010, the Bank operates in Macau through a full branch.

Bank History

BCP was incorporated on 17 June 1985 as a limited liability company ("sociedade anónima") organised under the laws of Portugal, following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("Atlântico"), which was then the largest private sector bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (now named Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model could be effectively exported to and tailored to suit such local markets (such as Poland, Greece and Romania).

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name: Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non-executive members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed such plan with the EC, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A..

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of loans to the economy, with a market share of approximately 10% in business volume.

In January 2017, BCP announced a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including dividend ban, risk of potential sale of core businesses and tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above regulatory requirements.

On December 27, 2019, the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter, was signed, thus completing the incorporation process of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A..

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

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite an adverse banking sector in Portugal. This position reflects a relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction of more than 70% of the Group’s NPEs since 2013 (from Euros 13.7 billion to Euros 3.3 billion in December 2020). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors (BD), which includes an Executive Committee (EC) and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board (RWB) and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, elected at the General Meeting.

At the General Shareholders' Meeting held on May 22, 2019, a non-executive Director, Mr. Fernando da Costa Lima, was co-opted to perform duties in the current term, which ends in 2021, to fill a vacancy of vowel of the Audit Committee; Prof. Cidália Lopes was appointed Chairman of the Audit Committee, who was elected on May 30, 2018 as a member of this Committee, and Mr. Nuno Alves was elected a member of the RWB, filling a vacancy in this social body.

The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its resolutions are binding for all when adopted under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and the RWB;
- Approving amendments to the memorandum of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

The BD is the governing body of the Bank with the amplest powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. At the end of 2019, the Board of Directors was composed of 17 members, of which 6 are executive and 11 are non-executive, of whom 5 are qualified as independent.

The BD began its functions on July 23, 2018 and appointed an EC on July 24, 2018, composed of six of its members, with the Chied Executive Officer being appointed by the General Meeting.

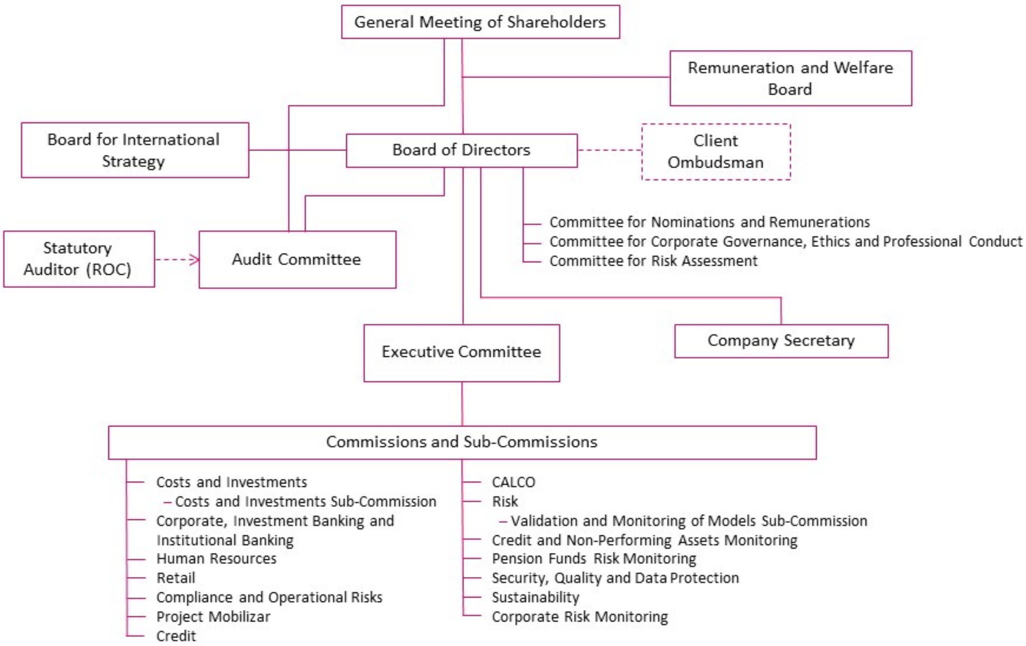
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with the majority of the remaining directors. The lists proposed for the BD should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

The RWB is elected by the General Meeting.

The Company Secretary and the Alternate Secretary are appointed by the Bank's BD, and their term-of-office matches that of the BD that appointed them.

Corporate Governance Model



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

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

* Chairman and Vice- chairman to be nominated.

Main events in 2020

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

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

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

Other events:

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

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

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

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

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

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

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

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

Subsequent events:

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

BCP Share

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

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

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

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

BCP SHARES INDICATORS

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

(1) Shareholder's Equity attributable to the group minus Preference shares
(2) Based on the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017
(4) Based on the average number of shares minus the number of treasury shares in portfolio
(5) Total number of shares traded divided by the average number of shares issued in the period

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

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

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

Positive impacts:

Intrinsic to BCP:

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

Extrinsic to BCP:

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

Negative impacts:

Intrinsic to BCP:

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

Extrinsic to BCP:

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

PERFORMANCE

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

Source: Euronext, Reuters, Bloomberg

Liquidity

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

Follow-up with Investors

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

Indexes listing BCP shares

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

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

Source: Euronext, 31 December 2020

Millennium bcp was also part of the following Sustainability indexes at the end of 2020: “Ethibel EXCELLENCE Investment Register”, “Ethibel Excellence Europe” and “European Banks Index”. Bank Millennium, in Poland, is also part of the "WIG-ESG" of the Warsaw Stock Exchange. In 2021, the BCP Group joined again, for the second year in a row, the Bloomberg Gender-Equality Index.

Sustainability Indexes

Material information announced to the market and impact on the share price

The following table summarizes the material information announced in 2020 and the price changes in the following day and 5 days, comparing it also to performance of the main domestic and European index in the same periods:

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

(Continues)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
13	30/Jun	Banco Comercial Português, S.A. informs about granting of shares to the Executive Directors and Key Function Holders	-0.7%	0.1%	-0.1%	1.9%	0.5%	-2.8%
14	23/Jul	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1H 2020	-1.7%	-0.7%	-0.8%	-7.4%	-2.2%	0.5%
15	28/Jul	Millennium bcp Earnings release as at 30 June 2020	-1.5%	-1.2%	-0.3%	0.0%	0.6%	3.3%
16	31/Jul	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	1.5%	0.3%	0.0%	3.2%	1.5%	1.3%
17	12/Aug	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-0.5%	-0.4%	1.4%	-1.8%	-0.1%	1.4%
18	24/Aug	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual subordinated notes	-0.1%	1.0%	0.1%	-4.3%	-1.4%	-3.7%
19	9/Sep	Banco Comercial Português, S.A. informs that it has not continued the legal proceeding with the General Court of the European Union regarding the Contingent Capitalisation Mechanism of Novo Banco	-0.3%	0.3%	0.2%	-3.7%	-2.3%	-1.8%
20	28/Sep	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	-3.5%	-2.2%	-1.3%	-4.4%	-5.5%	-5.0%
21	29/Sep	Banco Comercial Português, S.A. informs about notice of acquisition of financial instruments	0.9%	0.0%	-0.1%	1.6%	-2.1%	-4.8%
22	27/Oct	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in the first 9 months of 2020	-3.4%	-1.2%	0.1%	6.5%	4.6%	1.6%
23	29/Oct	Millennium bcp Earnings release as at 30 September 2020	8.2%	6.1%	6.7%	11.2%	4.9%	3.1%

(Continues)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
24	5/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-1.8%	-0.2%	-0.8%	21.9%	15.5%	7.9%
25	9/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	4.3%	3.3%	-0.1%	16.8%	12.0%	9.6%
26	11/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-0.7%	-1.3%	1.2%	19.2%	17.5%	15.5%
27	16/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of perpetual notes	-2.3%	-0.9%	-2.2%	6.6%	6.1%	4.7%
28	23/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of securities	6.0%	3.3%	1.7%	5.1%	1.7%	4.6%
29	25/Nov	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-2.9%	-2.5%	-1.8%	-1.8%	-1.7%	-2.9%
30	26/Nov	Banco Comercial Português, S.A. informs about qualified shareholding of BlackRock	-1.3%	-2.3%	-2.1%	0.8%	0.1%	-2.3%
31	2/Dec	Banco Comercial Português, S.A. clarifies news about the shareholding of Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	-0.4%	-0.7%	-1.1%	7.1%	3.8%	7.7%
32	7/Dec	Banco Comercial Português, S.A. informs about minimum prudential requirements	2.3%	1.1%	2.9%	0.1%	-1.5%	2.6%
33	10/Dec	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-2.8%	-1.7%	-1.0%	-0.2%	-0.8%	0.0%
34	15/Dec	Banco Comercial Português, S.A. informs about correction to announcement of minimum prudential requirements	-1.6%	-2.0%	-0.5%	-6.3%	-5.3%	-1.8%
35	16/Dec	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	1.1%	0.5%	1.2%	-2.3%	-2.9%	-1.8%

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

Dividend policy

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

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

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

The dividend policy of BCP Group is based primarily on the retention of own funds that are consistent with its Risk Appetite Statement (RAS), its internal capital needs assessment (ICAAP) and the existence of a buffer on the amounts required by the regulator in its Bank' risk assessment (SREP). In the current context, the guidance issued by the ECB referred to above will naturally still need to be considered.

Due to the strategic objectives presented and the corresponding evolution in terms of capital needs, there is an aspirational objective of a payout ratio of 40%, in steady state, but the final decision is always the result of the aforementioned policy.

Own shares

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

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

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

Shareholder structure

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

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

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

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

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

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

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

Qualified Holdings

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

31 December 2020

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
TOTAL FOR FOSUN GROUP	**4,523,384,503**	**29.93%**	**29.93%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	423,574,988	2.80%	2.80%
TOTAL FOR BLACKROCK	**423,574,988**	**2.80%**	**2.80%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**8,204,929,549**	**54.28%**	**54.28%**

* In accordance with the announcement on November 26, 2020 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

Regulatory, economic and financial system environment

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

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

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

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

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

Banco de Portugal published:

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

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

- Law no. 53/2020, of 26 August, and Law 57/2020 of 28 August, which establish rules for the protection of consumers of financial services by implementing restrictions on the application of certain bank fees;
- Circular Letter no. CC/2020/00000013, of Banco de Portugal, relating to the Process of granting and restructuring credits to riskier debtors or groups of debtors;
- Circular Letter no. CC/2020/00000044, of Banco de Portugal, which recommends the good practices to be observed in the marketing of banking products and services through digital channels;
- Notice no. 3/2020 and Instruction no. 18/20, of Banco de Portugal, regarding conduct and organizational culture and governance, internal control and risk management systems;
- At the macro-prudential level, the percentage of countercyclical reserve applicable to credit exposures to the domestic non-financial private sector remained unchanged at 0% of the total amount of the positions at risk;
- Law no. 58/2020, of 31 August, which transposes Directive (EU) 2018/843 ("5th AML Directive") which reinforces the mechanisms foreseen for the prevention of money laundering and financing of terrorism, and Directive (EU) 2018/1673 which, in addition, aims to strengthen the fight against money laundering trough criminal law.

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

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

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

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

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

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

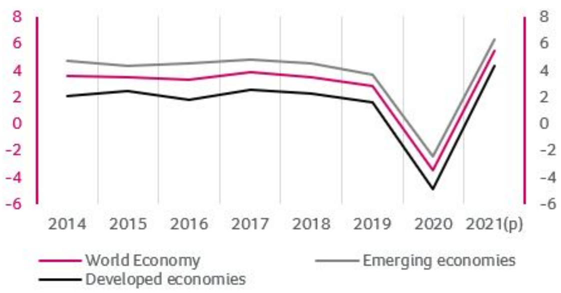
Economic environment

Global economic environment

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

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

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



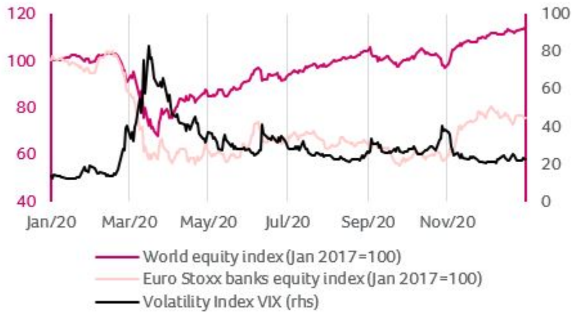
Source: IMF WEO (Jan 2020)

Global financial markets

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

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

THE WORLD EQUITY INDEX APPRECIATED DESPITE THE PANDEMIC



Source: Datastream

Outlook for the Portuguese economy

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

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

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

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

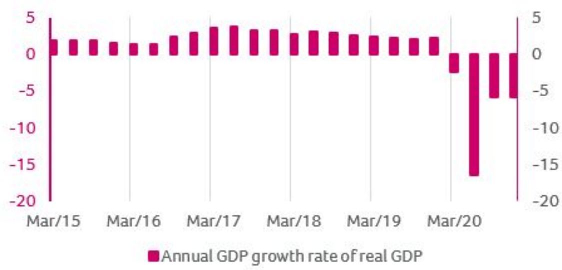
International operations

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

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

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

PORTUGUESE ECONOMY RECORDED A HISTORICAL DROP IN 2020



Source:Datastream

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

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

Source: IMF and national statistics institutes

IMF estimate (January 2020)

Financial system

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

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

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

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

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

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

Business Model

Nature of operations and main activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Switzerland, Mozambique, Angola (through its associate BMA) and China (Macao). All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

In Portugal, Millennium bcp is focused on the retail market, providing services to its Customers in a segmented manner. The subsidiary companies generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

Distinctive factors of the business model

Largest private sector banking institution

Millennium bcp is Portugal's largest private sector banking institution on business volumes, with a leading position and particular strength in various financial products, services and market segments based on a modern branch network with nationwide coverage. The Bank also offers remote banking channels (banking service by telephone, mobile banking and online), which operate as distribution points for its financial products and services.

The priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model and transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the update of technology, information safety and promotion of new work forms.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer needs, both through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and customized management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking and also through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

International presence as a platform for growth

At the end of December 2020, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 December 2020, operations in Portugal accounted for 71% of total assets, 69% of total loans to Customers (gross) and 70% of total customer funds. The Bank had over 2.4 million active Customers in Portugal and market shares of 17.5% and 18.1% of loans to Customers and customer deposits, respectively, in December 2020.

At the end of December 2020, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.7 million active Customers.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has more than 1.2 million Active Customers and is the reference bank in this country, with 16.8% of loans and advances to Customers and 24.2% of deposits, on 31 December 2020. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 31 December 2020, Bank Millennium had a market share of 6.1% in loans to Customers and of 5.3% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering customized quality services to the Group's high net worth Customers, comprising asset management solutions based on a rigorous research and on a profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

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

The Bank also has 9 representation offices (1 in the United Kingdom, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou, and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).

Growth based on digital/mobile banking

Since its incorporation, the Bank has built a reputation associated with innovation. The Bank was the first Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

Digital banking

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

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

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

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

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

Mobile – Individual Customers

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

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

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

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

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

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

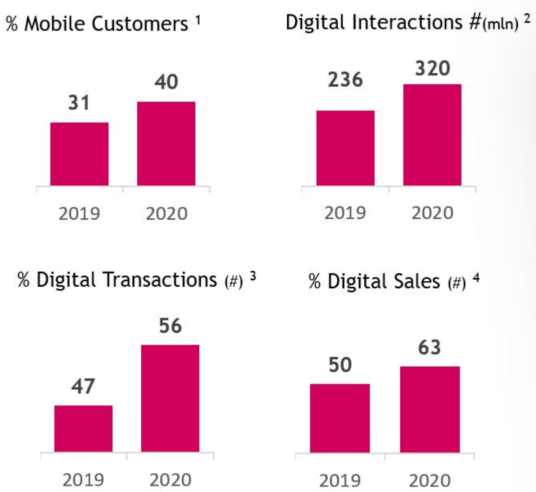
In order for Customers to feel safe when using credit cards, they can resort, whenever necessary, to a its temporary block or to its cancelling. It is now possible to make international SEPA transfers.

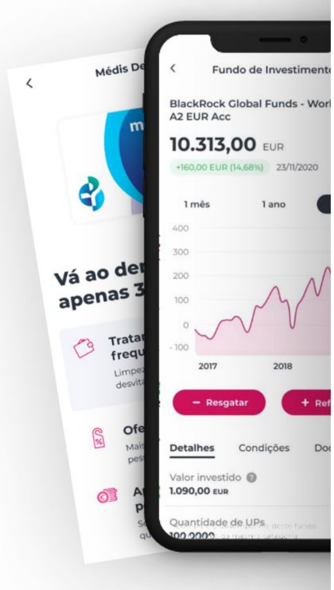
Payments by direct debit have not been forgotten and category icons, graphs with consumption trends and differentiation of charge status by colour have been included, all to facilitate the management of direct debits in the Millennium App.

Apple Pay was also made available.

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

Our digital capabilities were especially appreciated by Customers during the pandemic





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

Strong mobile growth Y/Y

(Jan-Dec 2020 vs. Jan-Dec 2019)

+68% Logins

+68% Payments

+84% Transfers

+68% Sales

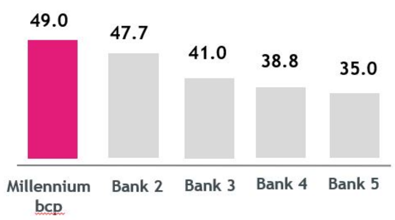
48% of digital Customers are app-exclusive

89% of digital interactions are mobile

Best Digital Bank and Leader in Customer Satisfaction in 2020

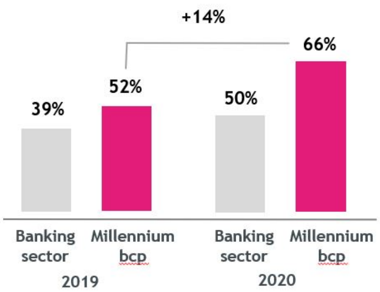
Marktest

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



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

Best Digital Bank in 2020[3]



Millennium app leads ratings

4.8 (Google Play)

4.8 (App Store)

Best Consumer Digital Bank Award 2020 in Portugal[4]

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

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

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

Mobile – Companies

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

Companies website

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

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

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

Digital Sales

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

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

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

In new and renewal of savings, there was an aggregate growth of 29 p.p. compared to 2019 in the penetration rate in number of transactions.

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

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

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

Client-oriented relationship model

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

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

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

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

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

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

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

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

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp successfully implemented an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. The Bank implemented a restructuring program based on a reduction of operating costs by approximately of 40% in Portugal since 2011 and a more than 70% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 3.3 billion in December 2020).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leading position in terms of efficiency and competitive international operations.

The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail banking services market. One of the Bank's top priorities is to improve the quality of its credit portfolio, reduce the stock of NPE to circa of Euros 3 billion by 2021 and, simultaneously, decrease the cost of risk.

Main awards

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

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

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

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

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

Millennium bcp: Best FX Provider 2021 in Portugal

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

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

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

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

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

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

Millennium bim: Most innovative banking services in Mozambique

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

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

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

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

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

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

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

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

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

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

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

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

Millennium bcp
Consumer Choice 2021, "Large banks" category

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

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

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

ActivoBank
Consumer Choice 2021, "Digital banks" category

Millennium network

USA
Commercial protocols

Venezuela
1 Representative office

Brazil
2 Representative offices

BRANCHES

BRANCHES OPENED ON SATURDAY

BRANCHES WITH DIFFERENTIATED SCHEDULE

BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

REPRESENTATIVE OFFICES

COMMERCIAL PROTOCOLS

PARTNERSHIP

* Includes branches of different networks that share the same physical space.

Portugal
477 Branches
200* 420

United Kingdom
1 Representative office

Poland
702 Branches
85 104 327

Macao (China)
1 Branch

France
Commercial protocols

Luxembourg
Commercial protocols

South Africa
1 Representative office

China
1 Representative office

Switzerland
1 Branch
1
3 Representative offices

Mozambique
199 Branches
30 63 189

Angola
Partnership

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

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

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (version in force), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2015, version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the version currently in force.

On 1 January 2018, the Group adopted the IFRS 9 – Financial Instruments, replacing the IAS 39 – Financial Instruments: Recognition and measurement which were in force until 31 December 2017. IFRS 9 establishes new rules for the recognition of financial instruments and introduces relevant changes, namely in terms of their rating and measurement and also the methodology for calculating the impairment of financial assets. As allowed by the temporary provisions of IFRS 9, the Group chose not to restate balances of the previous period. Hence, all adjustments made in the accounting values of financial assets and liabilities on the transition date were recognised in equity with reference to 1 January 2018 and the balances presented in the financial statements regarding the previous period correspond to the information effectively disclosed on 31 December 2017.

In order to provide a better reading of the performance of the Group's financial situation and to ensure comparability with the information from previous periods, a set of concepts are described in this analysis that reflect the management criteria adopted by the Group in the preparation of the financial information, the accounting correspondence of which is presented in the glossary and throughout the document, whenever applicable.

On 1 January 2019, IFRS 16 – Leasing entered into force, replacing IAS 17 - Leasing and establishing the new requirements regarding the scope, rating, recognition and measurement of leases. The Group applied the principles set out in this regulation retrospectively with the impacts of the transition to be recognised on 1 January 2019. Regarding the income statement, the adoption of IFRS 16 led to changes in the items regarding depreciation, other administrative costs and net interest income, with the net impacts being recognised as immaterial.

The Group no longer applies IAS 29 - Financial Reporting in Hyperinflationary Economies, with effect from 1 January 2019, to the financial statements of Banco Millennium Atlântico, since Angola no longer meets the requirements to be considered a hyperinflationary economy. From the beginning of 2019, the financial statements of Banco Millennium Atlântico considered for the purposes of integration in the Group's accounts began to consider the amortisation of the impact arising from the update of the balance sheet value of non-monetary assets and liabilities until the end of their lifespan.

In May 2019, Bank Millennium, S.A., a subsidiary owned 50.1% by Banco Comercial Português, S.A., completed the acquisition of a 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A. As of this date, the financial statements of the Group began to reflect the consolidation of Euro Bank S.A. On the settlement date of the transaction IFRS 3 - Business Combinations acquisition method was applied, which establishes that the acquired assets and liabilities should be recognised based on their fair value at the date of acquisition. In accordance with IFRS 3, the effective settlement of the acquisition would have to be completed no later than one year from the control acquisition date, which in the meantime occurred, with no material impact on the Group's financial statements.

During September 2019, the Board of Directors of Banco Comercial Português, S.A. and the Board of Directors of Banco de lnvestimento lmobiliário, S.A. approved the merger project of Banco de lnvestimento lmobiliário, S.A., a subsidiary fully owned by Banco Comercial Português, S.A., by incorporation into the latter, and the process was concluded on 30 December 2019, after the signing of the merger deed and its registration with the Commercial Registry Office. The merger produced its accounting and tax effects on 1 January 2019. This operation had no impact on the consolidated accounts other than those related to deferred tax assets, namely those resulting from the updating of the rate applicable to temporary differences from Banco de Investimento Imobiliário, S.A., considering the average rate of deferred tax assets associated with temporary differences from Banco Comercial Português, S.A., and the derecognition of part of the deferred tax assets related to tax losses.

The figures related to discontinued operations are shown separately, for the relevant periods, according to the information provided in the consolidated financial statements approved by the shareholders and published by the Bank. Discontinued operations covered by the analysis period in this document are mainly related to the Planfipsa Group, which was considered as a discontinued operation with reference to the third quarter of 2018 (after the communication and publication of results to the market) and whose sale took place in February 2019.

In 2019 and 2018, the gains/losses related to Millennium bcp Gestão de Ativos pursuant to adjustments to the sale price agreed for the sale of that company were also included in earnings from discontinued operations.

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

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

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

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

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

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

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

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

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

PROFITABILITY ANALYSIS

NET INCOME

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

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

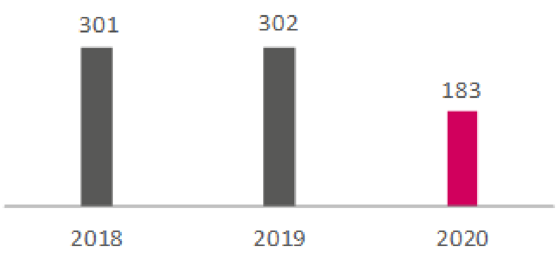
At the same time, the performance of the Group's net income was also penalised by the reinforcement of the extraordinary provision booked by the Polish subsidiary to address the legal risk associated with mortgage loans granted in foreign exchange, which amounted to 152 million Euros in 2020 (52 million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

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

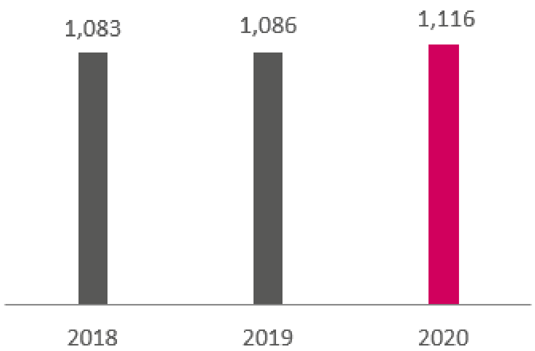
The gain of 13 million Euros, which had been recognised in February of that year, resulting from the disposal of the Planfipsa Group, reflected as discontinued operations, also contributed to the reduction in net income presented by the Group in 2020 compared to 2019.

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

NET INCOME
Million euros



CORE NET INCOME
Million euros



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

QUARTERLY INCOME ANALYSIS

Million euros

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

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

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

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

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

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

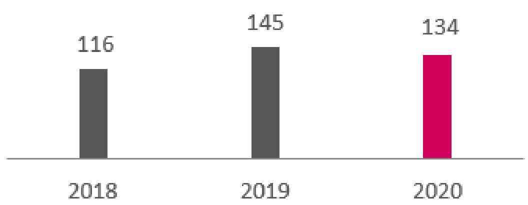
In addition, the evolution of net income in the activity in Portugal was also penalised by the performance of other net operating income, to the extent that in 2019 significant income was recognised on the sale of properties, which was not repeated in 2020.

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

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

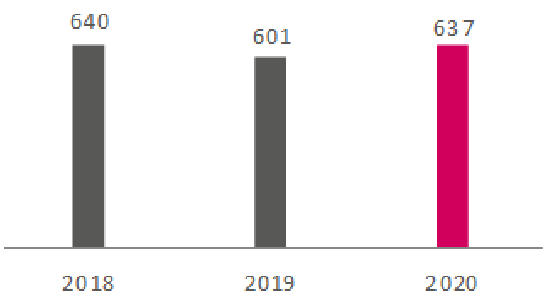
NET INCOME

Activity in Portugal
Million euros



CORE NET INCOME

Activity in Portugal
Million euros



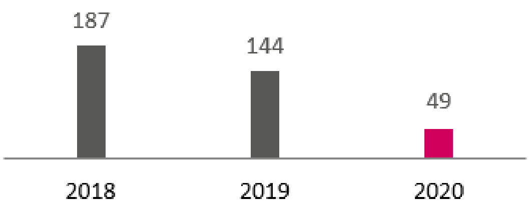
Core net income in the international activity amounted to 480 million Euros in 2020, slightly below the 484 million Euros achieved in 2019, influenced by the depreciation of the metical against the euro which largely penalised the contribution of the operation in Mozambique. Conversely, the core net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

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

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

NET INCOME

International activity
Million euros



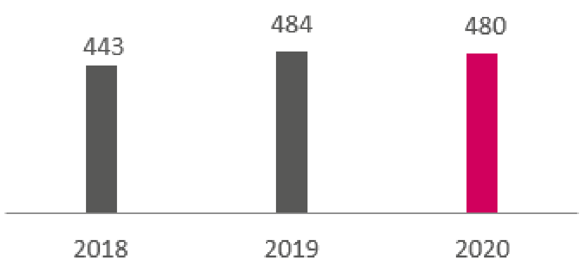
Bank Millennium in Poland, despite a solid operating performance, posted net income considerably below the 131 million Euros achieved in the previous year, standing at 5 million Euros in 2020. This performance was determined by Bank Millennium's decision to reinforce the impairments and provisions booked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

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

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

CORE NET INCOME

International activity
Million euros



NET INCOME OF INTERNATIONAL ACTIVITY

Million euros

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

(1) The amounts showed are not deducted from non-controlling interests.
(2) Corresponds to the proportion of the results of Banco Millennium Atlântico appropriated by the Group, considering the equity method.

Note: Net income of 2020 (after taxes and non-controlling interests) attributable to the international operations amounted to 49 million Euros. For the same period, net income from Poland amounted to 5 million Euros (of which 3 million Euros attributable to the Bank). The net income from Mozambique ascended to 67 million Euros (of which 45 million Euros attributable to the Bank). The net income of the activity in Angola, associated to the contribution of Banco Millennium Atlântico to the consolidated, calculated by the equity method, was a negative amount of 7 million Euros (considering impairments booked to the investment in the operation in Angola, including goodwill). Net income from the activities in Switzerland and in the Cayman Islands included in "Other" were fully attributable to the Bank.

NET INTEREST INCOME

Net interest income stood at 1,533 million Euros in 2020, slightly (approximately 1.0%) below the 1,549 million Euros posted in the previous year.

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

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

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

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

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

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

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

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

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

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

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

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

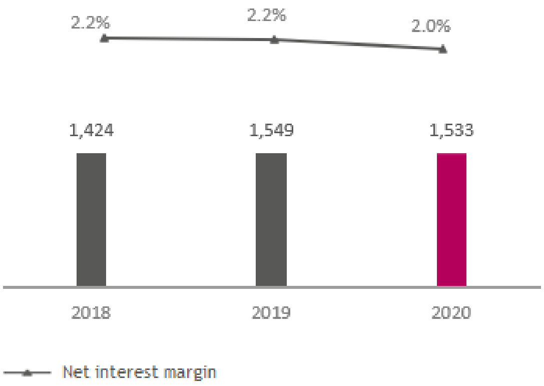
In consolidated terms, the net interest margin rate evolved from 2.2% in 2019 to 2.0% in 2020, mainly pressured by the context of international activity.

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

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

NET INTEREST INCOME

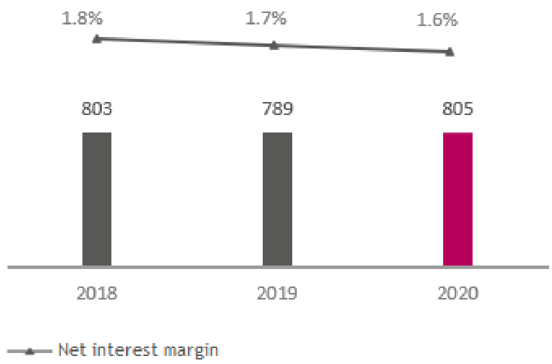
Million euros



NET INTEREST INCOME

Activity in Portugal

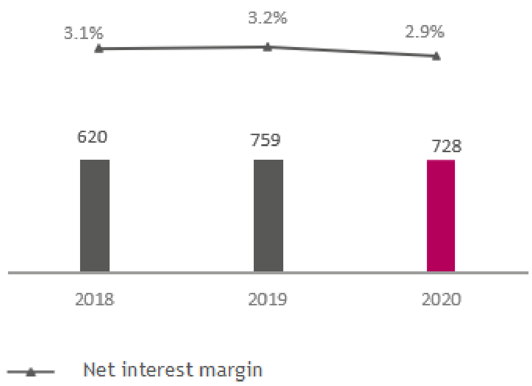
Million euros



NET INTEREST INCOME

International activity

Million euros



AVERAGE BALANCES

Million euros

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

(1) Net interest income as a percentage of average interest earning assets.

Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2020, 2019 and 2018, to the respective balance item.

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

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

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

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

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

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

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

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

OTHER NET INCOME

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

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

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

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

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

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

OTHER NET INCOME

Million euros

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

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporate dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, increased from 1 million Euros in 2019 to 5 million Euros at the end of 2020. The amounts referred to, in both years, relate almost entirely to income on investments in the equity portfolio of the activity in Portugal.

NET COMMISSIONS

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

NET COMMISSIONS

Million euros

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

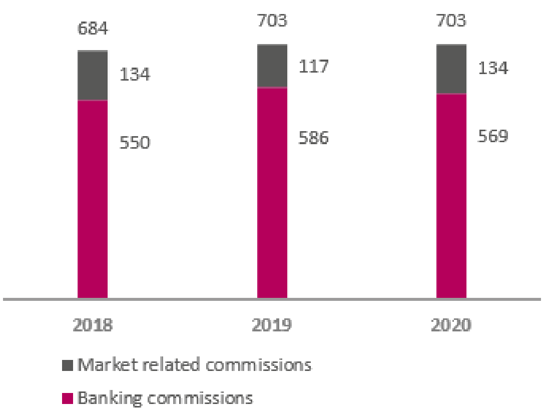
Net commissions, which include commissions related to banking business and commissions more directly related to financial markets, remained in line with the amount recorded in 2019, amounting, in consolidated terms, to 703 million Euros in 2020. It should be noted that, despite the negative impacts caused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

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

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

NET COMMISSIONS

Million euros



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

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

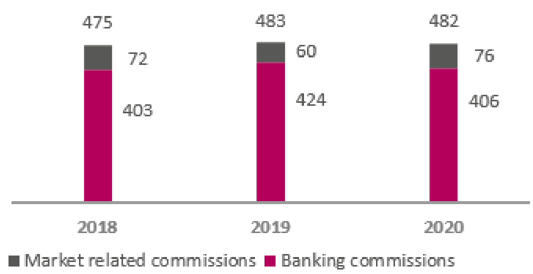
Management and account maintenance commissions, despite the negative impacts of the current context, posted a growth of 7 million Euros, explained by the strong dynamics of new customer acquisition and the change in the commercial policy implemented in 2019. It should be noted that this growth occurred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

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

NET COMMISSIONS

Activity in Portugal

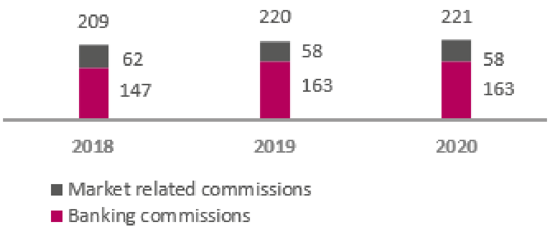
Million euros



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

NET COMMISSIONS

International activity
Million euros



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

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

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

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

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

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

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

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

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

NET TRADING INCOME

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

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

NET TRADING INCOME

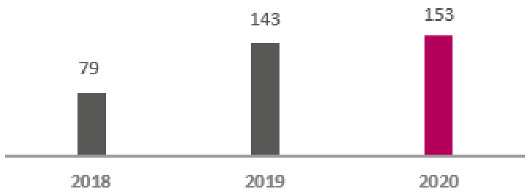
Million euros

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

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

NET TRADING INCOME

Million euros



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

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

OTHER NET OPERATING INCOME

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

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

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

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

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

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

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies. In 2020, equity accounted earnings amounted to 68 million Euros, up from 43 million Euros in the previous year, benefiting mainly from the improvement of the activity in Portugal, but also from the growth in the international activity.

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

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

EQUITY ACCOUNTED EARNINGS

Million euros

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

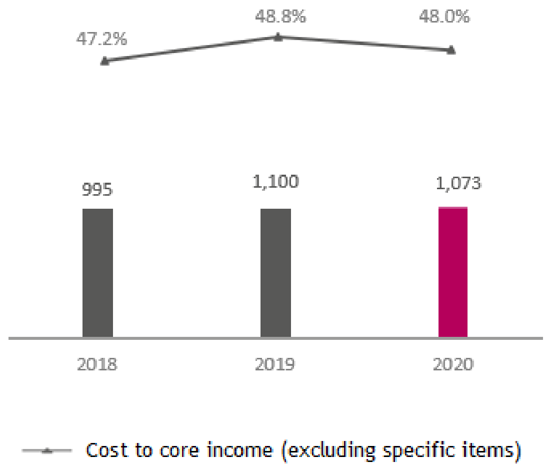
OPERATING COSTS

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

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

OPERATING COSTS

Million euros



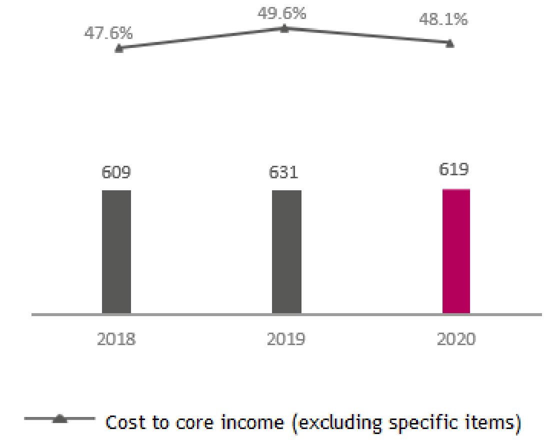
In the activity in Portugal, operating costs, excluding the effect of the above mentioned specific items stood at 1.9% below the 631 million Euros recorded in 2019, standing at 619 million Euros at the end of the current year. The 12 million Euros reduction in operating costs was mainly due to savings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

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

OPERATING COSTS

Activity in Portugal

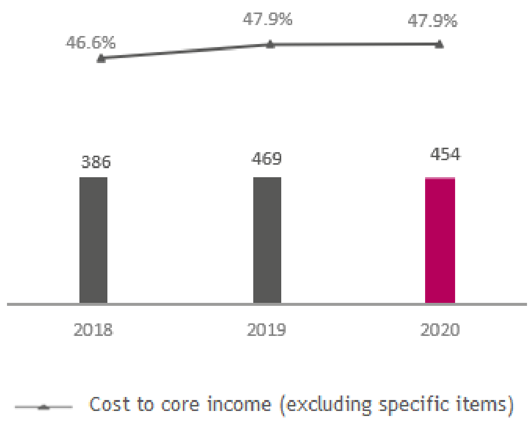
Million euros



OPERATING COSTS

International activity

Million euros



4 Negative impact of 46 million Euros in 2020, of which 32 million Euros recognised as staff costs in the activity in Portugal (restructuring costs, costs with the compensation for the temporary adjustment of remunerations and income from the agreement with a former director of the Bank), and 15 million Euros related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary (9 million Euros as staff costs, 5 million Euros as other administrative costs and 1 million Euros as depreciation). In 2019, the impact was also negative, amounting to 66 million Euros, of which 40 million Euros were related to restructuring costs and compensation for the temporary adjustment of salaries, both recognised as staff costs in the activity in Portugal and 26 million Euros were related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary as other administrative expenses, which also recorded amounts considered immaterial in staff costs and depreciation for the year. In 2018, the impact was also negative, amounting to 29 million Euros, of which 27 million Euros were related to restructuring costs recognised as staff costs and 3 million Euros associated with the ongoing digital transformation project, recognised as other administrative costs, both in the activity in Portugal.

In the Polish subsidiary, despite the impact from the consolidation of Euro Bank S.A, operating costs were lower than in 2019, benefiting in part from the depreciation of the zloty against the euro. It should also be noted that, in 2020, as a result of the synergies obtained after the merger with Euro Bank S.A., the operating costs of the operation in Poland incorporate savings, amounting to 38 million Euros, more than doubling the costs recognised in the period with the integration of the acquired Bank (15 million Euros).

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

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

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

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

OPERATING COSTS

Million euros

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

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

STAFF COSTS

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

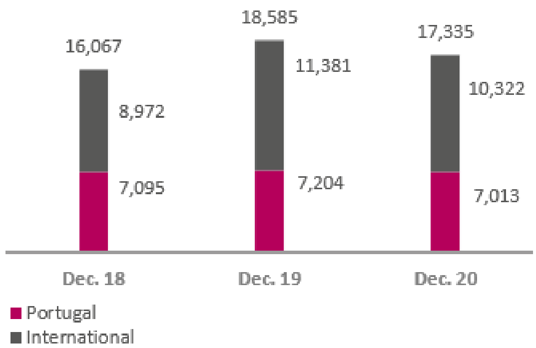
In the activity in Portugal, staff costs amounted to 364 million Euros in 2020, 2.0% lower than the 371 million Euros in 2019. Specific items, not included in the amounts referred to, amounted to 32 million Euros in 2020 and 40 million Euros in 2019 and relate to restructuring costs and compensation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

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

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

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

EMPLOYEES



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

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

STAFF COSTS

Million euros

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

OTHER ADMINISTRATIVE COSTS

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

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

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

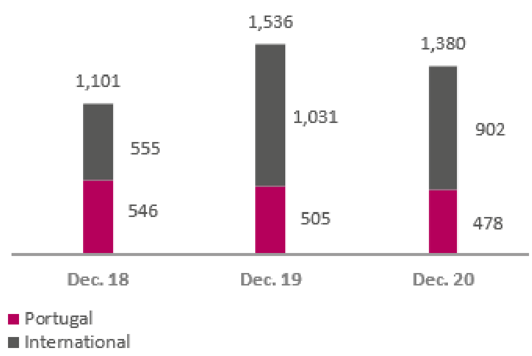
In the activity in Portugal, other administrative costs showed a reduction of 6.5% from 191 million Euros in 2019 to 178 million Euros in 2020.

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

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

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

BRANCHES



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

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

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

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

OTHER ADMINISTRATIVE COSTS

Million euros

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

DEPRECIATIONS

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

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

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

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

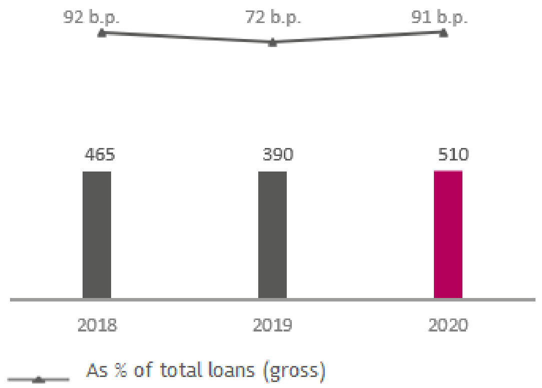
LOANS IMPAIRMENT

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

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

LOANS IMPAIRMENT (NET)

Million euros



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

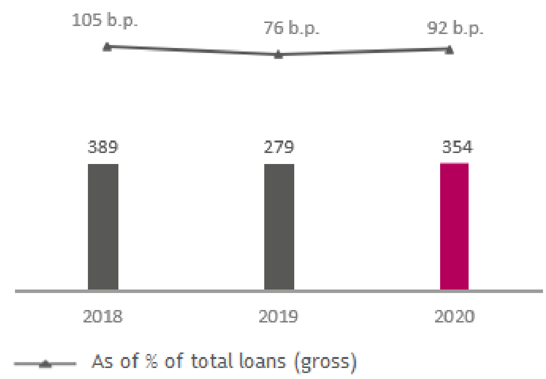
This extraordinary increase in impairments interrupted the downward trend observed up to early 2020 and the progressive improvement in portfolio quality witnessed in the preceding periods.

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

LOANS IMPAIRMENT (NET)

Activity in Portugal

Million euros

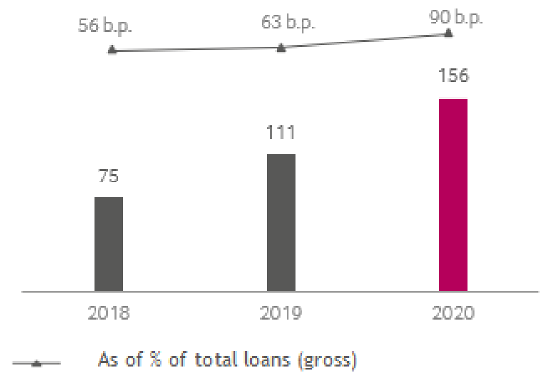


In the international activity, loan impairment charges (net of recoveries) increased from 111 million Euros in 2019 to 156 million Euros in 2020, reflecting the additional reinforcement in the amount of 35 million Euros to address the increased credit risk, following the current context of economic crisis.

LOANS IMPAIRMENT (NET)

International activity

Million euros



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

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

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

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

LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2020	2019	2018	Chan. % 20/19
Loan impairment charges (net of reversions)	533	414	478	28.5%
Credit recoveries	23	24	13	-6.5%
TOTAL	510	390	465	30.7%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	91 b.p.	72 b.p.	92 b.p.	20 b.p.

Note: cost of risk adjusted from discontinued operations.

OTHER IMPAIRMENT AND PROVISIONS

Other impairment and provisions include (i) impairment, net of reversals, for loans and advances of credit institutions classified at amortised cost; (ii) impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations); (iii) impairment for other assets, namely for repossessed assets, investments in associates and goodwill of subsidiaries and (iv) other provisions.

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

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

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

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

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

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

INCOME TAX

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

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

The increase in current tax expense in 2020 compared to 2019 is explained by the increase in contributions on the banking sector and provisions for other risks and charges, non-deductible for tax purposes. The deferred tax expense in 2019 arises primarily from the write-off of deferred tax assets related to tax losses as a result of the maintenance of the low interest rate regime and the effect of actuarial losses in the pension fund.

NON-CONTROLLING INTERESTS

Non-controlling interests are the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests include mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%) and in Millennium bim in Mozambique (33.3%).

In 2020, the non-controlling interests amounted to 25 million Euros compared to 99 million Euros in 2019, mainly reflecting the decrease in net income of the subsidiary in Poland, but also, albeit to a lesser extent, of the subsidiary in Mozambique.

REVIEW OF THE BALANCE SHEET

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

BALANCE SHEET AS AT 31 DECEMBER

Million euros

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

(1) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.
(2) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.
(3) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.
(4) Includes Legal and statutory reserves and Reserves and retained earnings.

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

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

Loans to customers

Million euros

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

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

Balance sheet customer funds

Million euros

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

The securities portfolio includes debt securities at amortised cost not associated to credit operations (net of impairment), financial assets at fair value through profit or loss (excluding amounts related to credit operations and trading derivatives), financial assets at fair value through other comprehensive income, and assets with repurchase agreement up to 2018.

Securities portfolio

Million euros

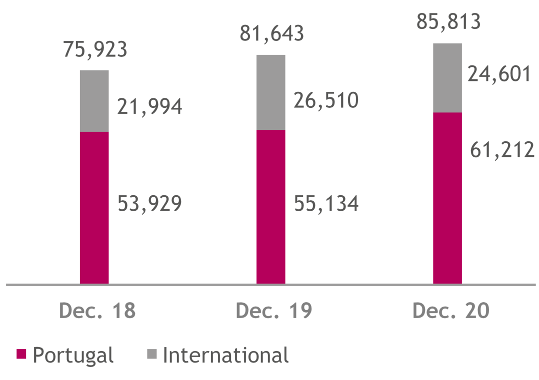
	2020	2019	2018
Debt instruments at amortised cost (accounting Balance sheet) (1)	6,235	3,186	3,375
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,598	2,075	2,271
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	**4,637**	**1,111**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

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

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

TOTAL ASSETS

Million euros



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

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

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

LOANS TO CUSTOMERS

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

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

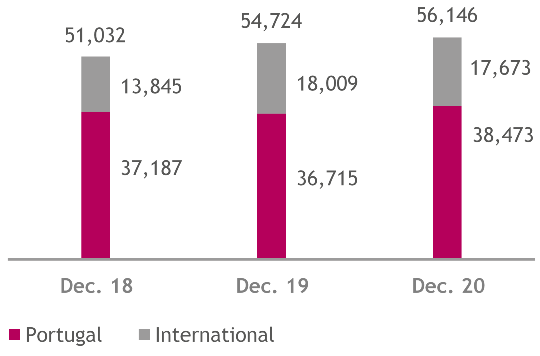
In the activity in Portugal, loans to customers (gross) reached 38,473 million Euros as at 31 December 2020, standing 4.8% above the 36,715 million Euros recorded at the end of 2019. It is important to note that this evolution was determined by the reduction of 883 million Euros of non-performing exposures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

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

Million euros



(*) Before impairment and fair value adjustments.

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.

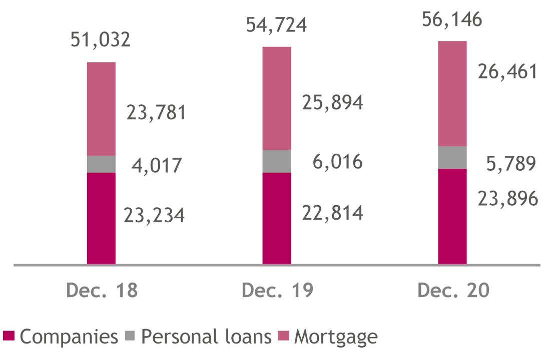
Loans to individuals stood at 32,250 million Euros as at 31 December 2020, 1.1% above the 31,910 million Euros recorded at the end of the previous year, especially due to the evolution of the international activity, which grew by 1.7% in the same period. The expansion of the portfolio of loans to individuals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

Million euros



(*) Before impairment and fair value adjustments.

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

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

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

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

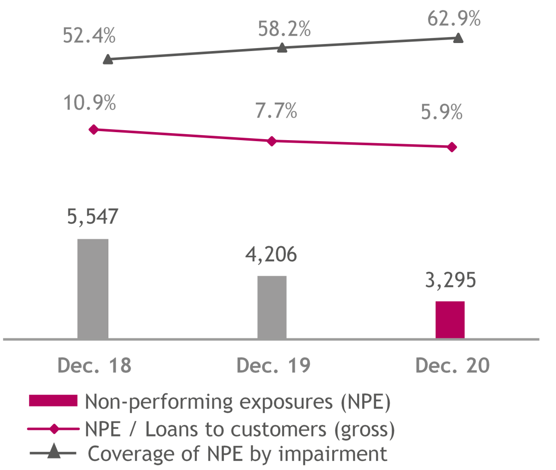
The focus on selectivity and monitoring of credit risk control processes and the initiatives taken by the commercial areas and credit recovery areas, aimed at reducing the amount of loans in default have improved the quality of the credit portfolio over the last few years.

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

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

CREDIT QUALITY

Million euros



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

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

CREDIT QUALITY INDICATORS

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

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

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

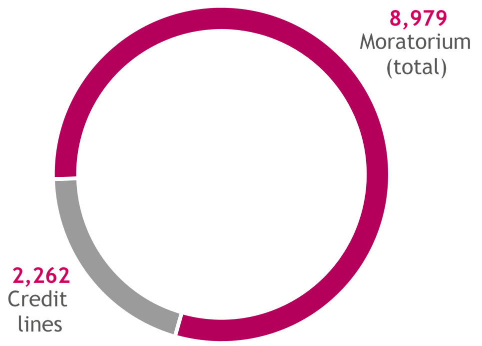
In the pandemic scenario caused by COVID-19, the Portuguese Government, like its European peers, has decreed measures to support the economy aimed at mitigating the harmful impacts on households and companies – the scale of which is yet unknown – arising from the need for more or less prolonged and intermittent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

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

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

SUPPORT MEASURES TO THE ECONOMY — COVID-19

Million euros



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

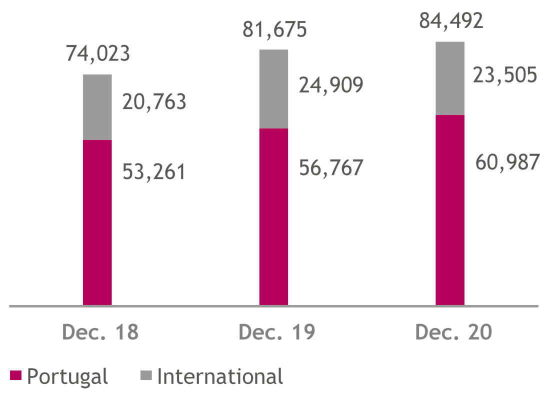
CUSTOMER FUNDS

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

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

TOTAL CUSTOMER FUNDS

Million euros



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

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

TOTAL CUSTOMER FUNDS

Million euros

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

(*) Excludes assets under management.

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

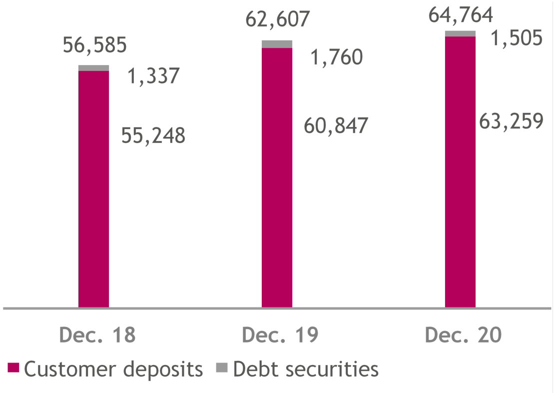
As at 31 December 2020, balance sheet customer funds represented 76.7% of total customer funds, with deposits and other resources from customers representing 74.9% of total customer funds.

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

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

BALANCE SHEET CUSTOMER FUNDS

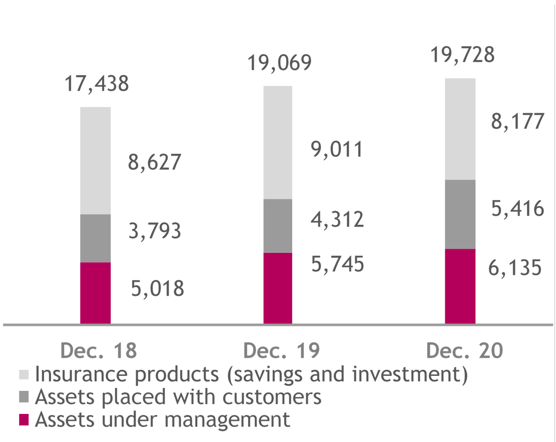
Million euros



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

OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



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

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

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

TOTAL CUSTOMER FUNDS

Million euros

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

NON-CURRENT ASSETS HELD FOR SALE

Million euros

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

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

SECURITIES PORTFOLIO

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

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

SECURITIES PORTFOLIO

Million euros

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

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and trading derivatives.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

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

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

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

OTHER ASSET ITEMS

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

EQUITY

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

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

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

Business Areas

Activity per Segments

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

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

(*) From Treasury and Markets International Division.

(**) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.

(***) Consolidated by the equity method.

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Each segment’s income includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Operating costs related to the business segments do not include restructuring costs and other costs considered as specific items recorded in 2020 and 2019, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 December 2020.

RETAIL

Mass Market

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

Prestige

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

Portuguese Diaspora & Foreigners

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

Business

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

Products

Personal loans

The Bank maintained:

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

Mortgage loans

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

Credit moratoria

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

Investment solutions

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

Integrated Solutions

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

ActivoBank

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

Microcredit

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

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

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

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

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

Million euros

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

Notes:

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

Income

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

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

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

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

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

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

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

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

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

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

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

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

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

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

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

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

Proximity to the Primary Sector

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

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

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

Trade finance

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

Investment banking

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

Arcus Infrastructure Partners	apg / NPS / SwissLife	Lagoas Park	Iberwind Natural Efficiency	edp
FINANCIAL ADVISORY	MANDATED LEAD ARRANGER	MANDATED LEAD ARRANGER	MANDATED LEAD ARRANGER	JOINT GLOBAL COORDINATOR
Financial advisory to Arcus IP in the sale of a stake in Brisa	Acquisition Finance	Debt refinancing	Refinancing of Iberwind's Wind Farm Portfolios	Capital increase executed through a rights issue
Undisclosed	€ 770,000,000	€ 251,000,000	€ 754,500,000	€ 1,020,172,800
2020	2020	2020	2020	2020
Millennium	Millennium	Millennium	Millennium	Millennium

Neuce	Região Autónoma da Madeira	Blue Ticket	edp	Azores
FINACIAL ADVISORY	JOINT LEAD MANAGER	FINANCIAL ADVISORY	JOINT LEAD MANAGER	JOINT LEAD MANAGER
Financial advisory to Neuce in the acquisition of Titan Powder Coatings	Bond Issue non-Government Guaranteed Due 2034	Financial advisory in the sale of Blueticket (51% stake) to Altice Portugal	1,7% hybrid green bonds	Bond Issue Due 2030
Undisclosed	€ 458,000,000	Undisclosed	€ 750,000,000	€ 200,000,000
2020	2020	2020	2020	2020
Millennium	Millennium	Millennium	Millennium	Millennium

Yilport Holding Inc.	Benfica	Jerónimo Martins	Electricidade da Madeira	Região Autónoma da Madeira
MANDATED LEAD ARRANGER	JOINT LEAD MANAGER	LEAD MANAGER	MANDATED LEAD ARRANGER	JOINT LEAD MANAGER
Financing of port concessions of Yilport Iberia in Portugal	Public Bond Offer 2020-2023	Commercial Paper Programme	Investment plan financing	Bond Issue Government Guaranteed Due 2032
€ 279,806,000	€ 50,000,000	€ 50,000,000	€ 25,000,000	€ 299,000,000
2020	2020	2020	2020	2020
Millennium	Millennium	Millennium	Millennium	Millennium

Amorim	Treemond	Nors	BA	Medinfar
LEAD MANAGER	MANDATED LEAD ARRANGER	MANDATED LEAD ARRANGER	LEAD MANAGER	MANDATED LEAD ARRANGER
Commercial Paper Programme	Almonds project financing	Acquisition finance	Commercial Paper Programme	Aero-OM brand acquisition financing
€ 20,000,000	Undisclosed	€ 15,000,000	€ 50,000,000	Undisclosed
2020	2020	2020	2020	2020
Millennium	Millennium	Millennium	Millennium	Millennium

Real estate business

Main lines of action in 2020:

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

Interfundos

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

International

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

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

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

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

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

It should be highlighted:

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

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

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

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

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

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

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

Million euros

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

Notes:

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

Income

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

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

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

PRIVATE BANKING

- Prepared to deal with the challenges created by the pandemic and demonstrating versatility and the ability to adapt to this new reality, Millennium Private Banking remained close, albeit at a distance, to its Customers.
- It promoted, with particular emphasis, the placement of digital channels with Customers who had not yet subscribed to digital solutions, which resulted in an exponential growth in the number of active Customers with an installed App, in the number of users of the Millennium website and in adhering to the digital statement.
- A culture of even greater proximity between Private Bankers and Customers was fostered, using the usual tools and platforms such as Teams and others of the Customers' preference. Procedures were aligned, teams' productivity, and Customer service levels were continuously monitored, ensuring the maintenance of productivity and service levels to which Private Banking Customers are used to.
- Also noteworthy is the strong and continuous monitoring of Customers' assets and the implementation of exceptional credit protection measures, with a view to supporting families and companies affected by the pandemic situation.
- In parallel, most of the measures identified within the scope of the Private 2.0 Project, a 3-year project that had started in late 2019, were implemented:
  - the commercial structure was enlarged and reinforced, with the highlight being the opening of a new space called "Private Direct" created with Millennials and Generation X in mind (with digital profile);
  - evolution in the service provided to execution Customers through the creation of an Investment Center;
  - adoption of new tools appropriate to the challenges imposed by the diversification of the type of Customer and the offer, in particular, the investment in the implementation and promotion of paperless processes, namely digital signature and the account opening process, which currently can be done based on the citizen card;
  - capitalization on innovation, developing new products and new ways of contacting and formalizing the business;
  - investment in the systematization of the commercial network and the business, ensuring proximity to Customers and maximizing commercial efficiency, privileging a multi-subject approach, and
  - launch of a new communication style that reflects the spirit of the new Millennium Private Banking, which is looking to the future.
- On the other hand, Millennium Private Banking wanted to continue to make a difference in the different aspects of its Customers' lives, promoting spaces for dialogue on current themes that really add value and providing its Customers with interesting and challenging experiences. Private Banking network reinforced communication with Customers, keeping them informed about the impacts of the pandemic through e-mail communications.
- Considering the distance imposed by the pandemic, a new typology of events with a non-face-to-face focus was developed and implemented. The following were promoted:
  - webinars about the Society of the Future conducted by prominent speakers (Nadim Habib and António Costa Silva);
  - micro digital conferences with clients on the Impact of COVID-19 in the financial markets, portfolio performances and what was expected until the end of 2020, during which clients had the possibility to interact in real time with the Vice President of Millennium bcp, the Coordinating Director of Private Banking and the Chief Economist of Millennium bcp. The first Private Dinner was organized. This live cooking group experience consisted of preparing a meal using a selection of the best national products, without leaving home, in the company of Chef Alexandre Silva, who accompanied Customers at a distance and taught them step by step making a menu chosen by him.

Million euros

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

Notes:

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

Income

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

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

FOREIGN BUSINESS AND OTHERS

Poland

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

Switzerland

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

Mozambique

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

Macao[5]

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

Cayman Islands

- Net income of 1.5 million euros (-44%), with a 0.5% ROE.
- Continuation of the process of reduction of commercial activity, translated into the reduction of core revenues, notwithstanding the reduction in operating costs.
- At the end of 2020, customer funds of Millennium bcp Bank & Trust stood at 2 million euros and gross loans decreased to 0 million euros.

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

Million euros

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

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

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

Income

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

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

- Net interest margin stood at Euros 728 million in December 2020, which compares to Euros 759 million achieved in December 2019. Excluding the impact arising from the foreign exchange effects, the increase would have been 1.4%, reflecting mainly the positive performance of the Polish subsidiary, partly mitigated by the evolution observed in the subsidiaries in Mozambique and Switzerland.
- Other net income decreased 2.0%. Excluding foreign exchange effects, other net income increased 3.5%, as a consequence of the equity accounted earnings from Banco Millennium Atlântico and by the performance of the subsidiary in Poland, although other net income in Poland has been penalized by the increase in mandatory contributions. The performance of the Mozambican subsidiary, whose results in 2019 had been influenced by relevant gains from the sale of other assets, proved to be lower in 2020.
- Operating costs amounted to Euros 469 million as at 31 December 2020, 5.3% down from December 2019. Excluding foreign exchange effects, operating costs would have dropped 0.5%, mainly influenced by the operation in Poland, namely by lower costs associated with the acquisition, merger, and integration of Euro Bank S.A., and also, in part by the synergies obtained with its integration.

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

BANCASSURANCE BUSINESS

Sale of Insurance through the banking channel

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

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

COVID-19

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

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

Strategic Plan 2018-2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction in Group NPEs exceeding 70% since 2013 (from Euros 13.7 to Euros 3.3 billion in December 2020). Three distinctive competences were at the core of this turnaround: a Customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform Customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top Customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leading position in Portugal, aiming to maximize the potential of the unique position in which the Bank emerged out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the Customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspires to capture the full potential of ActivoBank's simple and value-based offer and to assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the intrinsic high-growth of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the Customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leading position in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China related opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining the improvement of its credit portfolio quality as a clear priority, by reducing the NPE stock (reduction to Euros 3 billion by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volumes with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 million active Customers[4]), readiness for the future (from 58% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

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

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings of 2020.

*** NPEs includes only loans.

[4] Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

Internal Control System

The internal control system substantiates in the set of principles, strategies, policies, systems, processes, rules and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the supervision authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and Customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, Shareholders, Employees and Supervisors.

In order to achieve these objectives, the internal control system is based on the compliance function, the risk management function and internal audit function. The Heads of these three divisions are appointed by the Bank's Board of Directors – the body that has has the capacity to approve the technical and professional profile of these top managers, as appropriate for the exercise of their respective functions -, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit Committee and of the Committee for Risk Assessment.

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a ‘check and balance’ system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and also by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their efficiency;
- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;
- An effective monitoring and correction process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action;
- Strict compliance with all the legal and regulatory provisions by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management bodies, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the Banking, financial, insurance and brokerage (of securities or derivatives) activities;
- A governance model that defines that the business areas are responsible for risk taking, ensuring the effective monitoring, control and management of the risks assumed, and supporting the independent review of the risk levels incurred as compliant with the Risk Appetite Framework.

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

The internal control system is based on the three lines of defence model, aiming at ensuring:

- A clear accountability of the business areas for their respective risk taking;
- An effective monitoring, control and management of the risks assumed; and
- An independent assessment, reported to the Board of Directors and its Executive Committee, of the incurred risk levels, their compliance with the Risk Appetite Framework and of the effectiveness of the control systems established.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The internal control system includes the following subsystems: the risk management system, the information and reporting system and the internal control monitoring system among others.

The Chief Risk Officer of Banco Comercial Português is the executive director responsible for coordinating the risk management system at Group level, through the Risk Officers and Compliance Officers of each Entity that functionally report to him.

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

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

This system is suitably planned, reviewed and documented and is supported by risk identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The risk management system ensures the segregation between the risk management function and the risk-generating business activities, respectively the second and first lines of defence. The internal audit, as third line of defence, ensures independent analysis concerning the risk activity of the first and second lines.

The information and reporting system ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets. For this purpose, each entity of the Group develops, implements and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institutions and its subsidiaries, in accordance with the rulings and policies issued by the Board of Directors and the Executive Committee.

The monitoring process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, namely through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

Within this context, the internal audit function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments. Within this scope, the Audit Division is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

In terms of risks' management, these subsystems of the internal control system are managed by the Risk Office and the Compliance Office , complemented, for information and reporting, by the Planning, Research and ALM Division, the Treasury, Markets and International Division, the Accounting and Consolidation Division and by the areas responsible for accounting in the different subsidiaries which ensure the existence of the necessary procedures to obtain all relevant information for the consolidation process, for the accounting and financial information and for other elements that support the management, as well as for the monitoring and control of risks at Group level.

The Risk Office's activity is essentially focused on ensuring the effective application of the Group's risk management system, namely, by developing, proposing, implementing and controlling the use of a set of assessment methodologies and metrics, that allow for a correct assessment of the risks incurred and arising from the Group's activities, which are documented by internal rules and regulations. It is also responsible for promoting and coordinating the policies and rules applicable to risk management and control at all entities of the Group, with the responsibility of ensuring the global monitoring of risk and the alignment of concepts, practices and objectives on a consolidated basis. Under this framework, the Risk Office has access to all the sources of information of the Group entities that are necessary for the exercise of the identification, measurement, limitation, monitoring, mitigation and reporting of the various types of risk at consolidated level.

The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying Customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP. The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of an accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- The identification and control of the intra-Group operations;
- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms:
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
ENVIRONMENT				
Regulatory	▪ Risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans and respective impact on impairments ▪ Regular practice of conducting Stress Tests by the ECB European Commission and ECB guidelines on NPL provisioning EBA's guidelines on IRB models	High	↑	▪ Provisioning for legal risk in Poland ▪ Proposal by the Polish Financial Regulator (KNF) to out-of-court settlement of the conflict between banks and borrowers ▪ Total CET1 requirements in 2020: 8.83% (9.27% fully implemented) ▪ Approval of a set of measures aimed at temporarily easing capital requirements, in order to enable European banks to support the economy during the crisis motivated by the short of COVID-19 ▪ Most guidelines have already been translated into our risk models, as a result of continuous dialogue with the ECB
Sovereign	▪ Slow economic recovery in Portugal may lead to deterioration of public finances, to which must be added the high state exposure through the granting of guarantees in credit lines to support the economy ▪ Interruption of the budgetary consolidation process and the reduction of public and private sector indebtedness, in Portugal ▪ Lower capacity to implement fiscal and budgetary stimulus ▪ Low interest rates and compression of the spread for active interest rates in Portugal, mainly due to the COVID-19 credit lines ▪ Exposure to Portuguese, Mozambican and Angolan sovereign debt ▪ Slower than expected speed of execution of the vaccination, causing a delay in group immunity, with repercussions on economic recovery	High	↑	▪ Possible increase in bankruptcies and unemployment ▪ Share prices fall in capital markets ▪ Implementation of contingency measures at European and national level ▪ Recovery of profitability limited by the low nominal interest rates and by the low potential growth ▪ Still high level of NPA ▪ Increasing funding costs ▪ Uncertainty as regards the timing of normalization of the ECB's monetary policy ▪ Making vaccines available and increasing the efficiency of the COVID-19 vaccination plan in the Eurozone and Portugal
FUNDING AND LIQUIDITY				
Access to WSF markets and funding structure	IMM operating irregularly Widening of spreads and lack of liquidity in the WSF debt markets, as a result of increased volatility in the financial markets related to COVID-19 Cost of issuing debt to comply with MREL requirements Customers interest in off- BS applications due to the low level of interest rates	Low	↔	▪ Balance sheet customer deposits and funds paramount in the funding structure ▪ Significant growth in total Customers funds due to the pandemic and confinement periods ▪ Need for access to the financial markets to meet MREL requirements, although the gap is manageable

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Credit risk	▪ Possible interruption of the downward trend in NPAs, due to the economic impact of COVID-19 ▪ Increase in defaults by companies and individuals, in a scenario of slow economic recovery ▪ Increase in corporate indebtedness due to the usage of moratoriums and COVID-19 credit lines ▪ Still high NPA stock ▪ Execution Risk of the NPA Reduction Plans, including reduction of exposure to CRFs ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Significant exposure to sovereign debt, in a context of high indebtedness by countries ▪ Credit to Mozambican companies ▪ Exposure to emerging countries strongly dependent on commodities	High	↔	▪ NPA reduction plan execution is critical, considering capital requirements (SREP) and regular assessments by Rating Agencies ▪ Significant participation in the distribution of COVID-19 credit lines (positively) and NPEs reduction (negatively) influencing loan book growth ▪ Need to reduce the length of credit and/or companies recovery processes ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices ▪ Need to reduce the exposure to CRFs ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries
Market risk	▪ Volatility in capital markets ▪ Increase of funding costs, risk premiums and refinancing risk, as a result of the increased volatility caused by the pandemic ▪ Decrease of short-term interest rates to more negative values ▪ Decrease of fair value of assets and collaterals	Low	↔	▪ Market uncertainty ▪ Central Banks monetary policies ▪ Profitability of the assets of the pension fund ▪ Lower trading income
Operational risk	▪ Restrictions on the normal working of financial institutions, as a result of the impact of COVID-19 Inherent to the Group's business ▪ Growth of cyber-risk	Low	↑	▪ Service restrictions at branches ▪ Remote work ▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Data base security /cybersecurity ▪ Business Continuity
Concentration risk	▪ Concentration of assets in some dimensions	Medium	↔	▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	▪ Inherent to the Group's business ▪ Development of Off-BS applications and investments activity ▪ Indiivudal losses incurred on legal disputes with Customers related to mortgage loans indexed to foreign currency, in Poland	Medium	↑	▪ Possible complaints from Customers ▪ Possible sanctions or other unfavourable procedures resulting from inspections ▪ Instability and more demanding regulatory framework applicable to financial activity ▪ AML and counter terrorism financing rules ▪ Development of possible solutions for conversion of mortgage loans indexed to foreign currency, in Poland

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Profitability	▪ Possible impacts on net interest income, commissions and cost of risk as a result of the impacts of COVID-19 ▪ Possible deterioration of asset quality may constrain profitability, mainly through provisioning ▪ Interest rates at low levels in nominal terms ▪ Risks related to decisions issued by Polish courts in lawsuits, instituted against banks (including Bank Millennium) by borrowers on mortgage loans indexed to foreign currency ▪ Imposition of asymmetric regulatory limitations on the pricing policy for assets and liabilities ▪ More limited space to reduce fees on time deposits in new production ▪ Regulatory limitations and mediatic pressure on commissioning ▪ Imposition of limitations on the coverage of problematic assets due to impairments ▪ Exposure to emerging economies ▪ Competition from other market players as Bigtechs and Fintechs	Medium	↑	▪ Negative impacts on net interest income: price effect, volume effect and overdue credit effect ▪ Negative impacts on commissions, in the event of a slowdown in banking activity or extraordinary measures taken to support companies ▪ Need to continue control over operating costs ▪ Increase in cost of risk ▪ Maintaining adequate coverage of problematic assets by provisions ▪ Reinforcement of provisioning related to legal risks associated to mortgage loans indexed to foreign currency ▪ Reformulation of the business model and digital transformation
ESG risk	▪ Regulatory initiatives for the reporting of ESG related impacts, with impacts not completely defined yet, namely in terms of capital requirements or RWAs ▪ Increasing inclusion of ESG criteria in the decision to invest in stocks or bonds ▪ Increasing scrutiny by analysts, including Rating Agencies, on the impact of ESG risks ▪ Legal risk associated with CHF loan book	Low	↑	▪ 2021 Sustainability Master Plan with objectives and metrics that guide performance in the three ESG dimensions ▪ ESG criteria incorporated in Risk Appetite Statement ▪ Creation of a Sustainability Committee and an ESG-dedicated division ▪ Reinforcement of innovation and development of ESG solutions for Customers across segments ▪ Adoption of measures with environmental impact ▪ Improvement of the Gender Equality Plan

Risk management

Framework

Risk appetite

The BCP Group carries out its business activities in a controlled, prudent and sustainable manner, always based on the adequacy and compatibility between the objectives set for the business and the levels of risk tolerance defined in terms of sustainability and profitability, in the long-term.

Thus, the Group establishes and implements controls and limits on the material risks to which its activities are subject, based on its "Risk Appetite Statement" (RAS) which concurs, in a relevant way, for a standing of prudence and sustainability of the business, in view of its profitability, as well as of the satisfaction of the different stakeholders: Shareholders, Customers and Employees.

The RAS is composed by a set of 27 indicators that are considered of primary importance and representative of several risks classified as "material", within the formal risks' identification and quantification process, carried out at least once a year.
For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is acceptable and from which corrective measures must be taken immediately (in order to that the level of risk regained to an acceptable level) and a 'level of breach', which requires immediate measures with significant impact, aimed at correcting a risk situation considered unacceptable.

Stemming from the RAS indicators, other lower-level indicators (and respective limits) are established, with a higher level of granularity, ensuring a more detailed monitoring, appropriate for a day-to-day approach to the risks' control of business processes, based on specialised metrics and with a marked technical nature. All risk limits are approved by the competent Governance bodies defined in the internal and are periodically reviewed and updated.

For the main geographies in which the Group operates, specific risk appetite indicators ("individual" RAS) are also established. Thus, the definition of RAS involves indicators for Portugal, Poland, Mozambique and Switzerland, some of which are part of the Corporate RAS, being obligatory metrics for all geographies (but with appropriate limits for each of the operations and structure in question), disaggregating the Group's risk appetite into the local geographies risk appetite. Besides the Corporate RAS metrics, local RAS include other metrics aiming to measure idiosyncratic risks in each geography.

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors, by proposal of the Committee for Risk Assessment. Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, in order to address the mitigation or control of all material risks identified within the risks' identification and assessment process. These lines of action formally constitute the Group's Risk Strategy.

Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks' identification process.

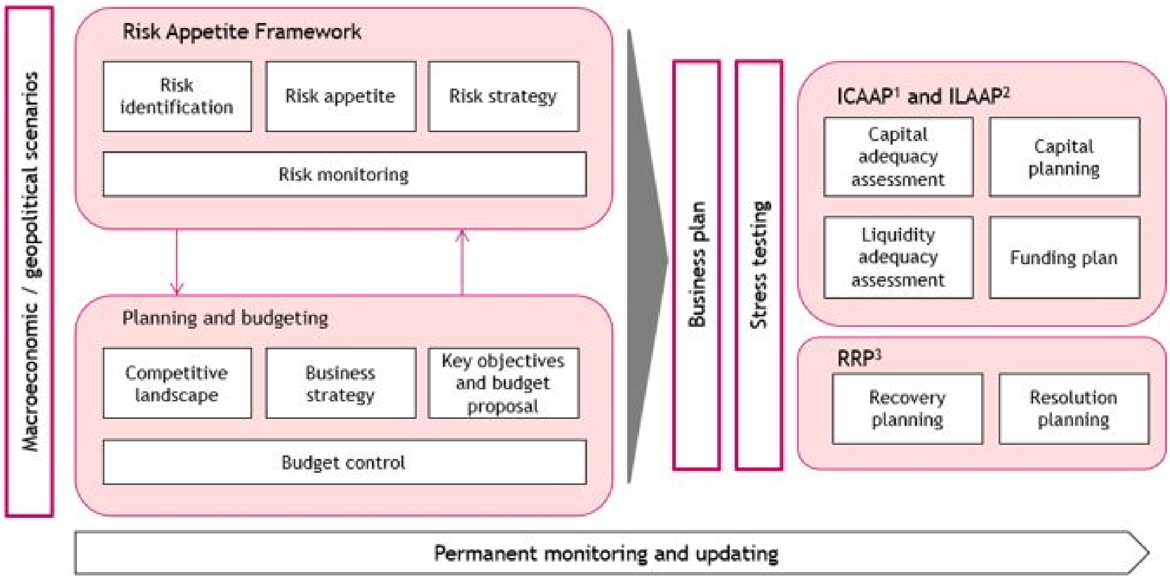
Integration between the business and risk management

The risk appetite structure - which includes the identification of material risks, the RAS and the Risk Strategy and is reviewed at least once a year or whenever the quarterly risks´ monitoring so advises (e.g. conclusion that there are new material risks) - provides a reference framework for the permanent monitoring of risks affecting the business and business support activities developed, for the monitoring of all variables, indicators and respective limits that are derived from RAS. Therefore, the permanent follow-up based on this structure is the result of a strong link between the risk management framework thus defined and the great diversity of methods and indicators applicable to the various activities carried out, this link being essential for the performance of the Group's risk management.

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

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

The following figure summarises the relationships described above, providing a graphic representation of the integration of risk management within the scope of the business developed by the BCP Group.



[1] Internal Capital Adequacy Assessment Process
[2] Internal Liquidity Adequacy Assessment Process
[3] Recovery and Resolution Planning

Internal control

The Risk Management function is an integral part of the Group's Internal Control System (ICS), along with the Compliance and Internal Audit functions, contributing for a solid control and risk-limiting environment upon which the Group carries out its business (and business support) activities.

Within the ICS, the Risk Management and Compliance functions form the Group's Risk Management System (RMS), which substantiated in an integrated and comprehensive set of resources, standards and processes that ensure an appropriate framework to the nature and materiality of the risks underlying the activities carried out, so that the Group's business objectives are achieved in a sustainable and prudent manner.

In this sense, the ICS and the RMS provide the Group with the ability to identify, evaluate, monitor and control the risks - internal or external - to which the Group is exposed, in order to ensure that they remain at acceptable levels and within the limits defined by the management body.

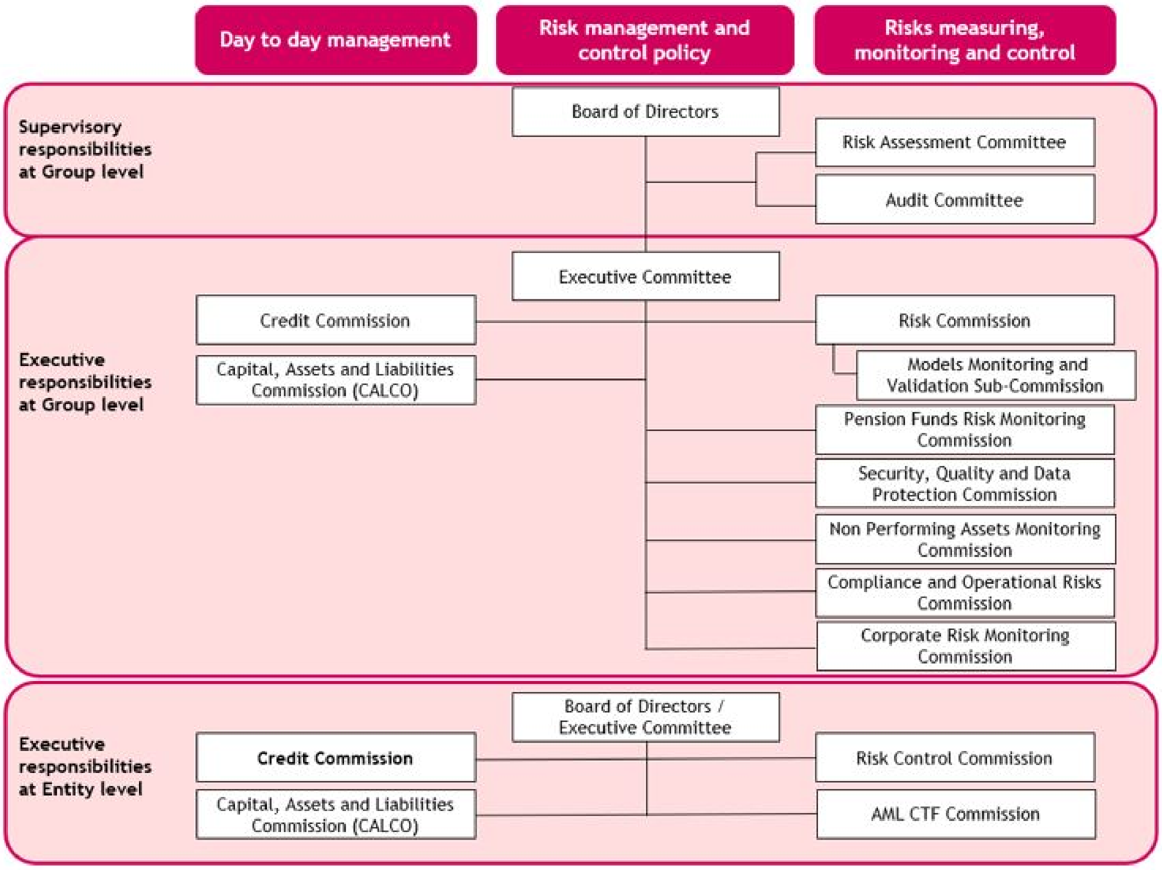
Thus, the RMS embodies the second Line of Defence in relation to the risks that impend over all the Group's activities. Under this approach, the first Line of Defence is ensured, on a day-to-day basis, by all of the Group's organizational units - based on adequate training and awareness of risks, as well as on the framing of activities through a complete and detailed regulations' structure - while the third Line of Defence is developed through the internal supervision/internal review function (IRF) ensured by the Internal Audit function.

It should also be mentioned that the ICS:

- Is supported by an information and communication system that ensures the collection, processing, sharing and disclosure – both internal and external - of relevant, comprehensive and consistent data about the business, the activities carried out and the impending risks on the latter, in a timely and reliable way. This data processing and management information infrastructure is aligned with the principles of the Basel Committee with respect to efficient aggregation of risk and risk reporting data (BCBS 239 - Principles for effective risk data aggregation and risk reporting);
- Is continuously monitored by the Group, and any situation of, insufficient internal control is registered - under the form of recommendations/ deficiencies or improvement opportunities – for correction/ elimination and regulatory reporting.

Risk management Governance

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



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The composition, capacities and responsibilities of the management and control bodies that intervene in the risk management governance - besides those of the Board of Directors (BoD) and its Executive Committee (EC) – are the following:

Committee for Risk Assessment

The Committee for Risk Assessment, appointed by the BoD, is composed by three to five non-executive Directors and has, among others, the following capacities:

- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD;
- Monitoring the evolution of the RAS metrics, verifying their alignment with the defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities;
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analysing and approving the conclusions of the regular follow-up on these processes;
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

Within the resolution planning, the Committee for Risk Assessment approves its annual work plan and monitors its execution.

The Risk Officer functionally reports to this Committee and participates in its meetings, presenting the evolution of the key risk metrics and indicators, as well as all incidences, changes and evolutions relative to the RMSS.

Audit Committee

The BoD's Audit Committee is elected by the Shareholders' General Meeting and is composed by three to five non-executive Directors. Within the risk management governance, this Committee has global corporate supervising capacities - e.g. in what concerns the risk levels follow-up - as well as those that are attributed within the ICS, namely:

- Supervising and controlling of the RMS's and the ICS's effectiveness (and, also, of the Internal Audit System);
- Analysing and regularly following-up of the financial statements and the main prudential indicators, the risk reports prepared by the Risk Office, the Compliance Office's activity, the handling of claims and complaints and the main correspondence exchanged with the Supervisory Authorities;
- Issuing an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests.

The Audit Committee holds regular meetings with the Heads of the Audit Division, the Risk Office and the Compliance Office.

The Risk Officer participates in this Committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the RMS, issued within the scope of internal control or by the supervisory/ regulatory authorities.

Risk Commission

This Commission is appointed by the EC and has the responsibility for defining, at an executive level, the framework and the risk management policies and instruments within the Group, establishing the respective principles, rules, limits and practices for the Group Entities, considering the defined risk thresholds.

The Risk Commission monitors the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the Group, ensuring that the risk levels are compatible with the goals, available financial resources and strategies that have been approved for the development of the Group's activity. This Commission also validates the compliance of risk management with all the applicable laws and regulations.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the EC members responsible for the Corporate/ Investment Banking and the Retail business (Chief Corporate Officer/CCorpO and Chief Retail Officer/CRetO, respectively) are members of this Commission.

Other members of the Commission are the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Treasury, Markets and International (DTMI), Credit (DCR), Rating (DRAT), Models Monitoring and Validation Office (GAVM) and Regulatory and Supervision Monitoring Office (GARS). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

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

Non-performing Assets (NPA) Monitoring Commission

This Commission is appointed by the EC and has the responsibility of monitoring the evolution of credit risk, under various aspects:

- Monitoring of the NPA/NPE Reduction Plan, including its operational scope and the fulfilment of the quantitative goals assumed; besides the Non Performing Exposures (NPE) reduction, the Commission also monitors the disinvestment process of the real estate portfolio and other assets received in lieu of payment as the result of credit recovery processes (foreclosed assets) and other non-performing assets;
- Analysis of the credit recovery processes' performance;
- Portfolio's quality and main performance and risk indicators;
- Impairment, including the main cases of individual impairment analysis.

The CEO, the CRO, the CRetO and the COO are members of this Commission, as well as, optionally, the CFO. Any other executive Directors may participate in this body's meetings if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: Risk Office (ROFF), DCR, DRAT, Specialised Monitoring (DAE), Retail Recovery (DRR), Specialised Recovery (DRE), Legal Advisory and Litigation (DAJC), Management Information (DIG) and Specialised and Real-Estate Credit (DCEI). The Head of DAU is a permanently invited member of the Risk Commission, without voting rights.

Pension Funds Risk Monitoring Commission

This Commission is appointed by the EC and has the following competences:

- Assessing the performance and risk of the Group's Pension Funds in Portugal;
- Establishing, for these, the appropriate investment policies and hedging strategies.

The Commission members are the CEO, the CFO, the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The other Commission's members are the Heads of the following Divisions: ROFF, Research, Planning and ALM (DEPALM), Wealth Management (DWM) and Human Resources (DRH). Representatives of the Pension Funds management entity and of Ocidental Pensões also participate in the Commission's meetings, by invitation and without voting rights.

Compliance and Operational Risks Commission

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

- Monitoring of the Bank's activities, as well of those of the other Group entities, regularly coordinating and managing the policies and the duties of the Bank and its branches/subsidiaries, in order to ensure the compliance with the legal and internal rulings, the alignment of Group strategies and the definition of priorities in Compliance matters;
- Monitoring of the operational risks management framework, which encompasses the management of the IT risks and the Outsourcing risks;
- Monitoring of the exposures to operational risks, as well as the implementation status and the effectiveness of the risks mitigation measures and of those that aim at the reinforcement of the internal control environment;
- Following-up of the management and improvement to the Bank's processes, in order to monitor and reduce the level of exposure to compliance and operational risks.

The Commission members are the CEO, the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of the Commission: COFF, ROFF, IT (DIT), Operations (DO), Quality and Network Support (DQAR). The Head of DAU, the AML[(*)] Officer and the managers responsible for the COFF areas that deal with the matters under discussion are also permanently invited members of this Commission, without voting rights.

(*) Anti-money laundering.

Quality, Security and Data Protection Commission

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

- Definition of guidelines and approval of the management policies for IT systems, data management and quality, physical security, business continuity and data protection;
- Regular review of the emerging threats and most relevant trends in terms of data security and information technologies, with a particular focus upon cyber-security;
- Analysis of the periodical security incident's reports (regarding systems/data and physical), identifying the appropriate remediation and improvement measures;
- Follow-up of initiatives and projects in the area of systems/data security, physical security and data protection and monitoring of the respective performance metrics;
- Approval of the annual plans for the exercises of security assessment, Disaster Recovery Plan (DRP) and business continuity, and their respective quantitative/qualitative evaluation.

The Commission members are the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: COFF, ROFF, DIT, DQAR, and Data Security (DSI). The head of the Physical Security and Business Continuity Department (DSFCN), the Data Protection Officer (DPO) and the Chief Data Officer (CDO) are also permanent members of this Commission, along with the Head of DAU (the latter, without voting rights).

Corporate Risk Monitoring Commission

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

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

Credit Commission

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

The members of this Commission are the CEO, the CFO (optional), the CCorpO, the CRetO (optional), the CRO (with veto rights) and the COO (optional), as well as the Heads of the following Divisions: DCR, DAJC, DRAT, DCEI, Companies Network Coordination (North/South), Large Corporates, DAE, DRE and Investment Banking Coordination (DCBI), as well as Level 3 credit managers and, depending on the proposals to be decided upon, the coordination managers of other proposing areas (e.g., Private Banking, Retail, DRR) or members of the subsidiaries' Credit Commissions. The Company's Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights. Other Group Employees may also be invited to participate (without voting rights), if they are relevant for the matters under discussion.

Group CALCO

The Group CALCO - also referred to as the Capital, Assets and Liabilities Management Commission - is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO is responsible for the structural management of interest rate and liquidity risks, including, among others, the following aspects:

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level;
- Definition of the capital allocation and risk premium policies;
- Definition of transfer pricing policy, in particular with regard to liquidity premiums;
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan;
- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition;
- Definition of the investment policy of the Investment Portfolio and monitoring of its performance;
- Definition of the strategy and positioning within the scope of the interest rate risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.

The Group CALCO meets every month and is composed of the following executive Directors: CEO (optional), CFO, CCorpO, CRetO, CRO and COO (optional). The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI and DWM, the responsible for the ALM Department of DEPALM and 2 representatives nominated by the Retail and the Corporate & Investment Banking Commissions.

Risk Office

The Risk Office (ROFF) is the structure unit responsible for the risk control function at Group level, promoting the overall alignment of concepts and procedures concerning risk monitoring and assessment. The ROFF is responsible for informing the Executive Committee, the Committee for Risks Assessment and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

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

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

Compliance Office

The Compliance Office (COFF) ensures typical functions of a second line of defence functions, within the scope of the so-called "3 Lines of Defence Model", in relation to compliance risk, i.e., the risk of non-compliance with applicable laws and regulations.

COFF's main missions, in relation to all Group entities, are the following:

- To foster the adoption and compliance with the internal and external regulations that frame the Group's activity, watching over the fulfilment of the relevant contractual commitments assumed;
- To promote the organization's ethical values and to contribute for an internal control culture, in order to mitigate the risk of sanctions being imposed or of the occurrence of property or reputational damages.

The Compliance Officer is appointed by the BoD, reports hierarchically to the EC and, functionally, to the Audit Committee, exercising his/her functions in an independent, permanent and effective manner, defining the policies, guidelines and tools that are appropriate for a proactive and preventive risks' assessment.

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas. The COFF' s action is based on an approach to the risks of business, Customers and transactions, thus contributing for the promotion an effective internal control environment.

Within the scope of opinions and the associated analyses produced at request of several Group areas and Divisions, the COFF:

- Identifies and evaluates the various types of risks – either concerning in what refers to products and services approval process, corporate processes and conflicts of interest;
- Issues proposals for the correction of processes and risks mitigation;
- Permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.

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

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

It also has the competence for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

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

Main developments and accomplishments in 2020

In 2020, the focus of risk management activities was maintained on the continuous improvement of the Group's risk control environment, in addition to the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits - both at consolidated level and for each geography in which the Group operates - ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control:

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

(*) Risk appetite statement/definitions.

(**) Internal Capital Adequacy Assessment Process; Internal Liquidity Adequacy Assessment Process.

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

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations. This type of risk is very relevant, representing the largest part of the Group's overall exposure to risk.

The control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments, through a model for the early detection of potential default of the portfolio, through processes regarding the management and follow-up of the collateral value and through structural units that are exclusively dedicated to credit recovery, for non-performing situations.

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between 31/12/2019 and 31/12/2020, in terms of EAD (Exposure at Default)*, in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented almost the total Group's EAD by 31/12/2020.

(million euros)

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

* Without impairment deduction to the exposures treated prudentially under the Standardised Approach (STD) and including all risk classes (i.e. besides credit to Customers, debt positions from Sovereign entities and Institutions are included).

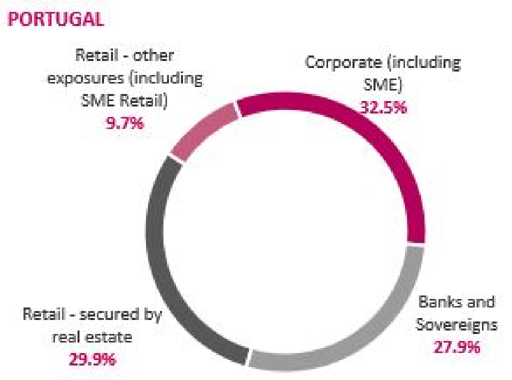
The growth of the Group's credit portfolio in 2020, measured in euros (EUR), was slightly higher than that the growth recorded in 2019 (+ 9.3% vs. + 8.3%, respectively). However, contrary to what happened in 2019, the year in which the growth came mainly from geographies abroad, with emphasis on the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

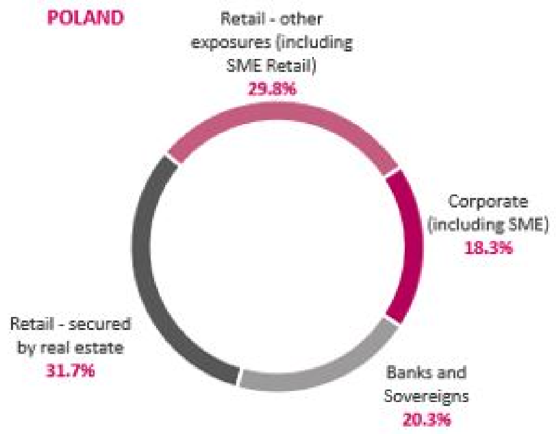
The significant dimension of the increase in Portugal is explained, on the one hand, by the expressive level of the Bank support to companies through the use of protocol lines sponsored by the Portuguese State, to respond to the impact of the pandemic outbreak COVID-19 (about € 2.5 billion) and, on the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

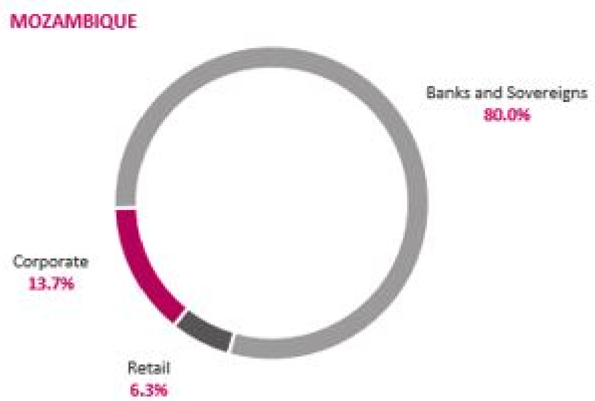
In the Polish loan portfolio, there was a decrease of 5.5%, measured in EUR, explained, almost entirely, by the decrease in exposure to Banks and Sovereigns, which represent a decrease of € 1.3 billion.

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

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







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

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

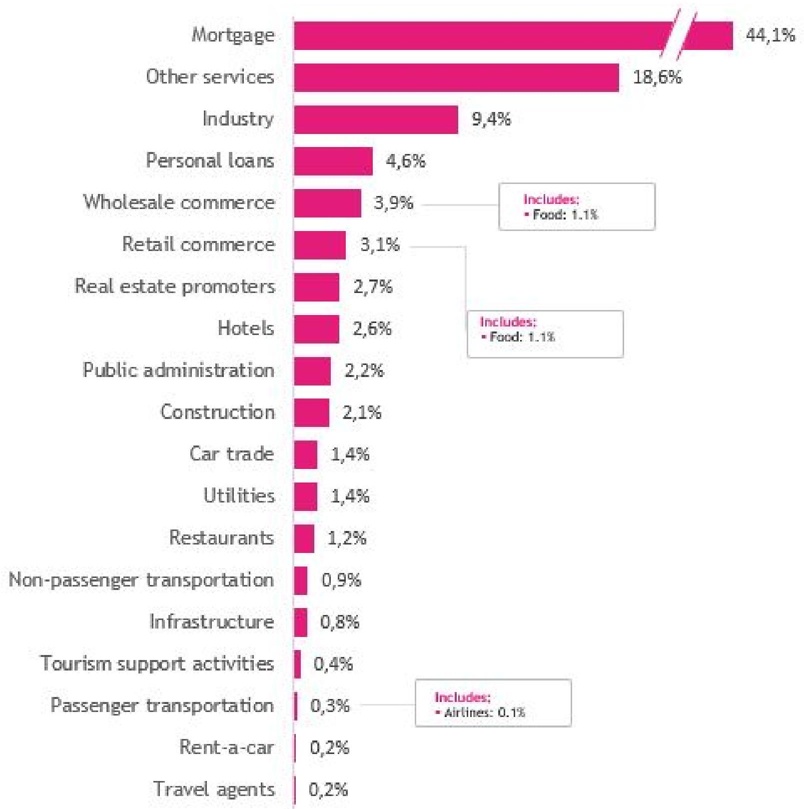
The year 2020, was marked by the outbreak of the COVID-19 pandemic. In order to assess the dimension of the Group's exposure in Portugal to the sectors considered most sensitive to the effects of the aforementioned pandemic, the table below presents the six sectors of activity considered most vulnerable,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

Exposure to sectors most sensitive to the pandemic:

(million EUR)

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

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



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

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

The following graph illustrates the distribution of the portfolio amounts, in terms of Exposure at Default(EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on 31/12/2020. These risk grades (RG) are defined on an internal scale, transversal to the Group (the Rating Master Scale), with 15 grades, corresponding to different levels of debtors' PD. Risk grades 13 to 15 are called “procedural” and correspond to problematic credit; RG 15 corresponds to the Default status.

Banks and Sovereigns and Specialised Lending not included, as well as exposures from eurobank's portfolio

As shown in the graph above, the weight of EAD corresponding to risk grades of medium and high quality, for the two geographies concerned, represented 80.7% of the total EAD on 31/12/2020, which compares with similar corresponding weights of 76,8%, 73,6% e 69,8% at the end of 2019, 2018 and 2017, respectively. This positive evolution results mainly from the evolution of debtors' risk grades in Portugal.

With regards to the weight of the exposure held by Clients with procedural RG (without access to new credit), it reached a value of 5,9% on 31/12/2020 in the two geographies as a whole, a much lower weight than that registered at the end of the previous three years: 7,8% (2019), 11.3% (2018); 14.8% (2017) and 18,5% (2016). In Portugal, the decrease in the weight of EAD by Customers with procedural RG was even more pronounced in this period: 6,1 % (2020), 8.8% (2019), 12.8% (2018), 17.1% (2017) and 21,8% (2016).

Regarding the LGD parameters, representative of the expected losses in the case of Default and which, to a good extent, reflect not only the efficiency of credit recovery for the different types of credit segments/ products, but also the collateralization levels of the loan operations’ portfolio, the following table shows their respective average values (weighted by EAD) at the end of 2020 and 2019:

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

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

Main credit risk indicators

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

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

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

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

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

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

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

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

NPA/NPE Reduction Plan

The implementation of the Group's NPA Reduction Plan continued to be a priority along 2020, under its two components - of NPE and of assets received in lieu of payment, the foreclosed assets (FA) - focusing mainly on NPE portfolios and on real estate FA held for sale, in Portugal.

The NPA Reduction Plan is framed by a specific Governance model and by a robust management framework, organized by specialised areas of credit recovery and based on systematically defined recovery strategies – either stemming from automated analysis and decision models (for Retail) or based in the relationship of recovery managers with their Corporate Clients, allowing for tailor-made solutions. In order to respond to the challenges arising from the pandemic COVID-19, the Bank has been developing and strengthening the methodologies and installed capacity of the recovery areas, aiming to ensure an adequate monitoring of the exposures that prove to be the most impacted.

The FA management is based on a specialised structure, privileging circuits and procedures oriented towards the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan also benefits from a technological environment that is supported on specific IT infrastructures for the activities connected with credits recovery, NPE reduction and FA management, with its monitoring being reinforced through the Operational Plan for NPA Reduction, that defines initiatives aiming at accelerating and conferring effectiveness to the recovery or sales' processes (both of loans and real estate properties), distributed throughout the several phases of the credit recovery and NPA reduction processes: prevention; collection; executions; insolvencies and, finally, FA reception, treatment and respective sales.

The fulfilment of the reduction targets for each area involved in NPA reduction is measured on a monthly basis, both in terms of management information for the respective dedicated structures, and of the specific focused activities and initiatives defined in the above-mentioned Operational Plan, with reporting to the top management.

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

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

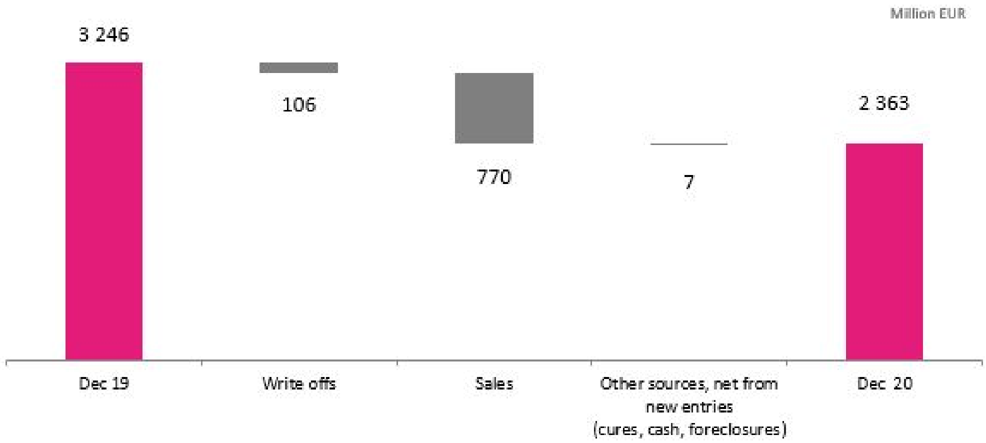
(Million EUR)

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

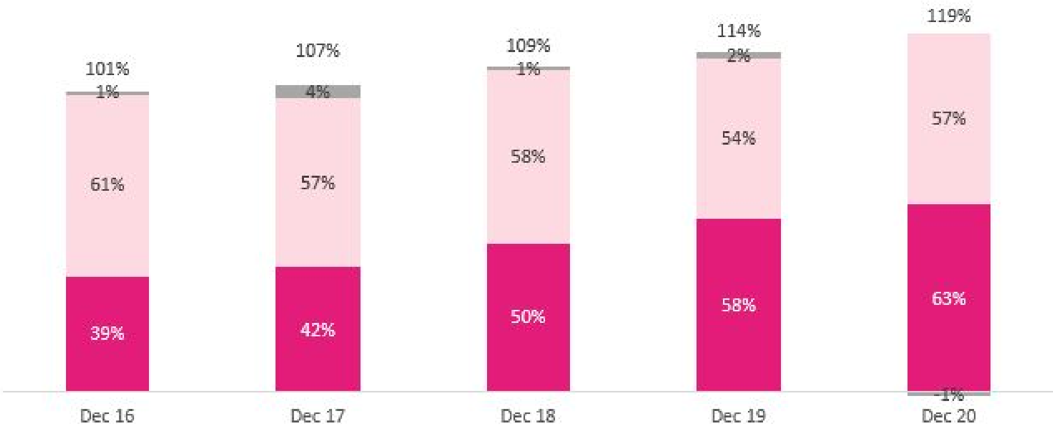
Comparing the value of Customers classified as NPE at the end of 2020 with the one at the end of 2019, there is a very favourable evolution, with a reduction of 911 million euros at the consolidated level and of 883 million euros in the activity in Portugal, which corresponds to a contraction rate of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

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

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



The continued growth in coverage of the NPE portfolio - by impairment, collateral and Expected Loss Gap – should also be noted, both for Portugal and at the consolidated level, although this growth was more accentuated in Portugal, as illustrated by the following graph. NPE coverage increases 5 percentage points, reaching around 119% at the end of 2020, with 63% of the coverage ensured by impairment.



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

(Million EUR)

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

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

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

Credit concentration risk

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

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

Globally, this set of 20 largest 'non-NPE' exposures accounted for 6.9% of total EAD as of 31/12/2020, which compares with a global weight of 7.4% by the end of 2019. Hence, in terms of EAD, there was a reduction of credit concentration on the 20 largest performing exposures.

It should be noted that, in addition to the compliance with the regulatory limits relative to Large Exposures, the Group has specific goals defined for the control of credit concentration, materialised into RAS metrics. Besides, metrics for specific concentration types are monitored regularly: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

Except for sectoral concentration, the concentration limits definition depends on the internal/external risk grade attributed to the Clients at stake and consider their respective Net Exposure (= LGD x EAD, with LGD =45% whenever an own estimate does not exist or is not applicable). The concentration assessment regarding Sovereigns and countries excludes the geographies in which the Group operates (Portugal, Poland, Mozambique and Switzerland).

In the case of the single-name concentration, the limits are only defined for performing Clients, since the NPE are covered by the NPA Reduction Plan. For Clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

Operational risk materializes in the occurrence of losses resulting from failures or inadequacies of internal processes, systems or people, or resulting from external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations, tolerance limits for exposures to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

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

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

The Risk management System represents the 2nd Line of Defence, which implements the defined risk policy for the Group, having the responsibility of proposing and developing methodologies for managing this risk, supervising its implementation and challenging the 1st Line of Defence regarding the levels of risks incurred.

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

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

The COVID-19 pandemic

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

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

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

Risks self-assessment (RSA)

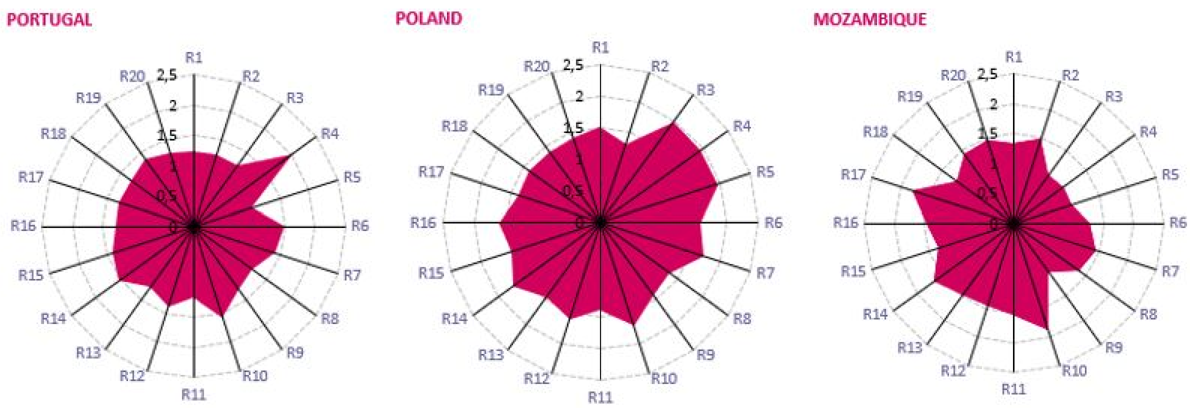
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

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

The 2020 RSA exercise for operational risk processes incorporated:

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

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



R1 Internal fraud and theft	R11 Monitoring and reporting errors
R2 Execution of unauthorised transactions	R12 Customer related errors
R3 Employee relations	R13 Products or services flaws/errors
R4 Breach of work health & safety regulations	R14 External fraud and theft
R5 Discrimination over Employees	R15 Property and disasters risks
R6 Loss of key staff	R16 Regulatory and tax risks
R7 Hardware and Software	R17 Inappropriate market and business practices
R8 Communications infrastructure	R18 Project risks
R9 Systems security	R19 Outsourcing related problems
R10 Transaction, capture, execution & maintenance	R20 Other third parties' related problems

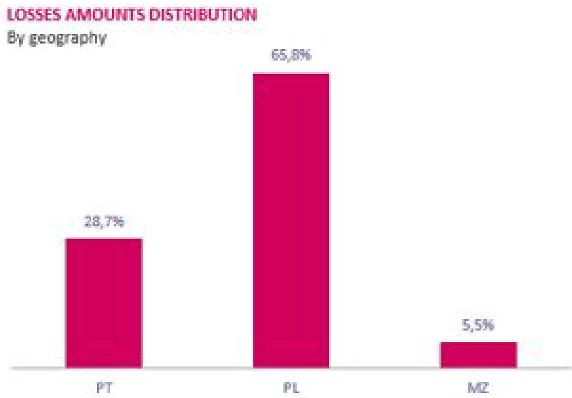
Operational losses capture

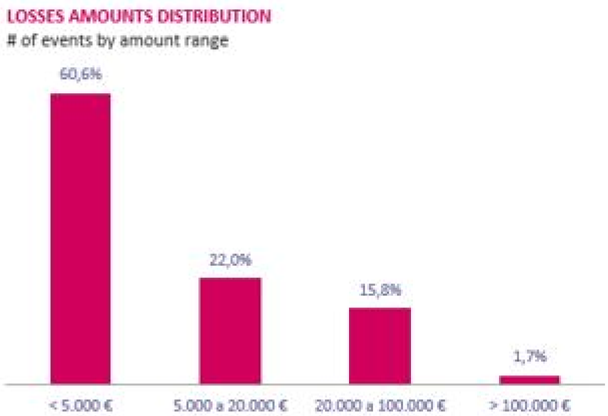
The operational losses data capture (i.e. the identification, registration and typification) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information for process owners to incorporate within their process management.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

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

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

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





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

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

Key risk indicators (KRI)

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

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

Business continuity management

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

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

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

Insurance contracting

The contracting of insurance for risks related to assets, persons or third-party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Compliance and Operational Risks Commission and authorised by the EC.

Legal, Compliance, Conduct and Financial Crime risks

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

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

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

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

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

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2019, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- Reinforcement of resources and expertise of the operational AML/CFT model
- Acquisition and deployment of a new transaction monitoring and alerts
- Enhancement of the 1st Line of Defence tools for the initial assessment of AML/CFT risk
- Deployment of new AML/CFT controls in specific business processes
- Update of record-keeping procedures
- Launching of a new "Compliance Culture" communication program, with regular actions towards the 1st Line of defence
- Training contents renewal
- Revision of the new products and services approval process
- Strengthening the subcontracting process regarding the identification of conflict of interest situations;
- In collaboration with Communication Department - Sustainability Area, a series of communications actions were developed on topics related to the Code of Conduct;
- Development of a systematic set of internal communications to prevent internal fraud risk;

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

Market risks

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

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

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

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

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

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

Trading Book market risks(*)

The Group uses an integrated market risk measurement that allows for the monitoring of all risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

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

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

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

(Thousand EUR)

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

VaR model monitoring and validation

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

The VaR model's hypothetical backtesting exercise for the Portugal's Trading Book, during 2020, resulted in 3 negative excesses over the results predicted by the model (and 2 positive), representing a frequency of 1% in 257 days of observation. Hence, in terms of the frequency of excesses verified, this back-testing results validate of the model as appropriate for measuring the risk at stake.

Trading Book Stress Tests

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios, analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model.

The results of these tests on the Group's Trading Book, as at 31/12/2020, in terms of impacts over this portfolio's results, were the following:

(Thousand EUR)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	- 100 p.b.	-10,495
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	- 25 p.b.	-2,321
4 combinations of the previous 2 scenarios	- 100 p.b. e + 25 p.b.	-7,995
	- 100 p.b. e - 25 p.b.	-13,049
Variation in the main stock market indices by +/- 30%	-30%	-380
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-316
Variation in swap spreads by +/- 20 bps	-20 bps	-315
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Narrowing	-2,497
Significant vertices [1]	VaR w/o diversification	982
	VaR w/ diversification	323
Historical scenarios [2]	7/May/2010	-5,298
	18/jul/11	-6,803

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

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general decrease in interest rates, especially when accompanied by a decrease in the slope of the yield curve (the case of a higher increase in shorter terms than in longer terms). In what concerns the non-standard scenarios, the main loss case refers to the variations occurred at 18/07/2011 when applied over the current portfolio.

Interest rate risk of the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income and the economic value of the Group, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the Banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. On their turn, the changes in interest rates may alter the behaviour profile of Clients, inducing pre-payments/ withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Additionally, although with less impact, there is also the risk of unequal variations in different reference rates with the same repricing period (basis risk).

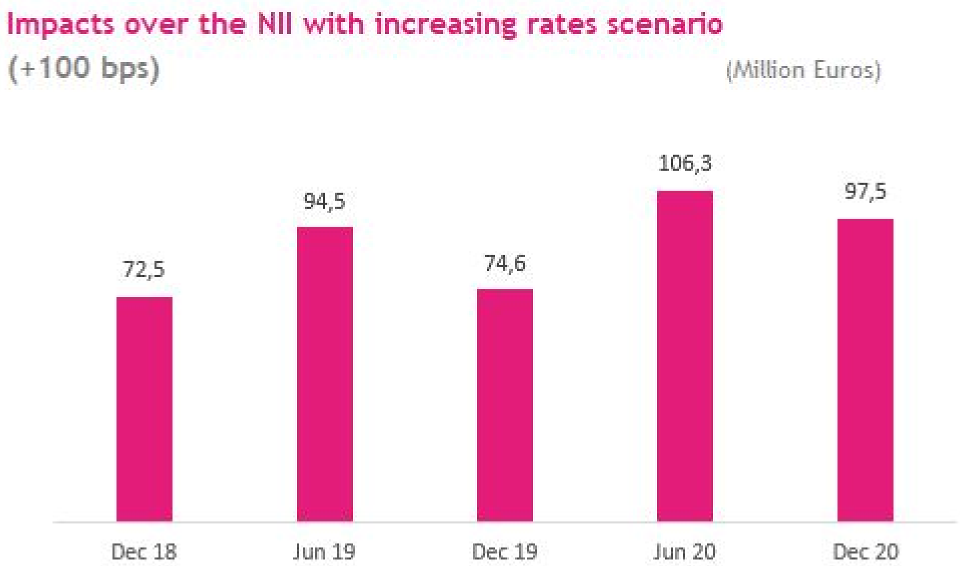
In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the Clients' behaviour are also considered, in particular, for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments) and impacts of any potential prepayments on credits with defined maturity.

The result of this analysis for a +100 basis point change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), on the Banking Book portfolio as at 31/12/2020 consists in a positive impact on the balance sheet's economic value of around 67,4 million euros. On the other hand, the impact of a generalized drop in Euro rates of -100 basis points and considering a floor of 0% for the cash flows discount rate, would be of around +61,6 million euros. Hence, on that date, the Group was positively exposed to interest rates' variations (increase or decrease).

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of original maturity and price is generated.

To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution. The graph below shows the estimated impact over the net interest income, over the last 2 years, at the end of each semester, considering the scenario in which interest rates globally increase +100 bps combined with the scenario for the coefficients that transmit the market variations over the deposits' rates and other liabilities that generate interest ('betas').

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



FX and equity risks of the Banking Book

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

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

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

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

Liquidity risk

Liquidity risk is the potential incapacity of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or due to the sale of assets for amounts below market value (market liquidity risk).

The Group's Wholesale Funding (WSF) structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

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

Although the daily monitoring of all liquidity indicators has shown since the beginning of the crisis, both at BCP and at its subsidiaries, a total stability of the deposit base and liquidity buffers with central Banks, the Bank decided to rapidly adjust its funding policy from a precautionary point of view: still in April, BCP SA borrowed an additional 1.5 billion from the ECB through the use of Main refinancing operations ("MRO") with a 3-month term, thus increasing its exposure to the central Bank from 4,0 billion euro related to the Targeted long-term refinancing operation II ("T LTRO II") to 5,5 billion euro; and in June, on the due date of the T LTRO II and the MROs referred to above, it took over 7,6 billion euro in T LTRO III. After these operations, net financing from the ECB increased to a maximum of 4,9 billion euro in September 2020, decreasing until the end of the year to 3,3 billion euro, 3,0 billion more than in the previous year.

The additional liquidity thus obtained, added to that resulting from the reduction of the commercial gap in Portugal, was applied to the repayment of long-term loans from the European Investment Bank which totaled 1,1 billion euro in 2020 (of which 750 million euro with early repayment in June), the strengthening of the securities portfolio in Portugal (3,8 billion euro, of which 3,6 billion euro in sovereign) and in liquidity deposited with the Banco de Portugal (increase of 638 million euro, to Euro 4,3 billion euro).

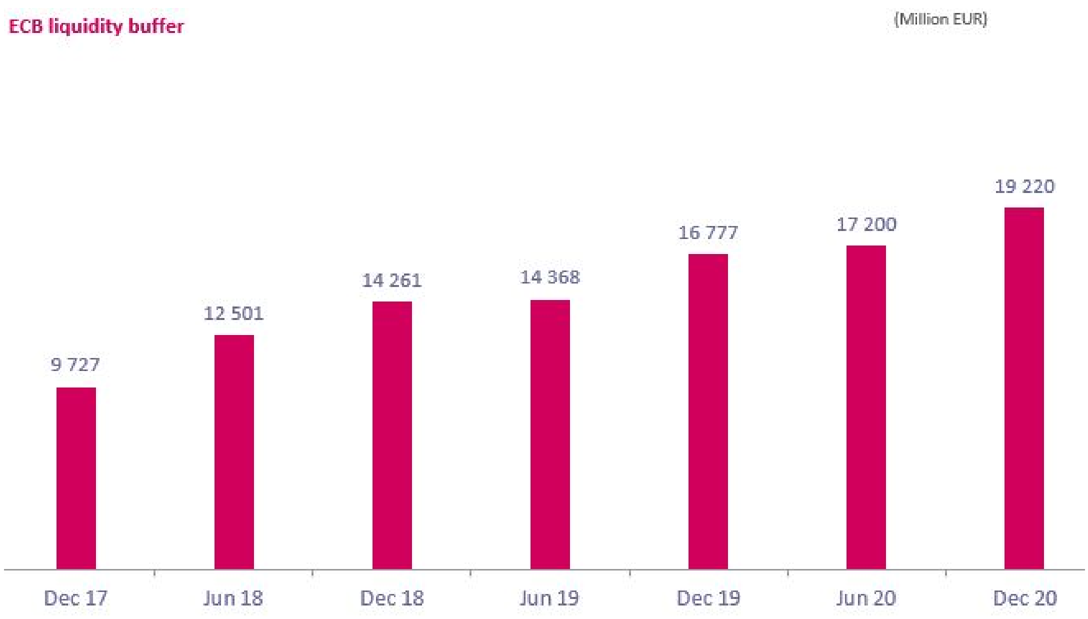
The following table illustrates the WSF structure as of 31 of December 2019 and 31 of December 2020, in terms of the relative weight of each of the instruments used:

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

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

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

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



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

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

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

Liquidity risk control

The Group's liquidity position is assessed on a regular basis, with the identification of all factors underlying the variations that have occurred.

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

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund. The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

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

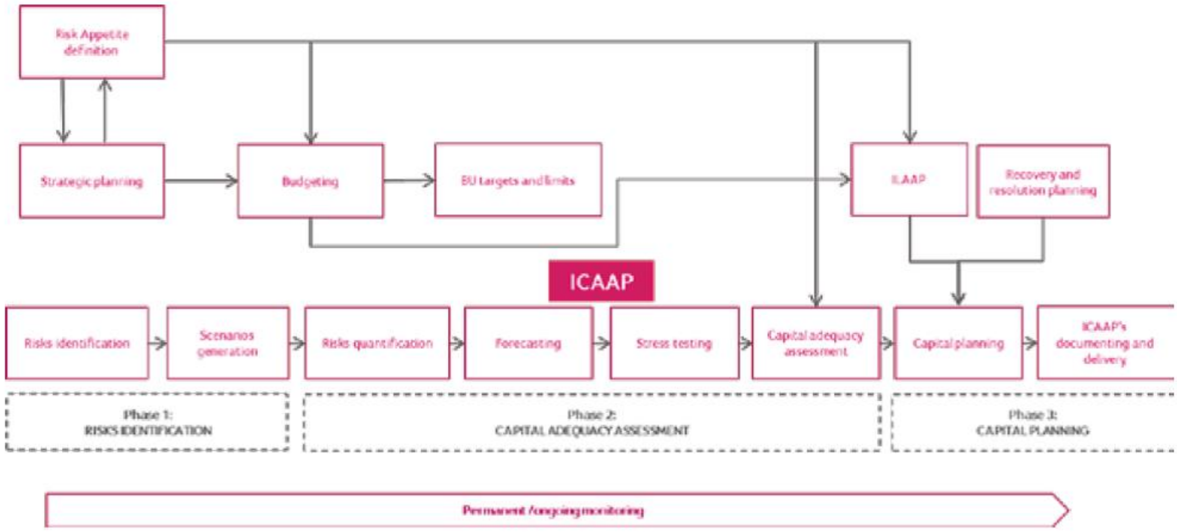
In the Bonds portfolio, the Fund also achieved a positive return on both fixed rate and indexed rate. The positioning was characterized by a preponderance in fixed rate assets but with a less duration, when compared to the respective benchmark. In this component, exposure to peripheral countries benefiting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

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

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

Internal Capital Adequacy Assessment Process (ICAAP)

The adequacy of capital to cover the level of risks to which the Group's activity is subject is permanently monitored under the Internal Capital Adequacy Assessment Process (ICAAP). The following figure summarizes the process in question:



The ICAAP is a key process within the scope of the BCP Group's risk management function and developed under an internal governance model that ensures the involvement of the BoD (the body responsible for approving the results) and its Risks Assessment Committee, of the EC, of the Risk Commission and of the top management, along the various stages of the process.

The ICAAP's results enable the management bodies to test whether the Bank is appropriately capitalized to face the risks arising from its activity at present, as well as those inherent to the balance sheet projections and results of the strategic plan and budget, in order to ensure the Group's sustainability in the medium term, respecting the risk limits defined in the Risk Appetite Statement (RAS) approved by the BoD.

For this purpose, the ICAAP is rolled-out from a prospective vision of the impact estimates concerning the occurrence of risks over the Bank's capital (capital requirements), considering their scale or dimension, complexity, frequency, probability and materiality, against a background consisting of the medium term (3 years) projection for the developments of the Group's activities. The impacts are estimated for different scenarios, including stress scenarios, with a severely negative evolution of macro-economic indicators. Through this process it is possible to test the Group's resilience and to verify the adequacy of the capital levels to cover the risks to which its activity may become subject. To this effect, the different risks are modelled or incorporated into the Group's stress tests methodology framework.

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject, which involves the Bank's management and the management from the main subsidiaries abroad. For this purpose, the Group uses a methodological approach based on an internal taxonomy covering more than 60 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures.

The result of this stage is the list of risks to be incorporated in the ICAAP, as well as of the variables to be considered for the establishment of the base and the stressed scenarios. The approval of the results of the risks identification process is a capacity attributed to the Committee for Risk Assessment (CRA).

In a second stage, the base and stressed scenarios that make the ICAAP's framework were defined. While the base scenario represents the Group's vision of the most probable evolution of the business constraints in the medium term (baseline scenario), the stressed scenarios incorporate extreme conditions, with low probability of occurrence but with severe impact over the Group's activity (adverse scenarios). The approval of the scenarios to be considered in the ICAAP is also a responsibility of the CRA.

In the third stage of the ICAAP, the impact of the risks identified is modelled for the reference date and the capital requirements are calculated for that date. All of the material risks identified by the Bank are quantified in terms of their impact over the Risk Weighted Assets (RWA) level or over the P&L, in accordance with a set of methodologies and internal models, formally approved, documented, validated and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of 1 year (which is lower for the trading portfolio, due to its business nature). The non-quantifiable or non-material risks are considered through an additional buffer to the capital. The approval of the estimation methodologies for the risks impacts in the Group's activity is a competence of the Risk Commission.

Once the impacts of the various risks over the Group's P&L and balance sheet and, in particular, over own funds - are estimated, the Group is able to assess the adequacy of its Risk-Taking Capacity (RTC) against the expected profile for its exposure.

The Group adopts a RTC that is aligned with the definitions of the regulatory capital ratios, pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 (the CRR – Capital Requirements Regulation), including some adjustments in order to encompass other elements or capital instruments that the Group considers appropriate to cover the existing risks, prudently projected along the timeframe under analysis.

The ICAAP's results are assessed by the EC and by the CRA and approved by the BoD, being one of the main sources for the review of the Group's RAS.

Quarterly, the Bank reviews the ICAAP's assumptions assessing, namely: the materiality of the risks that are considered as "non-material"; the validity of the projections considered under the macroeconomic scenarios; the analysis of deviations against the business plans; the quantification of the main material risks; and the RTC calculation. The results are reported to the Bank's management body, through the EC and the CRA.

The results of the ICAAP, as of 31/12/2019, show that current capitalization levels are adequate for the 3-year time horizon, both in the baseline scenario and in the stressed/adverse scenario, which is confirmed by the quarterly monitoring performed by the Bank.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM is a unit structure from the second line of defence, within the scope of model risk management, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured. Its mission consists in monitor and validate the risk assessment used at BCP and other Group entities in Portugal, as well as to independently ensure the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data, according to the Model Risk Management (MRM) framework.

GAVM's scope of action encompasses, inter alia, the validation of the internal models for credit risk, market risk and for the risks included in the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission.

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

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

Within the scope of models' validation, a highlight is made to the validation of the credit risk internal models concerning the Probability of Default (PD) for the Retail, Corporate and Real Estate Promotion segments, as well as of the Slotting Criteria model applied to Project Finance. It is also noteworthy the validation made to the Loss Given Default (LGD) model for the Retail segment, the validation performed to the internal market risk model and the validation activities performed within the scope of the ICAAP quantification of risks.

GAVM has the responsibility to maintain a robust and documented validation process for internal risk models and systems, in line with current regulations, challenging existing systems and models. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with growing regulatory requirements, by reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

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

Recovery Plan

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

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

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are defined by the Recovery Plan, which is supported by an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis.

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

Ratings assigned to BCP

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

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

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

It is also important to highlight the progress in the improvement of Portuguese banks' asset quality – through the reduction of NPEs –, as well as the strengthening in capital and liquidity levels, contributing to a better outlook of the Portuguese banking sector's performance, even in an adverse context.

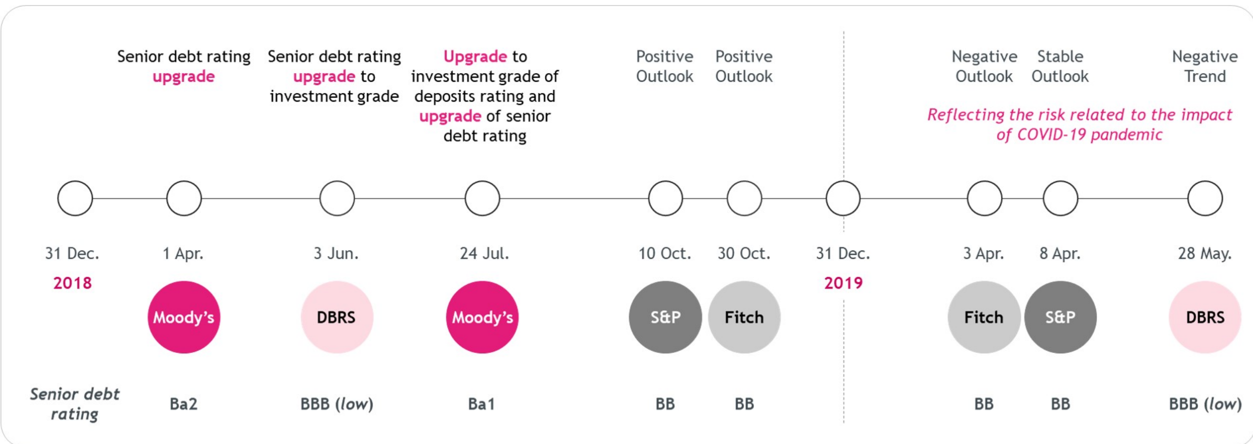
Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high, which is, together with profitability and capitalization levels, one of rating agencies' main concerns.

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

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

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

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



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

Rating Actions

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

Rating Actions

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

Fitch Ratings	
Viability Rating	bb
Support	*5*
Support Floor	No Floor
Deposits LT/ ST	BB+/B
Senior Debt LT/ST	BB/B
Senior Non Preferred	BB-
Outlook	Negative
Subordinated Debt Lower Tier 2	B+
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

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

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

Rating Actions

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

Capital

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

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

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

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

SOLVABILITY RATIOS

(Euro million)

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

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

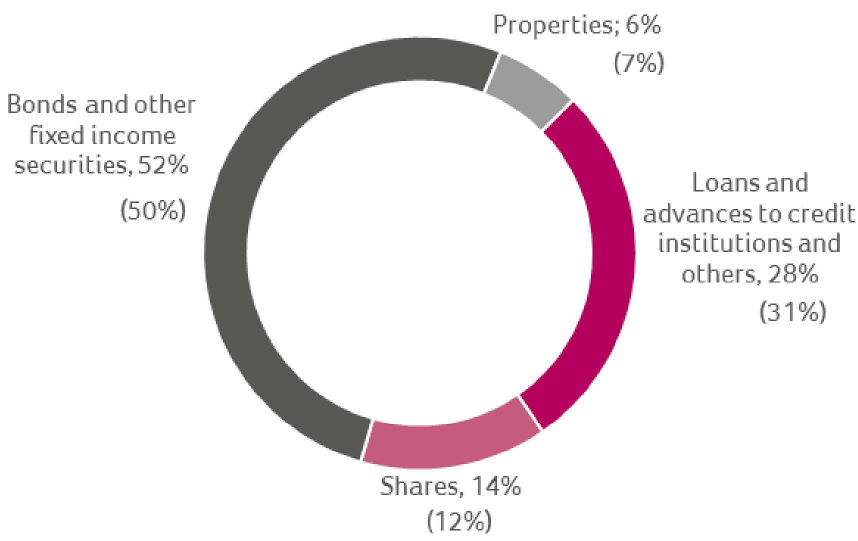
Pension Fund

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

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

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

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



(xx%) Proportion as at 31 December 2019

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

ASSUMPTIONS	2020	2019	2018
Discount rate	1.05%	1.40%	2.10%
Increase in future compensation levels	0.75%	0.75 %	0.25% until 2019 0.75% after 2019
Rate of pensions increase	0.50%	0.50 %	0% until 2019 0.5% after 2019
Projected rate of return on fund's assets	1.05%	1.40%	2.10%
Mortality tables			
Men	TV 88/90	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable	Not applicable
Normal retirement age	66 years and 5 months	66 years and 5 months	66 years and 4 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social	1.00%	1.00%	1.00%

In September 2019, the Bank established an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. This agreement establishes from 1 January 2018 onwards, the increase in the base salary by 0.75% up to salary level 6 and by 0.50% for salary levels 7 to 20 and the increase of other pecuniary clauses, such as the lunch allowance, seniority payments, among others.

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

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

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

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

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

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

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

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

Information on trends

COVID-19 impact

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

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

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

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

Impact on the Group's activity

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

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

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

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

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

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

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

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

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

MREL

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

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

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

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

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

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

CHF denominated loans

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

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

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

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

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

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

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

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

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

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

Resolution Fund

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

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

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

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Banco's decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at 3,890 million euros. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of 3,890 million euros in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of 3,890 million euros".

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that may still be used amounts to 912 million euros.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that "the Resolution Fund has also provided the Budget and Finance Committee, in writing, of all the clarifications on its decision to deduct from the amount calculated under the Contingent Capital Agreement, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco".

Following the payment made in May 2019 by the Resolution Fund to Novo Banco, in compliance with the Contingent Capitalization Agreement, a special audit determined by the Government was conducted. According to a statement issued by the Resolution Fund on September 3, "The information presented by the independent entity that conducted the special audit shows, in particular, that Novo Banco has been operating in a framework strongly marked by the vast legacy of non-productive assets, still generated in the sphere of Banco Espírito Santo, S.A., with the consequent recording of impairments and provisions, but that it has also strengthened its internal procedures. Regarding the exercise of the Resolution Fund's powers under the Contingent Capitalization Agreement, the audit results reflect the adequacy of the principles and criteria adopted".

Non-financial information

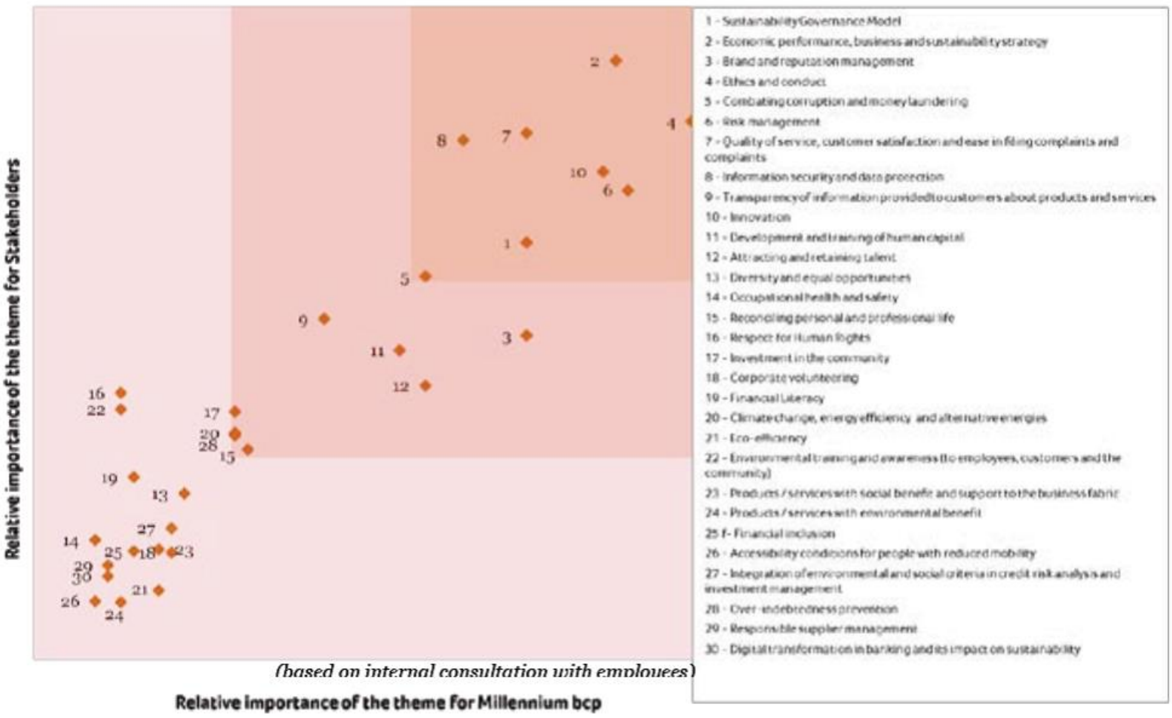
Involvement of Stakeholders

BCP Group defines strategies and pursues policies, adjusted to the new challenges imposed by the interested parties with which it relates, materializing a business model based on an ongoing and transparent dialogue enabling to understand and comply with the expectations of its Stakeholders.

In 2019, a new consultation of Stakeholders was held. This process, which involved, through a representative sampling, the main stakeholders, namely (i) Qualified shareholders, (ii) Clients from all segments of the Bank, (iii) Employees, (iv) Community, (v) Suppliers and (vi) Press, obtained a response rate of 66%, allowing an update in what regards the identification of the issues with the greatest relevance and impact on the Bank's activity to be updated.

Materiality Matrix

The identification and the ongoing follow-up of the themes considered material by the Stakeholders of Millennium bcp enabled the Bank to know the areas that show better performances within the scope of Sustainability, but also enabled it to rapidly detect improvement opportunities representing a strong contribution for the adoption of an appropriate sustainability strategy adapted to new realities, challenges and requirements.



The relative importance of the material themes included in the matrix, that will guide us until 2021, translates the Bank’s level of maturity in the activity areas identified as a priority, but also the degree of achievement and compliance already achieved.

Sustainability Policy

The adopted sustainability policy, which fosters a culture of Social Responsibility, aims to positively influence the organisation's value proposition in the long term, balanced with the well-being of the people, the company and communities in which it operates, while preserving natural resources, climate and the environment.

Within this framework, it is possible to divide the Bank's intervention into three major axes:

- Environment - implementation of measures fostering a fair and inclusive transition to a decarbonised economic development model, including the incorporation of the environmental aspect into the Bank's risk models;
- Social - Involvement with both the external and the internal communities;
- Corporate governance - integration of sustainability principles into the Bank's decision-making processes.

Corporate social responsibility increasingly requires the adoption of behaviour and commitments to the communities in which we operate, such as environmental protection, social welfare and the quality of institutional governance. More recently, conscious and fair tax behaviour by companies has been gaining prominence as an integral dimension of corporate social responsibility. Companies are faced with high fiscal burdens (taxes, duties and contributions), which often lead to aggressive tax planning schemes that undermine desired standards of fiscal responsibility.

The payment of a fair amount of taxes by companies has become one of the main challenges of the European Union (EU (2018) Action Plan for Fairer and More Efficient Corporate Taxation in the EU) and the OECD, in the recent BEPS Report - (Base Erosion Profit Shifting) whose actions have focused on controlling and tax avoidance. In this context, the concept of tax governance emerges as a fundamental part of corporate social responsibility, requiring companies to adopt good tax governance practices, such as (i) compliance and timely payment of their tax obligations; (ii) tax risk management; and (iii) good relations with tax authorities, shareholders, investors and other stakeholders.

Good corporate tax responsibility practices involve the promotion of principles such as tax transparency, careful and transparent definition of tax strategies and the disclosure of tax governance practices. Aware of the relevance of this issue, BCP complies with the tax burden to which it is subject, having adopted a policy of fiscal transparency based on the good practice of disclosing the amount of its taxes and contributions, as expressed in notes 6 and 30 of the notes to the accounts.

It is also through this relevant contribution that BCP assumes itself as an institution with a relevant contribution to the development of a more inclusive, fair and sustainable society.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the development of the countries in which it operates.

Complying with the principles of the Global Compact, proposed by the United nations, Group BCP commits to support its 10 Principles establishing a set of values in what concerns Human Rights, Labour Conditions, Protection of the Environment and Anti-corruption.

BCP acknowledges the importance of the Sustainable Development Goals (SDGs) of the United Nations. Considering that the accomplishment of its 17 objectives imply a joint effort from the States and private entities, namely from companies, the Bank assumes the commitment of actively working towards a sustainable development, featured by social inclusion and responsibility in terms of environment, in all countries where it operates. It was within this context that the Bank published in 2020 its first follow-up report on the "Contribution of BCP for the SDG of the United Nations".

The strategy of Millennium bcp in terms of Sustainability is translated in the Sustainability Master Plan (SMP), a plan of commitments that aggregates a number of actions to be carried out by the Bank. The guidelines and the definition of the actions part of the SMP are based on a balanced relation between the identified relevant material issues, the Bank's available resources and the economic and market framework existing at the time.

Sustainability Master Plan

The new Sustainability Master Plan 2021,that guides the Bank in the implementation of ESG (Environmental, Social and Governance) policies and practices and is an integrating instrument which, through a close, transparent and consequent relation, intends to face the main expectations identified during the regular surveys made to the Bank's main Stakeholders foresees, in its different aspects, the following initiatives and lines of action:

SUSTAINABILITY MASTER PLAN (SMP) 2021

Area	Action
Governance Model of Sustainability and Corporate Policies	- To implement a model of governance of the Sustainability Area that allows a multidisciplinary and transversal action on the organisation, including, whenever justified, international operations; - Review and update the Group's corporate policies; - To review evaluation and remuneration policies.
Training on Sustainability	- e-LearningCourseonSustainability(andSustainableFinance).
Brand Management and Reputation	- Strengthen the positioning of Millennium bcp in the sustainability indexes; - Adhere to principles and commitments about sustainability; - Define the positioning of BCP in relation to SDGs; - Integrate sustainability into corporate events; - Strengthen the communication and promotion of Microcredit; - Improving sustainability reporting and communication.
Risk management, ethics and conduct	- Foster a culture of compliance and of a strict management of risk; - Ensure integration of environmental and social risks into the risk analysis process.
Information Security and data protection	- Ensure the management and information of employees.
Quality of service and customer satisfaction	- Optimise satisfaction levels; - Foster a culture of continuous improvement; - Creation of a Customer Charter.
Responsible supplier management	- Formalise compliance with social and environmental requirements in the relationship established with Suppliers.
Innovation	- Foster a culture of innovation.
Sustainable financing policies and regulation	- Monitor the development of the European Commission's Sustainable Finance Action Plan.
Transparency of information to customers on products and services	- Integrate sustainability aspects of the proposed investments into the communication with customers.
Risk management	- Integrate ESG risks into risk management procedures; - Promote climate changes awareness with corporate clients developing their activities in sectors more exposed to risks and environmental regulations; - Identify and classify Corporate Clients with greater environmental and social risks.
Provide an offer of inclusive and sustainable products	- Promote and launch products that observe social responsibility principles and cope with the new environmental challenges; - Develop an offer of ESG products, which promote the transition of the economy to a sustainable model.
Accessibilities	- Improve the implementation of differentiated working hours for customer service; - Improve digital accessibility of customers.
Attracting and retaining talent	- Support the adoption of healthy lifestyles; - Improve the mechanisms ensuring a greater proximity between the Employees and top managers; - Promotion of work-family balance.
Voluntary work	- Develop and approve a Voluntary Work Policy; - Voluntary work Programme.

Conscious Business Project	- Conscious organisation
Human Rights	- Analyse and communicate the Group's positioning on human rights risk management.
Financial Literacy	- Financial Literacy Programme; - Implement social and/or environmental awareness actions common to the entire Group
Investment in the community	- Develop campaigns together with non-governmental organisations and charitable institutions to foster a sustainable development; - Reinforce connection to Millennium bcp Foundation; - Reinforce and systematise partnerships with entities that stimulate and develop entrepreneurship in local communities; - Develop actions of social responsibility; - Measure the impact on the community.
Climate change, energy efficiency and alternative energies	- Contribute to limiting global warming to 2°C (Paris Agreement).
Environmental performance	- Minimise the environmental impact of operations.

Commitments

Within the scope of the "Think tank on sustainable funding in Portugal", promoted by the Ministries of Environment, Economy and Finances (within the context of the Route to Carbon Neutrality in 2050) that had the participation from the major banks that operate in the market, supervisors and sector associations, two documents were produced: (i) "Guidelines to accelerate sustainable funding in Portugal"; and (ii) ""Engagement Letter for the Sustainable Funding in Portugal" - subscribed by Millennium bcp in 2019 -, targeted at showing the importance of including environmental, social and governance risks in the decision-making and risk management processes in the financial sector.

Still in 2019, the Bank also joined the "Business Mobility Pact for the City of Lisbon", a joint initiative from the Municipality of Lisbon (CML) and, WBCSD - World Business Council for Sustainable Development and from BCSD Portugal, that aggregates in a public voluntary agreement , companies that operate in Lisbon and have as a common goal to improve and transform mobility in the city, making it more sustainable.
In 2020, Millennium bcp also subscribed the "European Green Capital 2020 Commitment", promoted by the Municipality of Lisbon, that joins more than 200 significant entities of the city, companies, schools and institutions, in a commitment towards more climate actions and targeted at sustainability.

Also in 2020, BCP signed the "Statement from Business Leaders for Renewed Global Cooperation",an international statement that aims showing the commitment with an ethical leadership, based on good governance practices, materialised through values, strategy, policies, operations and proximity relations and involvement with all stakeholders.

Millennium bcp also joined the Declaration "Aproveitar a crise para lançar um novo paradigma de desenvolvimento sustentável" promoted by BCSD Portugal, stating its will to contribute for the construction of a development model based on five main pillars: (i) Promotion of growth, (ii) Search for efficiency, (iii) Reinforcement of Resilience, (iv) Corporate Citizenship and (v) Promotion of sustainable and inclusive development.

In Poland, Bank Millennium adopted an Environmental Policy , assuming the commitment to fund environmentally responsible investments, also aimed at reducing the consumption of energy, while foreseeing sector exclusions concerning the financing to new mines of coal and new investments with generation of energy from coal sources, exception made to the initiatives aimed at reducing the levels of pollution.

Partnerships

BCP, aware of the importance of sharing good practices and of an active participation in the pursue of Responsible Business Principles, is an associate and a member of the corporate bodies of BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável.

It is also member of the Global Compact Network Portugal from the United Nations and, within a logic of proximity and support to the surrounding communities, of the Program Oeiras Solidária (POS).

It also participates in a selected number of work groups and discussion forums on Sustainable Finance, a presence that should be understood within the scope of the Action Plan from the European Union, the ongoing alterations in the ruling and regulatory framework and evolution of the risk and business management practices applicable to ESG (Environmental, Social e Governance) issues, in what also represents an opportunity to re-assess impacts, anticipate trends and project future transformations.

This way,it is part of the Work Groups on Sustainable Finance froma (i) APB - Associação Portuguesa de Bancos, (ii) EBF - European Banking Federation, (iii) BCSD Portugal e (iv) AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado.

It is also a member of the (v) Technical Debate Group for Sustainable Financing in Portugal from the Ministry of Environment, (vi) the Technical Sub-Commission on Sustainable Finance ISO/TC 322 da APEE - Associação Portuguesa de Ética Empresarial and from ISO - International Organization for Standardization and (vii) the Task Force on ESG Taxonomy from APB.

Table of Correspondence between the Management Report and Decree Law 89/2017

Decree Law 89/2017, of 28 July	Chapter/section	Page/s
Art. 3 (cfr. Art. 66-B and 508-G of the CC): The non-financial statement must contain information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, gender equality, non-discrimination, respect for human rights, anti-corruption and bribery matters, including:		
a) A brief description of the undertaking's business model	2020 Annual Report Information on the BCP Group Business Model	 Page 10-29 Page 30-44
b) A description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented	2020 Annual Report: Involvement of Stakeholders	 Pag. 158-163
c) The outcome of those policies	2020 Annual Report: Value added to each Stakeholder Group Environmental impact	 Pag. 165-186 Pag. 187-194
d) The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks	2020 Annual Report: Main Risks and Uncertainties Risk Management Value added to each Stakeholder Group	 Pag. 108-110 Pag. 111-148 Pag. 165-186
e) Non-financial key performance indicators relevant to its specific activity	2020 Annual Report: Summary of Indicators Main Highlights Value added to each Stakeholder Group	 Pag. 10-13 Page 11-13 Pag.165-186
Art. 4 (as per Art. 245 1.r and 2 of the CC): Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.	2020 Annual Report: Non-financial Statement 2020 Corporate Governance Report	 Pag. 158-194 Sections on the diversity policy of the corporate bodies and on the competences of the Committee for Nominations and Remunerations

Value added to each Stakeholder Group

A sustainable Bank, (more) prepared for the Future

In 2020, the Bank obtained a profit of 183,0 million Euros, strongly influenced by the social and economic impacts due to the manifestation and spread of the pandemic Covid-19. The results in the domestic and international activities fell down, from 144,8 million Euros to 134,5 milhões de Euros and from 143,8 to 48,5 million euros, respectively. In addition, the results of the international activity translate the continuation of the provisioning for legal risks associated with the portfolio of mortgage loans Swiss francs in Poland. Millennium bcp appears as one of the most efficient banks in the euro area, with cost-to-core income and cost-to-income ratios of 48% (50% including one-off items (and 47% (49% including one-off items), respectively, in 2020. The Return on Equity (ROE) stood at 3,1%

It is important to mention the improvement in asset quality, translated in the decrease in Non-Performing Exposures (NPE) in Portugal to 2.4 billion Euros, as at 31 December 2020, which shows a descent of 10.4 thousand million euros since 31 December 2013. Maintenance of a comfortable level of liquidity, seen in the 85% loan-to-deposit ratio. The capital ratio Common Equity Tier 1, in accordance with the criteria fully implemented, stood at 12,2%.

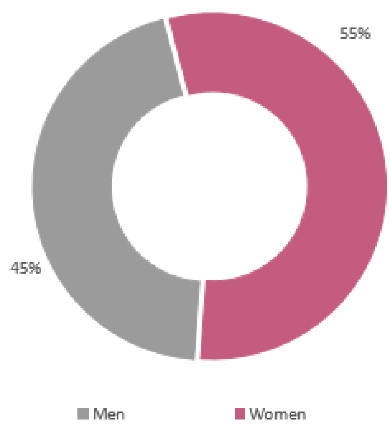
During 2020, the BCP share showed a devaluation of 39,3%, reflecting the uncertainties related with the manifestation, propagation and economic and social impacts of the Covid-19 pandemic. Moreover, it also translated specific factors, namely associated with the Polish operation, such as the uncertainty around the development of the theme of loans granted in foreign currency.

Staff Members

BCP Group ensures, in its different operations, a fair treatment and equal opportunities to all its Employees, promoting meritocracy at all stages of their career and defining their remuneration in accordance with category, professional path and level of achievement of the established objectives.

The general principles that rule the BCP Group established a series of values and benchmarks, universally applicable to all Employees, resulting in a clear and unequivocal guidance, so that, regardless of the respective hierarchical or responsibility level, all Employees always act in a fair manner, with no discrimination, and also reaffirming the ten Global Compact Principles, under which the Group recognises and supports the freedom of association and the right to collective work agreement negotiation and rejects the existence of any form of forced and compulsory labour, including child labour.

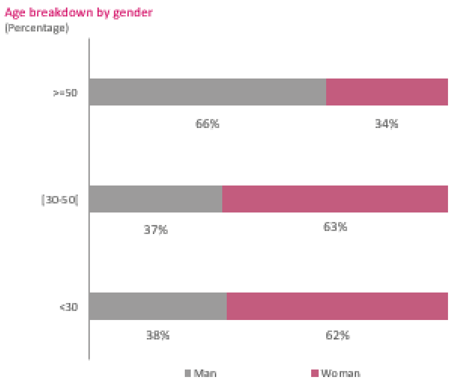
Breakdown by gender
(Percentage)

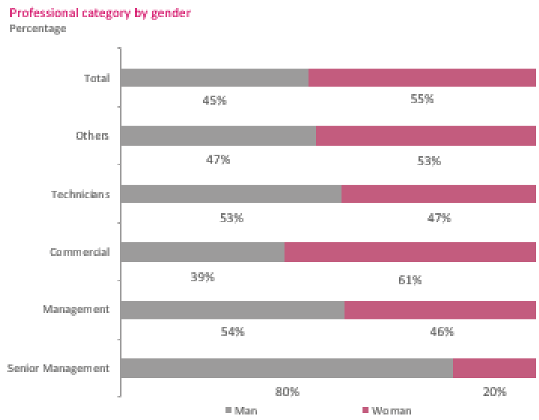


The commitments undertaken by the BCP Group within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies, of which the policies on Human Rights, Equality and Non-Discrimination and Occupational Health and Safety are an example. These policies are available for consultation on the Bank's website, in the Sustainability area

Within the scope of gender diversity in the Board of Directors, in 2020, globally, in BCP, in Portugal, 23.5% of these functions were performed by women.

Within the scope of gender diversity in management functions (Executive Committee/Senior Management and Management) in 2020, globally, 44% of these functions were performed by women – 22% in Portugal, 59% in Poland and 27% in Mozambique. In commercial functions, this figure increases to 61% in the Group, i.e. 48% in Portugal, 75% in Poland and 61% in Mozambique.





Information about the number of employees (not FTE's - Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

In 2020, the Bank, in Portugal, published a revised version of its plan for gender equality, a document that describes a number of specific actions and practices to implement until the end of 2021 in order to foster diversity and inclusion.

Millennium bcp had subscribed in 2019 the "CEO Guide to Human Rights" an initiative from the World Business Council for Sustainable Development (WBCSD) and from the Business Council for Sustainable Development (BCSD, Portugal). The Guide includes the policies and practices of reference and intends to contribute for the implementation and promotion of the human rights in the organization and in their value chains.

Already in 2021, BCP was also included, for the second time, in the Bloomberg Gender-Equality Index, joining to the group of companies that, in the world, stood out in terms of implementation of practices and policies on gender equality, diversity and inclusion.

The presence in this index, that puts together companies from 44 countries is a landmark that shows the Bank's commitment with the development of its Sustainability Plan and the recognition of its commitment on matters related with equality of gender and a clear and transparent non-financial reporting.

In 2020, the processes for the management of People were marked by the prevention and control actions developed in the wake of the Covid-19 pandemic declared by the World Health Organisation (WHO) on 11 March, that led the bank to trigger its Contingency Plan, with two clear objectives: (i) protect people, employees and all the surrounding community; and (ii) keep the Customer service levels.

Training

The Employees are one of the strategic pillars of Group BCP, reason why training continues to be seen as a priority for the development of their professional and personal skills. The search for excellence in the quality of the service provided to Customers involves identifying the training which is most suited to the specific needs of each Employee, taking into account the Bank's strategic objectives.

TRAINING

	2020	2019	2018	VAR.% 20/19
NUMBER OF PARTICIPANTS (1)				
In person	18,231	31,043	42,906	-41.3%
E-learning	376,977	311,211	158,845	21.1%
Remotely	61,648	59,592	63,512	3.5%
NUMBER OF HOURS				
In person	128,153	319,236	298,361	-59.9%
E-learning	421,190	343,403	121,634	22.7%
Remotely	136,504	184,544	205,998	-26%
BY EMPLOYEE	40	46	39	-13.2%

(1) The same employee may have attended several training sessions.

In overall terms, in the Group, 3,670 training actions were ministered, corresponding to over 685 hours of training, with an average of 40 training hours per Employee. During 2019, the training effort kept its focus not only on the commercial areas, but also on technical, operational and compliance areas and on team management.

Talent Management

At Group BCP, people management is one of the most important pillars of the Bank's competitiveness and sustainability. Simultaneously with the valorisation of general and specific skills, it is crucial, in an organisational enhancement perspective, to identify Employees with potential and talent, so that in future they can perform duties of higher complexity and responsibility.

The development programmes that have been implemented in the different geographic areas of the BCP Group are thus a specific response to Employees with high performance and potential, enabling: i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and ii) experienced Employees the opportunity to acquire the necessary skills so that in future they can perform more complex roles with higher responsibility.

Examples of this strategy in Portugal include the 1st edition of the **M Power** leading position skills development programme and the M Social Power inclusion and diversity programme, which involved 323 Employees, and the 2nd edition of the **inGenious** training programme, aimed at 40 young talents in the Bank's analytics and technology areas.

In 2020, because of the policies and practices for the management of People, Millennium bcp foi was classified, in Portugal, as one of the best companies to work in the financial sector. This conclusion was reached by Randstad Employer Brand Research, in an annual research that gathers the opinion from the Portuguese active population on which are the most attractive companies to work in, from amongst the 150 largest Portuguese employers.

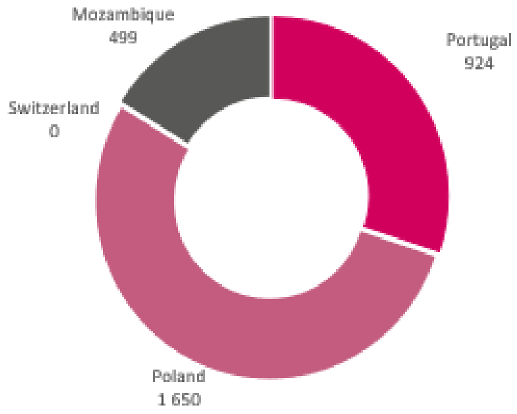
Evaluation and Recognition

At the BCP Group, the individual performance assessment models, based on a process of counselling and guidance towards the development of skills, gives rise to opportunities of dialogue between the senior staff and their Employees, enabling the further deepening of a culture of personal accountability for the development of their careers.

Together with an attitude of incentive to the valuing of the employees and the adoption of practices of excellence, Group BCP keeps using a policy of recognition of the individual merit and commitment of each employee, particularly through an incentives system, of a plan for the professional merit valuation and specific distinctions attributed to employees who are excellent in the performance of their functions.

This is the way the Bank found to materialize a policy for recognising merit, valuing the professionalism shown by 3,073 employees in Portugal (1,802 are women and 1,271 are men).

Promotions
(Number of Employees)



Satisfaction with Internal Customers

Since Employees constitute one of the strategic pillars of the BCP Group, their level of satisfaction with the service provided by the different internal areas - with direct relation and reflection on the quality of the guaranteed Customer service - is an important endogenous indicator to assess the Bank's effectiveness and perceived efficiency.

Thus, the Bank continued to make, in 2020, the annual survey on the satisfaction with the internal services near the Employees in Portugal, which obtained a global value of 80,6 .i.p, above the one recorded in the previous year (79,8 i.p), being even the best result ever, a fact that, within the pandemic context that we are going through, is particularly appreciated.

The Bank carried out other 26 surveys to Employees, with specific purposes, ones with the objective of improving the operational procedures but, mostly, related with the COVID Contingency Plan, which allowed a close and efficient monitoring and management of issues related with the pandemic (Covid Tests, Vaccination, Disinfectants, the use of masks in Branches, …).

In Poland the value recorded in 2020 was 89 i.p., reflecting an improvement of 2 i.p. compared to 2019 (87 i.p.). In Mozambique, the value recorded in 2020 was 70 i.p. translating a decrease versus the 73 i.p., recorded in 2019 and the 71 i.p. recorded in Switzerland that compare with the 73 i.p recorded in 2019.

Benefits

The BCP Group offers its Employees a series of corporate benefits, apart from those established in the applicable legislation. Concerning health and safety, in Portugal and Poland, Millennium Employees benefit from a dedicated medical staff and medical units, which, in Portugal, now also include Nutrition and Clinical Psychology. They also benefit from regular medical check-ups.

In Mozambique, Millennium bim has: i) a medical office, which, in addition to medical appointments, also offers various specialities and basic health care; ii) an HIV office, ensuring prevention and follow-up of this disease; and iii) social support office, offering counselling to Employees.

Within a context of pandemic, like the one experienced in 2020, one of the main challenges for the different countries where Group BCP operates, was to ensure, with the available scientific information and in articulation with the public authorities, the timely definition and implementation of the measures that, at each ,moment, are considered more appropriate to ensure a safe and healthy working environment for the Employees, Customers and of all that contact with the Bank, an example of which is the almost immediate placement of a significant number of employees in teleworking and the protection measures adopted at Branches.

HEALTH SERVICES [1]

	2020	2019	2018	VAR.% 20/19
MEDICAL SERVICES				
Medical appointments carried out	35,007	26,539	22,507	31,9%
Check-ups carried out	6,487	9,416	9,142	-31,1%
HEALTH INSURANCE				
Individuals involved	46,737	46,311	47,257	0,9%

(1) Includes active Employees and retired Employees.

Employees of the BCP Group benefit from mortgage loans, permanently and under special conditions. The credit is granted abiding by the credit risk assessment principles set by the Bank's regulations. The Employees may also benefit from loans for social purposes that, among other, serve to meet credit needs in order to face education or health expenses, repairs made in their own domicile or in a rented one and the acquisition of other goods and services with an exceptional nature.

LOANS TO EMPLOYEES [1]

Million Euros

	2020		2019		2018	
	Amount	Staff Members	Amount	Staff Members	Amount	Staff Members
HOUSING						
Portfolio	529,8	7,940	562,1	8,294	607,7	8,747
Granted in 2018	23,1	217	29,8	281	25,8	304
SOCIAL PURPOSES LOANS						
Portfolio	9,1	2,199	11,1	2,429	9,7	2,548
Granted in 2018	3,2	265	3,9	981	3,5	870

(1) Includes active Employees and retired Employees.

Evolution of Staff Numbers

In 2020, the number of Employees of group BCP decreased 6.7%, (1.250 Employees less) versus 2019, mostly justified by the rationalisation of the operation in Poland due to the purchase of Eurobank in 2019. Around 60% of the Employees of the Group worked in the international business and 40% in Portugal.

EMPLOYEES [1]

	2020	2019	2018	Var. % 20/19
TOTAL IN PORTUGAL	7,013	7,204	7,095	-2,7%
Poland	7,645	8,615	6,270	-11,3%
Switzerland	82	82	77	0,0%
Mozambique	2,591	2,680	2,619	-3,3%
INTERNATIONAL TOTAL	10,318	11,377	8,966	-9,3%
TOTAL FOR THE GROUP	17,331	18,581	16,061	-6,7%

(1) Information on the number of Employees (not FTE's - full time equivalent) for: Portugal, Mozambique, Switzerland and Poland (including EuroBank).

Note: does not include Millennium bcp Bank & Trust employees.

In Portugal there was a reduction in staff, with less 191 employees versus the previous year. 132 new employees were admitted to service (52% were women) mostly for the performance of technical functions in digital banking (54%) and for and commercial (39%) and 322 employees left the Bank, 73% by mutual agreement and/or retirement plans and 18% by initiative of the employee. Among the Employees who left, 53% worked in the commercial areas and 22% in management functions.

In Poland, the number of Employees decreased about 11% (970 employees less versus 2019) due to the reorganisation of the operation due to the purchase of Eurobank, achieving a number of 7.645 employees, of which 67% are women.

In Mozambique there was also an increase in staff (-3.3% versus 2019), with the engagement of 45 new employees, 56% for the performance of commercial functions. 130 employees left the Bank, 51% of which were allocated to commercial functions.

Clients

Satisfaction Surveys

In Portugal, Millennium bcp continues to focus on the model of assessment of Customer experiences. 24 hours after interaction with the Bank, the Customer is invited to answer a brief questionnaire to assess Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.

The Bank assessed over 120,000 experiences of Clients who visited Branches of Millennium bcp or were contacted by Client Managers.

In 2020, the indicator NPS (Net Promoter Score), that translates the level of recommendation of the Bank recorded, in the case of Prestige Clients, an increase to 65.4 points, 0.5 points than in 2019; the Mass Market segment, that improvement showed an increase of 2.3 points, to 74.1. Regarding the NPS of Business Clients, it also recorded an expansion, improving to 64.3 (62.4 in 2019). Based on these results per segment, the global NPS of Millennium bcp stands at Apart from the experiences of Clients with Branches and/or Client Managers, where the indicators mentioned above are based upon, Millennium bcp also assesses other Client experiences namely (i) Account Opening, (ii) handling of Claims, (iii) interaction with the Contact Centre, (iv) mortgage loans and (v) the moment when the Account is closed - to be able to assess why the Bank lost those clients, (vi) the use of Internet banking and (vii) the utilization of new Millennium Transactions Machines (MTM). Globally, in 2020, the Clients evaluated more than 215.000 experiences with Millennium.

In 2020, only two of the four actions of the "Mystery Customer" foreseen for the Mass market Branches, took place. The 1st wave was carried out until March, involving 421 visits to branches of Millennium bcp and a global result of 74%. The study was interrupted due to the pandemic and only resumed in October with the carrying out of 432 visits to Branches of Millennium bcp, recording an improvement in the global result of 76%.

To strengthen the competences of the Employees and improve the service provided to the Client, the Bank continued the "Program #1", extending the same to the business segment – a complete diagnosis of the segment was made and a plan of action was defined to be implemented in 2021. In the segments Mass Market and Prestige, the Bank reformulated this program and called it "#1 in the Customer's Heart", and the behavioural training began to be given every quarter, based on modules made by experts.

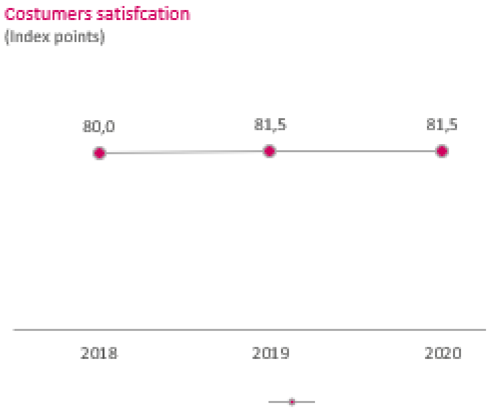
We continued with the project "Momento #1", that intends, in a simple manner through the weekly disclosure of addressed short videos, to transmit practical knowledge on themes with a direct impact on customer servicing.

The remote channels satisfaction levels remained high. An example of this are the 89% of the user clients who replied that they are happy or very happy with the Internet Banking - Companies, of which the 80% of Mobile Banking Companies are an example.

In 2020, Millennium bcp was once again recognised, in the wake of its digital channels, with the awards Global Finance "World's Best Digital Bank Awards", in the categories "Best Consumer Digital Bank in 2020" in Portugal and, "Best Corporate/Institutional Information Security and Fraud Management 2020", in Western Europe. Millennium BCP was also distinguished in "Best Homebanking website" in Portugal, within the scope of the awards "Leitor PC Guia 2020."

In order to strengthen the measurement of satisfaction and loyalty in the various Customer segments, Millennium bcp continued to monitor various market studies carried out by specialised companies, so as to obtain indicators to position the Bank in the sector and assess, in an evolutionary way, market perception with regard to (i) quality of the service provided, (ii) the Bank's image and (iii) the products and services it sells. Examples of these studies are the CSI Banca (Marktest), e BFin (DataE), the BrandScore and the Consumer Choice.

In the international activity, customers' overall satisfaction levels with the Bank remained unchanged at 81.5 index points (p.i.).
Poland, with 89 i.p. of overall satisfaction, saw Internet banking and mobile banking channels reach 95% and 97%, respectively, of positive ratings in 2020.



Information not available for Switzerland.

Claims

In Portugal, the complaints process is monitored by the commercial areas and the Customer Care Centre (CAC). In this operation, the number of complaints increased compared to the previous year, with a total of 44,474, mainly explained by card-related issues, namely the acquisition of products and services through digital channels. The effort to rapidly solve the claims has been a constant concern of the Bank, which has been able to improve the average response time from 6 to 4 business days.

CLAIMS (Portugal and International

	2020	2019	2018	VAR.% 20/19
CLAIMS RECORDED	172.674	136,562	108,244	26,4%
CLAIMS RESOLVED	160.368	125,891	125,891	27,4%

Note: Includes structural change effect in the claim handling process at Bank Millennium Poland, aiming at the improvement of the Customer experience and the optimisation of the immediate handling of those claims.

In the international activity: i) Poland recorded an increase in the number of claims versus 2019 of around 30%, mostly due to mortgage loans, current accounts and transactions with cards; ii) in Mozambique, the number of claims recorded a decrease of around 10.9%, mostly due to ta less number of various claims.

The average deadline for claims resolution in Poland improved, being now of 6 days and in Mozambique worsened, to 7 days.

Culture of Rigour

The BCP Group considers that respect for the defined mission and values of the organisation, combined with compliance with its approved strategy, depends, first, on each Employee. Hence, the Group encourages the pursuit of a culture of rigour and responsibility, supported by mechanisms for the dissemination of information, training and monitoring, so as to permanently ensure strict compliance with the instituted rules of conduct.

Against this background, the implementation of specific training activities and the monitoring of the Compliance Office teams have been a constant feature and a priority. Thus, joint action with the different business areas enabled the presence of 13,231 employees in training actions in Portugal in various topics related to the activity of the Compliance Office, always focused on the Employees' awareness of the need to adopt a professional conduct and behaviour in accordance with a culture of ethics and rigour when performing daily duties.

These figures, that show a significant increase if compared with the one recorded in 2019, results from several training actions of which we point out those on the prevention of money laundering and terrorism financing, trade finance and the Code of Conduct. In 2020, the reinforcement of the culture of compliance was one of the priorities of the Bank, either through the normal development of the Training Plan or through programs of proximity communication programs addressed to all areas of the bank, notably of the commercial networks. The "100% Compliance", the "Compliance A to Z" and the "Culture of Compliance "are the most visible faces of the transformation initiated in 2019 where, through regular actions addressed to all networks of the Bank , it tries to convey information, explain and provide support on the most important aspects to consider in the component of financial crime risk and in all the remaining compliance and regulatory compliance risks, with a simple but informative and formative language. Together with the Communication Division - Sustainability Area - were also developed several communication actions on issues related with the Code of Conduct.

NUMBER OF TRAINING SESSIONS (1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Issues.

	2020	2019	2018	VAR.% 20/19
Activity in Portugal (2)	25,828	5,798	30,300	345,5%
International Activity	28.507	20,733	2,219	37,5%
TOTAL	54,322	26,531	32,519	104,7%

(1) The same employee may have attended several trainings.
(2) Includes the Macao Branch

The adequacy and effectiveness of the Bank's internal control system as a whole and the effectiveness of the risk identification and management processes and governance of the Bank and Group continued to be assured through audit programmes which include the analysis of behavioural matters, compliance with legislation, other regulations and codes of conduct, correct use of delegated competence and respect for all other principles of action in force, in relations with external and internal Customers.

In 2019, the Bank, at Group's level revised and updated its regulations framework related with governance and compliance policies, of which we point out the " Anti-Money Laundering and Terrorism Financing Policy" and "Internal Control System", a process that was completed in the beginning of 2020, with the update of the "Code of Conduct" and the "Policy for the Management of Conflicts of Interest".

The Code of Conduct and a set of compliance rulings and policies that rule the bank's activity are available for consultation on the website, governance area.

(https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx).

Relations of cooperation and loyalty have also been maintained with the judicial authorities and with national and international conduct supervision authorities. Within this scope and by its own initiative, were carried out, in all countries where Group BCP operates, a total of 1,925 communications to local Judicial Entities and replies were given to 3,124 requests.

Social and Environmental Products and Services

Group BCP offers a complete and comprehensive range of financial products and services and has been providing an increasing number of products and services that include social principles and of respect for the environment and for the nature, within the scope of the development of its lines of responsible business.

An example of this commitment was the launching, already in 2021, of two new products, the personal loan renewable energies and the personal loan energy efficiency, for the acquisition of equipment for the production of renewable energy and more efficient solutions in terms of energy.

BCP Group is also aware that the implementation of social and environmental criteria and standards in the commercial offer is reflected in more efficient risk management, reputation value and higher quality of the products and services offered to customers, meeting the needs and ambitions of a market increasingly related with sustainability.

In Portugal, Millennium bcp Microcredit continues to be recognised as an alternative for the funding and feasibility of entrepreneurial action and own-job creation, having approved 87 new operations, which corresponds to total credit granted of 1,458 thousand euros, and helped to create 158 jobs. The volume of loans granted to the 628 operations in portfolio amounted to 8,563 thousand euros, corresponding to principal of 5,353 thousand euros.
With the objective of continuing to support Customers in financial difficulties and prevent default, Millennium bcp also maintained its focus on the stimulation and applicability of SAF packages (Financial Follow-up Service). In this context, 6,681 contractual amendments were made during 2020 (3,163 mortgage loans and 3,569 consumer credit), with a restructuring value of 284 million Euros (267 mortgage loans and 17 consumer loans) and comprised 7,280 Clients (3,711 mortgage loans and 3,569 consumer loans).
For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account available, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. 242 accounts with these features were opened, corresponding to a total of 4,834 accounts in the Bank's portfolio.

For students who decided to pursue their academic career, the Bank concluded, in the first six months of 2020, within the University Credit Line, 66 new loans totalling 737 thousand euros. The volume of credit granted to the 370 operations in the portfolio amounted to 2,969 thousand Euros. Within the scope of the Credit Line with Mutual Guarantee, 442 contracts were signed, involving a total credit amount of 5.135 thousand euros.

Also, in Portugal, the Bank has continued to reinforce its support to companies through agreed credit facilities, adjusted to the particularities of the sector and economy, in particular:

- Support to enterprise creation investment projects by unemployed persons, through the following credit lines: i) Microinvest Line - which financed 43 entrepreneurs to a total of 624,49 thousand Euros; and ii) Invest+ Line which supported 26 entrepreneurs, to a total value of 929.48 thousand Euros.

- Millennium bcp joined the “2020 Efficient House”, a programme launched by the Portuguese Government and co-funded by the European Investment Bank (EIB), with total funding to be made available by the Bank of 50 million Euros (25 million Euros from the EIB and 25 million Euros from the Bank). This program, the purpose of which is to grant loans under favourable conditions to operations promoting the improvement of environmental performance of private residences,giving a special attention to energy and hydro efficiency , as well as to urban waste is available since June 2018 - 17 operations were carried out, with a total funding of 111 thousand Euros.

- Funding lines - SME Growth and SME Invest - aimed at SMEs intending to carry out investment projects or increase their working capital. Completion of 1,089 operations, with total funding of 126,415 thousand euros thousand euros.

- Regarding support to companies in the agricultural and/or fisheries sector and through the credit lines with IFAP (Short-term and Medium-Long Term), 154 operations were conducted involving a total financing of 11,238 thousand Euros.

- A credit line - Social Invest - was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2020, the Bank maintained 4 operations in portfolio, with a total value of 75 thousand Euros.

- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 14 operations were financed, up to a total amount of 3,934 thousand Euros.

- The Bank also made available the - Linha Capitalizar Mais/SI Inovação -, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Societies that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. Millennium bcp financed 139 operations totalling 67,914 million Euros in credit.

- Due to the development of the domestic and international situation originated by Covid-19, Millennium bcp is committed in supporting the families and companies by making available a set of measures aimed at preserving the financial stability of its customers, of which we highlight : i) application of more than 100 thousand moratoriums to families and of 27.436 to companies; ii) Increase of the support given to the economy by means of financings made with guarantees from the EIF in the amount of 429 mio€. iii) Financing of 18.127 operations in an amount of 2.499 Mio€, under the Covid-19 lines (with the support from the State) through which more than 18.127 companies received aid.

- Within the scope of its Sustainability Policy, Millennium bcp established, within the scope of the campaign for the migration into e-statement, a partnership with AMI - Assistência Médica Internacional, project Ecoética "Vamos todos ser Dinis", with the objective of participating in the reforestation of the Leiria pine forest. Guaranteeing a contribution of 1 Euro per each statement in paper that migrated to its digital version, Millennium bcp was able to deliver a donation of 50 thousand Euros to AMI, an amount that enable to rehabilitate 5 hectares of land affected by the 2017 fires in the Leiria pine forest, where 5 thousand trees were planted.

In Poland, the WWF Millennium MasterCard credit card, available since 2008 and produced with recyclable plastic, takes up an environmental commitment. For each subscribed card, the Bank transfers to WWF Poland (World Wide Fund For Nature) half of the first annuity and a percentage of each transaction made.

The BCP Group meets the needs of Investors that consider it relevant to cover, in their investments, social and environmental risk factors, placing Responsible Investment Funds at their disposal for subscription:

- In Portugal, these funds are available through: i) an online platform of Millennium bcp – which marketed 3 environmental funds in the area of energy and sustainable investment , amounting to, on 31 December, a portfolio value above 10,009 thousand euros; and ii) ActivoBank – offering 19 investment funds, of which 7 are ethical funds and 12 are environmental funds, with a total portfolio value above 4,558 thousand euros, representing a growth of 218% versus 2019 (1.434 thousand Euros) and already around 4% of the total of funds under management. On 31 December 2020 these funds had a volume of subscribed participation units of 3.429 thousand Euros, a positive evolution versus the 436 subscribed in 2019;

- In Poland, Bank Millennium also has a solid offer of SRI (Socially Responsible Investing), funds, fundamentally aimed at Customers of the Prestige and Private segments, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change.

Support to the Community

The BCP Group's strategy is the promotion of a culture of social responsibility, developing actions for and with several groups of Stakeholders aiming at, directly and indirectly, contributing to the social development of the countries where it operates. It is in this context of proximity to the community that its policy of social responsibility has developed, giving priority to its intervention on cultural, educational and social initiatives.

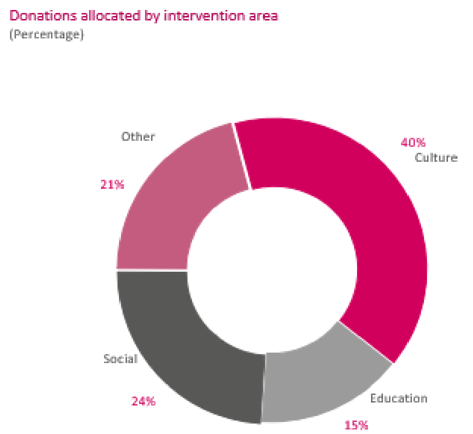
Within this context, the Bank has also been organizing, supporting, and following up internal solidarity actions that promote a culture of proximity and add social value and are also a significant contribution for the materialization of its Social Responsibility Policy in Portugal.

Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Corporate Marketing Operations/COM and Quality and Support to the Network Divisions, we highlight:

- Within the scope of the six-month campaign for the collection of food of the Food Bank, in 2020, since it was impossible to ensure the usual participation of volunteers from Millennium, we participated by resorting to the communication corporate platforms of the Bank , in the national campaign of disclosure and appeal to the solidary participation of our employees, clients and social media followers;
- “Millennium Solidário - Natal 2020”, campaign for the collection of donations, included in the international movement “Giving Tuesday# in favour of Fundação do Gil, of CASA - Centro de Apoio ao Sem Abrigo and Fundação Just a Change.

Millennium bcp also carried out several initiatives in support to institutions and initiatives able of generating social value, of which we point out:

- Regular support to institutions through the donation of IT equipment and office furniture that is no longer used, but is in condition to be reused. In this context, the agreement established with Entrajuda , has been maintained. The Bank donated over 1,058 items of IT equipment and furniture to 25 institutions during 2020.
- Pursuant to the termination of PNCB - Plataforma de Negociação Integrada de Crédito, the bank delivered IT equipment and other goods to Associação EPIS, which will deliver the same to schools and social institutions included in the initiative Jovens Especiais, aimed at developing the professional inclusion of young people with special needs.
- Culturally speaking, we must point out the 12th edition of Festival ao Largo, which every year presents on stage, this time at Palácio Nacional da Ajuda, and only with Portuguese artists, a series of shows with the best of opera, ballet and symphonic music. The purpose of this action is to take art to increasingly inclusive audiences, thus contributing for the cultural enrichment of Portugal.
- Support to external solidarity initiatives, namely the project “Vela Sem Limites”, an initiative from Clube Naval de Cascais which enables 60 disabled individuals to regularly practice sailing and many other to have their first sea experience.



In terms of financial management and financial literacy, Millennium bcp has been contributing to increase the level of financial literacy and the adoption of adequate financial behaviours:

- The promotion, in its institutional website, of the following instruments – Savings Centre, Finance Managers and the Kit for unexpected expenses which, despite being independent tools, have the same purpose: helping the client balance his/her personal budget. In the M Vídeos area of the website it is also possible to find tutorials and savings suggestions;

- In Portugal, the Facebook page "Millennium bcp" continued with the regular sharing of contents related with financial planning , a practice extended to all operations of group BCP;
- Also with the goal of stimulating saving habits, ActivoBank launched a live streaming video App on its Facebook page, called "Conversas Activo" (also available on Youtube), on issues that contribute for an increased knowledge on themes related with the provision of financial services.
- The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Bank Association), together with several financial institutions and Instituto de Formação Bancária, whose mission is to develop and support initiatives for the promotion of the financial education of all citizens. From the activity developed in 2020, we must point out another edition of the European Money Week, a digital competition promoted by the European Banking Federation to test the financial literacy of Europe's young people, aged between 13 and 15 years old. In Portugal, APB ensured the participation of around 2.000 students from 48 schools throughout the country.

- Millennium bcp participates in an international paper on Financial Inclusion promoted by EFMA - European Financial Management Association (within a partnership estabWavestone and Ecole des Ponts Business School), that was able to gather experiences and good practices from a group of world banks.

In Poland, Bank Millennium continues to carry out a significant number of actions, notably:

- Financial ABCs, a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children In 2020, and since it was impossible to carry out in-person *workshops*, the bank provided nwe digital training contents available at the social networks of Foundation Bank Millennium, such as the "How to teach finance to children – A guidebook for parents", a multimedia content that was able to achieve more than 420.000 views. The program "Financial ABCs" has the high patronage of the Minister of Education and of the ombudsman for children;
- Since 2013, every year at Christmas the Bank organizes a solidarity auction for the sale of handicraft. This auction, where the offers are made through the intranet, gathers several hundreds of items created and produced by the Bank Employees. The sale proceeds are used in the treatment of disabled children related to the Employees. In 2019, this initiative enabled to raise around 19 thousand euros;

- Within the scope of education, we must emphasise the attribution, within a pluri-annual partnership with the University of Warsaw and Instituto Camões, of scholarships to the best students in Portuguese Studies.
- Within the scope of culture, was once again attributed, with the support from Bank Millennium, the "Golden Sceptre", an annual award organized by the Polish Foundation for Culture that aims at distinguishing the Polish artists able to stand out in the musical area;
- Bank Millennium was once again a partner of Docs Against Gravity, the biggest and more global festival of documentary films in Poland. This film festival, supported by a huge communication campaign and by a number of debates, and other events was carried out online in 2020, and had more than 60.000 tickets sold.

In In Mozambique, the Bank's social commitment is embodied in the "More Mozambique for Me" programme, one of the references of the BCP Group under Corporate Social Responsibility aimed at tightening relations with local communities, which, even under a pandemic context, continued to focus on projects in the area of health, education, culture and community development:

- Clube Empresarial da Gorongosa - Millennium bim started to give a direct support to the program "Girls Clubs", an initiative aimed at preventing the high number of early marriages and school abandon by promoting activities approaching the education of girls and their personal safety, nutrition and access to family planning;

- 'Mais Moçambique pra Mim' - intervention to improve the attendance and internment conditions of Hospital Central de Maputo, notably by means of the purchase of hospital equipment and works to rehabilitate the ward of cardio-respiratory diseases;

- "Millennium bim Solidário" support to the displaced persons of Cabo Delgado – development of several initiatives to support the displaced persons due to terrorist attacks that occurred in the region.From among these, we may point out (i) the launching of a digital campaign – "One Like, One Hope" – which enabled gathering more 20.000 Mzn, an amount donated, in the meantime, to the platform Makobo, for the purchase of food, hygiene material, among other needs from the refugees; (ii) promotion of self-employment within a partnership establsihed with the Chamber of Commerce Portugal Mozambique (CCPM), through the offer of sewing machines, and sewing kits containing several material for the commencing of the activity and (iii) offer of construction material and food, this time within a pertnership establsihed with insurance Company Ímpar, to displaced families resettled in Nanjua, district of Ancuabe.

Fundação Millennium bcp

Fundação Millennium bcp, within the context of the social responsibility policies and institutional cultural patronage is an agent for the creation of value in society and of promotion of sustainability in the several areas where it intervenes which are Culture, Education/Research and Social Solidarity.

In the development of its activity, the Foundation tried to favour policies and initiatives able to respond to the challenges placed in aspects such as the social, environment and governance, aligning its performance with the main guidelines of the Sustainability Master Plan of Banco Comercial Português, especially in the areas of influence of the Foundation.

In 2020, the Foundation supported a total of 100 projects, of which 57% in the area of Culture, 20% in Knowledge and 24% in Social Solidarity.

In that sense, it provided support to projects oriented towards the development of national museums, the recovery of national architectonic and art heritage and the disclosure of modern art and of new artistic talents.

These contributions are part of the strategic line of action of the Foundation that has been actively seeking to contribute for the safeguard, disclosure, promotion, and enjoyment of the national cultural heritage and for the disclosure and promotion of Portuguese artists.

In the course of the year, a number of actions were carried out that will enable that, from 2021 onwards, a significant effort is made in the disclosure of significant art and archaeological assets of Banco Comercial Português, with the purpose of sharing them with the community.

From amongst them, we may point out the intervention in Museu do Chiado, in MNAC - Gallery Millennium bcp, creating the required conditions to give practical expression to the cooperation protocol signed with the General-Directorate of Cultural Heritage articulating, namely, the Collection with the exhibition projects of the Millennium bcp Gallery.

Also came to an end the preparations for the re-opening of the Archaeological Nucleus of Rua dos Correeiros (ANRC), classified as a National Monument, considering the remains of pre-Roman and Roman times.

After deep renovation works in the museum, which were made throughout the year with a project from the art studio Brükner, the ANRC should re-open in 2021 as a place of excellence for the exhibition and enjoyment of the archaeological, cultural and art assets of the Bank.

In terms of Culture, the Foundation provided support to the following initiatives:

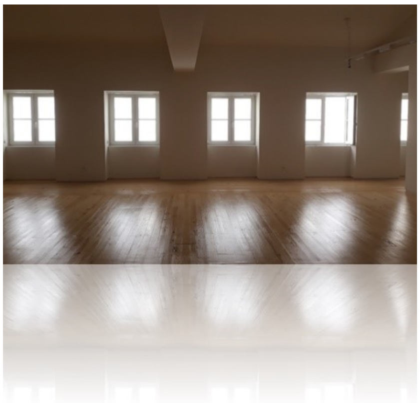
Conservation and Disclosure of the Bank's Art Assets

- Continuance of the rehabilitation works of the Archeological Nucleus of Rua dos Correios (NARC), closed for that specific purpose on 1 June 2019; the architecture and design project that is currently being implemented has been developed by the art studio Brükner;
- Within the scope of the project “Shared Art” the Foundation inaugurated, on 26 June, the exhibit “Manuel Amado Pintura sem Alibi” which could be visited until 20 September at Fundação Arpad-Szenes Vieira da Silva, in Lisbon. It welcomed 2.030 visitors;
- Concerning the disclosure of the Bank’s art heritage and its own cultural initiatives, the Foundation maintains a partnership with the General-Directorate of Cultural Heritage (DGPC) and with the Fine Arts College from the University of Lisbon. This partnership is focused on the promotion and disclosure of the art heritage and cultural activities of the Museu Nacional de Arte Contemporânea (MNAC) (Portuguese Museum of Modern Art). This partnership will enable the Foundation to carry out exhibits in a space from MNAC- Gallery Millennium bcp - , and the museum will remain in charge of programming and curatorship.

Museum Activities

- Museu Nacional de Arte Antiga (MNAA) (Portuguese Museum of Ancient Art) - support to the conservation and restoration of the Saint Vicent panels, in accordance with the Triennial Patronage Protocol to be in force from 2020 to 2022, signed by the Museum, Grupo de Amigos do Museu Nacional de Arte Antiga, the General-Directorate for the Cultural Heritage and Fundação Millennium bcp;
- Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - support to the museum activities;
- Museu Nacional de Arqueologia (Archeology National Museum) - Support for the making of the inventory and upload in the registry of the collection of item found in the archaeological excavations made in the NARC.
- Restoration of Heritage:
- Palácio Nacional da Ajuda: support to the conservation and restoration works of the Throne Room;
- Associação World Monuments Fund Portugal - support to the 3rd stage of the conservation project of the Jerónimos Monastery.
- Church of the parish of São Tiago de Custoias – support for the construction of the organ and restoration of the church's main door.

Other Cultural Initiatives



- A.I.R. 351 - (Art Residences) - project for welcoming national and international artists in Portugal (visual arts) for the establishment of art residences; Since the beginning of its programme, the AiR 351 welcomed more than 32 artists and curators from 18 nationalities;
- Architecture Triennial - 6th edition 2022 - support granted fro the preparation of this 6th edition of this initiative, expected to take place in 2022;
- Church of São Cristóvão (Mouraria-Lisboa) - Restoration of the triumphal arch and of the painting – “Retrato de Cristo por São Lucas”;
- A.I.C.A. - Association of Art Critics – AICA/MC/Millennium awards of Visual Arts and Architecture attributed every year in Portugal to one plastic artist and one architect.
- Publication of a book on the Monastery of Santa Maria de Celas - support granted fro the launching of the book “Santos, Heróis e Monstros” dedicated to the cloister of the abbey;
- Book store Lello - support to an initiative aiming at the development of children literature;
- DSCH – Associação Musical - Festival e Academia Verão Clássico - 2020 Edition - support to the making of the festival and production of the Beethoven album by pelo DSCH - Schostakovich Ensemble; Within the scope of the Academy, the Masterclasses recorded a participation of 200 young musicians, 100 of them Portuguese and 100 coming from more than 20 countries;
- Clube de Lisboa - 4th Conference "A Aceleração das Mudanças Globais" - approaching issues that bring the future to everyday life – Climate Changes, Energy Transitions, technological evolution, growth models, demographic trends and geopolitical challenges.
- Escola Superior de Santarém - support to the course on Digital Literacy for the labour market through the development of an immersion room Escape Room with several learning activities within the scope of employability competences for young people with Development and Intellectual difficulties;
- Associação Internacional de Música da Costa do Estoril - support for the making of the 46th edition of the Festival Estoril Lisboa, of Classical Music;
- Carpe Diem Art and Research - 5th Edition of the Award “Young Art Fundação Millennium bcp” for final-year students of visual arts;
- Associação Portuguesa de Historiadores da Arte (Portuguese Association of Art Historians) – Award APHA / Millennium José Augusto França 2019 - an initiative that intends to distinguish works of excellence in Art History, carried out within the scope of the 2nd and 3rd levels of study of college education in Portugal;
- Municipality of Lisbon - support for the launching of the collection Roman Lisbon / Felicitas Iulia Olisipo;

- BoCA - Biennal of Contemporary Arts - support to the educational program consisting in a group of three activities to be held in three cities at the same time, Lisbon, Almada and Faro;
- "Drawing Room Lisboa 2020", that, in this 3rd edition, highlighted the Portuguese contemporary design, by means of an in-person edition, together with international galleries, in an online edition. Within the scope of this initiative, the following awards were granted: (i) Award Aquisição Fundação Millennium bcp Talento Emergente, that aids an artist by acquiring his/her work and including the same in Mbcp collection; (ii) Award Projeto Artístico Destacado, that distinguishes an artist of the edition of the current year; (iii) Award Projeto Curatorial Galeria, that distinguishes a curatorial project from a participating gallery .
- Municipality of Lisbon - support to the 12th edition of Festival TODOS – Caminhada de Culturas 2020, an initiative that celebrates, since 2009, Lisbon as an inter cultural city, through the contemporary performing arts;
- SPIRA and Universidade Nova de Lisboa - completion and presentation of the Research "Património Cultural em Portugal (Cultural Heritage in Portugal): Evaluation of the Social and Economic Value";

In what regards Science and Knowledge:

Scientific Investigation Projects

- Fundação Rui Osório Castro - Prémio Rui Osório de Castro / Millennium bcp - protocol established for the period of 2020 to 2022 aiming at, by means of an award, promoting the development of innovative scientific projects on paediatric oncology, able of encouraging and promote the improvement in health care provided to children with a cancer disease. In February 2020 the award of the 4th edition was delivered to Patrícia Nunes Correia from Instituto de Ciências da Saúde da Universidade Católica Portuguesa;
- Instituto de História da Arte (IHA) da Universidade Nova de Lisboa –Within the scope of the existing protocol established with IHA and the MNAC/Museu do Chiado, attribution of an investigation scholarship in Art History to enable the in-depth study of relevant artists common to the collection Millennium bcp and the one of MNAC/Museu do Chiado, thus contributing for the investigation, disclosure and valuing of art assets;
- Portuguese Olympic Committee - Protocol established for the triennial 2018-2020 with the goal of contributing for the development of investigation in Physical Education in Portugal including the annual attribution of 3 Awards and six Honourable Mentions to the best research projects on Physical Education;
- Instituto de Biologia Molecular e Celular - support to the investigation on Alzheimer's disease;
- Universidade Católica Portuguesa - Health Sciences Institute: support to the Pedipedia project, development of an online paediatric encyclopaedia with the purpose of creating a pedagogical tool to support clinical practices and training in health care; Its recipients are health professionals, parents, caretakers, children and teenagers from Portuguese-speaking countries;

University

- A scholarship program of Fundação Millennium bcp aimed at students from Portuguese-speaking African countries and from Timor (PALOP) The management of these scholarships was entrusted to Instituto Camões by means of a collaboration protocol;
- A partnership with Millennium bim so as to give scholarships (in several areas) from Universities of Mozambique to young people that evidenced academic merit and lack economic means; In the course of 6 years of cooperation, it was possible to finance 156 students of several courses from 10 universities;
- Junior Achievement: StartUp Programme: (13th edition) this initiative aims to undertake entrepreneurial programmes with college students by creating new micro companies.

Basic Education

- MoneyLab: Financial Education Labs – roadshow the purpose of which is to fill gaps regarding the misinformation that young people have on financial literacy, especially high-school students from private and public schools.

- Municipality of Pedrogão Grande -support to “+Future”, a project focused on three aspects: Education and Citizenship, Road Safety and Sustainability. It is based on the approach of contents in schools (1st cycle) located in the municipalities of Castanheira de Pêra, Figueiró dos Vinhos and Pedrogão Grande;
- Fundação Dr. António Cupertino de Miranda - support to the 10th edition of the Financial Literacy project “No Poupar Está o Ganho”, (When you save, you gain) a project to increase the pre-school, basic and secondary student’s awareness on the importance of money, thus contributing for the acquisition of skills on this theme;
- Associação Empresários pela Inclusão Social (EPIS) - support to the promotion of initiatives addressed to the creation of work opportunities and social reintegration of persons, families or groups which are under situations of exclusion or of risk of social exclusion.

Concerning Social Solidarity, Fundação Millennium bcp tried to promote relevant projects in social innovation and structuring social programs able of contributing for local development, namely in the assistance to the most vulnerable parts of society.

The extension and depth of the impacts provoked by Covid-19, that led to a quite significant aggravation of the living conditions and isolation of the most fragile populations, gave rise to a special follow-up and support to the projects launched in order to mitigate the effects of this pandemic.

In what regards the Social Solidarity area, the Foundation supported actions from different entities, among which:

- Program GOS – Gestão de Organizações Sociais - this program results from a partnership established between AESE / ENTREAJUDA / CNIS and is intended for the training in management of leaders of entities developing their activities in the social economy sector, exclusively non-profit; trying to provide a response to the training needs in this particular sector; In 2020, this program had 68 participants coming from 58 entities.
- Portuguese Food Bank – support to annual food collection campaigns and reinforcement of the Emergency Network created to cope with the needs emerging due to the Covid-19 pandemic;
- Food Emergency Network - the donation granted by Fundação Millennium bcp enable the purchase of 109.072 kgs of food, representing a total of around 272.679 meals;
- CERCICA - Cooperativa para a Educação e Reabilitação de Cidadãos Inadaptados de Cascais - sport to the launching of the “Line of Assistance for Families” , the purpose of which is to respond to the aggravation of social isolation of individuals with mental disabilities and respective families, due to the Covid-19 pandemic ; The support granted by Fundação Millennium bcp enable the carrying out of 639 follow-ups;
- ASSOCIAÇÃO DIGNITUDE – Covid -19 Emergency Fund - created to support the individuals that, due to the context generated by the pandemic Covid-19, present specific needs in terms of access to health care, aggregating, in a coordinated manner, access to medication and to health products and services;
- 55 MAIS - Project for the upgrade of inactive people aged 55 or more that, through a human and technological platform, connects the needs of citizens with the services provided by individuals aged 55+ years;
- BUS Association - Social Utility Assets: support for the development of its activities which consist in the collection of useful goods, forwarding them to individuals/families in need.
- EAPN - Projects ACEDER – pursuant to the serious sanitary emergency caused by Covid-19, support was granted for the purchase of protection kits, hygiene and cleaning for the gypsy communities;
- APGES - Global Platform for the Syrian Students - a program for the granting of emergency scholarships to enable students coming from countries at war to pursue their education;

- Project cancer patient at Hospital Central de Maputo - the protocol established supports a project to improve health care for cancer patients in Mozambique. This project contributed to a 53% decrease in mortality in patients in an early stage of breast cancer;
- Critical Concrete - attribution of a scholarship for the program “Sustainable Architecture Programme”, an educational program of post-graduation studies, with the duration of 1 year, in the fields of sustainable construction, participative design and inclusive town planing;
- Association Help to Newly Born Babies (baby Bank) – support to the project “Ser mais família” that comprises home support to newly born babies with disabilities or under social risk;
- Fundação do GIL - support to the project Paediatric Home Support that, within a partnership established with 5 hospitals, monitors children with chronic diseases at their homes, thus avoiding unnecessary visits to the hospital, through monitoring and use of therapeutics at home and the provision of a psychosocial, emotional and spiritual support;
- AMEC | Metropolitana - attribution of a Social Support Scholarship for the course of orchestra direction. In addition, this institution also received, to be used in scholarships of social support, the amount which hade been donated to Fundação Millennium bcp by Banco Comercial Português, S.A. Concerning the award attributed by Fósun to the Direct Banking Division and to the Digital Transformation Office of that Bank at the Global Conference carried out in Shanghai;
- Portuguese Large Families Association (APFN) - support to the "Observatory of Family Responsible Municipalities" with the goal of raising awareness, rewarding and publicising municipalities that adopt family responsible measures.

Reference, given the role played by Fundação Millennium bcp in the promotion of culture, to the recognition by APOM – Associação Portuguesa de Museologia (Portuguese Association of Museums) that, in the edition of the Awards APOM 2020, distinguished, for the second time (the previous one was in 2018) Fundação Millennium bcp as one of the winners in the Category Patronage.

Social aid within a pandemic context

The year of 2020 will remain undoubtedly marked by the Covid-19 pandemic. In just a few months, the new coronavirus SARS-CoV-2 introduced radical changes in our way of living and in our way of work. In companies, the pandemic was a real stress test to management ability, particularly in what concerns Management of People, within a context featured by significant uncertainties.

Since the financial services are crucial for the normal functioning of societies, of companies and of people, Millennium bcp continued to function as usual even during the State of Emergency, in force from 19 March to 30 April. The Bank confirmed its capacity to adjust to unexpected challenges and, rapidly, adapted the way it operates. Even before the first confirmed case of Covid-19 in Portugal, Millennium bcp activated the Contingency Plan foreseen in the Business Continuity Plan, with two clear and prime objectives:

- Protect the health of people - Employees, Customers and of all contacting with Millennium bcp;
- and ensure the continuance of a service of quality in line with the Customer’s expectations.

The swift definition and implementation of measures and the strong focus on the direct communication with the Employees, enabled Millennium bcp to protect People and Business and, in spite of the required physical distance, we remained close and stood by those who needed us, internally and externally.

Thus, Millennium bcp was a front-line player in the emergency response to the pandemic caused by Covid-19. The following initiatives stood out in Portugal and in the other countries where the Bank operates:

- Measures to support families and companies, totally amounting, in Portugal, to 4,7 billion euros;
- Participation in the campaign “Unidos pela Sobrevivência” (United for Survival), for the purchase of clinical means to fight against Covid-19;
- Actions to support the Portuguese National Health Service (SNS), like the construction of the Contingency Structure of Lisbon, reconversion of Hospital Curry Cabral and donation of 100 ventilators through APB;
- Contribution within the scope of the initiative from the EU - international donor’s conference - and part of the Portuguese effort for the research and development of a vaccine for Covid-19;
- Fundação Millennium bcp support the Food Emergency Network of the Food Bank, increasing its annual contribution;
- Clube Millennium bcp supports social institutions by donating individual protection equipment;
- Associação Dignitude – support to the project Abem: emergency Covid 19 - created to support the individuals that, due to the context generated by the pandemic Covid-19, present specific needs in terms of access to health care, aggregating, in a coordinated manner, access to medication and to health products and services;
- Payment in advance of invoices to Suppliers, particular SME, from 30 days to 1 week.
- Millennium bcp was also part of the movement Portugal #EntraEmCena, that joins artists, public and private companies, in the support to Culture.
- In Poland, Bank Millennium attributed an aid in the amount of 5000.000 PLN to the academy of sciences for the development of the first local Covid-19 test;
- In Mozambique, Millennium bim gave up from celebrating its 25 the anniversary and donated the respective amount to Hospital Central de Maputo.

Suppliers

At the BCP Group, the process for selecting suppliers mainly obeys criteria of global competence of the company, functionality, quality and flexibility of the specific solutions to acquire and continuous capacity of providing the service. In all the Group's operations, it is given preference to purchasing from Suppliers of the respective country, registering 92.2% in payments to local suppliers.

The Bank's main suppliers are companies that publish their economic, environmental, and social performance, assuring a responsible purchase of goods and services.

Since 2007, the BCP Group, namely in Poland and Portugal, includes, as an attachment to the agreements it establishes with suppliers, the Principles for Suppliers which include several aspects, such as compliance with the law, good environmental and labour practices, including human rights and the application of those principles in the engagement of third parties.

BCP conducts assessments of its suppliers, through the application of a performance questionnaire which includes parameters related to the level of compliance with the Supplier Principles. In 2020, suppliers were subject to continuous monitoring, 489 suppliers were evaluated in 2020, with an average rating of 4.32.

Within the scope of the monitoring, Millennium bcp's suppliers are subject to a permanent evaluation process, based on: i) the relationship they maintain with Technical Competence Centres; ii) performance assessment actions and the identification of areas for improvement; and iii) on existing decision-making processes to execute investments and renew contracts.

In Portugal, Millennium bcp participates in the Commitment to make Timely Payments from ACEGE,, an initiative that intends to encourage the timely payment to suppliers, being an ethical exercise which contributes not only for the entrepreneurial success but also to enhance the economy’s competitiveness. The ratio payment deadline/agreed deadline in Group BCP is 1.

Millennium bcp is a subscriber of the Charter of Principles from BCSD Portugal - Business Council for Sustainable Development. This document establishes the principles that are the guidelines for good corporate management, enabling the subscribing companies to be recognized by their clients, suppliers and by the society in general for the adoption of solid sustainability commitments. The Charter encourages subscribers to go beyond legal compliance, adopting rulings and practices recognized and in line with management, ethical, social, environmental, and quality standards in any context of global economy.

Already in 2020, in Portugal, the Bank revised the Suppliers Sustainability Guidelines, which are now part of all the contracts for the purchase of goods and provision of services signed by Millennium bcp. This document includes aspects such as compliance with the law, environmental and labour good practices, but also human rights and the application of these principles in the contracting of third parties.

Environmental Impact

Climate Approach

The climate approach of Group BCP is based upon the promotion of a culture of environmental responsibility, involving commitments, measures and investment in themes related with climate changes, energy efficiency and environmental performance of its operations.

Currently, and at an environmental level, there are several tools, commitments, and indexes with which BCP agrees and commits to observe:

In 2020, BCP got the award **A-** in CDP Climate Change.

In 2019 the Bank defined its Sustainability Master Plan 2021, with the objective of enhancing the creation of value at the economic, social and environmental level. The plan's lines of action are Sustainable Management and Financing (Economic), Positive Impact on People and on the Community (Social) and Sustainable Operations (Environmental). In terms of environment it includes 12 specific actions aimed at containing global warming (Paris Agreement) and minimising the operation's environmental impact. Among these measures, we may point out the definition of targets to reduce emissions in accordance with the Science Based Targets Initiative; and the goal "zero paper"", a consequence of the ongoing increase in scanning and reduction of prints.

In terms of ownership of the initiatives in terms of environment and of the SMP, the Sustainability Commission has been monitoring the implementation of this plan, being the Executive Committee and the CEO in charge of the sustainability strategy, the Risk Commission defines a global framework for risk management (including sustainability risks) and, finally, the Sustainability area implements, promotes and monitors the SMP actions.

Sustainable Operations

The Bank regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency regarding its main consumption of resources. The year 2020 was an atypical year, marked by the effects of the pandemic COVID-19 and its economic, social, and environmental impacts.

The rationalization in the consumption of energy, water and materials, based on a rationale of dematerialisation of processes, protection of the environment and preservation of natural resources, is one of the objectives of the environmental policy implemented in all the operations of BCP.

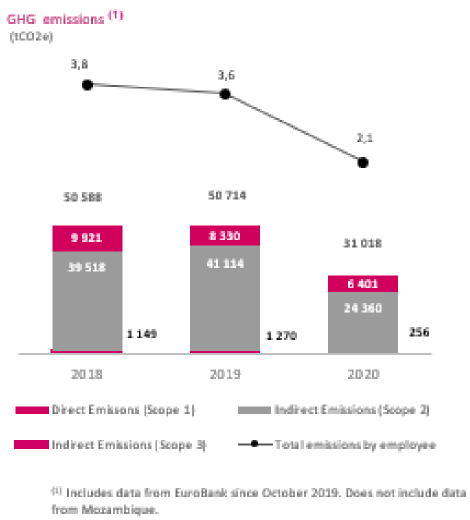
The environmental performance of the group was suffered the impact of the pandemic in 2020, with the major percentage of its employees working from home, together with the under-utilization of the Bank's premises. Consequently, there were significant reduction in the consumption of energy, materials, water and waste. These improvements resulted not only in a reduction of the environmental impact of the Bank's operations, but also in a significant reduction of the associated costs.

In 2020, apart from the monitoring of the environmental indicators, BCP has reinforced its action in terms of assessment of risks related with climate changes and the incorporation of, standards, policies and of defined procedures in order to ensure the Bank's ongoing activity in case of natural disasters able of discontinuing it. These themes are under the supervision of the Sustainability Commission and of the Risk Office (ROFF). The Bank also continued to manage indirect environmental risks, during the credit and project finance evaluation and granting process and carries out environmental impact studies, in accordance with the applicable legislation in effect.

De-carbonozation

Within the scope of the commitment of adjusting to climate changes, BCP estimates the Group's carbon footprint to be able to contribute to reduce the emissions of Greenhouse Gas Emissions (GEE).

In 2020, the data from Mozambique were accounted and the downward trend in the emissions of GEE associated with the Group's banking activities continues to be a fact. If one compares with previous years, there was a decrease of approximately 40% versus 2019, due to the pandemic effect of minimisation of the use of offices and of travels and due to the ongoing implementation of several energy efficiency measures in the several countries where the Bank



Reduction of the emission of GHE (Green-house Gas Emissions) in the last 5 years

45%

Globally, and without considering the data on Mozambique, for a comparability issue, the emissions associated with the consumption of fuel (scope 1) recorded a 23% reduction versus 2019, with emphasis on the emissions associated with the consumption of natural gas. Regarding the emission associated with the consumption of electricity, there was a reduction of 41% versus 2019. In emissions associated to service mobility (scope 3), they decreased by around 80%, imputable mainly to the drastic reduction in employee's travels.

In line with the Master Sustainability Plan (MSP), the Bank is committed in enlarging the estimation of scope 3, both upstream and downstream of the Group's activity.

Concerning domestic activity (Portugal), Millennium bcp recorded a 35% reduction in its greenhouse gas emissions versus 2019, largely exceeding the pre-defined goal (-5%). Direct emissions decreased 41% year-on-year, due to the decrease in the consumption of fuel, particularly of natural gas.

The indirect emissions associated with the consumption of electricity decreased 26% due to the reduction of electricity coming from the public grid versus the previous year while the indirect emissions associated with mobility (scope 3) also recorded significant reductions, of around 96%, due to the reduced number of employee's travels made in 2020.

MAIN INITIATIVES AND DE-CARBONISATION HIGHLIGHTS

Installation of LED lighting

In 2021, all the electricity used by Millennium bcp in its premises in Portugal will be 100% green, through a mix of energy produced at the bank's photovoltaic solar energy plant and energy acquired with a renewable origin energy certificate.

In 2020, **trees were planted** in the region of Leiria. In a partnership established with Assistência Médica Internacional (AMI) five hectares of pine forest destroyed in the 2017 fires were rehabilitated, with the use of a total amount of 50 thousand obtained via de commitment of donating one euro per each client that subscribes to the e-statement instead of the paper one. This campaign enabled not only to reduce the emissions by means of the reduction in the use of paper but also through the carbon storage made by the planted trees.

Millennium BCP **compensated the emissions of GHE associated with an internal event**, which accounted 67,0 tCO2e, through the certified forestation of an area in Portugal. This event was held in Pavillion Carlos Lopes (Parque Eduardo VII), in February 2020, with the presence of 1.560 employees.

Bank Millennium was the bank with the best score in the ranking "Climate Leaders Poland 2021" published by the magazine Forbes, occupying the 2nd place among all the Polish companies in the list of reduction of greenhouse gas emissions.

Within the scope of the Mobility pact for the City of Lisbon, Millennium bcp committed to de-carbonise its car fleet in accordance with the following targets: 30% until 2025 and 80% until 2030. Concerning the **"Commitment Lisbon European Green Capital 2020"** the same was continued in 2020.

Millennium bcp, within the scope of its sustainability strategy, subscribed the "Engagement Letter for the Sustainable Funding in Portugal", an initiative targeted at contributing for the promotion and development of the financing of Car-bon Neutrality until 2050.

Mobility

- There was a reduction in the consumption of fuel in Poland due to the **replacement of cars with traditional engines by hybrid ones,** that took place in the period comprised between 2017 and 2020 and due to the pandemic and the **employee's teleworking.** In Poland, the use of bikes is encouraged and the infrastructures for bikes were expanded (bike parking and additional showers).

- In Portugal, by the end of 2020 there were 19 electric/hybrid cars, comparing with the 9 that existed in the end of 2019. To accelerate this process, the Bank adopted the following measures: substantially increased the number of cars available for selection by the employees, 22 in 76 (corresponding to 29% of the total), when, by the end of 2019 they were 7 in 75 (9,3% of the total); and installed 4 double charging posts in Taguspark.

Energy efficiency

As mentioned above, BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency regarding its main consumption of resources (excluding the consumption of the eco-generation plant and premises with data centres in Portugal). In 2020 the Bank resumed the estimation of the consumption of energy in Mozambique and therefore, analysis are carried out including this country, or not, for comparability reasons.

In 2021, all the electricity used by Millennium bcp in its premises in Portugal will be **100% green**

Reduction in the total consumption of ENERGY in the last 5 years

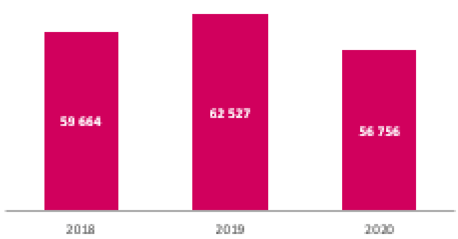
45%

The Bank recorded again a year of improvement in the eco-efficiency levels due to the minimisation of the use of the Group's infrastructures due to the pandemic in 2020 and of the optimization of the thermal power stations, installation of the photovoltaic plant, the ongoing investment in the optimization of procedures, focusing on dematerialization and on the alteration of the daily behaviour of the Employees regarding the rational use of resources.The Bank's consumption of energy is mostly of indirect origin (electricity and thermal energy) and meets 69% of the Bank's energy needs In 2020, the Bank continued to reduce its consumption of direct and indirect energy, both falling around 30% versus 2019, (concerning the same scope - without Mozambique)

Concerning the domestic activity, BCP in Portugal reduced all types of energy consumption by 25% in total, and succeeded in attaining its annual target (-4%). The electricity from the public grid recorded a reduction of 13% versus 2019.

Electricity consumption [2]

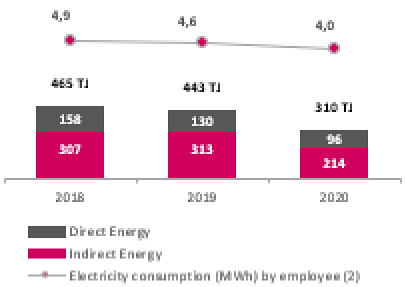
(MWh)



[2] Excludes data from the cogeneration plant and data center in Portugal and exludes data from Mozambique.

Total energy consumption - GRI 302-1 [3]

(TJ and MWh/employee)



[3] Includes consumption of cogeneration plant in Portugal. Exludes data center in Portugal and data from Mozambique.

MAIN INITIATIVES AND ENERGY EFFICIENCY HIGHLIGHTS

Installation of LED lighting in Taguspark

The Bank equipped the garages of Taguspark with LED lights. The Bank has also equipped the commercial network with LED lights whenever intervention/remodelling work is carried out in the branches.

The solar energy plant continues to operate: In 2020, the plant in Taguspark, with 1 MW of power, enabled generating 539 MWh of energy for self-consumption, cutting CO_2 emissions by 194 tons since it began operating.

Monitoring of energy and water consumption

in 2019, the Bank initiated the pilot scheme consisting in the regular monitoring of electricity and water consumptions in a building in TagusPark. This initiative enables to closely monitor variations in consumptions and act swiftly on any anomaly, avoiding excessive consumptions and consumption costs. In 2020, the Bank intends to extend this environmental management tool to the remaining buildings of TagusPark.

Adjustments to the lighting and heating systems in Poland:

In all Branches, the external bank logos with traditional LED light were replaced and a lighting timer was introduced. In 2020, were installed LED bulbs in 4 Branches, contributing for a total of 117 branches with LED lighting. At the registered office 1,200 traditional light bulbs were replaced by LED technology, leading to a 54% reduction in energy consumption;

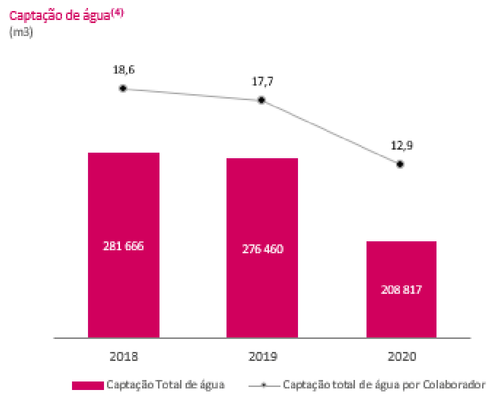
Due to changes in opening hours imposed by the pandemic, the consumption associated with lighting and functioning of the branches, decreased. In the registered office, the office lighting hours, of functioning of the ventilation devices, and air-conditioning and the changes in the configurations of temperature in the individual areas were changed.

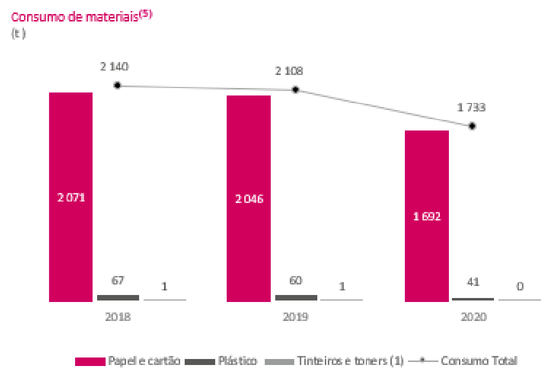
The Branches with the highest consumption of energy are examined and the recommendations for the building management companies are implemented.

The action of **communication and awareness** "push yourself, not the button "encouraged the employees in Poland to use the stairs instead of the elevators, with benefits not only in terms of energy saving but also in the well-being and health of the employees.

Management of resources (water, materials and waste)

In 2020, globally, the total water withdrawal in Group BCP fell approximately 24%, considering the same scope than last year. In Portugal, total water consumption was 115.426 m3, 37% down, which enabled the Bank to comply with the annual goal (-2% of water consumption).





[4] Alteração na metodologia de cálculo, aplicada a todos os anos (custo unitário médio de 4.93€/m³). Não inclui Suíça nem Moçambique. Inclui valores de EuroBank desde outubro 2019.

[5] Não inclui valores de EuroBank.

Overall, BCP recorded a 18% reduction in the consumption of its main supplies (paper and cardboard, plastic, and toners and cartridges), thus maintaining the trend of previous years because of process optimization measures.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in overall terms, fell by 17% in relation to 2019, as a result of the dematerialisation initiatives that are being implemented in all the countries where the Bank operates. Ink and toner cartridges also showed a significant reduction of 64% due to measures adopted to decrease printed documents and promote scanning.

In Portugal, in 2020, the reduction in materials continued - 33% versus 2019 - and it was possible to reach the defined annual target (-2% in materials consumption). We must point out that the A4 and A3 paper brand used by the Bank has an Eco-label certificate of the European Union which certifies that the paper manufacturing process is environmentally sound.

MAIN INITIATIVES AND RESOURCES MANAGEMENT HIGHLIGHTS

Green IT Programme: Reduction in local printing, giving preference to digital tools in the development of software

The Bank pursued the "GO P@perless" project which focuses on the dematerialisation of operations to innovate and opti-mise processes, using solutions of electronic production and signing of documents. During 2020 the Bank was able to save 3.317.687 prints of cashier transactions, corresponding to 28% less prints made using the Branch's equipment if compared with 2019, resulting in a monthly savings of 552.948 prints.

Aiming at decreasing the CO2, emissions in the course of the second half-year, although atypical due to the Covid-19 pan-demic, with the consequent adjustment to new circumstances, in what regards the productivity and cooperation tools MS Teams and Skype, the Bank recorded a value above 179.109 in what concerns the number of meeting sessions, 4.942.843 instant messages sessions, 1.002.752 audio sessions and 293.026 video sessions. These results enable the Bank to pursue a culture of sustainable consumption habits, to the extent strictly required for functional needs, reducing costs and waste and optimising the resources consumed.

Clients who subscribed to the e-statement in 2020: 91% of accounts in Portugal; 73% of clients in Poland; 317,308 accounts in Mozambique (24%); and 96% of clients in Switzerland.

To reduce the use and circulation of paper, at the beginning of June, an E-Statement campaign was launched, in an associa-tion with the project of AMI – Assistência Médica Internacional, of re-foresting the Leiria pin-tree forest, named “Vamos todos ser Dinis”. The success of this campaign, which lasted until the end of September, enabled to deliver to AMI a dona-tion amounting to 50.000 euros, an amount that enabled to re-forest 5 hectares of the Leiria pine-tree forest, partially devastated by the 2017 fires. It is estimated that the number of subscriptions to the e-statement due to this campaign will enable to save around 1 million of sheets of paper per year.

Program Kaizen which promotes, daily, a set of practices related with an ongoing improvement of the tasks developed by teams, based on lean approaches, contributing to processes with a higher value-added for the client and with direct impact on the sustainability of the operations. During the year 245 improvement initiatives were implemented, of which 9% represent savings in consumer goods amounting to 2.979€ (ex. paper, prints, internal mail seals, among other), and recovery of non-charged fees of around 120,000€.

In **Mozambique,** transactions made at cashier only print the customer’s slip and the copies for internal archive are digital. At the level of account opening, all the procedures are totally digital and there isn't any physical circulation /archive of any document.

In **Switzerland**, some of the measures put into place in 2020 include: automated lighting outside working hours, promotion of an internal message to print only the required documents and encouragement for the use of video conferences. It was also created, in 2020, the work group called “The Green Team”, to promote awareness in sustainability themes. This group writes an internal monthly newsletter on the theme and expects, in the future, to be able to organize events to increase sustainability awareness.

In **Poland**, several measures for the management of resources were implemented. Among them, we may point out the following:

- In 2020, the investment in14 buildings came to an end, consisting in the installation of special taps that optimise the water flow. This investment will enable to save from 15% to 25E in water consumption.

- In 2020, to reduce the consumption of plastic, the disposable plastic cups were replaced by environment friendly paper cups (they do not have plastic, are 100% biodegradable and used twice and later turned into organic compound).

- paper waste and documents previously stored are destroyed in industrial machines and 100% recycled.

- Donation of 300 computers to schools, community centres and underprivileged social groups in Poland. This initiative, besides contributing for the re-utilization of equipment, contributes to support the educational and financial needs of numerous families.

Further details on the information reported in this chapter - Responsible Business -, in particular calculation criteria, the table of Global Reporting Initiative (GRI) indicators and correspondence with the Global Compact Principles, are available for viewing on the Bank's Institutional website, at www.millenniumbcp.pt, under Sustainability.

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

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

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

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

Alternative performance measures

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

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

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

Euro million

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

2) Return on average assets (ROA)

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

Euro million

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

3) Return on average equity (ROE)

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

Euro million

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

4) Cost to income

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

Euro million

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

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

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

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

Euro million

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

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

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

Euro million

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

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

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

Euro million

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

Application of Results

Taking into consideration:

A. The provisions of the law and of the articles of association concerning the legal reserve;

B. The dividends policy of Banco Comercial Português (BCP);

C. The communication from the European Central Bank (ECB/2020/62), issued on 15 December 2020, recommending, at least until 30 September 2021, the adoption of extreme prudence in the management of capital and containment on the appropriation of profit during the COVID -19 pandemic crisis;

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, 24 March 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.

Accounts and Notes to the Consolidated Accounts

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

(Thousands of euros)

	Notes	2020	2019
Interest and similar income	2	1,805,583	1,991,445
Interest expense and similar charges	2	(272,408)	(442,917)
NET INTEREST INCOME		1,533,175	1,548,528
Dividends from equity instruments	3	4,775	798
Net fees and commissions income	4	702,656	703,497
Net gains / (losses) from financial operations at fair value through profit or loss	5	(9,561)	4,837
Net gains / (losses) from foreign exchange	5	92,144	69,391
Net gains / (losses) from hedge accounting operations	5	(2,322)	(5,682)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(27,551)	(24,909)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	100,063	99,676
Net gains / (losses) from insurance activity		10,524	11,752
Other operating income / (losses)	6	(159,820)	(144,400)
TOTAL OPERATING INCOME		2,244,083	2,263,488
Staff costs	7	646,700	668,232
Other administrative costs	8	335,495	376,455
Amortisations and depreciations	9	137,149	124,785
TOTAL OPERATING EXPENSES		1,119,344	1,169,472
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,124,739	1,094,016
Impairment for financial assets at amortised cost	10	(513,412)	(390,308)
Impairment for financial assets at fair value through other comprehensive income	11	(10,360)	2,180
Impairment for other assets	12	(79,173)	(96,034)
Other provisions	13	(238,292)	(57,484)
NET OPERATING INCOME		283,502	552,370
Share of profit of associates under the equity method	14	67,695	42,989
Gains / (losses) arising from sales of subsidiaries and other assets	15	(6,188)	31,907
NET INCOME BEFORE INCOME TAXES		345,009	627,266
Income taxes			
Current	30	(113,317)	(100,908)
Deferred	30	(23,327)	(138,370)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		208,365	387,988
Income arising from discontinued or discontinuing operations	16	—	13,412
NET INCOME AFTER INCOME TAXES		208,365	401,400
Net income for the year attributable to:			
Bank's Shareholders		183,012	302,003
Non-controlling interests	44	25,353	99,397
NET INCOME FOR THE YEAR		208,365	401,400
Earnings per share (in Euros)			
Basic	17	0.010	0.018
Diluted	17	0.010	0.018

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

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

(Thousands of euros)

	2020				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	208,365	—	208,365	183,012	25,353
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	245,536	—	245,536	212,166	33,370
Reclassification of (gains) / losses to profit or loss	(100,063)	—	(100,063)	(85,423)	(14,640)
Cash flows hedging					
Gains / (losses) for the year	110,583	—	110,583	112,157	(1,574)
Other comprehensive income from investments in associates and others	13,452	—	13,452	13,480	(28)
Exchange differences arising on consolidation	(256,487)	—	(256,487)	(145,504)	(110,983)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,202)	—	(1,202)	(1,202)	—
Fiscal impact	(76,487)	—	(76,487)	(73,238)	(3,249)
	(64,668)	—	(64,668)	32,436	(97,104)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	(10,065)	—	(10,065)	(9,794)	(271)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	461	—	461	461	—
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(88,645)	—	(88,645)	(88,645)	—
Pension Fund - other associated companies	(3,610)	—	(3,610)	(3,436)	(174)
Fiscal impact	25,009	—	25,009	24,909	100
	(76,850)	—	(76,850)	(76,505)	(345)
Other comprehensive income / (loss) for the year	(141,518)	—	(141,518)	(44,069)	(97,449)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	66,847	—	66,847	138,943	(72,096)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

	2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	387,988	13,412	401,400	302,003	99,397
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	183,516	–	183,516	184,115	(599)
Reclassification of (gains) / losses to profit or loss	(99,676)	–	(99,676)	(94,923)	(4,753)
Cash flows hedging					
Gains / (losses) for the year	52,303	–	52,303	47,625	4,678
Other comprehensive income from investments in associates and others	3,539	–	3,539	3,530	9
Exchange differences arising on consolidation	(24,449)	–	(24,449)	(35,952)	11,503
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A. (note 43)	(4,529)	–	(4,529)	(4,529)	–
Fiscal impact	(44,906)	–	(44,906)	(45,042)	136
	65,798	–	65,798	54,824	10,974
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	(10,109)	–	(10,109)	(10,508)	399
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(4,019)	–	(4,019)	(4,019)	–
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(285,335)	–	(285,335)	(285,335)	–
Pension Fund - other associated companies	(3,455)	–	(3,455)	(3,369)	(86)
Fiscal impact	(44,679)	–	(44,679)	(44,619)	(60)
	(347,597)	–	(347,597)	(347,850)	253
Other comprehensive income / (loss) for the year	(281,799)	–	(281,799)	(293,026)	11,227
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	106,189	13,412	119,601	8,977	110,624

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
ASSETS			
Cash and deposits at Central Banks	18	5,303,864	5,166,551
Loans and advances to credit institutions repayable on demand	19	262,395	320,857
Financial assets at amortised cost			
Loans and advances to credit institutions	20	1,015,087	892,995
Loans and advances to customers	21	52,120,815	49,847,829
Debt securities	22	6,234,545	3,185,876
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,031,201	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,315,467	1,405,513
Financial assets designated at fair value through profit or loss	23	—	31,496
Financial assets at fair value through other comprehensive income	23	12,140,392	13,216,701
Hedging derivatives	24	91,249	45,141
Investments in associated companies	25	434,959	400,391
Non-current assets held for sale	26	1,026,481	1,279,841
Investment property	27	7,909	13,291
Other tangible assets	28	640,825	729,442
Goodwill and intangible assets	29	245,954	242,630
Current tax assets		11,676	26,738
Deferred tax assets	30	2,633,790	2,720,648
Other assets	31	1,296,812	1,239,134
TOTAL ASSETS		85,813,421	81,643,408
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	8,898,759	6,366,958
Resources from customers	33	63,000,829	59,127,005
Non subordinated debt securities issued	34	1,388,849	1,594,724
Subordinated debt	35	1,405,172	1,577,706
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	278,851	343,933
Financial liabilities at fair value through profit or loss	37	1,599,405	3,201,309
Hedging derivatives	24	285,766	229,923
Provisions	38	443,799	345,312
Current tax liabilities		14,827	21,990
Deferred tax liabilities	30	7,242	11,069
Other liabilities	39	1,103,652	1,442,225
TOTAL LIABILITIES		78,427,151	74,262,154
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	254,464	240,535
Treasury shares	42	(40)	(102)
Reserves and retained earnings	43	642,397	435,823
Net income for the year attributable to Bank's Shareholders		183,012	302,003
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,221,304	6,119,730
Non-controlling interests	44	1,164,966	1,261,524
TOTAL EQUITY		7,386,270	7,381,254
TOTAL LIABILITIES AND EQUITY		85,813,421	81,643,408

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2019	2019
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,541,781	1,743,234
Commissions received	877,504	899,938
Fees received from services rendered	70,625	100,315
Interests paid	(248,487)	(426,571)
Commissions paid	(157,022)	(171,815)
Recoveries on loans previously written off	22,680	24,269
Net earned insurance premiums	16,386	17,418
Claims incurred of insurance activity	(6,053)	(6,591)
Payments (cash) to suppliers and employees (*)	(1,229,338)	(1,248,720)
Income taxes (paid) / received	(89,589)	(61,027)
	798,487	870,450
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	169,528	(2,626)
Deposits held with purpose of monetary control	(291,669)	–
Loans and advances to customers receivable / (granted)	(4,080,970)	(1,901,159)
Short term trading securities	(175,522)	165,922
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(12,437)	(108,587)
Deposits from credit institutions with agreed maturity date	2,560,161	(2,154,270)
Loans and advances to customers repayable on demand	7,077,726	5,444,107
Deposits from customers with agreed maturity date	(2,992,767)	(1,784,092)
	3,052,537	529,745
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	20	13
Acquisition of investments in subsidiaries (**)	–	(348,997)
Dividends received	11,891	11,003
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	183,763	291,339
Sale of financial assets at fair value through other comprehensive income and at amortised cost	19,346,529	19,886,088
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(39,893,571)	(50,627,555)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	17,992,857	32,096,533
Acquisition of tangible and intangible assets	(78,739)	(105,715)
Sale of tangible and intangible assets	11,276	14,475
Decrease / (increase) in other sundry assets	348,594	(231,448)
	(2,077,380)	985,736
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	647,216
Reimbursement of subordinated debt	(165,017)	(129,536)
Issuance of debt securities	–	545,825
Reimbursement of debt securities	(271,849)	(310,448)
Issuance of commercial paper and other securities	22,694	238,839
Reimbursement of commercial paper and other securities	(239,116)	(171,641)
Issue of Perpetual Subordinated Bonds (Additional Tier 1) (note 48)	–	396,325
Reimbursed of perpetual subordinated debt securities	–	(2,922)
Dividends paid to shareholders of the Bank (note 47)	–	(30,228)
Dividends paid of perpetual subordinated debt securities	–	(148)
Dividends paid to non-controlling interests	(22,974)	(15,502)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(37,000)	(27,750)
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	73,443	(224,200)
	(639,819)	915,830
Exchange differences effect on cash and equivalents	(256,487)	(24,449)
Net changes in cash and equivalents	78,851	2,406,862
Cash (note 18)	636,048	566,202
Deposits at Central Banks (note 18)	4,530,503	2,187,637
Loans and advances to credit institutions repayable on demand (note 19)	320,857	326,707
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,487,408	3,080,546
Cash (note 18)	579,997	636,048
Deposits at Central Banks (note 18)	4,723,867	4,530,503
Loans and advances to credit institutions repayable on demand (note 19)	262,395	320,857
CASH AND EQUIVALENTS AT THE END OF THE YEAR	5,566,259	5,487,408

(*) In 2020, this balance includes the amount of Euros 2,077,000 (2019: Euros 4,551,000) related to short-term lease contracts and the amount of Euros 2,504,000 (2019: Euros 2,118,000) related to lease contracts of low value assets.

(**) In 2019, this balance included the investment in Euro Bank, S.A. (Euros 424,370,000), net of Cash and equivalents at the time of the acquisition (Euros 75,373,000).

(***) In 2020, this balance includes the amount of Euros 59,161,000 (2019: Euros 56,552,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non- - controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	–	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the year	–	–	–	–	–	–	–	302,003	302,003	99,397	401,400
Other comprehensive income	–	–	–	–	–	–	(293,026)	–	(293,026)	11,227	(281,799)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	–	(293,026)	302,003	8,977	110,624	119,601
Results application											
Statutory reserve (note 41)	–	–	–	–	(30,000)	–	30,000	–	–	–	–
Legal reserve	–	–	–	–	5,927	–	(5,927)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	–	301,065	(301,065)	–	–	–
Dividends payed	–	–	–	–	–	–	(30,228)	–	(30,228)	–	(30,228)
Reimbursed of perpetual subordinated debt securities	–	–	–	(2,922)	–	–	–	–	(2,922)	–	(2,922)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	–	–	–	400,000	–	–	–	–	400,000	–	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	–	19	–	19	–	19
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	–	(3,675)	–	(3,675)	–	(3,675)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	–	2	–	2	–	2
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	–	(3,652)	–	(3,652)	–	(3,652)
Sale of subsidiaries	–	–	–	–	–	–	–	–	–	(16,699)	(16,699)
Dividends from other equity instruments	–	–	–	–	–	–	(148)	–	(148)	–	(148)
Dividends (a)	–	–	–	–	–	–	–	–	–	(15,502)	(15,502)
Treasury shares	–	–	–	–	–	(28)	–	–	(28)	–	(28)
Other reserves	–	–	–	–	–	–	(1,338)	–	(1,338)	(332)	(1,670)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	–	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the year	–	–	–	–	–	–	–	183,012	183,012	25,353	208,365
Other comprehensive income	–	–	–	–	–	–	(44,069)	–	(44,069)	(97,449)	(141,518)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	–	(44,069)	183,012	138,943	(72,096)	66,847
Results application (note 48):											
Legal reserve (note 41)	–	–	–	–	13,929	–	(13,929)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	–	302,003	(302,003)	–	–	–
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–		–	–	(37,000)	–	(37,000)	–	(37,000)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	–	(96)	–	(96)	–	(96)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Dividends (a)	–	–	–	–	–	–	–	–	–	(22,974)	(22,974)
Treasury shares (note 42)	–	–	–	–	–	62	–	–	62	–	62
Other reserves (note 43)	–	–	–	–	–	–	(335)	–	(335)	(408)	(743)
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	–	400,000	254,464	(40)	642,397	183,012	6,221,304	1,164,966	7,386,270

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended on 31 December 2020 and 2019.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The consolidated financial statements and the accompanying notes were approved on 24 March 2021 by the Bank's Board of Directors and are presented in thousands of Euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to the respective current version.

The consolidated financial statements for the year ended on 31 December 2020 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU that are effective on that date.

These consolidated financial statements are a translation of the financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2020. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements were prepared under the going concern assumption, the accrual basis of accounting and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are considered to be significant are presented in note 1.Z.

B. Basis of consolidation

As from 1 January 2010, the Group began to apply IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to variable returns from its involvement with the entity and is able to take possession of these results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired is recorded against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

-representation on the Board of Directors or equivalent governing body of the investee;
-participation in policy-making processes, including participation in decisions about dividends or other distributions;
-material transactions between the Group and the investee;
-interchange of the management team;
-provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, with exception of the part in which the Group incurs in a legal obligation to assume these losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are recorded directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising from an acquisition is recognised directly in the income statement of the year in which the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimation of the contingent purchase price, being the difference recorded in the income statement or in equity, when applicable.

According to IFRS 3 – Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognised previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognised at that date.

During this period, the Group should also recognise additional assets and liabilities in case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of that assets and liabilities at that time.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the highest between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

B5. Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into Euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, exchange differences, between the conversion to Euros of the equity at the beginning of the year and its value in Euros at the exchange rate ruling at the balance sheet date in which the consolidated accounts are reported, are recognised against "Reserves - exchange differences". The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions, and it is used a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies". The exchange rates used by the Group are detailed in note 54.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves are transferred to profit and loss, as part of the gains or loss arising from the disposal.

The Group applies IAS 29 – Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2020. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recognised against the item "Reserves and retained earnings".

In accordance with the requirements provided in IAS 29, Angola was considered until 31 December 2018 as a hyperinflationary economy. This classification is no longer applicable since 1 January 2019.

B7. Transactions eliminated on consolidation

The balances and transactions between Group's companies, as well as any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in these entities.

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

- “Financial assets at amortised cost”;
- “Financial assets at fair value through other comprehensive income”; or,
- “Financial assets at fair value through profit or loss”.

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management bodies;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, for the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), as well as for a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and,
- the prepaid fair value is insignificant at initial recognition.

C1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised cost" category includes loans and advances to credit institutions, loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recognised in ""Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Gains or losses generated at the time of derecognition are registered in "Gains/(losses) with derecognition of financial assets and liabilities at amortised cost".

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement item designated "Gains or losses on derecognition of financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against "Other comprehensive income", and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are recognised against "Other comprehensive income". Dividends are recognised in the income statement when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recognised in "Fair value changes" are transferred to "Retained earnings" at the time of their derecognition.

C1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

The Group classified "Financial assets at fair value through profit and loss" in the following items:

a) “Financial assets held for trading”

These financial assets are acquired with the purpose of short-term selling; at the initial recognition, they are part of a portfolio of identified financial instruments and for which there is evidence of profit-taking in the short-term; or they can be defined as derivatives (except for hedging derivatives).

b) “Financial assets not held for trading mandatorily at fair value through profit or loss”

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) “Financial assets designated at fair value through profit or loss”

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit and loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with negative fair value are included in "Financial liabilities held for trading".

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification and any gains, losses (including the ones related to impairment) or interest previously recognised should not be restated.

It is not allowed the reclassification of investments in equity instruments measured at fair value through other comprehensive income, nor of financial instruments designated at fair value through profit or loss.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or,
- it transfers the financial asset as set out in notes ii) and iii) below and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset; or,
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions presented in note iii).

iii) When the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay these cash flows to one or more entities (the 'eventual recipients'), the Group shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- the Group does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
- the Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 – Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Group transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;

b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group’s exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group retained or not control (see note iv) above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous section, and considering that contract modification processes may lead, in some circumstances, to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification), the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal amount higher than 90% of the nominal amount of the new instrument;
- double extension of residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of modification;
- increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);

– change in qualitative features, namely:

a) change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or relevant monetary authorities;
b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;
c) transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

C1.4. Purchased or originated credit-impaired assets

Purchased or originated credit-impaired (POCI) assets are assets that present objective evidence of credit impairment in the moment of their initial recognition. An asset is credit-impaired if one or more events have occurred with a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the origin of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

At initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balance) is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

The Group recognises impairment losses for expected credit losses on financial instruments recognised in the following accounting items:

C1.5.1.1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment for financial assets at amortised cost" (in the income statement).

C1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

C1.5.2. Classification of financial instruments by stages

Changes in credit risk since the initial recognition

	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Group determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers' behavior towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

Until 31 December 2019, customers who met at least one of the following criteria were considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with restructured operations caused by financial difficulties, for which it was registered, at the time of restructuring, an economic loss over Euros 5 million or 20% of total exposure;
g) Customers with restructured operations caused by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its credit operations;
h) Customers that register a recurrence of restructured operations due to financial difficulties within a 24 months period since default resulting from a previous restructuring. If the previous restructuring did not result in default, the 24 months period count begins at the date of the previous restructuring;
i) Customers for which a part or the entirety of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that result from a decision regarding balance sheet management and not from a disposal of problematic loans);
j) Customers for which takes place a new sale with loss, regardless of the amount, within a period of 24 months since the trigger resulting from the previous sale;
k) Guarantors of operations overdue for more than 90 days above the defined materiality, as long as the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Until 31 December 2019, it was considered as having objective signs of impairment (i.e., impaired):

i) customers in default, i.e., marked as grade 15 on the Bank's Rating Master Scale;
ii) customers that, when submitted to a questionnaire for analysis of financial difficulties evidence, are considered with objective signs of impairment;
iii) customers whose contracts' values, that are due for more than 90 days, represent more than 20% of their total exposure in the balance sheet;
iv) the Non-Retail customers with one or more contracts overdue for more than 90 days and whose total overdue amount exceeds Euros 500;
v) the Retail customers contracts overdue for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) contracts restructured due to financial difficulties that are overdue for more than 30 days and in which the overdue amount exceeds Euros 200.

As of 1 January 2020, all customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default (or GR15).

The existence of a material payment delay gives rise to the default setting (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:

i. Credit restructuring due to financial difficulties with loss of value;
ii. Delay after restructuring due to financial difficulties;
iii. Recurrence of restructuring due to financial difficulties;
iv. Credit with signs of impairment (or stage 3 of IFRS 9);
v. Insolvency or equivalent proceedings;
vi. Litigation;
vii. Guarantees of operations in default;
viii. Credit sales with losses;
ix. Credit fraud;
x. Unpaid credit status;
xi. Breach of covenants in a credit agreement;
xii. Spread of default in an economic group;
xiii. Cross default in BCP Group.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Customers who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency, since the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, since they have a risk grade15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, since a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, since a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure over Euros 500,000, not being considered customers with exposure below this limit for the purpose of determining the exposure referred in the previous point.

3. Other customers that do not meet the criteria defined in 1 will also be subject to individual analysis, if under the following conditions:

- have impairment as a result of the latest individual analysis;
- according to recent information, show a significant deterioration in risk levels; or,
- are a Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- for customers that are not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in stage 2 given the occurrence of a significant increase in credit risk, considering for this purpose a set of predetermined signs;
- for customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the departments in charge of customers' management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

The assessment of existence of impairment losses in individual terms is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

- total exposure of each customer towards the Group and the existence of overdue loans;
- viability of the customer's business and its capacity to generate enough cash flows to service debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- significant deterioration of the customer's rating;
- the customer's available assets in liquidation or insolvency situations;
- the existence of preferential creditors;
- the amount and expected recovery term.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.

8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

- for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
- for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- recovery of debt related to geographies in which there is a strong political instability;
- recovery of non-real estate collateral for which there is no evidence of market liquidity;
- recovery of related collateral or government guarantees in a currency other than the country's own;
- recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Group's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated 'low default': Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;
b) Segments not 'low default': - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ('SME Retail'); and Others - Corporate: Small and medium enterprises - Corporate ('Large SME'); and Real Estate.

The Group performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year.

Expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Group expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Group expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and,
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD associated with each exposure.

Group collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Group estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and/or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortisations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

The Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of products applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Group uses models to forecast the evolution of the most relevant parameters to the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- "Financial liabilities at amortised cost";
- "Financial liabilities at fair value through profit or loss".

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) "Financial liabilities held for trading"

In this balance are classified the issued liabilities with the purpose of repurchasing in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) “Financial liabilities designated at fair value through profit or loss”

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

C2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes resources from credit institutions and from customers, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. Interest on financial liabilities at amortised cost are recognised in "Interest expense and similar charges", based on the effective interest rate method.

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when these are cancelled or extinct.

C3. Interest recognition

Income and expense related to interest from financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e., for financial assets entering stage 3, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

For purchased or originated credit-impaired assets (POCI), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39.

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and,
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

C4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual term of the hedged item.

C4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- deferred over the residual period of the hedged instrument; or,
- recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable, and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

C4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

C5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

The Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), which portfolios were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

By purchasing a part of the most subordinated residual portion, the Group maintained the control of the assets and liabilities of Magellan Mortgages no.3, being this Special Purpose Entity (SPE) consolidated in the Group's financial statements, in accordance with the accounting policy referred in note 1.B.

The three operations are traditional securitizations, where each mortgage loan portfolio was sold to a portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

As at 31 December 2020, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), having occurred in October 2019 the liquidation of the operation Magellan Mortgages no.2 and the consequent incorporation of its credits in BCP and BII.

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME no.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying, this way, the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Group retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Group, in accordance of the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if: i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and, ii) the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

F2. Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised in the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of their sale.

G1. Non-operating real estate (INAE)

The Group also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Group as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Group's services.

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs, or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortisation. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the Comissão do Mercado de Valores Mobiliários (CMVM).

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Group may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

The Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Group did not adopt earlier any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with these leases as an expense.

The Group chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard was not applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e., the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Group recognise for all leases, except for those with a term under 12 months or for leases of low-value assets:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For contracts with term, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, it is considered the particular clauses of the contracts, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in -substance fixed payments and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group's financial statements, namely:

- in the consolidated income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.

- in the consolidated balance sheet:
  (i) recording in “Financial assets at amortised cost – Loans and advances to customers” the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
  (ii) recording in “Other tangible assets” the recognition of right-to-use assets; and,
  (iii) recording in “Other liabilities” the amount of recognised lease liabilities.
- in the consolidated statement of cash flows, the balance “Cash flows arising from operating activities – Payments (cash) to suppliers and employees” includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance “Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests” includes amounts related to payments of lease liabilities’ capital portions, as detailed in the consolidated statement of cash flows.

Impact from the lessor’s perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease’s lessor, simultaneously lessee regarding the original lease, shall recognise an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

If the initial lease is a short-term lease, the sublease shall be classified as an operating lease.

I. Lease transactions (IAS 17)

Until 31 December 2018, and in accordance with IAS 17, the lease transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was done according to the substance and not the form of the contract.

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions were recorded at the beginning as an asset and liability at fair value of the leased asset, which was equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases were recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals were a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflected a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, were measured in accordance with the accounting policy defined in note 1.G.

I2. Operational leases

At the lessee's perspective, the Group had various operating leases for properties and vehicles. The payments under these leases were recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract was evidenced in its balance sheet.

J. Recognition of income from services and commissions

Income from services and commissions is recognised according to the following criteria:

- in the moment it is received, as services are being provided, it is recognised in the income statement of the period to which it corresponds;
- when it results from a service, it is recognised as income when the referred service is concluded.

Income from services and commissions, that is an integral part of the effective interest rate of a financial instrument, is recognised in net interest income.

K. Net gains/(losses) from financial operations at fair value through profit or loss, Net gains/(losses) from foreign exchange, Net gains/(losses) from hedge accounting, Net gains/(losses) from derecognition of assets and liabilities at amortised cost and Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, i.e., fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group’s consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

M. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred, under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

N. Investment property

Real estate properties owned by the Group are recognised as 'Investment properties', considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, as "Other operating income/(losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

O. Intangible assets

O1. Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities, and depreciates them on a straight-line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

P. Cash and cash equivalents

For the purposes of the cash flow statement, the item "Cash and cash equivalents" comprises balances with less than three months maturity from the balance sheet date, where are included the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions".

Q. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassification of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified; and, iii) the reason for the reclassification.

R. Foreign currency transactions

Transactions in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. Defined benefit plans

The Group has the responsibility to pay its employees' retirement pensions, invalidity pensions and survivor's pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are provided for in the pension plans 'Plano ACT' and 'Plano ACTQ' of the Banco Comercial Português Group Pension Fund.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). In the scope of its management and human resources, the Group had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from said Decree-Law 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

Until 2011, in addition to the benefits provided for in the two plans above mentioned, the Group had assumed the responsibility, if certain conditions were verified in each year, of assigning retirement supplements to the Group's employees hired until 21 September 2006 (Complementary Plan). The Group, at the end of 2012, determined the extinction (cut) of the old-age benefit of the Complementary Plan. On 14 December 2012, the "Instituto de Seguros de Portugal (ISP)" formally approved this change to the Group's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Group also proceeded to the settlement of the respective liability.

From 1 January 2011, Bank's employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and two federations of the unions that represented the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with" Sindicato dos Bancários do Norte (SBN)", which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability), that changed from 65 years to 66 years and two months in 2016 and the subsequent update of an additional month in each year, which cannot, in any case, be higher than the one in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and, lastly, it was introduced a new benefit called the End of Career Premium, that replaces the Seniority Premium.

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the "Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF - Portuguese Insurance and Pension Funds Supervision Authority), the BCP Group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits, as well as to transfer to the pension fund the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high- quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income/cost of interests with the pension plan is calculated, by the Group, multiplying the net asset/liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income/cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income/cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and, (v) the effects of any settlement or curtailment occurred during the period. The net income/cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post-retirement health care benefits and benefits for the spouse and descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each company of the Group, according to a specific contributions plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

S2. Revision of the salary tables for employees in service and pensions in payment

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. This agreement established, for 2018, the increase in the base salary of 0.75% until level 6 and of 0,50% for the levels from 7 until 20 (similar increase for 2019), as well as the increase in other pecuniary clauses, such as lunch allowance, diuturnities, among others.

At the end of 2019, the Bank started a negotiation process for the full revision of the Collective Labour Agreements' Clauses, with work continuing to take place during the first months of 2020, until they were interrupted in March, due to the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals received in the meantime from the Unions regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labour Agreements under negotiation, which led to the Bank formally presenting to the Unions, on 3 July, a counter-offer to update them by 0.3%, in line with the variation registered in 2019 in the Consumer Price Index, according to official information from the National Statistical Institute.

Following the negotiation process developed in 2020 with several unions subscribing to the Collective Labour Agreements, the Bank agreed, on 30 July 2020, with SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca and SBN – Sindicato Bancários do Norte, meanwhile renamed to SBN – Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of the Bank's Salary Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of pecuniary expression, such as lunch allowance, diuturnities, among others. The agreed updates took effect on 1 January 2020, except for remunerations related to subsistence and travel allowances, which will be updated after the operationalization of the agreed updates.

Regarding the remaining unions subscribing to the Group's Collective Labour Agreements, i.e., SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank's Employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements for the conclusion of the full review of their respective Clauses, which are still ongoing.

The publication in the Labour and Employment Bulletin of the referred Agreements with the respective Unions is in progress.

S3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 December 2020, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

S4. Variable remuneration paid to employees

The remuneration policy for employees includes an annual variable remuneration system for employees not covered by commercial incentive systems, for which an assessment of the performance of each employee is carried out on an annual basis, based on quantitative and qualitative criteria. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

S5. Share-based compensation plan

As at 31 December 2020, a variable compensation plan with shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the employees, approved for the financial year of 2020 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year to which it concerns. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the annual assessment of the performance of each Employee, carried out using quantitative and qualitative criteria. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered as Employees with Key Functions, the payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year to which it concerns. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

Employees considered as Employees with Key Functions are not covered by Commercial Incentives Systems.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Employees with Key Functions are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the covered people have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Employees with Key Functions, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Employee with Key Function, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

T. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax purposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

The item "Deferred tax assets" includes amounts associated with credit impairments not accepted for tax purposes whose credits have been written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the deductible temporary differences for tax purposes (including reportable tax losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity, or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

The Group complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the Bank's financial statements resulting from its application.

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2020 and 2019, the RETGS application was maintained.

U. Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance; and, (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments: Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Other.

"Other (Portugal activity)" includes all activity not allocated to other business lines, namely centralized management of financial holdings, corporate activities and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

"Other (foreign activity)" includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); ii) it is probable that a payment will be required to settle; and, iii) a reliable estimation can be made of the amount of the obligation.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were initially created, or in the case that these obligations cease to exist.

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Group registers a contingent liability when:

i) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events that are not wholly within the control of the Group; or,
ii) it is a present obligation that arises from past events but is not recognised because:
   a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
   b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

W. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

X. Insurance contracts

X1. Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

X2. Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions/liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a *pro-rata* basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

X3. Premiums

Issued gross premiums are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

X4. Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the *pro-rata temporis* method applied to each contract in force.

X5. Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

Y. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) for the practice of insurance intermediation in the category of Linked Insurance Broker, in accordance with Article 8, paragraph a), subparagraph i) of Decree-Law no. 144/2006, of 31 July, carrying out insurance intermediation activities in life and non-life segments.

Within the scope of insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for insurance intermediation services, they receive commissions for arranging insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurance Companies.

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions whose receipt occurs at a different time from the period to which they refer are recognised as an amount receivable under the item "Other assets".

Z. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the consolidated financial statements, considering the context of uncertainty that results from the impact of COVID-19 in the current economic scope (note 61). The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group’s reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, under advice of the Executive Committee, the Group’s reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group’s financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimations would be more appropriate.

Z1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and if it is able to take possession of these results through the power it holds *(de facto control)*. The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimations and assumptions to determine at what extent the Group is exposed to the variable returns and its ability to use its power to affect these returns. Different estimations and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Z2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's assets is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Z3. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

Regarding activity in Portugal, the regulatory decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. 13/2018, of 28 December, established the maximum limits for impairment losses and other value adjustments for specific credit risk deductible for the purposes of calculating taxable income under IRC in 2016, 2017 and 2018, respectively. These regulatory decrees establish that Bank of Portugal Notice no. 3/95 (Notice that was relevant for determining credit provisions in the financial statements presented in NCA) must be considered for the purposes of determining the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively,

Law no. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless of the option mentioned above, the application of the new regime will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;
- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

In the calculation of 2019's taxable income and in the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019. Tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80%, when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2020, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since it was not created a transitional regime that established the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the application of IRC Code's general rules.

The taxable income or tax loss determined by the Bank or its subsidiaries that reside in Portugal can be corrected by the Portuguese Tax Authority in the period of four years, except if any deduction was made or if tax credit was used, in which the limitation period corresponds to the same of exercising of that right. The Bank recorded provisions or deferred tax liabilities in the amount that finds appropriate to face the tax amendments or the tax losses of which was object, as well as the contingencies regarding exercises not yet revised by the Tax Authority.

Z4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets.
The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

The hair-cut estimates applied in determining the fair value of these properties were adjusted, in the case of commercial properties and lands. In part, this change stems from the impact on sales prices of the current pandemic situation of COVID-19.

Z5. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimations, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields regarding a bond issues universe – that the Group considers to have high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers.

Z6. Financial instruments – IFRS 9

Z6.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, must be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for these assets. This monitoring is part of a process of continuous evaluation by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

Z6.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimations regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in Stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in Stages 2 and 3. An asset is classified in Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

In order to comply with the Supervisors' guidelines, namely with regard to the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays), as described in note 61. The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product/market and determination of relevant prospective information:

In estimating expected credit losses, the Group uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimation of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Z6.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the COVID-19 pandemic, the calculation of fair value adjustments was revised taking into account liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

Z7. Provisions for risk associated with mortgage loans indexed to the swiss franc

The Bank creates provisions for legal contingencies related to mortgage loans indexed to the Swiss franc granted by Bank Millennium, S.A.

The assumptions used by the Bank are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by the Bank is based on the following parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified time horizon; (ii) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained.

The evolution of responsibilities with legal contingencies related to mortgage loans indexed to the swiss franc and the amount of the Bank's actual losses depend, namely, on the number of ongoing and potential lawsuits, as well as on the final court decisions about each case.

Z8. Leases (IFRS 16)

On 12 October 2020, the European Union published an amendment to IFRS 16, associated with income concessions related to COVID-19. This amendment allows tenants, as a practical expedient, to have the possibility to choose not to consider a rent concession that occurs as a direct consequence of the COVID-19 pandemic as a modification of the lease. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that he would do it under IFRS 16 – Leases, if this change did not constitute a modification of the lease. This amendment does not affect lessors.

Within the scope of the sublease, the Bank carried out the analysis of the respective contracts.

AA. Subsequent events

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(262)	149
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	31,807	39,690
Loans and advances to customers	1,452,793	1,510,510
Debt securities	117,169	149,473
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,990	11,741
Financial assets not held for trading mandatorily at fair value through profit or loss	15,817	26,821
Financial assets designated at fair value through profit or loss	569	1,115
Interest on financial assets at fair value through other comprehensive income	120,258	148,742
Interest on hedging derivatives	60,526	97,663
Interest on other assets	3,916	5,541
	1,805,583	1,991,445
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	32,995	(18,745)
Resources from customers	(184,624)	(297,832)
Non subordinated debt securities issued	(16,014)	(17,513)
Subordinated debt	(70,154)	(61,629)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(771)	(3,628)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,058)	(3,512)
Non subordinated debt securities issued	(1,937)	(3,783)
Interest on hedging derivatives	(20,558)	(28,289)
Interest on leasing	(5,785)	(6,365)
Interest on other liabilities	(2,502)	(1,621)
	(272,408)	(442,917)
	1,533,175	1,548,528

In 2020, the balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 29,766,000 (2019: Euros 39,044,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. The balance also includes the amount of Euros 69,030,000 (2019: Euros 74,330,000) related to interests income arising from customers classified in stage 3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 34,335,000 (2019: Euros 51,504,000), as referred in note 21 and Euros 54,000 (2019: Euros 120,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

In 2020, the balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 3,563,000 and Euros 7,077,000, respectively (2019: Euros 5,513,000 and Euros 12,318,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

According to note 32, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded in 2020 a negative cost of Euros 40,057,000 associated with the TLTRO III operation.

The balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H and note 59.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Dividends from financial assets held for trading	4	6
Dividends from financial assets through other comprehensive income	4,771	792
	4,775	798

The balances Dividends from financial assets through other comprehensive income include dividends and income from investment fund units received during the year.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Fees and commissions received		
Banking services provided	415,643	442,444
Management and maintenance of accounts	135,508	118,954
Bancassurance	122,017	118,293
Securities operations	85,607	77,075
Guarantees granted	47,620	53,353
Commitments to third parties	4,463	4,334
Insurance activity commissions	900	1,015
Fiduciary and trust activities	467	684
Other commissions	43,305	48,204
	855,530	864,356
Fees and commissions paid		
Banking services provided by third parties	(112,093)	(128,294)
Securities operations	(12,288)	(11,413)
Guarantees received	(3,550)	(4,600)
Insurance activity commissions	(917)	(1,167)
Other commissions	(24,026)	(15,385)
	(152,874)	(160,859)
	702,656	703,497

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	52,080	185,794
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(62,528)	(13,509)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	887	(167,448)
	(9,561)	4,837
Net gains / (losses) from foreign exchange	92,144	69,391
Net gains / (losses) from hedge accounting	(2,322)	(5,682)
Net gains / (losses) from derecognition of financial assets and 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
	152,773	143,313

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial assets held for trading		
Gains		
Debt securities portfolio	16,948	5,771
Equity instruments	700	2,183
Derivative financial instruments	387,414	464,136
Other operations	1,881	1,068
	406,943	473,158
Losses		
Debt securities portfolio	(9,650)	(9,215)
Equity instruments	(2,279)	(139)
Derivative financial instruments	(341,920)	(277,462)
Other operations	(1,014)	(548)
	(354,863)	(287,364)
	52,080	185,794
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	28,791	24,592
Debt securities portfolio	7,365	36,487
Equity instruments	30,101	10,476
	66,257	71,555
Losses		
Loans and advances to customers	(38,421)	(30,040)
Debt securities portfolio	(90,364)	(55,024)
	(128,785)	(85,064)
	(62,528)	(13,509)

(continues)

(continuation)

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	747	46
Debt securities issued		
Certificates and structured securities issued	68,289	37,749
Other debt securities issued	612	1,802
	69,648	39,597
Losses		
Debt securities portfolio	(874)	(1,897)
Resources from customers	(114)	(1,456)
Debt securities issued		
Certificates and structured securities issued	(66,977)	(197,518)
Other debt securities issued	(796)	(6,174)
	(68,761)	(207,045)
	887	(167,448)

In the balances Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss - Profits/(Losses) - Certificates and structured securities issued are recorded the valuations and devaluations of certificates issued by the Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Net gains / (losses) from financial assets held for trading - Profits/(Losses) - Derivative financial instruments.

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost, are presented as follows:

(Thousands of euros)

	2020	2019
Net gains / (losses) from foreign exchange		
Gains	2,108,810	1,147,877
Losses	(2,016,666)	(1,078,486)
	92,144	69,391
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	24,458	34,316
Hedged items	67,547	117,842
	92,005	152,158
Losses		
Hedging derivatives	(82,137)	(147,191)
Hedged items	(12,190)	(10,649)
	(94,327)	(157,840)
	(2,322)	(5,682)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,632	7,500
Debt securities portfolio	—	1,316
Debt securities issued	3,470	6,548
Others	267	4,143
	10,369	19,507
Losses		
Credit sales	(34,335)	(36,370)
Debt securities issued	(2,622)	(7,089)
Others	(963)	(957)
	(37,920)	(44,416)
	(27,551)	(24,909)

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	2020	2019
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	135,055	101,056
Losses		
Debt securities portfolio	(34,992)	(1,380)
	100,063	99,676

In 2020, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 88,835,000 (2019: Euros 70,474,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2020, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 5,266,000 (2019: Euros 89,174,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	2020	2019
Operating income		
Gains on leasing operations	3,489	3,949
Income from services provided	23,343	24,091
Rents	3,752	4,915
Sales of cheques and others	9,287	11,386
Other operating income	31,773	21,848
	71,644	66,189
Operating costs		
Donations and contributions	(4,517)	(4,276)
Contribution over the banking sector	(35,416)	(31,818)
Contributions for Resolution Funds	(28,207)	(33,030)
Contribution for the Single Resolution Fund	(19,394)	(18,747)
Contributions to Deposit Guarantee Fund	(24,585)	(11,952)
Tax for the Polish banking sector	(62,630)	(57,734)
Taxes	(18,388)	(22,403)
Losses on financial leasing operations	(371)	(80)
Other operating costs	(37,956)	(30,549)
	(231,464)	(210,589)
	(159,820)	(144,400)

The balance Contribution over the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Resolution Fund Contributions includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Resolution Funds Contributions also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

The Group delivered in 2020 the amount of Euros 19,394,000 (2019: Euros 18,747,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 22,808,000 (2019: Euros 21,918,000) and the Group opted to constitute an irrevocable commitment, through the constitution of a bailment for this purpose, in the amount of Euros 3,414,000 (2019: Euros 3,171,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. As at 31 December 2020, the total amount of irrevocable commitments constituted is Euros 17,276,000 (2019: Euros 13,860,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Remunerations	503,139	519,888
Mandatory social security charges		
Post-employment benefits (note 50)		
Service cost	(15,235)	(15,372)
Net interest cost / (income) in the liability coverage balance	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
	2,437	6,844
Other mandatory social security charges	112,048	114,177
	114,485	121,021
Voluntary social security charges	11,989	12,416
Other staff costs	17,087	14,907
	646,700	668,232

The balance Remuneration includes, in 2020, the amount of Euros 5,281,000 (2019: Euros 12,587,000) related to the distribution of profits to Bank's employees, as described in note 48.

In 2020, under the scope of the salary increases recorded in September 2020, with retroactive effect since 1 January 2020, agreed between the Bank and the Unions, the Group recorded the impact of Euros 1,429,000 in Staff costs, including mandatory social charges.

In 2019, under the scope of the salary increases registered in October 2019, with retroactive effects since 1 January 2018, agreed between the Bank and the Unions, the Group registered the impact of Euros 4,011,000 (of which Euros 1,657,000 refer to retroactive payments of 2018) in Staff costs, as described in the accounting policy 1 S2.

In 2020, the balance Other staff costs includes severance payments in the amount of Euros 19,992,000 (2019: Euros 9,737,000), of which the highest amounts to Euros 504,000 (2019: Euros 1,313,000).

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2020	2019
Portugal		
Top Management	963	996
Intermediary Management	1,596	1,644
Specific/Technical functions	3,059	3,008
Other functions	1,535	1,608
	7,153	7,256
Abroad	10,775	10,272
	17,928	17,528

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Water, electricity and fuel	14,083	16,543
Credit cards and mortgage	8,231	7,650
Communications	26,773	26,144
Maintenance and related services	17,562	20,659
Legal expenses	3,396	5,260
Travel, hotel and representation costs	3,954	9,947
Advisory services	22,185	31,338
Training costs	1,404	2,787
Information technology services	46,309	53,609
Consumables	3,827	5,543
Outsourcing and independent labour	75,423	76,980
Advertising	23,310	31,092
Rents and leases	24,993	23,170
Insurance	3,375	3,811
Transportation	8,855	9,921
Other specialised services	26,960	29,083
Other supplies and services	24,855	22,918
	335,495	376,455

The balance Rents and leases includes, in 2020, the amount of Euros 2,077,000 (2019: Euros 4,551,000) related to short-term lease contracts and the amount of Euros 2,504,000 (2019: Euros 2,118,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H and note 59.

The balance Other specialised services includes fees for services rendered by the Statutory Auditor of the Group, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, is analysed as follows:

(Thousands of euros)

	2020	2019
Auditing services		
Legal certification	2,880	3,207
Other assurance services	1,124	1,253
Other services	129	244
	4,133	4,704

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Amortisations of intangible assets (note 29):		
Software	29,100	21,525
Other intangible assets	3,236	2,076
	32,336	23,601
Depreciations of other tangible assets (note 28):		
Properties	16,103	17,859
Equipment		
Computers	17,642	15,441
Security equipment	983	1,191
Installations	2,708	2,641
Machinery	1,238	948
Furniture	2,936	2,609
Motor vehicles	4,644	5,178
Other equipment	1,478	1,720
Right-of-use		
Real estate	56,761	53,236
Vehicles and equipment	320	361
	104,813	101,184
	137,149	124,785

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions (note 20)		
Charge for the year	1	55
Reversals for the year	(65)	(867)
	(64)	(812)
Loans and advances to customers (note 21)		
Charge for the year	1,102,843	924,248
Reversals for the year	(576,588)	(510,585)
Recoveries of loans and interest charged-off	(22,680)	(24,268)
	503,575	389,395
Debt securities (note 22)		
Associated to credit operations		
Charge for the year	6,292	1,717
Reversals for the year	–	(907)
	6,292	810
Not associated to credit operations		
Charge for the year	4,089	1,161
Reversals for the year	(480)	(246)
	3,609	915
	9,901	1,725
	513,412	390,308

11. Impairment for financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	2020	2019
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	11,485	538
Reversals for the year	(1,125)	(2,718)
	10,360	(2,180)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Impairment for investments in associated companies (note 25)		
Charge for the year	4,735	4,550
Impairment for non-current assets held for sale (note 26)		
Charge for the year	77,769	98,080
Reversals for the year	(11,059)	(13,656)
	66,710	84,424
Impairment for goodwill of subsidiaries (note 29)		
Charge for the year	180	559
Impairment for other assets (note 31)		
Charge for the year	17,184	14,107
Reversals for the year	(9,636)	(7,606)
	7,548	6,501
	79,173	96,034

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments (note 38)		
Charge for the year	43,204	36,230
Reversals for the year	(39,986)	(40,618)
	3,218	(4,388)
Other provisions for liabilities and charges (note 38)		
Charge for the year	238,181	65,239
Reversals for the year	(3,107)	(3,367)
	235,074	61,872
	238,292	57,484

14. Share of profit / (loss) of associates under the equity method

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousands of euros)

	2020	2019
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current year	7,300	16,923
Appropriation relating to the previous year	(27)	—
Annulment of the gains arising from properties sold to Group entities	6,067	(8,680)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(3,943)	(5,725)
	9,397	2,518
Banque BCP, S.A.S.	2,529	4,095
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	44,344	28,430
SIBS, S.G.P.S, S.A.	5,156	5,871
Unicre - Instituição Financeira de Crédito, S.A.	6,218	3,491
Other companies	51	(1,416)
	58,298	40,471
	67,695	42,989

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applied since 1 January 2019.

15. Gains / (losses) arising from sales of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	2020	2019
Gains arising on sale of associated company Mundotêxtil - Indústrias Têxteis, S.A.	—	147
Gains arising on settlement of MB Finance	—	9
Losses arising on sale of Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	—	(276)
Losses arising on liquidation of Imábida - Imobiliária da Arrábida, S.A..	—	(96)
Losses arising on sale of 23.89% of Projeposka, S.A.	(3)	—
Other assets	(6,185)	32,123
	(6,188)	31,907

The balance Other assets includes gains arising from the sale of assets held by the Group and classified as non-current assets held for sale, which, in 2020, corresponds to a gain of Euros 3,458,000 (2019: gain of Euros 29,263,000).

16. Income / (loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Gain arising on sale of Planfipsa Group	—	13,454
Gains/(losses) arising from the sale of Millennium bcp Gestão de Activos -Sociedade Gestora de Fundos de Investimento,S.A.	—	(42)
	—	13,412

Under the scope of the sale of Planfipsa Group occurred in February 2019 and in accordance with IFRS 5, this operation was considered as a discontinuing operation, during the 2nd semester of 2018, and the impact registered in 2019 on results is shown in a separate item of the income statement Income / (loss) arising from discontinued or discontinuing operations.

The disposal of 51% held in Planfipsa S.G.P.S. S.A. and of a set of loans granted by Banco Comercial Português, S.A. to the entity, originated a gain in 2019 of Euros 13,454,000 (gain of Euros 18,186,000, before taxes and a tax cost of Euros 4,732,000).

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2020	2019
Continuing operations		
Net income after income taxes from continuing operations	208,365	387,988
Non-controlling interests	(25,353)	(99,397)
Appropriated net income	183,012	288,591
Dividends from other equity instruments	—	(148)
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(37,000)	(27,750)
Adjusted net income	146,012	260,693
Discontinued or discontinuing operations (note 16)		
Appropriated net income	—	13,412
Adjusted net income	146,012	274,105
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.010	0.017
from discontinued or discontinuing operations	0.000	0.001
	0.010	0.018
Diluted earnings per share (Euros):		
from continuing operations	0.010	0.017
from discontinued or discontinuing operations	0.000	0.001
	0.010	0.018

The Bank's share capital, as at 31 December 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 31 December 2020 and 2019, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Cash	579,997	636,048
Central Banks		
Bank of Portugal	4,296,161	3,658,202
Central Banks abroad	427,706	872,301
	5,303,864	5,166,551

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In addition, from the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to an estimated maximum of 6 times of the reserves, is remunerated at the central bank's lending rate instead of the deposit rate.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Credit institutions in Portugal	10,288	9,427
Credit institutions abroad	182,976	220,718
Amounts due for collection	69,131	90,712
	262,395	320,857

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances were settled in the first days of the following month.

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Loans and advances to Central Banks abroad	291,669	—
Loans and advances to credit institutions in Portugal		
Loans	30,942	36,655
Term deposits to collateralise CIRS and IRS operations (*)	2,850	—
Other	811	6,028
	34,603	42,683
Loans and advances to credit institutions abroad		
Very short-term deposits	—	342,090
Term deposits	383,874	220,426
Loans	95	—
Term deposits to collateralise CIRS and IRS operations (*)	276,722	252,584
Other	28,426	35,580
	689,117	850,680
	1,015,389	893,363
Overdue loans - Over 90 days	2	—
	1,015,391	893,363
Impairment for loans and advances to credit institutions	(304)	(368)
	1,015,087	892,995

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), these deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

This balance analysed by the period to maturity, before impairment, is as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	987,553	875,286
3 to 6 months	10,734	—
6 to 12 months	3,317	8,077
1 to 5 years	13,787	10,000
	1,015,391	893,363

The changes occurred in impairment for Loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	368	1,853
Impairment charge for the year (note 10)	1	55
Reversals for the year (note 10)	(65)	(867)
Loans charged-off	—	(673)
Balance at the end of the year	304	368

21. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Mortgage loans	26,827,615	25,968,814
Loans	17,113,707	14,783,169
Finance leases	3,921,747	4,144,376
Factoring operations	2,566,220	2,566,627
Current account credits	1,255,304	1,734,948
Overdrafts	885,449	1,215,941
Discounted bills	189,259	265,385
	52,759,301	50,679,260
Overdue loans - less than 90 days	118,767	115,707
Overdue loans - Over 90 days	1,279,269	1,469,884
	54,157,337	52,264,851
Impairment for credit risk	(2,036,522)	(2,417,022)
	52,120,815	49,847,829

In the evolution of the balance Loans and advances to customers, is to highlight in 2020, the weight of the financing granted under the COVID-19 lines, which benefit from the guarantee of the Portuguese State, as detailed in note 61.

The balance Loans and advances to customers, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	532,580	1	532,581	(1,939)	530,642
Asset-backed loans	30,389,932	607,836	30,997,768	(969,019)	30,028,749
Other guaranteed loans	5,527,794	149,256	5,677,050	(250,277)	5,426,773
Unsecured loans	7,317,673	405,931	7,723,604	(487,609)	7,235,995
Foreign loans	2,503,355	125,743	2,629,098	(127,900)	2,501,198
Factoring operations	2,566,220	22,587	2,588,807	(53,145)	2,535,662
Finance leases	3,921,747	86,682	4,008,429	(146,633)	3,861,796
	52,759,301	1,398,036	54,157,337	(2,036,522)	52,120,815

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The balance Loans and advances to customers, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	588,970	10	588,980	(1,493)	587,487
Asset-backed loans	29,895,043	838,734	30,733,777	(1,412,285)	29,321,492
Other guaranteed loans	3,672,218	166,487	3,838,705	(252,711)	3,585,994
Unsecured loans	7,700,118	338,697	8,038,815	(400,468)	7,638,347
Foreign loans	2,111,908	125,073	2,236,981	(193,148)	2,043,833
Factoring operations	2,566,627	25,150	2,591,777	(42,805)	2,548,972
Finance leases	4,144,376	91,440	4,235,816	(114,112)	4,121,704
	50,679,260	1,585,591	52,264,851	(2,417,022)	49,847,829

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	78,126	46,137	408,317	532,580	1	532,581
Asset-backed loans	1,568,727	3,714,927	25,106,278	30,389,932	607,836	30,997,768
Other guaranteed loans	925,200	1,974,560	2,628,034	5,527,794	149,256	5,677,050
Unsecured loans	2,174,203	3,258,860	1,884,610	7,317,673	405,931	7,723,604
Foreign loans	588,707	363,724	1,550,924	2,503,355	125,743	2,629,098
Factoring operations	1,991,345	574,372	503	2,566,220	22,587	2,588,807
Finance leases	539,435	1,352,680	2,029,632	3,921,747	86,682	4,008,429
	7,865,743	11,285,260	33,608,298	52,759,301	1,398,036	54,157,337

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	89,406	60,123	439,441	588,970	10	588,980
Asset-backed loans	1,788,179	3,249,925	24,856,939	29,895,043	838,734	30,733,777
Other guaranteed loans	1,252,124	1,521,117	898,977	3,672,218	166,487	3,838,705
Unsecured loans	2,569,023	3,216,089	1,915,006	7,700,118	338,697	8,038,815
Foreign loans	504,863	380,293	1,226,752	2,111,908	125,073	2,236,981
Factoring operations	2,069,801	496,826	—	2,566,627	25,150	2,591,777
Finance leases	681,020	1,470,884	1,992,472	4,144,376	91,440	4,235,816
	8,954,416	10,395,257	31,329,587	50,679,260	1,585,591	52,264,851

As at 31 December 2020, the balance Loans and advances to customers includes the amount of Euros 11,692,831,000 (31 December 2019: Euros 11,674,854,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

As part of the liquidity risk management, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 51, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 40.

As at 31 December 2020, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 79,993,000 (31 December 2019: Euros 105,542,000), as referred in note 51 a). The amount of impairment recognised for these contracts amounts to Euros 526,000 (31 December 2019: Euros 288,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

As at 31 December 2020, the item Finance leases includes the amount of Euros 8,087,000 (31 December 2019: Euros 9,278,000) relative to sublease operations, as referred in accounting policy 1 H and in note 59.

The Outstanding loans related to finance leases contracts are analysed as follows:

(Thousands of euros)

	2020	2019
Amount of future minimum payments		
Up to 1 year	897,064	1,069,860
1 to 5 years	1,911,517	1,978,977
Over 5 years	1,632,350	1,600,732
	4,440,931	4,649,569
Interest not yet due	(519,184)	(505,193)
Present value	3,921,747	4,144,376

Regarding operational leasing, the Group does not present relevant contracts as lessee.

The analysis of the outstanding amount of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2020	2019
Individuals		
Home	51,474	56,371
Consumer	31,597	33,290
Others	89,029	92,316
	172,100	181,977
Companies		
Equipment	1,760,496	1,915,011
Real estate	1,989,151	2,047,388
	3,749,647	3,962,399
	3,921,747	4,144,376

The analysis of loans and advances to customers, as at 31 December 2020, by sector of activity, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,801	10,745	411,546	(10,026)	401,520	0.76%
Fisheries	32,684	37	32,721	(471)	32,250	0.06%
Mining	67,358	3,183	70,541	(2,347)	68,194	0.13%
Food, beverage and tobacco	802,531	11,533	814,064	(25,204)	788,860	1.50%
Textiles	464,250	11,553	475,803	(25,476)	450,327	0.88%
Wood and cork	254,338	7,064	261,402	(10,152)	251,250	0.48%
Paper, printing and publishing	188,993	1,290	190,283	(14,802)	175,481	0.35%
Chemicals	757,863	26,590	784,453	(36,147)	748,306	1.45%
Machinery, equipment and basic metallurgical	1,353,637	37,250	1,390,887	(52,218)	1,338,669	2.57%
Electricity and gas	315,464	218	315,682	(1,899)	313,783	0.58%
Water	229,535	590	230,125	(17,167)	212,958	0.43%
Construction	1,688,915	89,560	1,778,475	(139,292)	1,639,183	3.28%
Retail business	1,698,861	35,419	1,734,280	(50,156)	1,684,124	3.20%
Wholesale business	2,123,122	52,981	2,176,103	(99,976)	2,076,127	4.02%
Restaurants and hotels	1,367,548	41,264	1,408,812	(72,474)	1,336,338	2.60%
Transports	1,188,061	29,432	1,217,493	(46,022)	1,171,471	2.25%
Post offices	20,311	338	20,649	(490)	20,159	0.04%
Telecommunications	485,910	4,710	490,620	(20,206)	470,414	0.91%
Services						
Financial intermediation	1,643,196	86,865	1,730,061	(192,376)	1,537,685	3.20%
Real estate activities	1,829,513	18,684	1,848,197	(85,187)	1,763,010	3.41%
Consulting, scientific and technical activities	937,548	36,415	973,963	(81,482)	892,481	1.80%
Administrative and support services activities	599,543	13,112	612,655	(72,693)	539,962	1.13%
Public sector	994,296	1	994,297	(3,643)	990,654	1.84%
Education	142,028	1,718	143,746	(7,016)	136,730	0.27%
Health and collective service activities	365,092	1,215	366,307	(9,643)	356,664	0.68%
Artistic, sports and recreational activities	365,929	11,030	376,959	(102,056)	274,903	0.70%
Other services	226,772	243,426	470,198	(180,430)	289,768	0.87%
Consumer loans	5,075,357	336,475	5,411,832	(368,720)	5,043,112	9.99%
Mortgage credit	26,287,616	173,835	26,461,451	(188,524)	26,272,927	48.86%
Other domestic activities	1,020	620	1,640	(21,211)	(19,571)	0.00%
Other international activities	851,209	110,883	962,092	(99,016)	863,076	1.78%
	52,759,301	1,398,036	54,157,337	(2,036,522)	52,120,815	100%

The analysis of loans and advances to customers, as at 31 December 2019, by sector of activity, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	328,520	7,599	336,119	(7,419)	328,700	0.64%
Fisheries	35,528	29	35,557	(679)	34,878	0.07%
Mining	54,611	1,397	56,008	(4,561)	51,447	0.11%
Food, beverage and tobacco	712,184	15,386	727,570	(24,840)	702,730	1.39%
Textiles	375,226	9,020	384,246	(18,807)	365,439	0.74%
Wood and cork	231,876	3,501	235,377	(5,075)	230,302	0.45%
Paper, printing and publishing	167,395	1,194	168,589	(14,416)	154,173	0.32%
Chemicals	718,269	23,210	741,479	(26,820)	714,659	1.42%
Machinery, equipment and basic metallurgical	1,224,725	31,448	1,256,173	(37,769)	1,218,404	2.40%
Electricity and gas	313,776	223	313,999	(2,550)	311,449	0.60%
Water	189,455	618	190,073	(9,504)	180,569	0.36%
Construction	1,525,891	163,138	1,689,029	(252,391)	1,436,638	3.23%
Retail business	1,197,223	37,489	1,234,712	(54,633)	1,180,079	2.36%
Wholesale business	2,057,044	50,408	2,107,452	(99,968)	2,007,484	4.03%
Restaurants and hotels	1,144,155	40,227	1,184,382	(87,325)	1,097,057	2.27%
Transports	1,250,810	25,826	1,276,636	(39,739)	1,236,897	2.44%
Post offices	10,583	254	10,837	(346)	10,491	0.02%
Telecommunications	354,129	3,959	358,088	(6,853)	351,235	0.69%
Services						
Financial intermediation	1,658,167	134,789	1,792,956	(494,251)	1,298,705	3.43%
Real estate activities	1,584,251	98,840	1,683,091	(110,495)	1,572,596	3.22%
Consulting, scientific and technical activities	1,096,394	24,594	1,120,988	(177,341)	943,647	2.15%
Administrative and support services activities	539,047	14,236	553,283	(75,801)	477,482	1.06%
Public sector	1,042,143	10	1,042,153	(3,729)	1,038,424	1.99%
Education	125,432	1,338	126,770	(6,389)	120,381	0.24%
Health and collective service activities	296,830	1,281	298,111	(4,256)	293,855	0.57%
Artistic, sports and recreational activities	272,838	1,230	274,068	(66,816)	207,252	0.52%
Other services	207,012	271,206	478,218	(207,350)	270,868	0.92%
Consumer loans	5,354,681	294,117	5,648,798	(316,423)	5,332,375	10.81%
Mortgage credit	25,686,880	206,666	25,893,546	(168,039)	25,725,507	49.54%
Other domestic activities	1,155	374	1,529	(82)	1,447	0.00%
Other international activities	923,030	121,984	1,045,014	(92,355)	952,659	2.00%
	50,679,260	1,585,591	52,264,851	(2,417,022)	49,847,829	100%

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	102,280	102,792	195,729	400,801	10,745	411,546
Fisheries	3,750	5,678	23,256	32,684	37	32,721
Mining	24,192	23,571	19,595	67,358	3,183	70,541
Food, beverage and tobacco	383,195	221,961	197,375	802,531	11,533	814,064
Textiles	129,444	162,194	172,612	464,250	11,553	475,803
Wood and cork	101,500	89,136	63,702	254,338	7,064	261,402
Paper, printing and publishing	69,584	56,740	62,669	188,993	1,290	190,283
Chemicals	236,584	300,728	220,551	757,863	26,590	784,453
Machinery, equipment and basic metallurgical	466,527	458,216	428,894	1,353,637	37,250	1,390,887
Electricity and gas	56,373	142,510	116,581	315,464	218	315,682
Water	35,318	29,729	164,488	229,535	590	230,125
Construction	478,578	553,152	657,185	1,688,915	89,560	1,778,475
Retail business	658,271	466,276	574,314	1,698,861	35,419	1,734,280
Wholesale business	848,179	710,687	564,256	2,123,122	52,981	2,176,103
Restaurants and hotels	92,367	333,227	941,954	1,367,548	41,264	1,408,812
Transports	282,494	473,937	431,630	1,188,061	29,432	1,217,493
Post offices	13,600	3,939	2,772	20,311	338	20,649
Telecommunications	92,905	287,971	105,034	485,910	4,710	490,620
Services						
Financial intermediation	222,365	419,815	1,001,016	1,643,196	86,865	1,730,061
Real estate activities	296,627	689,530	843,356	1,829,513	18,684	1,848,197
Consulting, scientific and technical activities	174,517	254,820	508,211	937,548	36,415	973,963
Administrative and support services activities	165,749	240,197	193,597	599,543	13,112	612,655
Public sector	126,479	466,052	401,765	994,296	1	994,297
Education	27,503	30,729	83,796	142,028	1,718	143,746
Health and collective service activities	110,963	97,641	156,488	365,092	1,215	366,307
Artistic, sports and recreational activities	36,481	49,020	280,428	365,929	11,030	376,959
Other services	89,985	58,903	77,884	226,772	243,426	470,198
Consumer loans	1,421,642	2,510,015	1,143,700	5,075,357	336,475	5,411,832
Mortgage credit	507,696	1,896,305	23,883,615	26,287,616	173,835	26,461,451
Other domestic activities	147	397	476	1,020	620	1,640
Other international activities	610,448	149,392	91,369	851,209	110,883	962,092
	7,865,743	11,285,260	33,608,298	52,759,301	1,398,036	54,157,337

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	118,266	84,416	125,838	328,520	7,599	336,119
Fisheries	15,424	5,365	14,739	35,528	29	35,557
Mining	28,140	21,648	4,823	54,611	1,397	56,008
Food, beverage and tobacco	435,514	202,863	73,807	712,184	15,386	727,570
Textiles	191,682	101,232	82,312	375,226	9,020	384,246
Wood and cork	103,852	92,225	35,799	231,876	3,501	235,377
Paper, printing and publishing	74,088	49,998	43,309	167,395	1,194	168,589
Chemicals	288,778	293,438	136,053	718,269	23,210	741,479
Machinery, equipment and basic metallurgical	595,222	430,211	199,292	1,224,725	31,448	1,256,173
Electricity and gas	47,249	123,300	143,227	313,776	223	313,999
Water	36,549	30,201	122,705	189,455	618	190,073
Construction	504,209	459,834	561,848	1,525,891	163,138	1,689,029
Retail business	612,802	341,565	242,856	1,197,223	37,489	1,234,712
Wholesale business	1,110,421	693,813	252,810	2,057,044	50,408	2,107,452
Restaurants and hotels	155,015	222,128	767,012	1,144,155	40,227	1,184,382
Transports	394,342	494,011	362,457	1,250,810	25,826	1,276,636
Post offices	4,446	5,613	524	10,583	254	10,837
Telecommunications	106,785	220,229	27,115	354,129	3,959	358,088
Services						
Financial intermediation	244,060	483,788	930,319	1,658,167	134,789	1,792,956
Real estate activities	320,846	488,537	774,868	1,584,251	98,840	1,683,091
Consulting, scientific and technical activities	399,063	214,439	482,892	1,096,394	24,594	1,120,988
Administrative and support services activities	210,420	216,054	112,573	539,047	14,236	553,283
Public sector	169,744	382,856	489,543	1,042,143	10	1,042,153
Education	40,277	21,566	63,589	125,432	1,338	126,770
Health and collective service activities	105,927	85,132	105,771	296,830	1,281	298,111
Artistic, sports and recreational activities	34,350	31,829	206,659	272,838	1,230	274,068
Other services	87,352	79,727	39,933	207,012	271,206	478,218
Consumer loans	1,494,022	2,605,265	1,255,394	5,354,681	294,117	5,648,798
Mortgage credit	457,280	1,760,404	23,469,196	25,686,880	206,666	25,893,546
Other domestic activities	179	391	585	1,155	374	1,529
Other international activities	568,112	153,179	201,739	923,030	121,984	1,045,014
	8,954,416	10,395,257	31,329,587	50,679,260	1,585,591	52,264,851

The item total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2020	2019
Total credit	58,561,359	56,991,658
Stage 1		
Gross amount	46,907,124	44,374,375
Impairment	(171,091)	(110,509)
	46,736,033	44,263,866
Stage 2		
Gross amount	8,016,640	8,149,861
Impairment	(240,207)	(191,810)
	7,776,433	7,958,051
Stage 3		
Gross amount	3,637,595	4,467,422
Impairment	(1,704,124)	(2,212,693)
	1,933,471	2,254,729
	56,445,937	54,476,646

The total credit portfolio includes, as at 31 December 2020, loans and advances to customers in the amount of Euros 54,157,337,000 (31 December 2019: Euros 52,264,851,000) and guarantees granted and commitments to third parties (note 45) in the amount of Euros 4,404,022,000 (31 December 2019: Euros 4,726,807,000).

The items of Impairment were determined in accordance with the accounting policy described in note 1 C1.5, including the provision for Guarantees and other commitments to third parties (note 38), associated with guarantees granted, in the amount of Euros 78,900,000 (31 December 2019: Euros 97,990,000).

The analysis of the exposure covered by collaterals associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the collaterals' fair value, is as follows:

(Thousands of euros)

	2020	2019
Stage 1		
Securities and other financial assets	1,433,956	1,904,675
Residential real estate	21,495,826	21,165,962
Other real estate	3,374,091	2,943,688
Other guarantees	6,235,972	4,571,961
	32,539,845	30,586,286
Stage 2		
Securities and other financial assets	243,411	293,565
Residential real estate	2,484,267	2,759,766
Other real estate	1,207,376	1,237,569
Other guarantees	1,464,912	868,877
	5,399,966	5,159,777
Stage 3		
Securities and other financial assets	117,829	301,745
Residential real estate	667,030	800,650
Other real estate	566,166	610,792
Other guarantees	405,359	579,905
	1,756,384	2,293,092
	39,696,195	38,039,155

The balance Other guarantees include first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 7 or better; personal guarantees, when the guarantors are classified with internal risk grade 7 or better. This item also includes pledges, assets subject to financial leasing operations and personal guarantees, among others. As detailed in note 61, the increase in this balance in 2020 is largely due to the weight of the financing granted under the COVD-19 lines, which benefit from a guarantee from the Portuguese State.

Considering the policy of risk management of the Group (note 54), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the outstanding restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2020			2019		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	20,927	(4,045)	16,882	14,391	(3,012)	11,379
Fisheries	123	(41)	82	6,134	(454)	5,680
Mining	2,149	(337)	1,812	5,558	(3,317)	2,241
Food, beverage and tobacco	26,403	(8,238)	18,165	25,290	(7,448)	17,842
Textiles	16,297	(6,333)	9,964	14,010	(4,287)	9,723
Wood and cork	6,732	(1,412)	5,320	7,978	(1,694)	6,284
Paper, printing and publishing	16,006	(12,296)	3,710	16,449	(12,222)	4,227
Chemicals	21,960	(8,843)	13,117	23,386	(5,095)	18,291
Machinery, equipment and basic metallurgical	60,584	(12,710)	47,874	54,949	(11,038)	43,911
Electricity and gas	396	(31)	365	454	(32)	422
Water	49,711	(13,689)	36,022	51,694	(7,116)	44,578
Construction	237,988	(83,589)	154,399	245,348	(148,041)	97,307
Retail business	46,592	(16,983)	29,609	61,569	(23,761)	37,808
Wholesale business	91,949	(18,459)	73,490	105,965	(13,463)	92,502
Restaurants and hotels	76,538	(13,968)	62,570	101,525	(20,402)	81,123
Transports	13,327	(3,109)	10,218	13,118	(2,691)	10,427
Post offices	198	(97)	101	236	(61)	175
Telecommunications	15,406	(11,071)	4,335	18,059	(1,219)	16,840
Services						
Financial intermediation	156,677	(85,960)	70,717	533,238	(340,993)	192,245
Real estate activities	125,807	(44,921)	80,886	157,808	(43,027)	114,781
Consulting, scientific and technical activities	264,177	(63,332)	200,845	166,498	(93,427)	73,071
Administrative and support services activities	86,532	(59,016)	27,516	83,319	(61,457)	21,862
Public sector	50,120	(1,113)	49,007	67,157	(1,309)	65,848
Education	19,825	(4,775)	15,050	20,057	(4,724)	15,333
Health and collective service activities	25,388	(4,970)	20,418	10,537	(1,156)	9,381
Artistic, sports and recreational activities	152,110	(73,126)	78,984	90,159	(40,616)	49,543
Other services	255,108	(176,808)	78,300	245,150	(177,061)	68,089
Consumer loans	274,548	(82,768)	191,780	301,820	(76,808)	225,012
Mortgage credit	518,666	(54,732)	463,934	604,597	(45,234)	559,363
Other domestic activities	23	(1)	22	22	(1)	6
Other international activities	32,677	(26,061)	6,616	36,531	(24,491)	12,040
	2,664,944	(892,834)	1,772,110	3,083,006	(1,175,657)	1,907,334

The breakdown of the restructured loans as at 31 December 2020, by restructuring measure, is as follows:

(Thousands of euros)

	2020					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	42,480	516,649	84,849	601,498	(132,947)	468,551
Introduction of the grace period for capital and / or interest	5,896	523,953	361,783	885,736	(432,888)	452,848
Interest rate reduction	5,442	289,493	16,990	306,483	(121,153)	185,330
Payment plan change	7,030	153,126	16,064	169,190	(26,245)	142,945
Debt relief	312	3,016	6,821	9,837	(5,657)	4,180
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	14,778	512,373	127,553	639,926	(154,981)	484,945
	75,953	2,024,642	640,302	2,664,944	(892,834)	1,772,110

The breakdown of the restructured loans as at 31 December 2019, by restructuring measure, is as follows:

(Thousands of euros)

	2019					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	43,411	287,816	122,218	410,034	(110,040)	299,994
Introduction of the grace period for capital and / or interest	5,998	321,248	32,086	353,334	(99,408)	253,926
Interest rate reduction	6,244	86,336	9,320	95,656	(10,168)	85,488
Payment plan change	7,830	117,950	15,301	133,251	(17,971)	115,280
Debt relief	155	3,475	1,968	5,443	(1,498)	3,945
Debt-asset swaps	14	88,356	7,848	96,204	(68,177)	28,027
Other restructured loans	18,901	1,453,491	535,593	1,989,084	(868,395)	1,120,689
	82,553	2,358,672	724,334	3,083,006	(1,175,657)	1,907,349

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2020, the amount calculated is Euros 1,766,328,000 (31 December 2019: Euros 2,259,598,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent:

a) More than 100 euros (retail) or more than 500 euros (non-retail); and
b) More than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value;
b) Delay after restructuring due to financial difficulties;
c) Recurrence of restructuring due to financial difficulties;
d) Credit with signs of impairment (or Stage 3 of IFRS 9);
e) Insolvency or equivalent process;
f) Litigation;
g) Guarantees of operations in default;
h) Loss of credit sales;
i) Credit fraud;
j) Unpaid credit status;
k) Breach of covenants in a credit agreement;
l) Contagion of default in an economic group;
m) Cross default in the BCP Group.

As at 31 December 2020, the NPE amounts to Euros 3,939,109,000 (31 December 2019: Euros 4,206,158,000).

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	2,417,022	2,851,906
Charge for the year in net income interest (note 2)	34,335	51,504
Other transfers	7,097	72,421
Impairment charge for the year (note 10)	1,102,843	924,248
Reversals for the year (note 10)	(576,588)	(510,585)
Loans charged-off	(899,133)	(979,451)
Exchange rate differences	(49,054)	6,979
Balance at the end of the year	2,036,522	2,417,022

As at 31 December 2020, the balance Transfers includes the amount of Euros 14,885,000 (31 December 2019: Euros 64,588,000) related to provisions for guarantees and other commitments, which were transferred to impairment for credit risks due to the fact that the guarantees granted were converted into loans and advances to customers.

This balance also includes the transfer of impairments from credit to other assets, in the amount of Euros 16,858,000.

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of euros)

	2020	2019
Agriculture and forestry	443	4,360
Fisheries	359	4
Mining	111	4,414
Food, beverage and tobacco	9,097	14,190
Textiles	10,937	7,418
Wood and cork	146	3,304
Paper, printing and publishing	229	6,823
Chemicals	1,665	30,947
Machinery, equipment and basic metallurgical	3,718	25,843
Electricity and gas	23	506
Water	605	619
Construction	144,292	282,889
Retail business	15,287	75,990
Wholesale business	33,585	37,281
Restaurants and hotels	53,213	13,128
Transports	4,706	11,546
Post offices	94	243
Telecommunications	564	17,956
Services		
Financial intermediation	315,038	21,154
Real estate activities	43,068	62,175
Consulting, scientific and technical activities	120,673	178,745
Administrative and support services activities	9,771	6,353
Education	122	603
Health and collective service activities	466	1,215
Artistic, sports and recreational activities	(3,159)	3,651
Other services	63,213	4,833
Consumer loans	55,934	149,500
Mortgage credit	4,576	9,059
Other domestic activities	5,740	2,561
Other international activities	4,617	2,141
	899,133	979,451

According with the accounting policy described in note 1 C1.3, loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Asset-backed loans	6,011	14,896
Other guaranteed loans	71,337	37,499
Unsecured loans	782,430	894,640
Factoring operations	726	10,312
Finance leases	38,629	22,104
	899,133	979,451

The analysis of recovered loans and interest occurred during 2020 and 2019, by sector of activity, is as follows:

(Thousands of euros)

	2020	2019
Agriculture and forestry	274	73
Mining	26	—
Food, beverage and tobacco	51	211
Textiles	36	1,340
Wood and cork	6	41
Paper, printing and publishing	—	292
Chemicals	435	535
Machinery, equipment and basic metallurgical	50	139
Electricity and gas	—	8
Water	1	3
Construction	2,322	1,617
Retail business	647	1,486
Wholesale business	529	827
Restaurants and hotels	175	599
Transports	451	2,905
Post offices	13	11
Telecommunications	4	10
Services		
Financial intermediation	1,096	754
Real estate activities	63	1,227
Consulting, scientific and technical activities	1,372	13
Administrative and support services activities	23	176
Education	35	—
Health and collective service activities	1	2
Artistic, sports and recreational activities	12	257
Other services	212	563
Consumer loans	14,519	10,818
Mortgage credit	278	139
Other domestic activities	14	199
Other international activities	35	23
	22,680	24,268

The analysis of recovered loans and interest occurred during 2020 and 2019, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Asset-backed loans	322	154
Other guaranteed loans	4,020	6,236
Unsecured loans	16,781	17,319
Foreign loans	919	9
Factoring operations	44	—
Finance leases	594	550
	22,680	24,268

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1 D.

Traditional securitizations

Securitization transactions engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As at 31 December 2020, the loans and advances referred to these operations amounts to Euros 242,670,000 (31 December 2019: Euros 269,668,000). As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 2

The traditional securitization Magellan Mortgages No. 2 was reimbursed on 18 October 2019, through a Clean-Up Call exercise.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 B. As at 31 December 2020, the SPE's credit portfolio associated with this operation amounts to Euros 242,670,000, and bonds issued with different subordination levels amount to Euros 180,841,000 (this amount excludes bonds hold by the Group in the amount of Euros 81,390,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 547,549,000 as at 31 December 2020. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 198,005,000 and the registered cost in 2020 amounts to Euros 4,051,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and, as at 31 December 2020, the operation amounts to Euros 731,733,000. The fair value of the relative CDS is recorded as a positive amount of Euros 63,659,000 and their registered cost in 2020 amounts to Euros 370,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The total of mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). In both structures, the correspondent product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Bank under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1 C1.3.

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	214,421	155,567
Commercial paper	1,334,236	1,871,985
Foreign issuers		
Bonds	30,398	32,356
Commercial paper	28,160	25,233
	1,607,215	2,085,141
Overdue securities - over 90 days	1,761	1,799
	1,608,976	2,086,940
Impairment	(11,021)	(12,431)
	1,597,955	2,074,509
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,758,016	137,330
Foreign issuers	378,285	301,988
Bonds issued by other entities		
Portuguese issuers	178,405	178,069
Foreign issuers	100,833	50,854
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	226,383	445,226
	4,641,922	1,113,467
Impairment	(5,332)	(2,100)
	4,636,590	1,111,367
	6,234,545	3,185,876

(*) Includes the amount of Euros 28,794,000 (31 December 2019: Euros 856,000) related to adjustments resulting from the application of fair value hedge accounting.

In 2020, under the terms of IFRS 9, the Bank took the decision to establish, the balance Debt securities held not associated with credit operations - Bonds issued by Portuguese public issuers, a portfolio of securities whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 December 2020 amounts to Euros 3,544,918,000.

As at 31 December 2020, the item Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 139,085,000 (31 December 2019: Euros 138,752,000) related to public sector companies.

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	7,069	207,352	–	214,421
Commercial paper	970,522	362,714	1,000	–	1,761	1,335,997
Foreign issuers						
Bonds	–	10,222	–	20,176	–	30,398
Commercial paper	19,532	8,628	–	–	–	28,160
	990,054	381,564	8,069	227,528	1,761	1,608,976
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	873,998	2,884,018	–	3,758,016
Foreign issuers	6,950	52,927	231,061	87,347	–	378,285
Other entities						
Portuguese issuers	25,628	–	113,351	39,426	–	178,405
Foreign issuers	–	–	59,595	41,238	–	100,833
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	136,266	90,117	–	–	–	226,383
	168,844	143,044	1,278,005	3,052,029	–	4,641,922
	1,158,898	524,608	1,286,074	3,279,557	1,761	6,250,898

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	–	155,567	–	155,567
Commercial paper	1,342,583	529,402	–	–	1,799	1,873,784
Foreign issuers						
Bonds	–	–	10,881	21,475	–	32,356
Commercial paper	15,201	10,032	–	–	–	25,233
	1,357,784	539,434	10,881	177,042	1,799	2,086,940
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	–	137,330	–	137,330
Foreign issuers	11,232	30,500	144,723	115,533	–	301,988
Other entities						
Portuguese issuers	–	–	138,738	39,331	–	178,069
Foreign issuers	–	–	–	50,854	–	50,854
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	173,242	271,984	–	–	–	445,226
	184,474	302,484	283,461	343,048	–	1,113,467
	1,542,258	841,918	294,342	520,090	1,799	3,200,407

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Agriculture and forestry	4,877	–
Mining	27,646	17,493
Food, beverage and tobacco	85,174	83,063
Textiles	61,725	67,201
Wood and cork	6,438	8,017
Paper, printing and publishing	9,295	10,305
Chemicals	105,146	151,612
Machinery, equipment and basic metallurgical	54,108	76,345
Electricity and gas	198,291	184,911
Water	12,417	14,956
Construction	16,650	12,135
Retail business	48,377	73,243
Wholesale business	70,625	70,554
Restaurants and hotels	9,394	7,506
Transports	62,811	35,948
Telecommunications	5,572	6,444
Services		
Financial intermediation	88,292	222,846
Real estate activities	28,139	23,919
Consulting, scientific and technical activities	616,512	923,513
Administrative and support services activities	10,754	16,924
Health and collective service activities	–	4,999
Artistic, sports and recreational activities	12,455	–
Other services	5,055	5,084
Other international activities	58,202	57,491
	1,597,955	2,074,509
Debt securities held not associated with credit operations		
Chemicals	25,578	25,609
Electricity and Gas	3,589	–
Water	39,394	39,324
Retailing	5,566	–
Transports (*)	99,504	99,402
Services		
Financial intermediation	317,847	495,666
Consulting, scientific and technical activities	13,483	13,550
	504,961	673,551
Government and Public securities	4,131,629	437,816
	4,636,590	1,111,367
	6,234,545	3,185,876

(*) Corresponds to securities from public sector companies

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Balance on 1 January	12,431	39,921
Charge for the year in net income interest (note 2)	54	120
Transfers	(7,756)	–
Charge for the year (note 10)	6,292	1,717
Reversals for the year (note 10)	–	(907)
Loans charged-off	–	(28,420)
Balance at the end of the year	11,021	12,431
Debt securities held not associated with credit operations		
Balance on 1 January	2,100	1,788
Adjustments due to the implementation of IFRS 9	(57)	–
Charge for the year (note 10)	4,089	1,161
Reversals for the year (note 10)	(480)	(246)
Loans charged-off	–	(620)
Exchange rate differences	(320)	17
Balance at the end of the year	5,332	2,100

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	2020	2019
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	486,276	255,313
Equity instruments	1,318	3,109
Trading derivatives	543,607	619,912
	1,031,201	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	354,309	352,367
Debt instruments	917,132	1,037,480
Equity instruments	44,026	15,666
	1,315,467	1,405,513
Financial assets designated at fair value through profit or loss		
Debt instruments	–	31,496
Financial assets at fair value through other comprehensive income		
Debt instruments	12,107,431	13,179,281
Equity instruments	32,961	37,420
	12,140,392	13,216,701
	14,487,060	15,532,044

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	101	–	–	3,602,910	3,603,011
Foreign issuers	59,078	–	–	6,893,507	6,952,585
Bonds issued by other entities					
Portuguese issuers	6,539	16,778	–	900,019	923,336
Foreign issuers	42,609	–	–	654,981	697,590
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	377,949	–	–	6,014	383,963
Foreign issuers	–	–	–	50,000	50,000
Shares of foreign companies (a)	–	17,952	–	–	17,952
Investment fund units (b)	–	882,402	–	–	882,402
	486,276	917,132	–	12,107,431	13,510,839
Equity instruments					
Shares					
Portuguese companies	438	–	–	16,522	16,960
Foreign companies	54	44,026	–	16,437	60,517
Investment fund units	–	–	–	2	2
Other securities	826	–	–	–	826
	1,318	44,026	–	32,961	78,305
Trading derivatives	543,607	–	–	–	543,607
	1,031,201	961,158	–	12,140,392	14,132,751
Level 1	481,107	–	–	11,764,197	12,245,304
Level 2	258,821	–	–	215,818	474,639
Level 3	291,273	961,158	–	160,377	1,412,808

(a) Under IFRS 9 these shares were considered as debt instruments because they do not fall within the definition of SPPI.
(b) Under IFRS 9 these participation units were considered as debt instruments because they do not fall within the definition of equity instruments.

The portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

As at 31 December 2019, the balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1 C.5, in the amount of Euros 1,257,000.

As at 31 December 2020, the balances Financial assets at fair value through other comprehensive income and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of Euros 96,000 (31 December 2019: Euros 105,00). As at 31 December 2019, the Financial assets at fair value through of other comprehensive income included the amount of Euros 184,000 relating to the traditional securitization transaction Magellan Mortgages No. 1.

The Group, as part of the management process of the liquidity risk (note 54), hold, in 2019, a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes debt instruments. As at 31 December 2019, the balances Financial assets at fair value through other comprehensive income and Financial designated at fair value through profit or loss, included the amounts Euros 8,776,000 and Euros 29,603,000, respectively, of securities included in the ECB's monetary policy pool.

As at 31 December 2020, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 318,856,000 (31 December 2019: Euros 297,243,000) related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,180	–	31,496	4,425,302	4,459,978
Foreign issuers	205,805	–	–	5,398,404	5,604,209
Bonds issued by other entities					
Portuguese issuers	3,043	16,778	–	802,268	822,089
Foreign issuers	43,285	–	–	314,991	358,276
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	–	–	–	1,922,991	1,922,991
Foreign issuers	–	–	–	315,325	315,325
Shares of foreign companies (a)	–	37,375	–	–	37,375
Investment fund units (b)	–	983,327	–	–	983,327
	255,313	1,037,480	31,496	13,179,281	14,503,570
Equity instruments					
Shares					
Portuguese companies	2,515	–	–	19,163	21,678
Foreign companies	49	15,666	–	18,254	33,969
Investment fund units	–	–	–	3	3
Other securities	545	–	–	–	545
	3,109	15,666	–	37,420	56,195
Trading derivatives	619,912	–	–	–	619,912
	878,334	1,053,146	31,496	13,216,701	15,179,677
Level 1	252,683	–	31,496	12,643,402	12,927,581
Level 2	317,689	–	–	464,728	782,417
Level 3	307,962	1,053,146	–	108,571	1,469,679

(a) Under IFRS 9, these shares were considered as debt instruments because they do not fall within the definition of SPPI.

(b) Under IFRS 9, these participation units were considered as debt instruments because they do not fall within the definition of equity instruments.

The impairment movements, on balance sheet, of the financial assets at fair value through other comprehensive, that occurred during the period, are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	1,177	4,887
Transfers to fair value changes (note 43)	(10,360)	2,180
Transfers	–	(3,716)
Impairment through profit and loss (note 11)	11,485	538
Reversals through profit and loss (note 11)	(1,125)	(2,718)
Amounts charged-off	–	(6)
Exchange rate differences	(80)	12
Balance at the end of the year	1,097	1,177

As at 31 December 2020, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 13,823,000 and is recognised against the item Fair value reserves (31 December 2019: Euros 3,157,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,498,321	13,982	90,607	3,602,910
Foreign issuers	6,809,372	1,558	82,577	6,893,507
Bonds issued by other entities				
Portuguese issuers	860,370	20,130	19,519	900,019
Foreign issuers	626,990	15,179	12,812	654,981
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,010	–	4	6,014
Foreign issuers	49,927	–	73	50,000
	11,850,990	50,849	205,592	12,107,431
Equity instruments				
Shares				
Portuguese companies	43,407	–	(26,885)	16,522
Foreign companies	27,919	–	(11,482)	16,437
Investment fund units	1	–	1	2
	71,327	–	(38,366)	32,961
	11,922,317	50,849	167,226	12,140,392

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,292,931	93,586	38,785	4,425,302
Foreign issuers	5,384,433	(744)	14,715	5,398,404
Bonds issued by other entities				
Portuguese issuers (*)	764,470	17,875	19,923	802,268
Foreign issuers	303,954	6,026	5,011	314,991
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,922,666	–	325	1,922,991
Foreign issuers	315,235	–	90	315,325
	12,983,689	116,743	78,849	13,179,281
Equity instruments				
Shares				
Portuguese companies	50,476	–	(31,313)	19,163
Foreign companies	20,855	–	(2,601)	18,254
Investment fund units	2	–	1	3
	71,333	–	(33,913)	37,420
	13,055,022	116,743	44,936	13,216,701

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive, net of impairment, as at 31 December 2020, by valuation levels, is analysed as follows:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,519,244	83,767	–	3,603,011
Foreign issuers	6,944,659	–	7,926	6,952,585
Bonds issued by other entities				
Portuguese issuers	738,576	82,151	102,609	923,336
Foreign issuers	654,754	–	42,836	697,590
Treasury bills and other Government bonds				
Portuguese issuers	383,963	–	–	383,963
Foreign issuers	–	50,000	–	50,000
Shares of foreign companies	–	–	17,952	17,952
Investment fund units	–	–	885,422	885,422
	12,241,196	215,918	1,056,745	13,513,859
Equity instruments				
Shares				
Portuguese companies	3,476	–	13,484	16,960
Foreign companies	54	–	60,463	60,517
Investment fund units	–	–	2	2
Other securities	357	–	469	826
	3,887	–	74,418	78,305
Trading derivatives	221	258,721	284,665	543,607
	12,245,304	474,639	1,415,828	14,135,771

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive, net of impairment, as at 31 December 2019, by valuation levels, is analysed as follows:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,392,381	67,597	–	4,459,978
Foreign issuers	5,604,209	–	–	5,604,209
Bonds issued by other entities				
Portuguese issuers	644,464	69,044	108,581	822,089
Foreign issuers	358,274	–	2	358,276
Treasury bills and other Government bonds				
Portuguese issuers	1,922,991	–	–	1,922,991
Foreign issuers	–	315,325	–	315,325
Shares of foreign companies	–	–	37,375	37,375
Investment fund units	–	–	983,327	983,327
	12,922,319	451,966	1,129,285	14,503,570
Equity instruments				
Shares				
Portuguese companies	4,786	3,423	13,469	21,678
Foreign companies	114	9,339	24,516	33,969
Investment fund units	–	–	3	3
Other securities	–	–	545	545
	4,900	12,762	38,533	56,195
Trading derivatives	362	317,689	301,861	619,912
	12,927,581	782,417	1,469,679	15,179,677

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 47) in the amount of Euros 827,976,000 (31 December 2019: Euros 924,489,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2020, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

In 2020, the instruments classified as level 3 have associated net losses not performed in the amount of Euros 16,895,000 (2019: Euros 1,555,000) recorded in Other comprehensive income. The amount of impairment created for these securities amounts to Euros 1,097,000 (2019: Euros 1,177,000).

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	–	19,395	497,250	3,086,366	–	3,603,011
Foreign issuers	4,258	253,699	5,161,999	1,532,629	–	6,952,585
Bonds issued by other entities						
Portuguese issuers	54,305	35,736	416,845	416,450	–	923,336
Foreign issuers	44,345	59,434	178,215	415,596	–	697,590
Treasury bills and other Government bonds						
Portuguese issuers	166,330	217,633	–	–	–	383,963
Foreign issuers	15,775	34,225	–	–	–	50,000
Shares of foreign companies	–	–	–	–	17,952	17,952
Investment fund units	1,160	–	127,236	747,692	6,314	882,402
	286,173	620,122	6,381,545	6,198,733	24,266	13,510,839
Equity instruments						
Companies' shares						
Portuguese companies	–	–	–	–	16,960	16,960
Foreign companies	–	–	–	–	60,517	60,517
Investment fund units	–	–	–	–	2	2
Other securities	–	–	–	–	826	826
	–	–	–	–	78,305	78,305
	286,173	620,122	6,381,545	6,198,733	102,571	13,589,144

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	–	82,854	2,952,439	1,424,685	–	4,459,978
Foreign issuers	230,897	270,439	4,734,189	368,684	–	5,604,209
Bonds issued by other entities						
Portuguese issuers	44	–	383,176	438,869	–	822,089
Foreign issuers	495	–	171,779	186,002	–	358,276
Treasury bills and other Government bonds						
Portuguese issuers	782,058	1,140,933	–	–	–	1,922,991
Foreign issuers	235,175	80,150	–	–	–	315,325
Shares of foreign companies	–	–	–	–	37,375	37,375
Investment fund units	–	14,017	94,527	866,587	8,196	983,327
	1,248,669	1,588,393	8,336,110	3,284,827	45,571	14,503,570
Equity instruments						
Companies' shares						
Portuguese companies	–	–	–	–	21,678	21,678
Foreign companies	–	–	–	–	33,969	33,969
Investment fund units	–	–	–	–	3	3
Other securities	–	–	–	–	545	545
	–	–	–	–	56,195	56,195
	1,248,669	1,588,393	8,336,110	3,284,827	101,766	14,559,765

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	2020	2019
Public sector	25	27
Asset-backed loans	–	8
Unsecured loans	347,188	346,558
	347,213	346,593
Overdue loans - less than 90 days	2,133	1,717
Overdue loans - Over 90 days	4,963	4,057
	354,309	352,367

The balance Loans to customers at fair value correspond essentially to consumer loans. This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	45,479	37,178
3 to 6 months	152,197	139,124
6 to 12 months	149,533	170,289
1 to 5 periods	4	2
Over 5 years	7,096	5,774
	354,309	352,367

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	1,639	—	—	—	1,639
Mining	—	10	—	—	10
Paper, printing and publishing	54,207	2	—	—	54,209
Chemicals	—	4	—	—	4
Machinery, equipment and basic metallurgical	4,062	448	—	—	4,510
Electricity and gas	16,239	—	—	—	16,239
Water	7,136	—	—	—	7,136
Construction	17,730	5	18,865	—	36,600
Retail business	—	2	—	—	2
Wholesale business	53,355	—	—	—	53,355
Restaurants and hotels	—	871	—	—	871
Transports	222,982	—	—	—	222,982
Telecommunications	—	2,771	—	—	2,771
Services					
Financial intermediation (*)	777,184	75,167	842,279	—	1,694,630
Real estate activities	—	—	15,528	—	15,528
Consulting, scientific and technical activities	446,502	138	—	—	446,640
Administrative and support services activities	10,370	9,404	—	—	19,774
Public sector	42,836	—	469	—	43,305
Artistic, sports and recreational activities	16,683	—	—	—	16,683
Other services	1	6,607	6,089	—	12,697
	1,670,926	95,429	883,230	—	2,649,585
Government and Public securities	10,939,559	—	—	—	10,939,559
	12,610,485	95,429	883,230	—	13,589,144

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 47.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	680	—	—	—	680
Mining	—	7	—	—	7
Paper, printing and publishing	51,735	2	—	—	51,737
Chemicals	—	4	—	—	4
Machinery, equipment and basic metallurgical	2,363	2,518	—	—	4,881
Electricity and gas	9,410	—	—	—	9,410
Water	7,000	—	—	—	7,000
Construction	17,611	16	23,252	—	40,879
Retail business	—	6	—	—	6
Wholesale business	200,367	162	—	—	200,529
Restaurants and hotels	—	9,357	—	—	9,357
Transports	297,236	—	—	—	297,236
Telecommunications	—	4,686	—	—	4,686
Services					
Financial intermediation (*)	753,341	59,314	933,445	—	1,746,100
Real estate activities	—	—	19,749	—	19,749
Consulting, scientific and technical activities	129,301	140	—	—	129,441
Administrative and support services activities	9,961	9,391	—	—	19,352
Public sector	—	—	544	—	544
Artistic, sports and recreational activities	16,683	—	—	—	16,683
Other services	2	7,412	6,885	—	14,299
Other international activities	—	7	—	—	7
	1,495,690	93,022	983,875	—	2,572,587
Government and Public securities	11,987,178	—	—	—	11,987,178
	13,482,868	93,022	983,875	—	14,559,765

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 924,489,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 47.

The analysis of trading derivatives, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	175,427	–	175,427	29	–
Interest rate swaps	480,392	1,272,413	4,862,575	6,615,380	225,530	235,325
Interest rate options (purchase)	2,959	92,213	201,003	296,175	28	–
Interest rate options (sale)	–	8,796	200,939	209,735	–	58
	483,351	1,548,849	5,264,517	7,296,717	225,587	235,383
Stock Exchange transactions:						
Interest rate futures	6,375	–	1,360,300	1,366,675	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	273,786	312,557	48,039	634,382	10,202	6,078
Currency swaps	2,110,964	405,011	23,614	2,539,589	22,341	18,096
	2,384,750	717,568	71,653	3,173,971	32,543	24,174
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	299,859	–	18,401	318,260	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	448,722	204,134	699,216	1,352,072	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Shares/indexes options (purchase)	90,378	157,188	107,114	354,680	4,467	–
Shares/indexes options (sale)	11,096	17,040	8,541	36,677	–	101
	101,474	174,228	783,393	1,059,095	4,467	101
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,730	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,730	–
Total derivatives traded in:						
OTC Market	3,398,346	2,470,551	6,311,106	12,180,003	539,140	260,119
Stock Exchange	107,849	174,228	2,143,694	2,425,771	4,467	101
Embedded derivatives					–	4,426
	3,506,195	2,644,779	8,454,800	14,605,774	543,607	264,646

The analysis of trading derivatives, by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate Derivatives:						
OTC Market:						
Interest rate swaps	254,840	507,831	5,718,298	6,480,969	306,167	242,288
Interest rate options (purchase)	–	92,815	165,628	258,443	39	–
Interest rate options (sale)	–	–	162,574	162,574	–	58
	254,840	600,646	6,046,500	6,901,986	306,206	242,346
Stock Exchange transactions:						
Interest rate futures	53,192	17,817	–	71,009	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	260,402	174,276	23,013	457,691	1,244	5,486
Currency swaps	2,386,123	340,615	36,118	2,762,856	6,750	29,295
Currency options (purchase)	24,979	2,274	–	27,253	632	–
Currency options (sale)	24,979	2,274	–	27,253	–	632
	2,696,483	519,439	59,131	3,275,053	8,626	35,413
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps:	–	50,848	–	50,848	157	1,013
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	304,513	1,179,093	1,027,987	2,511,593	4,271	1,910
Shares/indexes options (sale)	478,348	–	20,126	498,474	–	–
Other shares/indexes options (purchase)	16,864	–	–	16,864	16,442	–
Other shares/indexes options (sale)	16,864	–	–	16,864	–	–
	816,589	1,179,093	1,048,113	3,043,795	20,713	1,910
Stock Exchange transactions:						
Shares futures	728,807	–	–	728,807	–	–
Shares/indexes options (purchase)	125,064	297,909	163,362	586,335	15,112	–
Shares/indexes options (sale)	27,983	52,721	(2,624)	78,080	–	696
	881,854	350,630	160,738	1,393,222	15,112	696
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	38	–	–	38	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	283,107	283,107	267,841	–
Other credit derivatives (sale)	–	–	78,484	78,484	–	–
	–	–	361,591	361,591	267,841	–
Total derivatives traded in:						
OTC Market	3,767,912	2,350,026	7,515,335	13,633,273	603,543	280,682
Stock Exchange	935,084	368,447	160,738	1,464,269	15,112	696
Embedded derivatives					1,257	14,983
	4,702,996	2,718,473	7,676,073	15,097,542	619,912	296,361

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	91,249	285,766	45,141	229,923

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2020, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 1,732,000 (31 December 2019: positive amount of Euros 2,259,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a positive amount of Euros 2,016,000 (31 December 2019: negative amount of Euros 4,514,000).

During 2020, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 72,606,000 (31 December 2019: positive amount of Euros 44,882,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Stock Exchange transactions						
Interest rate Futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	274,584	–	–	274,584	–	6,385
Other currency contracts (CIRS)	442,564	610,622	2,225,527	3,278,713	4,779	143,465
	717,148	610,622	2,225,527	3,553,297	4,779	149,850
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange transactions	–	–	197,400	197,400	–	–

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	83,090	–	–	83,090	185	172
Other currency contracts (CIRS)	469,804	930,004	1,605,817	3,005,625	8,853	98,300
	552,894	930,004	1,605,817	3,088,715	9,038	98,472
Hedging derivatives related to net investment						
OTC Market						
Currency and interest rate swap	–	462,072	136,723	598,795	–	8,057
Total derivatives traded by						
OTC Market	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Portuguese credit institutions	40,114	37,959
Foreign credit institutions	139,095	172,432
Other Portuguese companies	287,285	228,897
Other foreign companies	21,024	21,876
	487,518	461,164
Impairment	(52,559)	(60,773)
	434,959	400,391

The movements occurred in Impairment for investments in associated companies are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	60,773	78,012
Transfers	–	2,853
Impairment charge for the year (note 12)	4,735	4,550
Loans charged-off	–	(3,756)
Exchange rate differences	(12,949)	(20,886)
Balance at the end of the year	52,559	60,773

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	2020				2019
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	228,956	—	—	228,956	174,348
Banco Millennium Atlântico, S.A.	53,257	43,255	(29,991)	66,521	93,044
Banque BCP, S.A.S.	42,583	—	—	42,583	40,274
Cold River's Homestead, S.A.	19,087	—	(4,557)	14,530	15,522
SIBS, S.G.P.S, S.A.	38,881	—	—	38,881	34,815
Unicre - Instituição Financeira de Crédito, S.A.	32,679	7,435	—	40,114	37,959
Webspectator Corporation	86	18,011	(18,011)	86	94
Others	3,288	—	—	3,288	4,335
	418,817	68,701	(52,559)	434,959	400,391

These investments correspond to unquoted companies. According to the accounting policy described in note 1 B, these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 62.

The main indicators of the principal associated companies, as at 31 December 2020, are analysed as follows:

(Thousands of euros)

	2020 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,352,484	10,589,925	460,420	81,248
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	2,218,339	1,988,094	283,529	32,107
Banque BCP, S.A.S.	France	19.8	4,454,861	4,239,715	121,729	12,792
SIBS, S.G.P.S, S.A. (**)	Portugal	23.3	282,800	120,800	113,476	18,800
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32.0	344,971	260,667	115,978	3,532

(a) Non audited accounts

(*) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29 (note 14).

(**) Provisional values.

The main indicators of the principal associated companies, as at 31 December 2019, are analysed as follows:

(Thousands of euros)

	2019					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,813,053	11,152,606	1,035,785	47,677
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,027,719	2,725,875	359,375	74,094
Banque BCP, S.A.S.	France	19.8	4,147,954	3,944,835	123,119	20,624
SIBS, S.G.P.S, S.A.	Portugal	23.3	284,879	123,561	226,952	31,082
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	375,736	279,017	170,568	16,225

(*) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29 (note 14).

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

(Thousands of euros)

	2020	2019
Ownership held by BCP on equity of the associated company as at 1 January	93,044	141,188
Application of IAS 29 for the year:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 43)	(7,676)	(14,733)
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 14)	(3,944)	(5,725)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	(6,476)	(10,682)
Impairment for investments in associated companies	(3,826)	—
Appropriation of the net income of the associated companies (note 14)	7,300	16,923
Appropriation of the net income of previous years (note 14)	(27)	—
Annulment of the gains arising from properties sold to Group entities (note 14)	6,067	(8,680)
Other comprehensive income attributable to BCP	(114)	(1,735)
Exchange differences		
Effect on BMA's equity	(23,436)	(33,779)
Goodwill associated with investment in BMA	(7,881)	(12,999)
Impairment for investments in associated companies (note 43)	12,950	20,886
Annulment of the gains arising from the sale of properties to Group entities	540	2,073
Others	—	307
Investment held at the end of the year	66,521	93,044

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2020	2019
Income	283,529	359,375
Net profit for the year	32,107	74,094
Comprehensive income	(501)	(7,633)
Total comprehensive income attributable to Shareholders of the associated company	31,606	66,461
Application of IAS 29 (*)	(17,346)	(25,181)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	14,260	41,280
Attributable to the BCP Group	3,242	9,385
Balance sheet		
Financial assets	1,918,456	2,455,612
Non-financial assets	299,883	572,107
Financial liabilities	(1,951,208)	(2,657,420)
Non-financial liabilities	(36,886)	(68,455)
Attributable to Shareholders of the associated companies	230,245	301,844
Application of IAS 29 (*)	62,351	113,459
Reverse of the gain from the sale of buildings to entities of the Group	—	(29,064)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	292,596	386,239
Attributable to the BCP Group	66,521	87,810
Goodwill of the merge	29,991	44,349
Impairment for investments in associated companies	(29,991)	(39,115)
Attributable to the BCP Group adjusted of consolidation items	66,521	93,044

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to be applied on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

(Thousands of euros)

	2020	2019
Ownership held by BCP on equity of the associated company as at 1 January	174,348	138,460
Appropriation of the net income of the associated company (note 14) (*)	44,344	28,430
Other comprehensive income attributable to BCP	10,264	7,458
Investment held at the end of the year	228,956	174,348

(*) Includes adjustments according to BCP GAAP.

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2020	2019
Income	460,420	1,035,785
Net profit for the year	81,248	47,677
Comprehensive income	20,947	15,220
Total comprehensive income attributable to Shareholders of the associated company	102,195	62,897
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	9,250	10,343
Attributable to Shareholders of the associated company adjusted to BCP GAAP	111,445	73,240
Attributable to the BCP Group	54,608	35,888
Balance sheet		
Financial assets	10,928,566	11,374,831
Non-financial assets	423,918	438,222
Financial liabilities	(10,466,340)	(11,060,565)
Non-financial liabilities	(123,585)	(92,041)
Total equity	762,559	660,447
Attributable to non-controlling interests	11,567	11,649
Attributable to Shareholders of the associated companies	750,992	648,798
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	347,167	337,917
Attributable to Shareholders of the associated company adjusted to BCP GAAP	1,098,159	986,715
Attributable to the BCP Group	538,098	483,490
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	228,956	174,348

(*) VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), being accounted as investment in an associate under the equity method.

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 is in force on 1 January 2018, the insurance companies can choose for the temporary exemption until 31 December 2022.

The Group chose for the temporary exemption until 31 December 2022, following the approach of Mbcp Ageas, and as far it fulfils the requirements to be accomplish with the temporary exemption until 31 December 2022 which are:

- The entity didn't adopt previously the IFRS 9;
- The liabilities measured according IFRS 4 are significative;
- The weight of IFRS4 liabilities in total liabilities of entity is more than 90%;
- Non-related activities with insurance activity isn't significant.

This exception and based on paragraph 20P b) and 20Oa) of IFRS 4, allows the Group to apply IFRS 9 in its consolidated accounts and to have Mbcp Ageas not applying IFRS 9 in its individual accounts (which are integrated into the consolidated accounts using the equity method).

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 31 December 2020, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a positive amount of Euros 461,000 (2019: positive amount of Euros 513,000).

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	848,277	(146,372)	701,905	1,072,391	(191,105)	881,286
Assets belong to investments funds and real estate companies	309,547	(52,465)	257,082	371,417	(54,579)	316,838
Assets for own use (closed branches)	26,122	(6,654)	19,468	30,778	(7,333)	23,445
Equipment and other	38,131	(10,158)	27,973	45,113	(10,874)	34,239
Other assets	20,053	—	20,053	24,033	—	24,033
	1,242,130	(215,649)	1,026,481	1,543,732	(263,891)	1,279,841

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 G).

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 54.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 27,367,000 (31 December 2019: Euros 36,111,000), of which Euros 167,000 (31 December 2019: Euros 2,092,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 10,140,000 (31 December 2019: Euros 10,618,000), of which Euros 52,000 (31 December 2019: Euros 479,000) relate to properties held by investment funds which was calculated considering the value of the respective contracts.

In 2019, the Group established a contract for the sale of a real estate assets portfolio in the total amount of Euros 122,029,000, which generated in that year a gain of Euros 2,000,000. Under the same contract in 2020, additional real estate assets were sold in the total amount of Euros 5,549,000, which generated a loss of Euros 747,000.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	263,891	296,699
Transfers resulting from changes in the Group's structure (a)	–	(5,707)
Transfers	779	2,937
Charge for the year (note 12)	78,355	98,080
Reversals for the year (note 12)	(11,645)	(13,656)
Amounts charged-off	(113,941)	(114,462)
Exchange rate differences	(1,790)	–
Balance at the end of the year	215,649	263,891

(a) In 2019, Cold River's Homestead S.A. started to be consolidated under the equity method of consolidation, so this balance refers to the impairment that was accounted to Cold River's Homestead S.A. real estate portfolio, as at 31 December 2018 .

27. Investment property

As at 31 December 2020, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 391,000 (31 December 2019: Euros 484,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 188,000 (31 December 2019: Euros 323,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	13,291	11,058
Transfers from / to non-current assets held for sale	(1,225)	1,267
Revaluations	115	2,092
Disposals	(4,272)	(1,126)
Balance at the end of the year	7,909	13,291

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Real estate	725,639	762,085
Equipment:		
Computer equipment	330,853	330,524
Security equipment	69,812	71,268
Interior installations	144,693	145,298
Machinery	49,452	48,466
Furniture	84,962	85,951
Motor vehicles	29,448	31,820
Other equipment	30,886	32,072
Right of use		
Real estate	334,608	329,604
Vehicles and equipment	929	958
Work in progress	18,021	20,833
Other tangible assets	248	296
	1,819,551	1,859,175
Accumulated depreciation		
Relative to the current year (note 9)	(104,813)	(101,184)
Relative to the previous years	(1,073,913)	(1,028,549)
	(1,178,726)	(1,129,733)
	640,825	729,442

As at 31 December 2020, the balance Real Estate includes the amount of Euros 118,532,000 (31 December 2019: Euros 120,395,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H and note 59.

The changes occurred in Other tangible assets during 2020 are analysed as follows:

(Thousands of euros)

	2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	762,085	2,442	(18,257)	2,415	(23,046)	725,639
Equipment:						
Computer equipment	330,524	11,871	(7,096)	5,331	(9,777)	330,853
Security equipment	71,268	294	(686)	–	(1,064)	69,812
Interior installations	145,298	929	(1,449)	2,767	(2,852)	144,693
Machinery	48,466	706	(465)	2,803	(2,058)	49,452
Furniture	85,951	898	(747)	195	(1,335)	84,962
Motor vehicles	31,820	3,036	(2,978)	–	(2,430)	29,448
Other equipment	32,072	9	(386)	1,255	(2,064)	30,886
Right of use						
Real estate	329,604	26,418	(10,127)	118	(11,405)	334,608
Vehicles and equipment	958	1	–	–	(30)	929
Work in progress	20,833	14,032	(37)	(14,938)	(1,869)	18,021
Other tangible assets	296	17	(1)	–	(64)	248
	1,859,175	60,653	(42,229)	(54)	(57,994)	1,819,551
Accumulated depreciation						
Real estate	(434,959)	(16,103)	10,719	78	8,953	(431,312)
Equipment:						
Computer equipment	(287,185)	(17,642)	6,468	(51)	6,996	(291,414)
Security equipment	(66,236)	(983)	686	–	871	(65,662)
Interior installations	(129,157)	(2,708)	1,275	–	1,726	(128,864)
Machinery	(41,233)	(1,238)	303	(781)	1,616	(41,333)
Furniture	(76,517)	(2,936)	676	774	841	(77,162)
Motor vehicles	(16,616)	(4,644)	2,575	(8)	1,478	(17,215)
Other equipment	(24,001)	(1,478)	359	(10)	1,544	(23,586)
Right of use						
Real estate	(53,428)	(56,761)	5,812	(14)	2,916	(101,475)
Vehicles and equipment	(365)	(320)	–	–	17	(668)
Other tangible assets	(36)	–	1	–	–	(35)
	(1,129,733)	(104,813)	28,874	(12)	26,958	(1,178,726)
	729,442	(44,160)	(13,355)	(66)	(31,036)	640,825

The changes occurred in Other tangible assets during 2019 are analysed as follows:

(Thousands of euros)

	2019						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
Real estate	780,726	410	(20,359)	3,749	(3,788)	1,347	762,085
Equipment:							
Computer equipment	306,699	16,560	(8,090)	5,340	9,489	526	330,524
Security equipment	71,703	920	(1,243)	–	(139)	27	71,268
Interior installations	143,114	1,464	(928)	–	1,579	69	145,298
Machinery	45,871	679	(874)	944	1,570	276	48,466
Furniture	84,363	2,740	(2,745)	–	1,559	34	85,951
Motor vehicles	32,948	7,202	(9,166)	573	145	118	31,820
Other equipment	32,663	19	(629)	361	(646)	304	32,072
Right of use - (IFRS 16) (*)							
Real estate	248,753	64,477	(12,148)	18,378	8,785	1,359	329,604
Vehicles and equipment	663	2	(5)	–	284	14	958
Work in progress	21,719	25,592	(214)	356	(26,830)	210	20,833
Other tangible assets	236	46	–	–	14	–	296
	1,769,458	120,111	(56,401)	29,701	(7,978)	4,284	1,859,175
Accumulated depreciation							
Real estate	(431,078)	(17,859)	11,042	–	3,738	(802)	(434,959)
Equipment:							
Computer equipment	(278,202)	(15,441)	7,832	–	(1,003)	(371)	(287,185)
Security equipment	(66,409)	(1,191)	1,234	–	150	(20)	(66,236)
Interior installations	(127,455)	(2,641)	867	–	108	(36)	(129,157)
Machinery	(41,873)	(948)	848	–	962	(222)	(41,233)
Furniture	(75,600)	(2,609)	2,723	–	(1,012)	(19)	(76,517)
Motor vehicles	(14,294)	(5,178)	2,824	–	98	(66)	(16,616)
Other equipment	(23,819)	(1,720)	617	–	1,141	(220)	(24,001)
Right of use							
Real estate	–	(53,236)	53	–	–	(245)	(53,428)
Vehicles and equipment	–	(361)	1	–	–	(5)	(365)
Other tangible assets	(36)	–	–	–	–	–	(36)
	(1,058,766)	(101,184)	28,041	–	4,182	(2,006)	(1,129,733)
	710,692	18,927	(28,360)	29,701	(3,796)	2,278	729,442

(*) The balance on 1 January of the item Right-of-use corresponds to the IFRS 16 adjustment (note 59).

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	105,385	113,032
Euro Bank, S.A. (Poland) (*)	42,130	38,280
Others	14,260	14,592
	161,775	165,904
Impairment		
Others	(13,573)	(13,837)
	148,202	152,067
Intangible assets		
Software	201,918	189,031
Other intangible assets	67,777	67,214
	269,695	256,245
Accumulated amortisation		
Charge for the year (note 9)	(32,336)	(23,601)
Charge for the previous years	(139,607)	(142,081)
	(171,943)	(165,682)
	97,752	90,563
	245,954	242,630

(*) Euro Bank, S.A was merged into Bank Millennium, S.A. in November 2019 (note 60).

According to the accounting policy described in note 1 B), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2020, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

During 2020, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor to the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved at the end of 2020 by the Executive Committee up to 2025. After that date, a perpetuity was considered based on the average long-term expected adjusted rate of return for this activity in the Polish market. Additionally, the market performance of Bank Millennium, S.A. in the Polish capital market was taken into consideration and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded that there is no need for impairment charges related to the goodwill of this participation.

The above mentioned business plan of Bank Millennium, S.A. comprises a five-year period, from 2021 to 2025, considering, along this period, a compound annual growth rate of 6.2% for Total Assets and of 8.4% for Total Equity, while considering a ROE evolution from 2.9% by the end of 2021 to 9.2% by the end of 2025 and 11.0% in perpetuity. The exchange rate EUR/PLN considered was 4.5603 as at 31 December 2020. The Cost of Equity considered was 8.875% for the period 2021 to 2025 and in perpetuity. The annual growth rate in perpetuity (g) was 2.37%.

The changes occurred in Goodwill and intangible assets, during 2020, are analysed as follows:

(Thousands of euros)

	2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
Impairment for goodwill	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
Software	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
Software	(108,690)	(29,100)	14,951	221	7,203	(115,415)
Other intangible assets	(56,992)	(3,236)	–	(221)	3,921	(56,528)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

The changes occurred in Goodwill and intangible assets during 2019 are analysed as follows:

(Thousands of euros)

	2019						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	170,493	38,576	(44,608)	–	–	1,443	165,904
Impairment for goodwill	(54,137)	(559)	40,859	–	–	–	(13,837)
	116,356	38,017	(3,749)	–	–	1,443	152,067
Intangible assets							
Software	142,229	45,082	(5,476)	8,542	(2,499)	1,153	189,031
Other intangible assets	56,765	5,001	(622)	2,910	2,464	696	67,214
	198,994	50,083	(6,098)	11,452	(35)	1,849	256,245
Accumulated depreciation							
Software	(87,126)	(21,525)	45	–	690	(774)	(108,690)
Other intangible assets	(53,829)	(2,076)	196	–	(690)	(593)	(56,992)
	(140,955)	(23,601)	241	–	–	(1,367)	(165,682)
	58,039	26,482	(5,857)	11,452	(35)	482	90,563
	174,395	64,499	(9,606)	11,452	(35)	1,925	242,630

30. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2020			2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177		983,177	983,177	—	983,177
Employee benefits	836,909		836,909	836,911	—	836,911
	1,820,086	—	1,820,086	1,820,088	—	1,820,088
Deferred taxes depending on the future profits						
Impairment losses (b)	723,864	(50,303)	673,561	822,822	(50,303)	772,519
Tax losses carried forward	176,885	—	176,885	120,295	—	120,295
Employee benefits	55,268	(542)	54,726	47,919	(811)	47,108
Financial assets at fair value through other comprehensive income	38,000	(189,359)	(151,359)	59,379	(140,103)	(80,724)
Derivatives	—	(4,451)	(4,451)	—	(5,640)	(5,640)
Intangible assets	49	—	49	49	(663)	(614)
Other tangible assets	10,992	(4,081)	6,911	11,199	(4,171)	7,028
Others	68,885	(18,745)	50,140	46,711	(17,192)	29,519
	1,073,943	(267,481)	806,462	1,108,374	(218,883)	889,491
Total deferred taxes	2,894,029	(267,481)	2,626,548	2,928,462	(218,883)	2,709,579
Offset between deferred tax assets and deferred tax liabilities	(260,239)	260,239	—	(207,814)	207,814	—
Net deferred taxes	2,633,790	(7,242)	2,626,548	2,720,648	(11,069)	2,709,579

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2020 and 2019 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 31 December 2020, the balance deferred tax assets amounts to Euros 2,633,790,000, of which Euros 2,469,190,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 649,137,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 549,477,000 related to impairment losses; and

- Euros 147,819,000 resulting from tax losses carried forward from 2016 and 2020 , which, taking into account the changes established in Law no. 27-A/2020, of July 24, within the scope of the Supplementary Budget for 2020, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the periods taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,471,614,000 (31 December 2019: Euros 1,391,083,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and when the deferred taxes are related to the same tax.

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	2020	2019
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2019: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2019: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 14% in Switzerland.

In accordance with the amendments provided for in Law No. 27-A/2020, of 24 July, under the Supplementary Budget for 2020, the reporting period for tax losses in Portugal, is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses calculated in 2020 and 2021 have a reporting period of 12 years, which may be deducted until 2032 and 2033 respectively. The limit for the deduction of tax losses is increased from 70% to 80%, when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

(Thousands of euros)

Expiry date	2020	2019
2020-2025	29,043	10,306
2028-2029	—	109,989
2030-2032	147,842	—
	176,885	120,295

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

In the calculation of the taxable income for the year 2019 and in the estimation of taxable income by reference to 31 December 2020 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

The Group complies with the guidelines of IFRIC 23 - Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the Bank's financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Z.3) and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2021 and adjusted according to the strategic plan approved by the elected governing bodies, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods of 2021 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2021 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2020, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 submitted to the supervisory authority in March 2019, updated in June 2020 and also on the average reversal percentage observed in the last years of 2016 to 2020;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures.

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2020. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2020, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made reflect the effects of changes in the macroeconomic, competitive and legal/regulatory framework caused by the Covid - 19 pandemic. The Group's strategic priorities remain unchanged, although the achievement of the projected financial results will necessarily suffer a time delay due, on the one hand, to the constraints on the development of activity imposed by the crisis and, on the other, to the impact that the same crisis will have on the credit and other asset portfolios, with immediate repercussions on profitability. To this extent, the projections assume, beyond the initial years of the crisis, a convergence towards medium/long-term metrics and trends consistent with commercial positioning and the ambitious capture of efficiency gains, to which the Group remains committed, with emphasis on:

- improvement in the net margin, reflecting an effort to increase credit, favouring certain segments, the focus on off-balance sheet resources while interest rates remain negative and the effect of the normalization of those rates in the last years of the projection horizon, such as results from the market interest rate curve;

- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non-current assets, with the progressive reduction of the historical NPE, foreclosed assets and FREs portfolios;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, but implying in the short term an effort to adapt the Bank's structure.

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 31 December 2020.

In accordance with these assessments, the amount of unrecognised deferred tax related to tax losses, by expiry year, is as follows:

(Thousands of euros)

Tax losses carried forward	2020	2019
2021-2025	119,413	182,872
2026	42,581	213,521
2027-2029	214,901	408,679
2030-2032	415,785	—
	792,680	805,072

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020		
	Net income for the year	Reserves	Exchange differences
Deferred taxes Deferred taxes not depending on the future profits			
Employee benefits	—	(2)	—
	—	(2)	—
Deferred taxes depending on the future profits			
Impairment losses	(91,910)	—	(7,048)
Tax losses carried forward (a)	42,207	18,198	(3,815)
Employee benefits	4,019	3,133	466
Financial assets at fair value through other comprehensive income	—	(73,369)	2,734
Derivatives	—	—	1,189
Intangible assets	631	—	32
Other tangible assets	(14)	—	(103)
Others	21,740	(10)	(1,109)
	(23,327)	(52,048)	(7,654)
	(23,327)	(52,050)	(7,654)
Current taxes			
Current year	(109,850)	476	—
Correction of previous years	(3,467)	—	—
	(113,317)	476	—
	(136,644)	(51,574)	(7,654)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Net income for the year	Reserves	Exchange differences	Euro Bank	Discontinuing operations (c)
Deferred taxes Deferred taxes not depending on the future profits (a)					
Impairment losses	9,860	—	—	—	—
Employee benefits	102	229	—	—	—
	9,962	229	—	—	—
Deferred taxes depending on the future profits					
Impairment losses	(19,867)	—	1,148	41,538	—
Tax losses carried forward (b)	(159,768)	(48,201)	35	—	—
Employee benefits	7,022	(4,162)	300	511	—
Financial assets at fair value through other comprehensive income	—	(47,462)	(2,642)	—	—
Derivatives	—	—	431	—	—
Intangible assets	61	—	(4)	(710)	—
Other tangible assets	1,304	—	19	130	—
Others	22,916	5,797	5,312	(10,758)	(4,732)
	(148,332)	(94,028)	4,599	30,711	(4,732)
	(138,370)	(93,799)	4,599	30,711	(4,732)
Current taxes					
Current year	(115,396)	583	—	639	—
Correction of previous years	14,488	—	—	—	—
	(100,908)	583	—	639	—
	(239,278)	(93,216)	4,599	31,350	(4,732)

(a) The increase in deferred tax assets not dependent on future profitability arises from the merger by incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.

(b) Tax on reserves refers to realities recognized in reserves that compete for the purposes of calculating taxable income. The impacts on results and reserves of 2019 include the negative amounts of Euros 9,889,000 and Euros 1,349,000, respectively, resulting from the merger by incorporation of Banco de Investimento Imobiliário, S.A., calculated by reference to 1 January 2019, date that the merger produced its accounting-tax effects (from the perspective of the IRC).

(c) Refers to the sale of Planfipsa.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	2020	2019
Net income / (loss) before income taxes	345,009	627,266
Current tax rate (%)	31.5%	31.5%
Expected tax	(108,678)	(197,589)
Tax benefits	12,963	13,610
Correction of previous years	(787)	12,279
Interests on other equity instruments (a)	11,655	—
Effect of the difference between the tax rate and deferred tax (b)	(11,401)	38,690
Effect of recognition / derecognition net of deferred taxes (c)	(3,010)	(85,478)
Other corrections	(3,464)	1,900
Non-deductible impairment and provisions	(23,966)	(8,779)
Results of companies accounted by the equity method	21,324	13,542
Autonomous tax	(1,097)	(1,580)
Contribution to the banking sector	(30,183)	(25,873)
Total	(136,644)	(239,278)
Effective rate (%)	39.61%	38.15%

(a) Relates to the impact of the deduction, for the purpose of calculating the taxable income, of interests paid related with the perpetual bond, subordinated debt representative, issued on 31 January 2019.

(b) In 2019, includes the amount of Euros 15,486,000 related to the effect of the rate update of deferred tax assets on temporary differences transferred by the merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.

(c) In 2019, it includes the negative amount of Euros 69,584,000 related to Banco Comercial Português, S.A. and the effect of the derecognition of deferred tax assets related to tax losses resulting from the merger in the negative amount of Euros 9,889,000.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Deposit account applications	324,501	468,123
Associated companies	425	631
Subsidies receivables	9,750	9,429
Prepaid expenses	24,186	25,757
Debtors for futures and options transactions	281,991	98,965
Insurance activity	5,355	5,882
Debtors		
Residents		
Prosecution cases / agreements with the Bank	14,023	14,832
SIBS	4,832	6,183
Receivables from real estate, transfers of assets and other securities	105,003	40,361
Others	18,579	18,575
Non-residents	96,346	31,832
Dividends to receive	4,672	—
Interest and other amounts receivable	64,320	55,628
Amounts receivable on trading activity	498	7,256
Gold and other precious metals	3,743	3,769
Other financial investments	16,393	20,473
Other recoverable tax	28,817	28,818
Artistic patrimony	165	165
Reinsurance technical provision	21,071	16,604
Obligations with post-employment benefits	93,041	10,529
Capital supplies	239,735	238,449
Amounts due for collection	74,119	74,469
Amounts due from customers	21,278	225,073
Sundry assets	109,311	85,247
	1,562,154	1,487,050
Impairment for other assets	(265,342)	(247,916)
	1,296,812	1,239,134

As referred in note 47, as at 31 December 2020, the item Capital supplies includes the amount of Euros 232,421,000 (31 December 2019: Euros 231,136,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2020, the balance Deposit account applications includes the amount of Euros 286,315,000 (31 December 2019: Euros 431,226,000) on the Clearing houses / Clearing derivatives.

The balance Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is registered in the income statement.

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	247,916	285,141
Transfers	15,464	3,442
Charge for the year (note 12)	17,184	14,107
Reversals for the year (note 12)	(9,636)	(7,606)
Amounts charged-off	(5,381)	(47,173)
Exchange rate differences	(205)	5
Balance at the end of the year	265,342	247,916

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	–	7,510,013	7,510,013	–	3,940,496	3,940,496
Central Banks abroad	–	94,713	94,713	–	109,508	109,508
	–	7,604,726	7,604,726	–	4,050,004	4,050,004
Resources from credit institutions in Portugal						
Sight deposits	97,151	–	97,151	112,244	–	112,244
Term Deposits	–	313,560	313,560	–	92,471	92,471
Loans obtained	–	–	–	–	1,771	1,771
CIRS and IRS operations collateralised by deposits (*)	–	120	120	–	1,060	1,060
Other resources	–	229	229	–	–	–
	97,151	313,909	411,060	112,244	95,302	207,546
Resources from credit institutions abroad						
Very short-term deposits	–	–	–	–	640	640
Sight deposits	110,625	–	110,625	109,004	–	109,004
Term Deposits	–	216,818	216,818	–	169,413	169,413
Loans obtained	–	467,353	467,353	–	1,784,671	1,784,671
CIRS and IRS operations collateralised by deposits (*)	25,211	–	25,211	18,484	–	18,484
Sales operations with repurchase agreement	–	54,507	54,507	–	21,335	21,335
Other resources	–	8,459	8,459	–	5,861	5,861
	135,836	747,137	882,973	127,488	1,981,920	2,109,408
	232,987	8,665,772	8,898,759	239,732	6,127,226	6,366,958

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically for the period between 24 June 2020, the date of disbursement of financing funds in progress at 31 December 2020, and 23 June 2021, the Group considers that, with a high degree of probability, it will fulfil the conditions required for application to the financing an interest rate corresponding to the average Deposity Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. As at 31 December 2020, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 7,550,070,000.

The balance Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	622,107	836,401
3 to 6 months	162,304	3,535,288
6 to 12 months	100,178	628,022
1 to 5 periods	7,954,170	1,062,395
Over 5 years	60,000	304,852
	8,898,759	6,366,958

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	42,712,179	382,188	43,094,367	36,658,120	425,247	37,083,367
Term deposits	—	14,186,698	14,186,698	—	17,329,381	17,329,381
Saving accounts	—	5,278,672	5,278,672	—	4,276,990	4,276,990
Treasury bills and other assets sold under repurchase agreement	—	15,890	15,890	—	21,963	21,963
Cheques and orders to pay	364,994	—	364,994	355,077	—	355,077
Other	—	60,208	60,208	—	60,227	60,227
	43,077,173	19,923,656	63,000,829	37,013,197	22,113,808	59,127,005

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

This balance is analysed, by remaining period until the next operation renewal date, as follows:

(Thousands of euros)

	2020	2019
Deposits repayable on demand	43,094,367	37,083,367
Term deposits and saving accounts		
Up to 3 months	10,044,353	11,357,567
3 to 6 months	5,743,715	5,713,727
6 to 12 months	3,175,837	3,979,916
1 to 5 years	501,248	554,915
Over 5 years	217	246
	19,465,370	21,606,371
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	15,890	21,963
Cheques and orders to pay		
Up to 3 months	364,994	355,077
Other		
Up to 3 months	208	227
Over 5 years	60,000	60,000
	60,208	60,227
	63,000,829	59,127,005

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Bonds	126,953	309,804
Covered bonds	997,765	995,976
Medium term notes (MTNs)	91,811	99,119
Securitisations	167,801	184,631
	1,384,330	1,589,530
Accruals	4,519	5,194
	1,388,849	1,594,724

The characteristics of the bonds issued by the Group, as at 31 December 2020 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP Cln Brisa Fev 2023 Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	2,000
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,542
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0,75%	1,000,000	997,765
Bcp Mill Cabaz 3 Ações Fev 2021 Smtn Sr 6	February, 2018	February, 2021	Indexed to portfolio of 3 shares	10,854	10,849
Tit Div Mill Cabaz 3 Ações Mar 2021 Smtn Sr 7	March, 2018	March, 2021	Indexed to portfolio of 3 shares	24,230	24,208
Bcp Part Euro Ações Valor Iii/18 Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,320	1,320
Bcp Tit Div Mill Cabaz 3 Ações Mai 2021 Smtn Sr 10	May, 2018	May, 2021	Indexed to portfolio of 3 shares	31,781	31,733
Bcp Perfor Cabaz Ponder 18/17.05.21 Smtn Sr.14	May, 2018	May, 2021	Indexed to portfolio of 3 shares	790	787
Bcp Rend Min Cb Multi Set Iii19 Eur Smtn Sr 36	March, 2019	March, 2022	Indexed to portfolio of 3 shares	3,000	3,000
Bcp Euro Sectores Retorno Garantido Iv Smtn 37	May, 2019	May, 2022	Indexed to portfolio of 3 indexes	3,960	3,960
Bcp Ações Euro Zona Ret Min V19 Smtn 39	May, 2019	May, 2022	Indexed to portfolio of 3 shares	2,480	2,480
Bcp Rend Min Euro Setores Vi Smtn Sr 41	June, 2019	June, 2022	Indexed to portfolio of 3 indexes	3,150	3,150
Bcp Eur Cabaz Ações Ret MinVii 19 Eur Smtn Sr 43	July, 2019	August, 2022	Indexed to portfolio of 3 shares	2,220	2,204
Bcp Cabaz Ações America Ret Min Out22 Smtn 45	October, 2019	October, 2022	Indexed to portfolio of 3 shares	1,610	1,610
Bcp Cabaz Ações Euro Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to portfolio of 3 shares	6,210	6,210
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	300	305
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	178,490	165,619
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	921	855
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,430	1,327
Bank Millennium:					
EBK_011221C	December, 2017	December, 2021	Wibor 6m + 82 bp	54,821	54,819
Bank Millennium - BPW_2021/05	May, 2018	May, 2021	Indexed to Gold Fix Price	1,115	1,115
Bank Millennium - BPW_2021/06A	June, 2018	June, 2021	Indexed to Nasdaq 100 index	2,542	2,542

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bank Millennium - BPW_2021/01	January, 2019	January, 2021	Indexed to Facebook shares	7,218	7,218
Bank Millennium - BPW_2021/03	February, 2019	March, 2021	Indexed to Gold Fix Price	4,525	4,525
Bank Millennium - BPW_2021/03A	February, 2019	March, 2021	Indexed to Apple shares	3,071	3,071
Millennium Leasing - G12	February, 2019	February, 2021	Wibor 3m + 80 bp	7,489	7,489
Bank Millennium - BPW_2021/03B	March, 2019	March, 2021	Indexed to DAX index	1,762	1,762
Bank Millennium - BPW_2021/03C	March, 2019	March, 2021	Indexed to Gold Fix Price	5,618	5,618
Bank Millennium - BPW_2021/04	April, 2019	April, 2021	Indexed to Volkswagen shares	1,615	1,615
Bank Millennium - BPW_2021/04A	April, 2019	April, 2021	Indexed to Gold Fix Price	6,164	6,164
Bank Millennium - BPW_2021/05A	May, 2019	May, 2021	Indexed to DAX index	2,038	2,038
Bank Millennium - BPW_2021/05B	May, 2019	May, 2021	Indexed to Gold Fix Price	5,427	5,427
Millennium Leasing - G13	May, 2019	May, 2022	Wibor 3m + 80 bp	8,695	8,695
Bank Millennium - BPW_2021/06	June, 2019	June, 2021	Indexed to NDX index	2,455	2,455
Bank Millennium - BPW_2021/06B	June, 2019	June, 2021	Indexed to NDX index	3,239	3,239
Bank Millennium - BPW_2021/07	July, 2019	July, 2021	Indexed to commodities	2,019	2,019
Bank Millennium - BPW_2021/07A	July, 2019	July, 2021	Indexed to SXAP index	2,600	2,600
					1,384,330
Accruals					4,519
					1,388,849

This balance as at 31 December 2020, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	29,683	27,137	59,438	10,695	–	126,953
Covered bonds	–	–	–	997,765	–	997,765
MTNs	36,377	32,520	–	22,914	–	91,811
Securitisations	–	–	–	–	167,801	167,801
	66,060	59,657	59,438	1,031,374	167,801	1,384,330

This balance as at 31 December 2019, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	18,019	75,225	72,451	144,109	–	309,804
Covered bonds	–	–	–	995,976	–	995,976
MTNs	–	–	6,319	92,800	–	99,119
Securitisations	–	–	–	–	184,631	184,631
	18,019	75,225	78,770	1,232,885	184,631	1,589,530

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Bonds		
Non-Perpetual	1,385,218	1,540,201
Perpetual	—	22,035
	1,385,218	1,562,236
Accruals	19,954	15,470
	1,405,172	1,577,706

As at 31 December 2020, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	5,573
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	3,241
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	2,158
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	449,688	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% +2.30%	153,499	153,499	59,160
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	182,006	182,005	70,147
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,268	87,866	4,517
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,385,218	894,796
Accruals					19,954	—
					1,405,172	894,796

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Interest rate

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5 year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

As at 31 December 2019, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	28,373
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	16,061
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	9,158
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,042	101
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,325	1,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iii)	450,000	441,390	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% +2.30%	164,636	164,636	55,948
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	195,211	195,211	66,339
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	96,000	86,222	10,563
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	–
					1,540,201	943,990
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	–
					22,035	–
Accruals					15,470	–
					1,577,706	943,990

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Date of exercise of the next call option - Dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2020

Interest rate

(ii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (iii) Annual interest rate of 3.871%. during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid-swap rate in force at the beginning of that period).

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	114,000	37,252
3 to 6 months	99,100	76,936
Up to 1 year	87,866	26,668
1 to 5 years	–	299,322
Over 5 years	1,084,252	1,100,023
Undetermined	–	22,035
	1,385,218	1,562,236
Accruals	19,954	15,470
	1,405,172	1,577,706

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Short selling securities	14,205	47,572
Trading derivatives (note 23):		
Swaps	253,983	274,506
Options	159	1,386
Embedded derivatives	4,426	14,983
Forwards	6,078	5,486
	264,646	296,361
	278,851	343,933
Level 1	218	67
Level 2	257,275	280,944
Level 3	21,358	62,922

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance Financial liabilities held for trading includes, as at 31 December 2020, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 C.5. in the amount of Euros 4,426,000 (31 December 2019: Euros 14,983,000). This note should be analysed together with note 23.

37. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Deposits from customers	258,528	1,720,134
Debt securities at fair value through profit and loss		
Bonds	–	262
Medium term notes (MTNs)	662,016	734,722
	662,016	734,984
Accruals	1	801
	662,017	735,785
Certificates	678,860	745,390
	1,599,405	3,201,309

As at 31 December 2020, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
Bcp Euro Divid Cupão Memoria Iii18-Smtn Sr9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	1,933
Bcp Rend Multi Set Europa Autocallable Smtn11	April, 2018	April, 2021	Indexed to portfolio of 3 shares	1,230	1,225
Millennium Cabaz 3 Ações-Smtn Sr13	June, 2018	June, 2023	Indexed to portfolio of 3 shares	85,847	85,529
Bcp Rend Cabaz Sectorial Autocallable-Smtn Sr15	June, 2018	June, 2021	Indexed to portfolio of 3 shares	1,580	1,566
Bcp Inv Euro Ações Cupão Lock In-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50 index	2,130	2,088
Bcp Tit Div Millennium Cabaz 3 Ações-Smtn Sr17	July, 2018	July, 2023	Indexed to portfolio of 3 shares	15,066	15,315
Bcp Ret Sect Europa Autcallable Vii18-Smtn Sr18	July, 2018	July, 2021	Indexed to portfolio of 3 indexes	1,270	1,262
Bcp Tit Div Millenn Cabaz 3Acoes-Smtn Sr20	September, 2018	September, 2023	Indexed to portfolio of 3 shares	29,390	29,288
Bcp Rendimento Sectores Ix 18- Smtn 22	September, 2018	September, 2021	Indexed to portfolio of 3 indexes	1,070	1,066
Cabaz Multi Sect Europ Autocall Xi18-Smtn 23	October, 2018	October, 2021	Indexed to portfolio of 3 shares	3,910	3,913
Rembol Parc Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	297
Bcp Performance Euro Divid-Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,252
Bcp Tit Divida MillennCabaz 3 Ações-Smtn 25	December, 2018	December, 2023	Indexed to portfolio of 3 shares	95,875	95,914
Bcp Rend Ações Europ Cupão Min Autoc Smtn Sr 32	February, 2019	February, 2022	Indexed to portfolio of 3 shares	8,140	8,198
Bcp Cabaz 3 Ações Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to portfolio of 3 shares	75,288	75,648
Bcp Ações Europa Rend Min Aut Iii19 Smtn 34	March, 2019	March, 2022	Indexed to portfolio of 3 shares	5,650	5,711
Bcp Tit Div Mill Cabaz 3 Ações 8Abr24 Smtn Sr 35	April, 2019	April, 2024	Indexed to portfolio of 3 shares	68,592	68,688
Bcp Tit Div Mill Cabaz 4 Ações Smtn Sr 38	June, 2019	June, 2024	Indexed to portfolio of 4 shares	85,165	85,656
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 42	July, 2019	July, 2024	Indexed to portfolio of 5 shares	78,914	79,046
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 44	December, 2019	December, 2024	Indexed to portfolio of 5 shares	97,836	98,421
					662,016
Accruals					1
					662,017

As at 31 December 2020, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	96,517	158,123	2,660	1,228	–	258,528
Debt securities at fair value through profit and loss						
MTNs	1,933	4,879	7,790	647,414	–	662,016
Certificates	–	–	–	–	678,860	678,860
	98,450	163,002	10,450	648,642	678,860	1,599,404

As at 31 December 2019, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	318,903	433,281	734,858	233,092	–	1,720,134
Debt securities at fair value through profit and loss						
Bonds	262	–	–	–	–	262
MTNs	–	31,796	3,776	699,150	–	734,722
	262	31,796	3,776	699,150	–	734,984
Certificates	–	–	–	–	745,390	745,390
	319,165	465,077	738,634	932,242	745,390	3,200,508

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments (note 21)	103,830	116,560
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	5,774	7,346
Life insurance	2,020	3,400
For participation in profit and loss	104	216
Other technical provisions	25,921	26,853
Other provisions for liabilities and charges	306,150	190,937
	443,799	345,312

Changes in Provisions for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	116,560	187,710
Transfers resulting from changes in the Group's structure (Euro Bank acquisition)	—	172
Other transfers (note 21)	(14,885)	(67,072)
Charge for the year (note 13)	43,204	36,230
Reversals for the year (note 13)	(39,986)	(40,618)
Exchange rate differences	(1,063)	138
Balance at the end of the year	103,830	116,560

As at 31 December 2020, the balance Other transfers included the amount of Euros 14,885,000 (31 December 2019: Euros 64,588,000) corresponding to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	190,937	136,483
Transfers resulting from changes in the Group's structure	(50)	—
Transfers	41	2,447
Charge for the year (note 13)	238,181	65,239
Reversals for the year (note 13)	(3,107)	(3,367)
Amounts charged-off	(115,303)	(10,627)
Exchange rate differences	(4,549)	762
Balance at the end of the year	306,150	190,937

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for contingencies in the sale of Millennium Bank (Greece) in the amount of Euros 23,507,000 and for lawsuits, frauds and tax contingencies. During 2020, the provisions constituted to cover tax contingencies totalled Euros 62,720,000 (31 December 2019: Euros 70,531,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

As at 31 December 2020, this balance also includes the amount of PLN 524,291,000 corresponding to Euros 114,969,000 (31 December 2019: PLN 223,134,000 corresponding to Euros 52,480,000) which refers to provisions for legal risk accounted for by Bank Millennium, related to FX-indexed mortgages, as described in note 57. Under this scope, Bank Millennium allocated to Loans and advances to customers portfolio the amount of PLN 435,755,000 corresponding to Euros 95,554,000, which is reflected in the balance Amounts charged-off in 2020. As at 31 December 2020, the Loans and advances to customers portfolio in CHF has a net amount of approximately Euros 3,145,541,000 (31 December 2019: Euros 3,439,430,000).The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Creditors:		
Associated companies	98	190
Suppliers	31,718	44,627
From factoring operations	40,045	35,948
For futures and options transactions	6,852	11,039
For direct insurance and reinsurance operations	12,636	3,350
Deposit account and other applications	38,701	60,339
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	14,481	15,014
Rents to pay	238,868	281,072
Other creditors		
Residents	30,691	29,774
Non-residents	55,953	61,564
Negative equity in associated companies	—	278
Holidays, subsidies and other remuneration payable	54,645	59,420
Interests and other amounts payable	142,747	151,170
Operations to be settled - foreign, transfers and deposits	94,594	288,281
Amounts payable on trading activity	51,158	89,003
Other administrative costs payable	4,438	5,153
Deferred income	8,593	10,846
Loans insurance received and to amortised	79,322	74,712
Public sector	32,292	38,037
Other liabilities	165,820	182,408
	1,103,652	1,442,225

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 4,153,000 (31 December 2019: Euros 5,543,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2019: Euros 3,733,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 50.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Group has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H and in note 59. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	2020	2019
Until 1 year	25,305	26,473
1 to 5 years	92,175	97,590
Over 5 years	130,552	168,361
	248,032	292,424
Accrued costs recognised in Net interest income	(9,164)	(11,352)
	238,868	281,072

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 31 December 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 31 December 2020, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2020, the balance Other equity instruments, in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

As at 31 December 2020, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	423,574,988	2.80%	2.80%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	8,204,929,549	54.28 %	54.28 %

(*) In accordance with the announcement on 26 November 2020 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

The Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E.

This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2019 financial year approved at the General Shareholders' Meeting held on 20 May 2020, the Bank increased its legal reserve in the amount of Euros 13,929,000. Thus, as at 31 December 2020, the Legal reserves amount to Euros 254,464,000 (31 December 2019: Euros 240,535,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

In 2019, under the appropriation of net income for the 2018 financial year, the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

42. Treasury shares

This balance is analysed as follows:

	2020			2019		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	40	323,738	0.12	65	323,738	0.20
Other treasury stock	—			37		
Total	40			102		

As at 31 December 2020, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2019: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

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

As at 31 December 2020, regarding treasury shares owned by associated companies of the BCP Group, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. owns 142,601,002 BCP shares (31 December 2019: 142,601,002 shares), in the amount of Euros 17,568,000 (31 December 2019: Euros 28,891,000), according to note 51.

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	205,592	78,849
Equity instruments	(38,366)	(33,913)
Of associated companies and other changes	42,685	29,205
Cash-flow hedge	265,487	153,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	593	132
	475,991	227,603
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(60,662)	(22,724)
Equity instruments	6,581	3,797
Cash-flow hedge	(83,698)	(48,398)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(186)	(41)
	(137,965)	(67,366)
	338,026	160,237
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(70,614)	(33,084)
BIM - Banco International de Moçambique, S.A.	(229,851)	(150,976)
Banco Millennium Atlântico, S.A.	(172,450)	(143,476)
Others	2,403	2,528
	(470,512)	(325,008)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	37,611	38,813
Others	(3,965)	(3,965)
	33,646	34,848
Other reserves and retained earnings	741,237	565,746
	642,397	435,823

(*) Includes the effects arising from the application of hedge accounting.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C.

During 2020, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2020	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2020
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	39,110	26,390	79,604	1,824	(56,317)	90,611
Others	39,739	109,522	(13,710)	8,536	(29,106)	114,981
	78,849	135,912	65,894	10,360	(85,423)	205,592
Equity instruments	(33,913)	(9,794)	–	–	5,341	(38,366)
Associated companies and others						
Millenniumbcp Ageas	26,268	10,292	–	–	–	36,560
Others	2,937	3,188	–	–	–	6,125
	29,205	13,480	–	–	–	42,685
	74,141	139,598	65,894	10,360	(80,082)	209,911

The changes occurred, during 2019, in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2019	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2019
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	(72,484)	112,077	72,400	(2,718)	(70,165)	39,110
Others	62,141	17,245	(15,427)	538	(24,758)	39,739
	(10,343)	129,322	56,973	(2,180)	(94,923)	78,849
Equity instruments	(30,197)	(10,508)	–	–	6,792	(33,913)
Associated companies and others						
Millenniumbcp Ageas	18,774	7,494	–	–	–	26,268
Others	6,901	(2,897)	–	–	(1,067)	2,937
	25,675	4,597	–	–	(1,067)	29,205
	(14,865)	123,411	56,973	(2,180)	(89,198)	74,141

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Fair value changes		
Debt instruments	29,268	10,538
Equity instruments	3,066	3,337
Cash-flow hedge	(4,860)	(3,286)
Other	10	38
	27,484	10,627
Deferred taxes		
Debt instruments	(5,543)	(1,994)
Equity instruments	(588)	(634)
Cash-flow hedge	923	624
	(5,208)	(2,004)
	22,276	8,623
Exchange differences arising on consolidation	(212,897)	(101,914)
Actuarial losses (net of taxes)	59	178
Other reserves and retained earnings	1,355,528	1,354,637
	1,164,966	1,261,524

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2020	2019	2020	2019
Bank Millennium, S.A.	994,741	1,049,395	2,554	65,141
BIM - Banco International de Moçambique, SA (*)	139,590	180,278	22,935	34,614
Other subsidiaries	30,635	31,851	(136)	(358)
	1,164,966	1,261,524	25,353	99,397

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium Group		BIM - Banco International de Moçambique Group	
	2020	2019	2020	2019
Total income	984,236	1,074,244	267,779	324,311
Net profit for the year	5,119	130,543	66,823	99,486
Net profit for the year attributable to the shareholders	2,565	65,402	44,561	66,343
Net profit for the year attributable to non-controlling interests	2,554	65,141	22,262	33,143
Other comprehensive income attributable to the shareholders	(57,098)	10,551	(79,451)	1,425
Other comprehensive income attributable to non-controlling interests	(56,871)	10,508	(39,668)	712
Total comprehensive income	(108,850)	151,602	(52,296)	101,623
Balance sheet				
Financial assets	20,967,609	22,593,994	1,854,623	2,120,457
Non-financial assets	472,161	468,044	179,755	213,856
Financial liabilities	(18,819,580)	(20,375,566)	(1,529,173)	(1,696,897)
Non-financial liabilities	(626,686)	(583,476)	(93,270)	(105,067)
Equity	1,993,504	2,102,996	411,935	532,349
Equity attributed to the shareholders	998,763	1,053,601	274,701	354,999
Equity attributed to the non-controlling interests	994,741	1,049,395	137,234	177,350
Cash flows arising from:				
operating activities	(688,025)	(134,219)	49,472	78,251
investing activities	446,415	(214,636)	(13,170)	(31,003)
financing activities	(233,436)	168,249	(23,464)	(47,490)
Net increase / (decrease) in cash and equivalents	(475,046)	(180,606)	12,838	(242)
Dividends paid during the year:				
attributed to the shareholders	–	–	44,965	29,834
attributed to the non-controlling interests	–	–	22,463	14,904
	–	–	67,428	44,738

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Guarantees granted		
Guarantees	3,958,676	4,298,837
Stand-by letter of credit	56,990	52,447
Open documentary credits	251,221	237,828
Bails and indemnities	137,135	137,695
	4,404,022	4,726,807
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	4,955,454	3,999,502
Securities subscription	75,362	83,842
Other irrevocable commitments	117,175	115,247
Revocable commitments		
Revocable credit lines	5,327,914	4,897,405
Bank overdraft facilities	982,992	566,525
Other revocable commitments	170,206	108,905
	11,629,103	9,771,426
Guarantees received	27,133,779	27,225,242
Commitments from third parties	12,947,778	10,262,135
Securities and other items held for safekeeping	78,055,537	69,128,000
Securities and other items held under custody by the Securities Depository Authority	83,866,357	67,072,528
Other off-balance sheet accounts	125,337,843	126,060,542

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short-term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk are limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 C. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

46. Assets under management and custody

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2020	2019
Banco Comercial Português, S.A. (*)	2,901,172	2,610,678
Banque Privée BCP (Suisse) S.A.	1,422,503	1,286,759
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	809,501	782,602
Millennium TFI S.A.	1,001,679	1,065,256
	6,134,855	5,745,295

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody by the Group companies are analysed as follows:

(Thousands of euros)

	2020	2019
Assets under deposit	70,143,736	61,085,200
Wealth management	3,325,516	3,004,260
Investment funds	2,809,339	2,741,035
	76,278,591	66,830,495

47. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During 2020 and 2019, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 31 December 2020 and 2019, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2020			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2020, corresponds to the estimated NAV with reference to that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of Covid -19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2020 and to 30 June 2020 and the latest Audit reports available with reference to 31 December 2019 for 2 funds, which include an emphasis related to Covid -19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Group has no intention to sell these assets for a lower value than the respective NAV.

As a result of the consideration of the final NAVs as at 31 December 2020, the Group recognised a negative impact of Euros 72,370,000 under the balance Gains / (losses) in financial operations at fair value through profit or loss. It should be noted that as a result of consideration of the NAV estimates as at 30 June 2020, the Group had recognised, a negative impact of Euro 67,500,000 on this balance.

As at 31 December 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	–	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	–	(84,029)
	224,887	–	–	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	–	33,280	121,682
Impairment and other fair value adjustments	(44,698)	–	(33,280)	(77,978)
	43,704	–	–	43,704
FLIT-PTREL				
Gross value	247,354	38,154	–	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	–	(45,741)
	239,767	–	–	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	–	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	–	(184,443)
	86,245	–	–	86,245
Fundo Aquarius FCR				
Gross value	139,147	–	–	139,147
Impairment and other fair value adjustments	(9,153)	–	–	(9,153)
	129,994	–	–	129,994
Discovery Real Estate Fund				
Gross value	155,328	–	–	155,328
Impairment and other fair value adjustments	2,149	–	–	2,149
	157,477	–	–	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	–	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	–	(83,027)
	42,415	–	–	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	–	–	924,489

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2019, corresponds to the NAV at that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available (with reference to 31 December 2018 for 2 funds and Limited Revision Report with reference to 30 June 2019 for 5 funds), do not present any reservations except for Fundo de Reestruturação Empresarial whose Limited Review Report of 30 June 2019 includes a reserve by scope limitation whose potential negative impact was considered in the valuation reflected in the consolidated accounts as at 31 December 2019; (ii) the funds are subject to supervision by the competent authorities.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2020			2019		
	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	277,351	14,649	292,000	276,246	15,754
Fundo Reestruturação Empresarial FCR	55,115	50,028	5,087	74,263	67,409	6,854
FLIT-PTREL	242,889	242,889	—	241,358	241,358	—
Fundo Recuperação FCR	206,805	188,262	18,543	206,805	187,742	19,063
Fundo Aquarius FCR	142,627	127,138	15,489	156,100	139,148	16,952
Discovery Real Estate Fund	158,214	158,214	—	156,121	156,121	—
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,601	3,015
	1,147,266	1,090,483	56,783	1,176,263	1,114,625	61,638

In 31 December 2020, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 16,696,000 and Euros 1,884,000, respectively (31 December 2019: Euros 18.227.000 and Euros 3.977.000, respectively).

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2020	2019
Loans and advances to customers	146,252	232,892
Guarantees granted and irrevocable credit lines	40,792	49,327
Gross exposure	187,044	282,219
Impairment	(55,227)	(88,337)
Net exposure	131,817	193,882

48. Relevant events occurred during 2020

COVID-19

The year of 2020 was marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019, leading to the declaration of a pandemic by the World Health Organization on 11 March 2020. The immediate impacts of this pandemic have reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries.

In this context, the Bank adopted a set of pre-established initiatives designed to protect human lives and maintain business activity, which include those recommended by the health authorities, work from home, the segregation of primary and back-up staff for various tasks, in an effort to maximise organizational resilience.

The financial statements have been prepared on a going concern basis, since it is considered that the Bank has the adequate resources to continue operations and business in the foreseeable future. The evaluation was based on a wide range of information related to current and future conditions, but the COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the operations, on its profitability, capital and liquidity. The impact of COVID-19 Pandemic is presented in note 61.

Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 20 May 2020, exclusively through electronic means, with 61.31% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2019 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Five – Approval of the acquisition and sale of own shares and bonds;

Item Six – Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023.

Appropriation of profits for the 2019 financial year

In accordance with the Companies Code, and with the Bank’s articles of association, was deliberated in the Annual General Meeting of Shareholders of 20 May 2020, that the year-end results amounting to Euros 139,296,016.59, be applied as follows:

a) For the reinforcement of legal reserve, Euros 13,929,601.66;
b) to be distributed to employees Euros 5,281,000.00;
c) Euros 120,085,414.93, that is, the remaining, to Retained Earnings.

Rating evaluation

Long-term issuer rating reaffirmed by Fitch Ratings at BB and its intrinsic rating at bb, the long-term outlook was reviewed from positive to negative, based on the uncertainty associated with the coronavirus.

It was attributed the BB- rating to the Bank's senior non-preferred debt and the B+ rating to Tier 2 debt, according to its new bank rating methodology.

It was assigned the BB+ / B rating to deposits, a level above the long-term IDR, reflecting its view of a higher level of protection for depositors.

Long-term issuer rating reaffirmed by Standard & Poor's at BB and its intrinsic rating at bb, the long-term outlook was revised from positive to stable, based on the uncertainty associated with the coronavirus.

Amend of the terms and conditions of the Covered Bonds

On 21 April, Banco Comercial Português, SA changed the conditions relating to the issue of Mortgage Bonds with ISIN PTBCQLOE0036, namely the amount of said issue from Euros 2,000,000,000 to Euros 4,000,000,000, with the objective of increasing the portfolio of assets eligible for discount with the ECB.

Decision of not to continue the legal proceeding before the General Court of the European Union regarding its approval of the Contingent Capitalisation Mechanism of Novo Banco.

In 9 September 2020, Banco Comercial Português, S.A. ("BCP") informs that it has decided not to continue the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalisation Mechanism ("MCC") of Novo Banco.

Two factors were particularly important in this decision:

- Firstly, the recognition that the goal of preserving the stability of the national financial system, especially relevant in the current pandemic, is of crucial importance, with the risk that such stability may be affected by a decision by European bodies that indirectly could challenge the sale process of Novo Banco, unlike the position held by BCP, which has always only challenged the MCC;

- Secondly, as there is now greater evidence and public awareness that the current model for compensating losses of Novo Banco, through the MCC supported by the National Resolution Fund, places Portuguese banks - those that support most the recovery of Portugal's economy - in a disadvantage and in an unsustainable position vis-à-vis financial institutions not based but operating in Portugal, BCP maintains the legitimate expectation that a funding model for the National Resolution Fund will be found which, without penalising Portuguese taxpayers, ensures a fair competition and safeguards the competitiveness of the financial institutions operating in the Portuguese market.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) hereby informs that, under the context of the Supervisory Review and Evaluation Process (SREP), it has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2021. In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII). All requirements were kept unchanged at the value of 2020.

The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 January 2021:

	Minimum capital requirements							
		of which:				of which:		
BCP Consolidated	Phased-in 2021	Pilar 1	Pilar 2	*Buffers*	Fully implemented	Pilar 1	Pilar 2	*Buffers*
CET1	8.83 %	4.50 %	1.27 %	3.06 %	9.27 %	4.50 %	1.27 %	3.50 %
T1	10.75 %	6.00 %	1.69 %	3.06 %	11.19 %	6.00 %	1.69 %	3.50 %
Total	13.31 %	8.00 %	2.25 %	3.06 %	13.75 %	8.00 %	2.25 %	3.50 %

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). BCP was granted an additional year (1 January 2023) for the gradual fulfillment of the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 8 May 2020.

49. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.5% as at 31 December 2020 (31 December 2019: -0.4%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2020	2019	2020	2019	2020	2019	2020	2019
EUR	0.53%	0.66%	1.84%	2.26%	0.17%	0.57%	-0.17%	-0.08%
AOA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	1.17%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.59%	2.05%
CHF	n.a.	n.a.	2.20%	2.30%	n.a.	n.a.	-0.37%	-0.45%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.35%	2.64%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.12%	-0.29%
GBP	n.a.	0.83%	3.19%	3.88%	n.a.	n.a.	0.22%	0.94%
HKD	n.a.	n.a.	0.43%	n.a.	n.a.	n.a.	0.07%	2.99%
MOP	n.a.	n.a.	0.37%	2,29%	n.a.	n.a.	0.43%	2.35%
MZN	11.36%	n.a.	11.48%	15.81%	n.a.	n.a.	6.39%	9.66%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.79%	2.08%
PLN	-0.13%	1.60%	4.51%	5.73%	0.10%	1.31%	0.10%	1.55%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	0.44%
USD	0.68%	2.13%	1.40%	3.45%	0.58%	1.93%	0.05%	1.62%
ZAR	6.77%	7.20%	9.55%	11.58%	n.a.	n.a.	1.79%	3.72%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2020			2019		
	EUR	PLN	USD	EUR	PLN	USD
Placed in the institutional market						
Subordinated	5.53%	0.14%	–	5.05%	–	–
Senior	1.57%	–	–	0.04%	–	–
Covered bonds	-0.03%	–	–	-0.01%	–	–
Placed in retail						
Subordinated	1.90%	–	–	3.88%	–	–
Senior and collateralised	-0.10%	0.84%	0.00%	0.10%	1.99%	2.37%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 20,513,000 (31 December 2019: a positive amount of Euros 29,017,000) and includes a payable amount of Euros 4,426,000 (31 December 2019: a payable amount of Euros 13,726,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	2020				2019			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.55%	0.33%	0.09%	0.04%	-0.47%	1.73%	0.73%	1.45%
7 days	-0.54%	0.34%	0.09%	0.04%	-0.47%	1.70%	0.74%	1.45%
1 month	-0.54%	0.31%	0.11%	0.10%	-0.47%	1.75%	0.75%	1.53%
2 months	-0.53%	0.30%	0.11%	0.10%	-0.44%	1.79%	0.80%	1.57%
3 months	-0.52%	0.30%	0.12%	0.11%	-0.43%	1.81%	0.83%	1.61%
6 months	-0.49%	0.32%	0.15%	0.15%	-0.38%	1.84%	0.90%	1.69%
9 months	-0.47%	0.34%	0.17%	0.15%	-0.35%	1.86%	0.93%	1.70%
1 year	-0.52%	0.19%	0.18%	0.14%	-0.32%	1.75%	0.97%	1.70%
2 years	-0.52%	0.20%	0.03%	0.21%	-0.29%	1.67%	0.80%	1.75%
3 years	-0.51%	0.24%	0.09%	0.32%	-0.24%	1.65%	0.82%	1.75%
5 years	-0.46%	0.43%	0.19%	0.61%	-0.12%	1.70%	0.88%	1.79%
7 years	-0.38%	0.65%	0.28%	0.83%	0.02%	1.76%	0.94%	1.82%
10 years	-0.27%	0.92%	0.40%	1.09%	0.21%	1.86%	1.02%	1.87%
15 years	-0.07%	1.18%	0.52%	1.47%	0.47%	1.97%	1.10%	1.98%
20 years	0.01%	1.31%	0.57%	1.57%	0.60%	2.02%	1.12%	2.07%
30 years	-0.03%	1.40%	0.57%	1.57%	0.63%	2.05%	1.11%	2.07%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2020:

(Thousands of euros)

	2020				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	5,303,864	5,303,864	5,303,864
Loans and advances to credit institutions repayable on demand	—	—	262,395	262,395	262,395
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	1,015,087	1,015,087	1,006,561
Loans and advances to customers (i)	—	—	52,120,815	52,120,815	51,616,636
Debt securities	—	—	6,234,545	6,234,545	6,320,581
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,031,201	—	—	1,031,201	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	—	—	1,315,467	1,315,467
Financial assets designated at fair value through profit or loss					
Financial assets at fair value through other comprehensive income	—	12,140,392	—	12,140,392	12,140,392
Hedging derivatives (ii)	91,249	—	—	91,249	91,249
	2,437,917	12,140,392	64,936,706	79,515,015	79,088,346
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	8,898,759	8,898,759	8,899,871
Resources from customers (i)	—	—	63,000,829	63,000,829	63,008,920
Non subordinated debt securities issued (i)	—	—	1,388,849	1,388,849	1,409,362
Subordinated debt (i)	—	—	1,405,172	1,405,172	1,419,565
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	278,851	—	—	278,851	278,851
Financial liabilities designated at fair value through profit or loss	1,599,405	—	—	1,599,405	1,599,405
Hedging derivatives (ii)	285,766	—	—	285,766	285,766
	2,164,022	—	74,693,609	76,857,631	76,901,740

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2019:

(Thousands of euros)

	2019				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	5,166,551	5,166,551	5,166,551
Loans and advances to credit institutions repayable on demand	–	–	320,857	320,857	320,857
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	892,995	892,995	881,873
Loans and advances to customers (i)	–	–	49,847,829	49,847,829	49,421,513
Debt securities	–	–	3,185,876	3,185,876	3,199,965
Financial assets at fair value through profit or loss					
Financial assets held for trading	878,334	–	–	878,334	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	–	–	1,405,513	1,405,513
Financial assets designated at fair value through profit or loss	31,496	–	–	31,496	31,496
Financial assets at fair value through other comprehensive income	–	13,216,701	–	13,216,701	13,216,701
Hedging derivatives (ii)	45,141	–	–	45,141	45,141
	2,360,484	13,216,701	59,414,108	74,991,293	74,567,944
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	6,366,958	6,366,958	6,353,655
Resources from customers (i)	–	–	59,127,005	59,127,005	59,134,647
Non subordinated debt securities issued (i)	–	–	1,594,724	1,594,724	1,623,741
Subordinated debt (i)	–	–	1,577,706	1,577,706	1,685,810
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	343,933	–	–	343,933	343,933
Financial liabilities designated at fair value through profit or loss	3,201,309	–	–	3,201,309	3,201,309
Hedging derivatives (ii)	229,923	–	–	229,923	229,923
	3,775,165	–	68,666,393	72,441,558	72,573,018

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;

ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/ other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2020:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,303,864	–	–	5,303,864
Loans and advances to credit institutions repayable on demand	262,395	–	–	262,395
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	1,006,561	1,006,561
Loans and advances to customers	–	–	51,616,636	51,616,636
Debt securities	3,852,938	475,237	1,992,406	6,320,581
Financial assets at fair value through profit or loss				
Financial assets held for trading	481,107	258,821	291,273	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,315,467	1,315,467
Financial assets at fair value through other comprehensive income	11,764,197	215,818	160,377	12,140,392
Hedging derivatives	–	91,249	–	91,249
	21,664,501	1,041,125	56,382,720	79,088,346
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	8,899,871	8,899,871
Resources from customers	–	–	63,008,920	63,008,920
Non subordinated debt securities issued	–	–	1,409,362	1,409,362
Subordinated debt	–	–	1,419,565	1,419,565
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	218	257,275	21,358	278,851
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	285,766	–	285,766
	679,078	543,041	75,679,621	76,901,740

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2019:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,166,551	—	—	5,166,551
Loans and advances to credit institutions repayable on demand	320,857	—	—	320,857
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	881,873	881,873
Loans and advances to customers	—	—	49,421,513	49,421,513
Debt securities	123,300	703,248	2,373,417	3,199,965
Financial assets at fair value through profit or loss				
Financial assets held for trading	252,683	317,689	307,962	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	1,405,513	1,405,513
Financial assets designated at fair value through profit or loss	31,496	—	—	31,496
Financial assets at fair value through other comprehensive income	12,643,402	464,728	108,571	13,216,701
Hedging derivatives	—	45,141	—	45,141
	18,538,289	1,530,806	54,498,849	74,567,944
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	6,353,655	6,353,655
Resources from customers	—	—	59,134,647	59,134,647
Non subordinated debt securities issued	—	—	1,623,741	1,623,741
Subordinated debt	—	—	1,685,810	1,685,810
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	67	280,944	62,922	343,933
Financial liabilities designated at fair value through profit or loss	745,390	—	2,455,919	3,201,309
Hedging derivatives	—	229,923	—	229,923
	745,457	510,867	71,316,694	72,573,018

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2020 is presented as follows:

(Thousands of euros)

	2020			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	307,962	1,405,513	108,571	15,350
Gains / (losses) recognised in profit or loss				
Results on financial operations	(1,493)	(72,884)	–	(10,362)
Net interest income	–	15,690	–	–
Transfers between levels	151	–	7,073	2,763
Purchases / (Sales, repayments or amortisations)	(15,347)	(5,766)	52,391	(598)
Gains / (losses) recognised in reserves	–	–	(7,155)	–
Exchange differences	–	(27,086)	(844)	–
Accruals of interest	–	–	341	–
Balance as at 31 December	291,273	1,315,467	160,377	7,153

(*) Do not include short sales in the amount of Euros 14,205,000 (note 36).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2019 is presented as follows:

(Thousands of euros)

	2019			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	308,153	1,404,684	27,786	8,900
Gains / (losses) recognised in profit or loss				
Results on financial operations	2,210	(13,620)	–	6,428
Net interest income	–	26,968	–	–
Transfers between portfolios	(4,059)	–	–	–
Transfers between levels	(3,378)	–	83,815	(14)
Purchases / (Sales, repayments or amortisations)	5,036	(15,743)	(6,733)	36
Gains / (losses) recognised in reserves	–	–	3,519	–
Exchange differences	–	3,224	82	–
Accruals of interest	–	–	102	–
Balance as at 31 December	307,962	1,405,513	108,571	15,350

(*) Do not include short sales in the amount of Euros 47,572,000 (note 36).

50. Post-employment benefits and other long-term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 S).

As at 31 December 2020 and 2019, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2020	2019
Pensioners	17,011	16,959
Former Attendees Acquired Rights	3,282	3,258
Employees	7,138	7,340
	27,431	27,557

In accordance with the accounting policy described in note 1 S), the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

(Thousands of euros)

	2020	2019
Actual amount of the past services		
Pensioners	2,432,628	2,310,799
Former attendees acquired rights	246,981	224,004
Employees	977,918	955,538
	3,657,527	3,490,341
Pension fund value	(3,750,567)	(3,500,869)
Net (assets) / liabilities in balance sheet (note 31)	(93,040)	(10,528)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,663,509	3,574,864

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2020 amounts to Euros 285,422,000 (31 December 2019: Euros 289,733,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. The agreement establishes the increase for 2018 by 0.75% to level 6 and 0.50% for levels 7 to 20 (similar increase for 2019) and the increase of other pecuniary clauses, such as the lunch allowance, diuturnities, among others.

Regarding from the update of salary tables, with reference to 2019 and 2018, the Group recorded an actuarial loss in the amount of Euros 53,705,000 in the pension fund's liabilities.

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

Following the negotiation meetings held in the meantime with the Unions, the Bank agreed, on 30 July 2020, with "SNQTB - Sindicato Nacional dos Quadros e Técnicos Bancários", "SIB - Sindicato Independente da Banca" and "SBN - Sindicato Bancários do Norte", meanwhile renamed to "SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal", the updating of the Bank's Wage Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of monetary expression, such as subsidy lunch, seniority, among others. The agreed updates will take effect on 1 January 2020, with the exception of remunerations related to subsistence allowances and travel, which will be updated after the operationalization of the agreed updates

With regard to the remaining unions subscribing to the Group's Collective Labour Agreements, that is, SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank’s employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of their respective Clauses. The publication of the said Agreements with the respective Unions in the Labour and Employment Bulletin is in progress.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	3,490,341	3,065,723
Service cost	(15,235)	(15,372)
Interest cost / (income)	49,847	57,755
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	30,841	99,969
Related to changes in assumptions	197,943	367,125
Payments	(115,901)	(111,339)
Early retirement programmes and terminations by mutual agreement	11,799	18,375
Contributions of employees	7,892	8,105
Balance at the end of the year	3,657,527	3,490,341

As at 31 December 2020, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 115,901,000 (31 December 2019: Euros 111,339,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 335,401,000 as at 31 December 2020 (31 December 2019: Euros 327,573,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2020 amounts to Euros 41,018,000 (31 December 2019: Euros 58,039,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

During 2020 and 2019, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	3,500,869	3,078,430
Contributions to the Fund	173,594	290,000
Employees' contributions	7,892	8,105
Actuarial gains / (losses)	140,139	181,759
Payments	(115,901)	(111,339)
Expected return on plan assets	43,548	53,231
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	426	683
Balance at the end of the year	3,750,567	3,500,869

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2020			2019		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	420,572	105,095	525,667	303,434	111,902	415,336
Bonds and other fixed income securities	1,934,823	4,608	1,939,431	1,745,335	4,405	1,749,740
Participations units in investment funds	–	398,740	398,740	–	550,732	550,732
Participation units in real estate funds	–	261,574	261,574	–	266,222	266,222
Properties	–	239,844	239,844	–	245,392	245,392
Loans and advances to credit institutions and others	–	385,312	385,312	–	273,447	273,447
	2,355,395	1,395,173	3,750,568	2,048,769	1,452,100	3,500,869

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2020 amounts to Euros 103,642,000 (31 December 2019: Euros 110,459,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which, as at 31 December 2020, amounts to Euros 239,844,000 (31 December 2019: Euros 245,392,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions and others	413,238	26,534
Bonds and other fixed income securities	12,230	12,278
	425,468	38,812

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	(10,528)	(12,707)
Recognised in the income statement:		
Service cost	(15,235)	(15,372)
Interest cost / (income) net of the balance liabilities coverage	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
	2,437	6,844
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(140,139)	(181,759)
Difference between expected and effective obligations	30,841	99,969
Arising from changes in actuarial assumptions	197,943	367,125
	88,645	285,335
Contributions to the fund	(173,594)	(290,000)
Balance at the end of the year	(93,040)	(10,528)

The estimated contributions to be made in 2021, by the employees, for the Defined Benefit Plan amount to Euros 7,557,000.

In accordance with IAS 19, during 2020 and 2019, the Group registered cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2020	2019
Current service cost	(15,235)	(15,372)
Net interest cost in the liability coverage balance	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
(Income) / Cost of the year	2,437	6,844

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised as at 31 December 2020 a provision of Euros 3,733,000 (31 December 2019: Euros 3,733,000).

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2020	2019
Salary growth rate	0.75 %	0.75 %
Pensions growth rate	0.5 %	0.5 %
Discount rate / Projected Fund's rate of return	1.05 %	1.4 %
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 5 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2020, it is 66 years and 5 months (2019: 66 years and 5 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 31 December 2020, the Group used a discount rate of 1.05% (31 December 2019: 1.4%).

As at 31 December 2020 and 2019, the Actuarial losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2020		2019	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		30,841		99,969
Changes on the assumptions:				
Discount rate		197,943		367,125
Deviation between expected income and income from funds	5.77%	(140,139)	8.13%	(181,759)
		88,645		285,335

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2020		2019	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	152,812	(143,761)	146,426	(137,734)
Pension's increase rate	(158,701)	167,405	(154,939)	164,454
Salary growth rate	(40,905)	44,341	(36,297)	45,536

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2020		2019	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	138,611	(137,599)	125,716	(125,224)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 S3), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during 2020 and 2019, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs in 2020 the amount of Euros 218,000 (2019: Euros 183,000) related to this contribution.

51. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 62 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2020	2019
Assets		
Financial assets at amortised cost		
Loans and advances to customers	79,467	105,254
Debt instruments	137,685	159,160
Financial assets at fair value through profit or loss		
Financial assets held for trading	5,243	5,525
Financial assets at fair value through other comprehensive income	134,527	108,361
Others	53	53
	356,975	378,353
Liabilities		
Resources from customers	307,631	121,570
	307,631	121,570

Loans and advances to customers are net of impairment in the amount of Euros 526,000 (31 December 2019: Euro 288,000).

During 2020 and 2019, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2020	2019
Income		
Interest and similar income	11,903	12,547
Commissions	8,812	5,447
	20,715	17,994
Costs		
Interest and similar expenses	2	8
Commissions	85	175
	87	183

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2020	2019
Guarantees granted	44,173	99,792
Revocable credit lines	66,248	67,500
Irrevocable credit lines	151,000	150,000
	261,421	317,292

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	3	2	5,540	7,892
Executive Committee (*)	78	107	937	631
Closely related people	259	277	1,575	419
Controlled entities	–	–	31	30
Key management members				
Key management members	6,921	6,066	8,856	8,744
Closely related people	838	933	4,306	3,272
Controlled entities	8	12	2,298	1,801
	8,107	7,397	23,543	22,789

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, in the year of 2020 no credits were attributed.

During 2020 and 2019, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	–	–	37	21
Executive Committee	–	–	8	14
Closely related people	–	–	4	5
Key management members				
Key management members	26	43	47	37
Closely related people	12	10	38	35
Controlled entities	–	–	9	8
	38	53	143	120

During 2020 and 2019, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	111	172	–	1
Key management members				
Key management members	9	19	1	1
Closely related people	1	2	1	1
Controlled entities	–	1	2	2
	121	194	4	5

The revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines	
	2020	2019
Board of Directors		
Non-executive directors	47	39
Executive Committee (*)	162	157
Closely related people	39	37
Key management members		
Key management members	799	748
Closely related people	226	176
Controlled entities	22	20
	1,295	1,177

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The fixed remuneration and social charges paid to members of the Board of Directors and key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2020	2019	2020	2019	2020	2019
Fixed remuneration	3,055	3,055	1,910	1,859	6,803	6,675
Variable remuneration	129	479	–	–	573	1,019
Supplementary retirement pension	611	611	138	84	–	–
Post-employment benefits	4	3	–	–	(114)	(123)
Other mandatory social security charges	733	711	455	430	1,710	1,652
	4,532	4,859	2,503	2,373	8,972	9,223

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank.

During 2020, the amount of remuneration paid to the Executive Committee includes Euros 108,000 (2019: Euros 94,000) supported by subsidiaries or companies whose governing bodies represent the Group's interests, while the remuneration paid to the Board of Directors in the referred conditions include the amount of Euros 34,000 (2019: Euros 55,000).

In 2020, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2019, as described in accounting policies S4 and S5.

In the current financial year of 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounts to Euros 1,232,000. By CRP's deliberation, the payment was postponed to the year in which the payment of dividends to shareholders is resumed.

In 2019, it was attributed a variable remuneration to the Executive Committee regarding the financial year of 2018, in the total amount of Euros 1,073,000, 50% of which was paid in 2019 through the payment in cash of Euros 268,000 and the assignment of 1,042,295 shares of BCP S.A. in the amount of Euros 210,000, being the remaining 50% deferred over a period of 3 years, in the amount of Euros 268,000 in cash and 1,042,295 shares of BCP S.A. In the financial year of 2020, the variable remuneration paid regarding the financial year of 2018 comprises the amount of Euros 39,000 (corresponding to 347,432 shares) and the amount of Euros 89,000 in cash.

In 2020, the remunerations and social security charges supported with the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remuneration	856	1,749	450	3,747	6,802
Variable remuneration	80	116	22	356	574
Post-employment benefits	(40)	22	13	(109)	(114)
Other mandatory social security charges	212	437	109	951	1,709
	1,108	2,324	594	4,945	8,971
Number of beneficiaries	6	10	2	29	47

As described in accounting policies 1 S4) and 1 S5), in 2020 in accordance with the remuneration policies for employees considered key management members, approved for 2019.

In the current financial year of 2020, the variable remuneration comprises the amount of Euros 346,000 and shares in the amount of Euros 139,000, as well as 2019's deferred variable remuneration of shares in the amount of Euros 88,000. It was also attributed to the 47 key-management elements a deferred variable remuneration, over a period of 5 years, in the amount of Euros 387,000.

During 2020 no indemnity was paid for cessation of employment to key management elements.

In 2019, the remunerations and social security charges supported with the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remuneration	855	1,656	451	3,713	6,675
Variable remuneration	148	211	55	605	1,019
Post-employment benefits	(41)	21	9	(112)	(123)
Other mandatory social security charges	211	414	109	918	1,652
	1,173	2,302	624	5,124	9,223
Number of beneficiaries	6	9	2	29	46

As described in accounting policies S4 and S5, in 2019 in accordance with the remuneration policies for employees considered key management members, approved for 2018, it was assigned a variable remuneration deferred over a 3-year period in the amount of Euros 542,000.

During 2019, variable remunerations were paid to 46 key management members and were provided severance payments to three key management members in the amount of Euros 1,077,000, of which the highest amounts to Euros 657,000.

The shareholder and bondholder position of members of the Board of Directors, key management members and people closely related to the previous categories, as well as the movements occurred during 2020, are as follows:

Shareholders/Bondholders	Security	Number of securities 2020	2019	Acquisitions		Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS								
Ana Paula Alcobia Gray	BCP Shares	0	0					
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184					
Fernando da Costa Lima	BCP Shares	18,986	18,986					
João Nuno Oliveira Jorge Palma	BCP Shares	268,687	231,676	66,327	*	29,316	25/6/2020	0.115
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500					
	Bonds (a)	1	1					
José Manuel Elias da Costa	BCP Shares	0	0					
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	207,863	175,707	58,569	*	26,431	25/6/2020	0.115
Lingjiang Xu	BCP Shares	0	0					
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	221,325	**** 169,450	*** 56.753	*	4,878	25/6/2020	0.115
Miguel de Campos Pereira de Bragança	BCP Shares	602,626	564,949	66,327	*	28,650	25/6/2020	0.115
Miguel Maya Dias Pinheiro	BCP Shares	621,467	581,117	73,236	*	32,886	25/6/2020	0.115
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,025,388	500,000			9/3/2020	0.132
	Bonds (a)	2	2					
Rui Manuel da Silva Teixeira (3)	BCP Shares	244,199	212,043	58,569	*	26,413	25/6/2020	0.115
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000					
Valter Rui Dias de Barros	BCP Shares	0	0					
Wan Sin Long	BCP Shares	0	0					
Xiao Xu Gu	BCP Shares	0	0					
KEY MANAGEMENT MEMBERS								
Albino António Carneiro de Andrade	BCP Shares	64,824		10,000			12/3/2020	0.115
			5,000	49,824	***		25/6/2020	0.115
Alexandre Manuel Casimiro de Almeida	BCP Shares	31,878	0	31,878	***		25/6/2020	0.115
Américo João Pinto Carola (7)	BCP Shares	25,459	503	43,702	**	18,746	25/6/2020	0.115
Ana Isabel dos Santos de Pina Cabral (4)	BCP Shares	70,507	39,040	57,309	**	25,842	25/6/2020	0.115
Ana Maria Jordão F. Torres Marques Tavares (6)	BCP Shares	134,652	82,635	52,017	***		25/6/2020	0.115
André Cardoso Meneses Navarro	BCP Shares	290,091	267,888	22,203	***		25/6/2020	0.115
António Augusto Amaral de Medeiros	BCP Shares	55,139	0	55,139	***		25/6/2020	0.115
António José Lindeiro Cordeiro	BCP Shares	16,314	0	25,928	**	9,614	25/6/2020	0.115
António Luís Duarte Bandeira (5)	BCP Shares	210,905		37,000			10/3/2020	0.13
			***** 115.976	57,929	***		25/6/2020	0.115
António Ricardo Fery Salgueiro Antunes	BCP Shares	0	0					
Artur Frederico Silva Luna Pais	BCP Shares	365,663	328,795	36,868	***		25/6/2020	0.115
Belmira Abreu Cabral	BCP Shares	37,841	0	37,841	***		25/6/2020	0.115
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	15,015	0	25,103	**	10,088	25/6/2020	0.115
Chi Wai Leung (Timothy)	BCP Shares	0	0					
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	57,309	0	57,309	***		25/6/2020	0.115
Francisco António Caspa Monteiro (8)	BCP Shares	87,283	29,354	57,929	***		25/6/2020	0.115
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	53,591	48	53,543	***		25/6/2020	0.115
Hugo Miguel Martins Resende	BCP Shares	65,527	11,984	53,543	***		25/6/2020	0.115
João Brás Jorge	BCP Shares	91,709	91,709					
João Manuel Taveira Pinto Santos Paiva	BCP Shares	58,429	500	57,929	***		25/6/2020	0.115
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	47,495	1,600	45,895			25/6/2020	0.115
Jorge Manuel Machado de Sousa Góis	BCP Shares	39,316	0	39,316	***		25/6/2020	0.115
Jorge Manuel Nobre Carreteiro	BCP Shares	14,701				9,468	21/9/2020	0.094
			9,468	23,368	**	8,667	25/6/2020	0.115
José Carlos Benito Garcia de Oliveira	BCP Shares	30,321	0	30,321			25/6/2020	0.115
José Gonçalo Prior Regalado (10)	BCP Shares	42,438	0	42,438	***		25/6/2020	0.115
José Guilherme Potier Raposo Pulido Valente	BCP Shares	186,063	138,719	47,344	**		25/6/2020	0.115

The paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with in the category "People closely related to the previous categories".
(a) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

Shareholders/Bondholders	Security	Number of securities 2020	2019	Acquisitions	Disposals	Date	Unit price Euros
José Laurindo Reino da Costa (13)	BCP Shares	751,100	246,100	505,000		9/7/2020	0.109
José Manuel Moser Cardoso Salgado (15)	BCP Shares	37,500	37,500				
Luis Miguel Manso Correia dos Santos	BCP Shares	82,903	21,328	61,575 ***		25/6/2020	0.115
Maria de Los Angeles Sanchez Sanchez (14)	BCP Shares	8,192	8,192				
Maria Helena Soledade Nunes Henriques	BCP Shares	188,015	170,974	28,822 **	11,781	25/6/2020	0.115
Maria Manuela de Araújo Mesquita Reis (9)	BCP Shares	132,646	106,656	41,981 **	15,991	25/6/2020	0.115
Maria Rita Sítima Fonseca Lourenço	BCP Shares	79,222	42,385	36,837 ***		25/6/2020	0.115
Mário António Pinho Gaspar Neves	BCP Shares	56,522	30,000	26,522 ***		25/6/2020	0.115
Mário Madeira Robalo Fernandes	BCP Shares	43,702	0	43,702 ***		25/6/2020	0.115
Nelson Luís Vieira Teixeira	BCP Shares	32,840	285	57,309 **	24,754	25/6/2020	0.115
Nuno Alexandre Ferreira Pereira Alves (12)	BCP Shares	59,982	10,755	49,227 ***		25/6/2020	0.115
Nuno Miguel Nobre Botelho	BCP Shares	33,366	0	33,366 ***		25/6/2020	0.115
Pedro José Mora de Paiva Beija	BCP Shares	57,929	0	57,929 ***		25/6/2020	0.115
Pedro Manuel Francisco da Silva Dias (11)	BCP Shares	27,583	0	27,583 ***		25/6/2020	0.115
Pedro Manuel Macedo Vilas Boas	BCP Shares	43,702	0	43,702 ***		25/6/2020	0.115
Pedro Manuel Rendas Duarte Turras	BCP Shares	41,596	14,816	44,771 **	17,991	25/6/2020	0.115
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	37,108	0	37,108 ***		25/6/2020	0.115
Ricardo Potes Valadares	BCP Shares	32,102	10,613	33,366 **	11,877	25/6/2020	0.115
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	41,168	8,204	57,929 **	24,965	25/6/2020	0.115
Rui Emanuel Agapito Silva	BCP Shares	33,078	0	57,929 **	24,851	25/6/2020	0.115
Rui Fernando da Silva Teixeira	BCP Shares	113,674	91,297	39,316 **	16,939	25/6/2020	0.115
Rui Manuel Pereira Pedro	BCP Shares	203,538	149,328	54,210 ***		25/6/2020	0.115
Rui Miguel Alves Costa	BCP Shares	194,493	162,881	31,612 ***		25/6/2020	0.115
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	32,151	0	57,309 **	25,158	25/6/2020	0.115
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	39,316	0	39,316 ***		25/6/2020	0.115
Vânia Alexandra Machado Marques Correia	BCP Shares	39,316	0	39,316 ***		25/6/2020	0.115
MEMBROS PRÓXIMOS DA FAMÍLIA							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2) ****	BCP Shares	221,325	169,450	*****			
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP Shares	1,616	1,616				
Ana Margarida Rebelo A.M. Soares Bandeira (5)	BCP Shares	2,976	2,976				
António da Silva Bandeira (5)	BCP Shares	20,000	20,000				
Álvaro Manuel Coreia Marques Tavares (6)	BCP Shares	25,118	25,118				
Francisco Jordão Torres Marques Tavares (6)	BCP Shares	1,016	1,016				
Maria Avelina V C L J Teixeira Diniz (6)	BCP Shares	16,770	16,770				
Ana Isabel Salgueiro Antunes (7)	BCP Shares	29	29				
José Francisco Conceição Monteiro (8)	BCP Shares	18,002	18,002				
Ricardo Miranda Monteiro (8)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (8)	BCP Shares	1,639	1,639				
Luís Filipe da Silva Reis (9)	BCP Shares	280,000	280,000				
Américo Simões Regalado (10)	BCP Shares	880	880				
Filomena Maria Brito Francisco Dias (11)	BCP Shares	4,290	4,290				
António Henrique Leite Pereira Alves (12)	BCP Shares	73,926	63,926	10,000		23/9/2020	0.087
Maria Raquel Sousa Candeias Reino da Costa (13)	BCP Shares	10,000	10,000				
Guilherme Sanchez Oliveira Lima (14)	BCP Shares	0	1,000		1,000	7/12/2020	0.123
José Manuel Espirito Santo Salgado (15)	BCP Shares	10,000	10,000				
Mariana Espirito Santo Salgado (15)	BCP Shares	18,000	18,000				
Matilde Espirito Santo Salgado (15)	BCP Shares	20,000	20,000				

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(*) identifies the increment and sell-cover of shares occurred in 2020 corresponding to deferred variable remuneration of 2019, assigned in 2018.

(**) identifies the increment and sell-cover of shares occurred in 2020 corresponding to variable remuneration of 2019.

(***) identifies the increment of shares occurred in 2020 corresponding to variable remuneration of 2019.

(****) person in the category "People closely related to the previous categories" is equally a "Key management member".

(*****) position held in which the primary account holder is part of "People closely related to the previous categories" or "Key management member".

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

(Thousands of euros)

	2020	2019
Assets		
Loans and advances to credit institutions repayable on demand	2,364	597
Financial assets at amortised cost		
Loans and advances to credit institutions	82,475	250,621
Loans and advances to customers	64,253	68,062
Financial assets at fair value through profit or loss		
Financial assets held for trading	53,553	101,391
Other assets	12,958	13,997
	215,603	434,668
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	94,040	120,999
Resources from customers	423,256	617,256
Non subordinated debt securities issued	17,855	45,622
Subordinated debt	213,368	355,297
Financial liabilities held for trading	43,224	18,448
Financial liabilities designated at fair value through profit or loss	—	31,070
Other liabilities	25	22
	791,768	1,188,714

As at 31 December 2020, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2019: 142,601,002 shares) in the amount of Euros 17,568,000 (31 December 2019: Euros 28,891,000).

During 2020 and 2019, the transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	2020	2019
Income		
Interest and similar income	5,953	13,425
Commissions	58,045	57,265
Profits from financial operations	10,647	10,363
Other operating income	1,044	870
	75,689	81,923
Costs		
Interest and similar expenses	19,878	41,771
Commissions	27	22
Other operating losses	408	1,242
Losses from financial operations	10,563	13,411
Other administrative costs	186	1,136
	31,062	57,582

The guarantees granted and revocable credit lines by the Group over associated companies are as follows:

(Thousands of euros)

	2020	2019
Guarantees granted	8,193	7,982
Revocable credit lines	327,733	3,951
Irrevocable credit lines	600	600
Other revocable commitments	—	4,907
	336,526	17,440

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

(Thousands of euros)

	2020	2019
Life insurance		
Saving products	34,427	35,783
Mortgage and consumer loans	17,714	20,122
Others	30	31
	52,171	55,936
Non-Life insurance		
Accidents and health	19,207	18,758
Motor	4,097	3,959
Multi-Risk Housing	6,923	6,712
Others	1,486	1,315
	31,713	30,744
	83,884	86,680

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

(Thousands of euros)

	2020	2019
Funds receivable for payment of life insurance commissions	12,857	13,877
Funds receivable for payment of non-life insurance commissions	8,187	7,729
	21,044	21,606

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;

- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

(Thousands of euros)

	2020	2019
Liabilities		
Resources from customers	417,950	31,391
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	20,630	14,426
Other liabilities	1,772	—
	440,352	45,817

In 2019, the Pension Fund hold Perpetual subordinated debt securities (Adt1)in the amount of Euros 1,575,000 issued by Banco Comercial Português, S.A. During 2020 and 2019, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During 2020 and 2019, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	2020	2019
Income		
Commissions	1,374	836
Expenses		
Interest expense and similar charges	462	306
Other administrative costs	14,270	14,274
	14,732	14,580

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 31 December 2020, the amount of guarantees granted by the Group to the Pension Fund amounts to Euros 5,000 (31 December 2019: Euros 5,000).

52. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target “Mass Market” customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

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.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 December 2020 and 31 December 2019 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.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 December 2020. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 December 2020, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	504,369	898,418	1,402,787	295,462	23,402	83,932	1,805,583
Interest expense and similar charges	(14,189)	(177,804)	(191,993)	(40,853)	(4,300)	(35,262)	(272,408)
Net interest income	490,180	720,614	1,210,794	254,609	19,102	48,670	1,533,175
Commissions and other income	405,814	293,383	699,197	168,741	60,683	19,189	947,810
Commissions and other costs	(42,312)	(181,361)	(223,673)	(22,916)	(8,752)	(134,334)	(389,675)
Net commissions and other income (2)	363,502	112,022	475,524	145,825	51,931	(115,145)	558,135
Net gains arising from trading activity (3)	19,249	87,655	106,904	295	3,840	41,734	152,773
Share of profit of associates under the equity	—	9,397	9,397	—	—	58,298	67,695
Gains / (losses) arising from the sale of subsidiaries and other assets	8	1,614	1,622	5	—	(7,815)	(6,188)
Net operating revenue	872,939	931,302	1,804,241	400,734	74,873	25,742	2,305,590
Operating expenses	474,128	442,352	916,480	123,309	47,925	31,630	1,119,344
Impairment for credit and financial assets (4)	(98,885)	(156,009)	(254,894)	(266,975)	(2,767)	864	(523,772)
Other impairments and provisions (5)	(43)	(212,469)	(212,512)	—	—	(104,953)	(317,465)
Net income / (loss) before income tax	299,883	120,472	420,355	10,450	24,181	(109,977)	345,009
Income tax	(91,331)	(55,147)	(146,478)	(2,303)	(5,721)	17,858	(136,644)
Net income / (loss) for the year	208,552	65,325	273,877	8,147	18,460	(92,119)	208,365
Non-controlling interests	—	(25,489)	(25,489)	—	—	136	(25,353)
Net income / (loss) for the year attributable to Bank's Shareholders	208,552	39,836	248,388	8,147	18,460	(91,983)	183,012

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) 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 amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,506,127	1,208,961	11,715,088	1,445,196	2,995,837	(9,574,775)	6,581,346
Loans and advances to customers (1)	23,493,301	16,734,248	40,227,549	11,989,542	629,549	1,226,439	54,073,079
Financial assets (2)	720,892	4,876,098	5,596,990	—	64,838	13,198,762	18,860,590
Other assets	52,027	721,363	773,390	5,958	16,302	5,502,756	6,298,406
Total Assets	34,772,347	23,540,670	58,313,017	13,440,696	3,706,526	10,353,182	85,813,421
Resources from other credit institutions (3)	426,640	304,873	731,513	3,520,818	2	4,646,426	8,898,759
Resources from customers (4)	31,763,585	19,397,541	51,161,126	8,603,654	3,116,443	378,134	63,259,357
Debt securities issued (5)	1,316,912	122,483	1,439,395	1,430	93,592	1,195,309	2,729,726
Other financial liabilities (6)	—	536,722	536,722	—	218	1,432,849	1,969,789
Other liabilities (7)	45,055	732,758	777,813	68,905	17,280	705,522	1,569,520
Total Liabilities	33,552,192	21,094,377	54,646,569	12,194,807	3,227,535	8,358,240	78,427,151
Total Equity	1,220,155	2,446,293	3,666,448	1,245,889	478,991	1,994,942	7,386,270
Total Liabilities and Equity	34,772,347	23,540,670	58,313,017	13,440,696	3,706,526	10,353,182	85,813,421
Number of employees	4,447	10,236	14,683	583	232	1,837	17,335

(1) Includes 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.
(2) Includes 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), financial assets at fair value through other comprehensive income, assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 December 2019, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	501,354	1,033,548	1,534,902	328,785	27,867	99,891	1,991,445
Interest expense and similar charges	(26,135)	(284,166)	(310,301)	(53,738)	(7,855)	(71,023)	(442,917)
Net interest income	475,219	749,382	1,224,601	275,047	20,012	28,868	1,548,528
Commissions and other income	426,328	285,123	711,451	162,345	57,555	16,997	948,348
Commissions and other costs	(43,919)	(163,886)	(207,805)	(26,920)	(7,526)	(134,450)	(376,701)
Net commissions and other income (2)	382,409	121,237	503,646	135,425	50,029	(117,453)	571,647
Net gains arising from trading activity (3)	16,798	88,247	105,045	396	3,998	33,874	143,313
method	—	2,518	2,518	—	—	40,471	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	—	4,335	4,335	—	9	27,563	31,907
Net operating revenue	874,426	965,719	1,840,145	410,868	74,048	13,323	2,338,384
Operating expenses	488,002	468,816	956,818	126,073	46,513	40,068	1,169,472
Impairment for credit and financial assets (4)	(25,237)	(111,122)	(136,359)	(270,784)	1,602	17,413	(388,128)
Other impairments and provisions (5)	(8)	(59,458)	(59,466)	15	—	(94,067)	(153,518)
Net income / (loss) before income tax	361,179	326,323	687,502	14,026	29,137	(103,399)	627,266
Income tax	(111,661)	(92,690)	(204,351)	(3,452)	(7,711)	(23,764)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	233,633	483,151	10,574	21,426	(127,163)	387,988
Income arising from discontinued operations	—	—	—	—	—	13,412	13,412
Net income / (loss) for the year	249,518	233,633	483,151	10,574	21,426	(113,751)	401,400
Non-controlling interests	—	(99,756)	(99,756)	—	—	359	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	133,877	383,395	10,574	21,426	(113,392)	302,003

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) 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 amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2019, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	9,488,042	1,425,056	10,913,098	1,678,262	2,706,079	(8,917,036)	6,380,403
Loans and advances to customers (1)	22,028,660	17,065,043	39,093,703	11,971,158	645,486	564,358	52,274,705
Financial assets (2)	384,926	6,220,579	6,605,505	—	5,389	9,725,291	16,336,185
Other assets	197,446	778,715	976,161	49,208	25,060	5,601,686	6,652,115
Total Assets	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Resources from other credit institutions (3)	616,186	443,268	1,059,454	4,413,047	512	893,945	6,366,958
Resources from customers (4)	28,855,517	20,842,418	49,697,935	7,882,707	2,793,225	473,273	60,847,140
Debt securities issued (5)	1,399,948	278,290	1,678,238	1,797	94,973	1,300,890	3,075,898
Other financial liabilities (6)	—	546,892	546,892	—	67	1,604,603	2,151,562
Other liabilities (7)	46,786	688,540	735,326	67,409	18,811	999,050	1,820,596
Total Liabilities	30,918,437	22,799,408	53,717,845	12,364,960	2,907,588	5,271,761	74,262,154
Total Equity	1,180,637	2,689,985	3,870,622	1,333,668	474,426	1,702,538	7,381,254
Total Liabilities and Equity	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Number of employees	4,635	11,295	15,930	597	230	1,828	18,585

(1) Includes 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.
(2) Includes 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), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) Foreign Business segment considers 8,615 employees from Poland corresponding to 8,464 FTE - Full-time equivalent.

As at 31 December 2020, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Interest and similar income	504,369	295,462	16,236	83,932	899,999	693,755	204,663	7,166	1,805,583
Interest expense and similar charges	(14,189)	(40,853)	(4,192)	(35,262)	(94,496)	(121,949)	(55,764)	(199)	(272,408)
Net interest income	490,180	254,609	12,044	48,670	805,503	571,806	148,899	6,967	1,533,175
Commissions and other income	405,814	168,741	27,796	19,189	621,540	242,242	51,141	32,887	947,810
Commissions and other costs	(42,312)	(22,916)	(1,660)	(134,334)	(201,222)	(168,655)	(12,705)	(7,093)	(389,675)
Net commissions and other income (2)	363,502	145,825	26,136	(115,145)	420,318	73,587	38,436	25,794	558,135
Net gains arising from trading activity (3)	19,249	295	201	41,734	61,479	72,877	14,778	3,639	152,773
Share of profit of associates under the equity method	–	–	–	58,298	58,298	–	–	9,397	67,695
Gains / (losses) arising from the sale of subsidiaries and other assets	8	5	–	(7,815)	(7,802)	1,329	285	–	(6,188)
Net operating revenue	872,939	400,734	38,381	25,742	1,337,796	719,599	202,398	45,797	2,305,590
Operating expenses	474,128	123,309	21,226	31,630	650,293	352,416	89,937	26,698	1,119,344
Impairment for credit and financial assets (4)	(98,885)	(266,975)	(2,810)	864	(367,806)	(125,399)	(30,610)	43	(523,772)
Other impairments and provisions (5)	(43)	–	–	(104,953)	(104,996)	(194,458)	(1,384)	(16,627)	(317,465)
Net income / (loss) before income tax	299,883	10,450	14,345	(109,977)	214,701	47,326	80,467	2,515	345,009
Income tax	(91,331)	(2,303)	(4,518)	17,858	(80,294)	(42,206)	(12,970)	(1,174)	(136,644)
Income / (loss) after income tax from continuing operations	208,552	8,147	9,827	(92,119)	134,407	5,120	67,497	1,341	208,365
Income / (loss) arising from discontinued operations	–	–	–	–	–	–	–	–	–
Net income / (loss) for the year	208,552	8,147	9,827	(92,119)	134,407	5,120	67,497	1,341	208,365
Non-controlling interests	–	–	–	136	136	(2,554)	(22,935)	–	(25,353)
Net income / (loss) for the year attributable to Bank's Shareholders	208,552	8,147	9,827	(91,983)	134,543	2,566	44,562	1,341	183,012

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) 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 amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2020, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	10,506,127	1,445,196	2,368,614	(9,574,775)	4,745,162	471,914	737,012	627,258	6,581,346
Loans and advances to customers (1)	23,493,301	11,989,542	275,817	1,226,439	36,985,099	16,246,374	487,874	353,732	54,073,079
Financial assets (2)	720,892	–	–	13,198,762	13,919,654	4,249,321	626,811	64,804	18,860,590
Other assets	52,027	5,958	1,292	5,502,756	5,562,033	472,161	182,682	81,530	6,298,406
Total Assets	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,439,770	2,034,379	1,127,324	85,813,421
Resources from other credit institutions (3)	426,640	3,520,818	–	4,646,426	8,593,884	286,432	5,574	12,869	8,898,759
Resources from customers (4)	31,763,585	8,603,654	2,475,887	378,134	43,221,260	17,873,943	1,523,599	640,555	63,259,357
Debt securities issued (5)	1,316,912	1,430	93,592	1,195,309	2,607,243	122,483	–	–	2,729,726
Other financial liabilities (6)	–	–	–	1,432,849	1,432,849	536,722	–	218	1,969,789
Other liabilities (7)	45,055	68,905	1,084	705,522	820,566	626,687	93,271	28,996	1,569,520
Total Liabilities	33,552,192	12,194,807	2,570,563	8,358,240	56,675,802	19,446,267	1,622,444	682,638	78,427,151
Equity and non-controlling interests	1,220,155	1,245,889	75,160	1,994,942	4,536,146	1,993,503	411,935	444,686	7,386,270
Total Liabilities, Equity and Non-controlling interests	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,439,770	2,034,379	1,127,324	85,813,421
Number of employees	4,447	583	146	1,837	7,013	7,645	2,591	86	17,335

(1) Includes 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.
(2) Includes 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), financial assets at fair value through other comprehensive income , assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 December 2019, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	501,354	328,785	18,093	99,891	948,123	785,688	247,860	9,774	1,991,445
Interest expense and similar charges	(26,135)	(53,738)	(7,695)	(71,023)	(158,591)	(218,355)	(65,465)	(506)	(442,917)
Net interest income	475,219	275,047	10,398	28,868	789,532	567,333	182,395	9,268	1,548,528
Commissions and other income	426,328	162,345	26,936	16,997	632,606	226,526	58,597	30,619	948,348
Commissions and other costs	(43,919)	(26,920)	(1,928)	(134,450)	(207,217)	(148,993)	(14,893)	(5,598)	(376,701)
Net commissions and other income [2]	382,409	135,425	25,008	(117,453)	425,389	77,533	43,704	25,021	571,647
Net gains arising from trading activity [3]	16,798	396	395	33,874	51,463	73,382	14,865	3,603	143,313
Share of profit of associates under the equity method	–	–	–	40,471	40,471	–	–	2,518	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	–	–	–	27,563	27,563	(2,082)	6,417	9	31,907
Net operating revenue	874,426	410,868	35,801	13,323	1,334,418	716,166	247,381	40,419	2,338,384
Operating expenses	488,002	126,073	20,154	40,068	674,297	369,753	97,817	27,605	1,169,472
Impairment for credit and financial assets [4]	(25,237)	(270,784)	1,563	17,413	(277,045)	(93,542)	(17,581)	40	(388,128)
Other impairments and provisions [5]	(8)	15	–	(94,067)	(94,060)	(58,397)	(1,062)	1	(153,518)
Net income / (loss) before income tax	361,179	14,026	17,210	(103,399)	289,016	194,474	130,921	12,855	627,266
Income tax	(111,661)	(3,452)	(5,421)	(23,764)	(144,298)	(63,931)	(28,868)	(2,181)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	10,574	11,789	(127,163)	144,718	130,543	102,053	10,674	387,988
Income arising from discontinued operations	–	–	–	13,412	13,412	–	–	–	13,412
Net income / (loss) for the year	249,518	10,574	11,789	(113,751)	158,130	130,543	102,053	10,674	401,400
Non-controlling interests	–	–	–	359	359	(65,141)	(34,615)	–	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	10,574	11,789	(113,392)	158,489	65,402	67,438	10,674	302,003

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) 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 amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2019, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	9,488,042	1,678,262	2,075,021	(8,917,036)	4,324,289	724,030	701,026	631,058	6,380,403
Loans and advances to customers [1]	22,028,660	11,971,158	273,602	564,358	34,837,778	16,432,968	632,075	371,884	52,274,705
Financial assets [2]	384,926	–	–	9,725,291	10,110,217	5,436,994	783,585	5,389	16,336,185
Other assets	197,446	49,208	13,234	5,601,686	5,861,574	468,044	217,627	104,870	6,652,115
Total Assets	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Resources from other credit institutions [3]	616,186	4,413,047	–	893,945	5,923,178	392,671	12,192	38,917	6,366,958
Resources from customers [4]	28,855,517	7,882,707	2,193,470	473,273	39,404,967	19,157,713	1,684,705	599,755	60,847,140
Debt securities issued [5]	1,399,948	1,797	94,973	1,300,890	2,797,608	278,290	–	–	3,075,898
Other financial liabilities [6]	–	–	–	1,604,603	1,604,603	546,892	–	67	2,151,562
Other liabilities [7]	46,786	67,409	1,060	999,050	1,114,305	583,474	105,066	17,751	1,820,596
Total Liabilities	30,918,437	12,364,960	2,289,503	5,271,761	50,844,661	20,959,040	1,801,963	656,490	74,262,154
Equity and non-controlling interests	1,180,637	1,333,668	72,354	1,702,538	4,289,197	2,102,996	532,350	456,711	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Number of employees	4,635	597	144	1,828	7,204	8,615	2,680	86	18,585

(1) Includes 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.
(2) Includes 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), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) In Poland, the number of employees presented corresponds to 6,132 FTE - Full-time equivalent

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	2020	2019
Net contribution		
Retail banking in Portugal	208,552	249,518
Companies, Corporate and Investment banking	8,147	10,574
Private Banking	9,827	11,789
Foreign business (continuing operations)	73,958	243,270
Non-controlling interests (1)	(25,489)	(99,756)
	274,995	415,395
Amounts not allocated to segments		
Net interest income of the bond portfolio	(8,563)	(10,034)
Net interest income - TLTRO	46,424	10,162
Foreign exchange activity	43,029	8,576
Gains / (losses) arising from sales of subsidiaries and other assets	(7,815)	27,563
Equity accounted earnings	58,298	40,471
Impairment and other provisions (2)	(104,089)	(76,654)
Operational costs (3)	(31,629)	(40,068)
Gains on sale of Portuguese public debt	57,548	69,543
Mandatory contributions	(70,042)	(66,627)
Loans sale	(28,234)	(28,897)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(71,183)	(28,806)
Taxes (5)	17,858	(23,764)
Income from discontinued operations	—	13,412
Non-controlling interests	136	359
Others (6)	6,279	(8,628)
Total not allocated to segments	(91,983)	(113,392)
Consolidated net income	183,012	302,003

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.
(2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.
(3) In 2020 and 2019, corresponds to restructuring costs and compensation for temporary salary cuts. In 2020, it also includes a positive impact resulting from the agreement signed with a former Board of Directors member.
(4) Includes gains/(losses) from corporate restructuring funds.
(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.
(7) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

53. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non performing exposures, are also deducted, due to SREP recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2019, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2020 Minimum Capital Requirements

		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	8.83%	4.50%	1.27%	3.06%	9.27%	4.50%	1.27%	3.50%
T1	10.75%	6.00%	1.69%	3.06%	11.19%	6.00%	1.69%	3.50%
Total	13.31%	8.00%	2.25%	3.06%	13.75%	8.00%	2.25%	3.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	2020	2019
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(40)	(102)
Reserves and retained earnings	1,067,595	926,877
Minority interests eligible to CET1	688,322	711,470
Regulatory adjustments to CET1	(840,058)	(871,226)
	5,657,290	5,508,490
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	136,700	103,949
	6,193,990	6,012,439
Tier 2		
Subordinated debt	765,490	821,704
Minority interests eligible to Tier 2	311,573	260,886
Other	(58,800)	(58,800)
	1,018,263	1,023,790
Total own funds	7,212,253	7,036,229
RWA - Risk weighted assets		
Credit risk	40,003,475	39,558,388
Market risk	2,322,058	1,301,134
Operational risk	4,014,374	4,058,072
CVA	73,141	113,884
	46,413,048	45,031,478
Capital ratios		
CET1	12.2%	12.2%
Tier 1	13.3%	13.4%
Tier 2	2.2%	2.3%
	15.5%	15.6%

The amounts relative to 2019 and 2020 include the accumulated net income of the year.

54. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main types ok risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

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

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund’s assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT’s structure and the Bank’s strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behaviour or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Risk of foreign currency loans conversion in Poland – This risk is related to eventual losses for the Group due to approval of law regarding rules of conversion into zlotys of loans originally based in foreign currency.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2020	2019
Central Governments or Central Banks	19,727,771	15,734,930
Regional Governments or Local Authorities	1,262,288	818,986
Administrative and non-profit Organisations	300,668	301,479
Multilateral Development Banks	40,029	41,422
Other Credit Institutions	3,134,714	3,155,805
Retail and Corporate customers	69,246,853	66,252,288
Other items (*)	9,269,479	9,863,160
	102,981,802	96,168,070

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with Article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected, considers the following methodological notes.

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and before decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

Internal risk grade	External ratings			
	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2020 and 2019 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through Circular Letter CC/2018/00000062, in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2020, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2020				
	Gross exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	1,014,782	607	2	—	1,015,391
Loans and advances to customers (note 21)	43,702,669	7,179,503	3,188,808	86,357	54,157,337
Debt instruments (note 22)	6,110,703	124,389	15,806	—	6,250,898
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	12,107,432	—	1,097	—	12,108,529
Guarantees and other commitments (note 45)	13,406,121	1,992,253	442,214	—	15,840,588
Total	76,341,707	9,296,752	3,647,927	86,357	89,372,743

(Thousands of euros)

	2020				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	239	64	1	–	304
Loans and advances to customers (note 21)	169,103	247,252	1,607,223	12,944	2,036,522
Debt instruments (note 22)	9,627	802	5,924	–	16,353
Guarantees and other commitments (note 38)	12,360	10,365	81,105	–	103,830
Total	191,329	258,483	1,694,253	12,944	2,157,009

(Thousands of euros)

	2020				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	1,014,543	543	1	–	1,015,087
Loans and advances to customers (note 21)	43,533,566	6,932,251	1,581,585	73,413	52,120,815
Debt instruments (note 22)	6,101,076	123,587	9,882	–	6,234,545
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	12,107,432	–	1,097	–	12,108,529
Guarantees and other commitments (note 45) (**)	13,393,761	1,981,888	361,109	–	15,736,758
Total	76,150,378	9,038,269	1,953,674	73,413	87,215,734

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.
(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

As at 31 December 2019, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2019				
	Gross Exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,357	3,006	–	–	893,363
Loans and advances to customers (note 21)	40,864,110	7,220,484	4,058,116	122,141	52,264,851
Debt instruments (note 22)	3,116,343	74,515	9,549	–	3,200,407
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,179,281	–	1,177	–	13,180,458
Guarantees and other commitments (note 45) (**)	12,022,296	1,793,631	483,094	123	14,299,144
Total	70,072,387	9,091,636	4,551,936	122,264	83,838,223

(Thousands of euros)

Category	2019 Impairment losses Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	161	207	–	–	368
Loans and advances to customers (note 21)	94,766	190,878	2,117,756	13,622	2,417,022
Debt instruments (note 22)	4,669	382	9,480	–	14,531
Guarantees and other commitments (note 38)	10,329	6,330	99,899	2	116,560
Total	109,925	197,797	2,227,135	13,624	2,548,481

(Thousands of euros)

Category	2019 Net exposure Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,196	2,799	–	–	892,995
Loans and advances to customers (note 21)	40,769,344	7,029,606	1,940,360	108,519	49,847,829
Debt instruments (note 22)	3,111,674	74,133	69	–	3,185,876
Debt instruments at fair value					
through other comprehensive income (note 23)	13,179,281	–	1,177	–	13,180,458
Guarantees and other commitments (note 45) (**)	12,011,967	1,787,301	383,195	121	14,182,584
Total	69,962,462	8,893,839	2,324,801	108,640	81,289,742

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.
(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2020	2019
Financial assets held for trading (note 23)		
Debt instruments	486,276	255,313
Derivatives	603,644	763,611
Financial assets designated at fair value through profit or loss - Debt instruments (note 23)	–	31,496
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	917,132	1,037,480
Hedging derivatives (note 24)	158,418	87,677
Total	2,165,470	2,087,900

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2020, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	40,864,110	7,220,484	4,058,116	122,141	52,264,851
Changes in gross book value:					
Transfers from stage 1 to stage 2	(1,572,866)	1,572,866	—	—	—
Transfers from stage 1 to stage 3	(233,821)	—	233,821	—	—
Transfers from stage 2 to stage 1	1,812,445	(1,812,445)	—	—	—
Transfers from stage 2 to stage 3	—	(493,640)	493,640	—	—
Transfers from stage 3 to stage 1	44,494	—	(44,494)	—	—
Transfers from stage 3 to stage 2	—	161,272	(161,272)	—	—
Write-offs	(2,055)	(5,936)	(255,651)	(293)	(263,935)
Net balance of new financial assets and derecognised financial assets and other variations	2,790,362	536,902	(1,135,352)	(35,491)	2,156,421
Gross amount at the end of the year	43,702,669	7,179,503	3,188,808	86,357	54,157,337

During 2020, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,766	190,878	2,117,756	13,622	2,417,022
Change in impairment losses:					
Transfer to Stage 1	48,668	(32,331)	(16,333)	(4)	—
Transfer to Stage 2	(7,706)	27,165	(19,459)	—	—
Transfer to Stage 3	(3,063)	(27,404)	30,769	(303)	(1)
Changes occurred due to changes in credit risk	(14,031)	53,595	335,250	3,342	378,156
Write-offs	(2,055)	(5,936)	(255,651)	(293)	(263,935)
Changes due to new financial assets and derecognised financial assets and other variations	52,524	41,285	(585,109)	(3,420)	(494,720)
Impairment losses at the end of the year	169,103	247,252	1,607,223	12,944	2,036,522

During 2019, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	35,658,333	7,235,837	5,518,658	4	48,412,832
Changes in gross book value:					
Transfers from stage 1 to stage 2	(1,580,942)	1,580,942	–	–	–
Transfers from stage 1 to stage 3	(144,179)	–	144,179	–	–
Transfers from stage 2 to stage 1	1,713,624	(1,713,624)	–	–	–
Transfers from stage 2 to stage 3	–	(334,639)	334,639	–	–
Transfers from stage 3 to stage 1	46,668	–	(46,668)	–	–
Transfers from stage 3 to stage 2	–	407,346	(407,346)	–	–
Write-offs	(899)	(3,376)	(674,059)	–	(678,334)
Impact of acquisition/merger of Euro Bank	2,610,511	74,423	46,962	120,733	2,852,629
Net balance of new financial assets and derecognised financial assets and other variations	2,560,994	(26,425)	(858,249)	1,404	1,677,724
Gross amount at the end of the year	40,864,110	7,220,484	4,058,116	122,141	52,264,851

During 2019, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,542	183,932	2,573,432	–	2,851,906
Change in impairment losses:					
Transfer to Stage 1	39,801	(35,498)	(4,303)	–	–
Transfer to Stage 2	(7,291)	47,833	(40,542)	–	–
Transfer to Stage 3	(1,712)	(18,508)	20,220	–	–
Changes occurred due to changes in credit risk	(52,163)	(18,260)	105,185	–	34,762
Write-offs	(719)	(3,376)	(674,059)	–	(678,154)
Impact of acquisition/merger of Euro Bank	12,769	8,455	18,564	13,109	52,897
Changes due to new financial assets and derecognised financial assets and other variations	9,539	26,300	119,259	513	155,611
Impairment losses at the end of the year	94,766	190,878	2,117,756	13,622	2,417,022

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2020**	**2019**
Amortised cost before changes	399,379	669,892
Impairment losses before changes	(66,421)	(270,074)
Net amortised cost before changes	332,958	399,818
Net gain / loss arising on changes	(14,076)	(8,979)
Net amortised cost after changes	318,882	390,839

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	2020	2019
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	60,793	56,947

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	23,196,850	2,257,027	94,230	49,833	2,401,090	245,446	238,996	484,442	14,805	26,097,187
Individuals-Other	7,705,016	723,194	84,846	37,072	845,112	304,008	382,718	686,726	71,552	9,308,406
Financial Companies	2,968,646	456,900	37	1	456,938	145,907	90,861	236,768	–	3,662,352
Non-financial comp. - Corporate	8,801,863	1,152,447	2,307	47	1,154,801	204,045	547,859	751,904	–	10,708,568
Non-financial comp.- SME-Corporate	10,547,907	2,694,779	5,149	1,187	2,701,115	816,135	244,154	1,060,289	–	14,309,311
Non-financial comp. -SME-Retail	5,459,793	1,418,540	14,916	3,672	1,437,128	269,042	156,306	425,348	–	7,322,269
Non-financial comp.-Other	402,483	75,951	–	–	75,951	147	1,205	1,352	–	479,786
Other loans	5,151,717	224,617	–	–	224,617	–	1	1	–	5,376,335
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	77,264,214
Impairment										
Individuals-Mortgage	13,165	22,645	2,853	4,813	30,311	27,429	67,084	94,513	1,395	139,384
Individuals-Other	49,118	25,156	14,197	9,188	48,541	124,521	216,529	341,050	11,549	450,258
Financial Companies	3,398	6,440	4	–	6,444	124,059	66,087	190,146	–	199,988
Non-financial comp. - Corporate	30,883	27,546	124	–	27,670	98,921	353,691	452,612	–	511,165
Non-financial comp.- SME-Corporate	50,193	94,396	573	239	95,208	274,732	141,442	416,174	–	561,575
Non-financial comp. -SME-Retail	38,767	43,623	1,984	957	46,564	120,207	79,296	199,503	–	284,834
Non-financial comp.-Other	277	61	–	–	61	74	180	254	–	592
Other loans	5,528	3,684	–	–	3,684	–	1	1	–	9,213
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	2,157,009
Net exposure										
Individuals-Mortgage	23,183,685	2,234,382	91,377	45,020	2,370,779	218,017	171,912	389,929	13,410	25,957,803
Individuals-Other	7,655,898	698,038	70,649	27,884	796,571	179,487	166,189	345,676	60,003	8,858,148
Financial Companies	2,965,248	450,460	33	1	450,494	21,848	24,774	46,622	–	3,462,364
Non-financial comp. - Corporate	8,770,980	1,124,901	2,183	47	1,127,131	105,124	194,168	299,292	–	10,197,403
Non-financial comp.- SME-Corporate	10,497,714	2,600,383	4,576	948	2,605,907	541,403	102,712	644,115	–	13,747,736
Non-financial comp. -SME-Retail	5,421,026	1,374,917	12,932	2,715	1,390,564	148,835	77,010	225,845	–	7,037,435
Non-financial comp.-Other	402,206	75,890	–	–	75,890	73	1,025	1,098	–	479,194
Other loans	5,146,189	220,933	–	–	220,933	–	–	–	–	5,367,122
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	75,107,205
% of impairment coverage										
Individuals-Mortgage	0.06%	1.00%	3.03%	9.66%	1.26%	11.18%	28.07%	19.51%	9.42%	0.53%
Individuals-Other	0.64%	3.48%	16.73%	24.78%	5.74%	40.96%	56.58%	49.66%	16.14%	4.84%
Financial Companies	0.11%	1.41%	10.81%	0.00%	1.41%	85.03%	72.73%	80.31%	0.00%	5.46%
Non-financial comp. - Corporate	0.35%	2.39%	5.37%	0.00%	2.40%	48.48%	64.56%	60.20%	0.00%	4.77%
Non-financial comp.- SME-Corporate	0.48%	3.50%	11.13%	20.13%	3.52%	33.66%	57.93%	39.25%	0.00%	3.92%
Non-financial comp. -SME-Retail	0.71%	3.08%	13.30%	26.06%	3.24%	44.68%	50.73%	46.90%	0.00%	3.89%
Non-financial comp.-Other	0.07%	0.08%	0.00%	0.00%	0.08%	50.34%	14.94%	18.79%	0.00%	0.12%
Other loans	0.11%	1.64%	0.00%	0.00%	1.64%	0.00%	100.00%	100.00%	0.00%	0.17%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	2.79%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	30,901,866	2,980,221	179,076	86,905	3,246,202	549,454	621,714	1,171,168	86,357	35,405,593
Non-financial comp.- Trade	5,106,487	945,505	5,049	1,044	951,598	117,856	87,538	205,394	–	6,263,479
Non-financial comp.- Construction	2,035,530	742,594	2,774	267	745,635	401,024	90,589	491,613	–	3,272,778
Non finan. comp.- Manufacturing indust.	5,415,350	975,671	5,469	1,188	982,328	161,262	150,996	312,258	–	6,709,936
Non-financial comp.-Other activities	1,655,621	453,003	313	39	453,355	162,499	78,834	241,333	–	2,350,309
Non-financial comp.- Other services	10,999,058	2,224,944	8,767	2,368	2,236,079	446,728	541,567	988,295	–	14,223,432
Other Services /Other activities	8,120,363	681,517	37	1	681,555	145,907	90,862	236,769	–	9,038,687
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	77,264,214
Impairment										
Loans to individuals	62,283	47,801	17,050	14,001	78,852	151,950	283,613	435,563	12,944	589,642
Non-financial comp.- Trade	20,798	27,464	501	241	28,206	42,532	54,330	96,862	–	145,866
Non-financial comp.- Construction	10,292	16,764	596	96	17,456	115,730	45,112	160,842	–	188,590
Non-financial comp.- Manufacturing industries	22,959	27,309	459	251	28,019	58,793	66,177	124,970	–	175,948
Non-financial comp.-Other activities	5,977	13,602	64	14	13,680	84,627	36,758	121,385	–	141,042
Non-financial comp.- Other services	60,094	80,487	1,061	594	82,142	192,252	372,232	564,484	–	706,720
Other Services /Other activities	8,926	10,124	4	–	10,128	124,059	66,088	190,147	–	209,201
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	2,157,009
Net exposure										
Loans to individuals	30,839,583	2,932,420	162,026	72,904	3,167,350	397,504	338,101	735,605	73,413	34,815,951
Non-financial comp.- Trade	5,085,689	918,041	4,548	803	923,392	75,324	33,208	108,532	–	6,117,613
Non-financial comp.- Construction	2,025,238	725,830	2,178	171	728,179	285,294	45,477	330,771	–	3,084,188
Non finan. comp.- Manufacturing indust.	5,392,391	948,362	5,010	937	954,309	102,469	84,819	187,288	–	6,533,988
Non-financial comp.-Other activities	1,649,644	439,401	249	25	439,675	77,872	42,076	119,948	–	2,209,267
Non-financial comp.- Other services	10,938,964	2,144,457	7,706	1,774	2,153,937	254,476	169,335	423,811	–	13,516,712
Other Services /Other activities	8,111,437	671,393	33	1	671,427	21,848	24,774	46,622	–	8,829,486
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	75,107,205
% of impairment coverage										
Loans to individuals	0.20%	1.60%	9.52%	16.11%	2.43%	27.65%	45.62%	37.19%	14.99%	1.67%
Non-financial comp.- Trade	0.41%	2.90%	9.92%	23.08%	2.96%	36.09%	62.06%	47.16%	0.00%	2.33%
Non-financial comp.- Construction	0.51%	2.26%	21.49%	35.96%	2.34%	28.86%	49.80%	32.72%	0.00%	5.76%
Non finan. comp.- Manufacturing indust.	0.42%	2.80%	8.39%	21.13%	2.85%	36.46%	43.83%	40.02%	0.00%	2.62%
Non-financial comp.-Other activities	0.36%	3.00%	20.45%	35.90%	3.02%	52.08%	46.63%	50.30%	0.00%	6.00%
Non-financial comp.- Other services	0.55%	3.62%	12.10%	25.08%	3.67%	43.04%	68.73%	57.12%	0.00%	4.97%
Other Services /Other activities	0.11%	1.49%	10.81%	0.00%	1.49%	85.03%	72.73%	80.31%	0.00%	2.31%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	2.79%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	44,618,624	7,707,417	112,588	41,646	7,861,651	1,612,021	1,192,577	2,804,598	–	55,284,873
Poland	17,783,876	895,734	87,765	49,036	1,032,535	354,957	390,278	745,235	86,357	19,648,003
Mozambique	1,293,747	400,304	1,132	1,130	402,566	17,752	79,245	96,997	–	1,793,310
Switzerland	538,028	–	–	–	–	–	–	–	–	538,028
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	77,264,214
Impairment										
Portugal	99,092	181,637	3,690	1,738	187,065	626,580	670,115	1,296,695	–	1,582,852
Poland	87,204	37,152	15,869	13,255	66,276	140,106	225,096	365,202	12,944	531,626
Mozambique	4,665	4,762	176	204	5,142	3,257	29,099	32,356	–	42,163
Switzerland	368	–	–	–	–	–	–	–	–	368
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	2,157,009
Net exposure										
Portugal	44,519,532	7,525,780	108,898	39,908	7,674,586	985,441	522,462	1,507,903	–	53,702,021
Poland	17,696,672	858,582	71,896	35,781	966,259	214,851	165,182	380,033	73,413	19,116,377
Mozambique	1,289,082	395,542	956	926	397,424	14,495	50,146	64,641	–	1,751,147
Switzerland	537,660	–	–	–	–	–	–	–	–	537,660
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	75,107,205
% of impairment coverage										
Portugal	0.22%	2.36%	3.28%	4.17%	2.38%	38.87%	56.19%	46.23%	0.00%	2.86%
Poland	0.49%	4.15%	18.08%	27.03%	6.42%	39.47%	57.68%	49.00%	14.99%	2.71%
Mozambique	0.36%	1.19%	15.55%	18.05%	1.28%	18.35%	36.72%	33.36%	0.00%	2.35%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	2.79%

As at 31 December 2020, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2020							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	35,163,115	9,748,672	3,228,850	2,355	1,026,840	49,169,832	174,692	48,995,140
stage 2	1,136,115	1,765,025	3,268,355	310,673	526,804	7,006,972	243,730	6,763,242
stage 3	–	–	–	3,115,272	1,876	3,117,148	1,582,024	1,535,124
POCI	2,570	2,883	1,728	79,175	1	86,357	12,944	73,413
	36,301,800	11,516,580	6,498,933	3,507,475	1,555,521	59,380,309	2,013,390	57,366,919
Debt instruments at fair value through other comprehensive income (*)								
stage 1	11,866,921	104,997	–	–	77,587	12,049,505	–	12,049,505
Guarantees and other commitments (**)								
stage 1	8,072,817	3,604,506	1,201,615	40	353,690	13,232,668	11,604	13,221,064
stage 2	372,803	562,311	676,210	56,905	218,985	1,887,214	9,611	1,877,603
stage 3	–	–	–	432,685	–	432,685	79,873	352,812
	–	–	–	–	–	–	–	–
	8,445,620	4,166,817	1,877,825	489,630	572,675	15,552,567	101,088	15,451,479
Total	56,614,341	15,788,394	8,376,758	3,997,105	2,205,783	86,982,381	2,114,478	84,867,903

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	22,353,466	2,409,116	153,136	53,818	2,616,070	290,423	336,520	626,943	21,869	25,618,348
Individuals-Other	7,915,090	722,034	108,364	63,299	893,697	243,799	333,221	577,020	100,373	9,486,180
Financial Companies	3,142,152	436,539	87	9	436,635	217,568	253,927	471,495	–	4,050,282
Non-financial comp. - Corporate	8,062,174	994,988	515	448	995,951	443,269	630,343	1,073,612	–	10,131,737
Non-financial comp.- SME-Corporate	9,541,235	2,369,242	22,412	4,655	2,396,309	793,661	323,413	1,117,074	–	13,054,618
Non-financial comp. -SME-Retail	4,091,815	1,232,296	36,575	13,744	1,282,615	409,553	207,741	617,294	22	5,991,746
Non-financial comp.-Other	463,226	122,636	14	–	122,650	9,677	57,553	67,230	–	653,106
Other loans	1,323,948	347,709	–	–	347,709	90	1	91	–	1,671,748
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Individuals-Mortgage	5,926	10,390	2,875	3,531	16,796	28,620	71,542	100,162	416	123,300
Individuals-Other	36,710	16,884	11,416	11,523	39,823	94,004	187,494	281,498	13,203	371,234
Financial Companies	1,976	5,198	10	1	5,209	142,056	203,236	345,292	–	352,477
Non-financial comp. - Corporate	22,635	19,230	3	34	19,267	269,938	386,084	656,022	–	697,924
Non-financial comp.- SME-Corporate	32,913	78,768	2,213	615	81,596	260,117	232,087	492,204	–	606,713
Non-financial comp. -SME-Retail	7,767	27,831	2,036	1,178	31,045	194,031	124,383	318,414	5	357,231
Non-financial comp.-Other	239	370	–	–	370	1,314	32,229	33,543	–	34,152
Other loans	1,759	3,691	–	–	3,691	–	–	–	–	5,450
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Individuals-Mortgage	22,347,540	2,398,726	150,261	50,287	2,599,274	261,803	264,978	526,781	21,453	25,495,048
Individuals-Other	7,878,380	705,150	96,948	51,776	853,874	149,795	145,727	295,522	87,170	9,114,946
Financial Companies	3,140,176	431,341	77	8	431,426	75,512	50,691	126,203	–	3,697,805
Non-financial comp. - Corporate	8,039,539	975,758	512	414	976,684	173,331	244,259	417,590	–	9,433,813
Non-financial comp.- SME-Corporate	9,508,322	2,290,474	20,199	4,040	2,314,713	533,544	91,326	624,870	–	12,447,905
Non-financial comp. -SME-Retail	4,084,048	1,204,465	34,539	12,566	1,251,570	215,522	83,358	298,880	17	5,634,515
Non-financial comp.-Other	462,987	122,266	14	–	122,280	8,363	25,324	33,687	–	618,954
Other loans	1,322,189	344,018	–	–	344,018	90	1	91	–	1,666,298
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Individuals-Mortgage	0.03%	0.43%	1.88%	6.56%	0.64%	9.85%	21.26%	15.98%	1.90%	0.48%
Individuals-Other	0.46%	2.34%	10.54%	18.20%	4.46%	38.56%	56.27%	48.78%	13.15%	3.91%
Financial Companies	0.06%	1.19%	11.49%	10.79%	1.19%	65.29%	80.04%	73.23%	0.00%	8.70%
Non-financial comp. - Corporate	0.28%	1.93%	0.63%	7.55%	1.93%	60.90%	61.25%	61.10%	0.00%	6.89%
Non-financial comp.- SME-Corporate	0.34%	3.32%	9.88%	13.22%	3.41%	32.77%	71.76%	44.06%	0.00%	4.65%
Non-financial comp. -SME-Retail	0.19%	2.26%	5.57%	8.57%	2.42%	47.38%	59.87%	51.58%	24.69%	5.96%
Non-financial comp.-Other	0.05%	0.30%	0.32%	0.16%	0.30%	13.58%	56.00%	49.89%	0.00%	5.23%
Other loans	0.13%	1.06%	0.00%	86.57%	1.06%	0.34%	25.74%	0.65%	0.00%	0.33%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	30,268,556	3,131,150	261,500	117,117	3,509,767	534,222	669,741	1,203,963	122,242	35,104,528
Non-financial comp.- Trade	4,582,666	699,541	15,539	2,875	717,955	162,472	90,839	253,311	5	5,553,937
Non-financial comp.- Construction	1,818,997	661,929	5,314	1,413	668,656	497,493	223,261	720,754	7	3,208,414
Non finan. comp.- Manufacturing indust.	4,923,011	776,824	12,375	5,430	794,629	144,757	127,568	272,325	–	5,989,965
Non-financial comp.-Other activities	1,430,987	406,038	4,623	917	411,578	162,545	11,707	174,252	–	2,016,817
Non-financial comp.- Other services	9,402,789	2,174,830	21,665	8,212	2,204,707	688,893	765,675	1,454,568	10	13,062,074
Other Services /Other activities	4,466,100	784,248	87	9	784,344	217,658	253,928	471,586	–	5,722,030
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Loans to individuals	42,636	27,274	14,291	15,054	56,619	122,624	259,036	381,660	13,619	494,534
Non-financial comp.- Trade	14,704	12,532	935	378	13,845	77,103	50,035	127,138	1	155,688
Non-financial comp.- Construction	5,965	8,362	616	90	9,068	135,666	168,096	303,762	1	318,796
Non-financial comp.- Manufacturing industries	16,042	17,799	1,021	759	19,579	51,759	52,406	104,165	–	139,786
Non-financial comp.-Other activities	3,162	11,014	76	121	11,211	75,129	4,224	79,353	–	93,726
Non-financial comp.- Other services	23,681	76,492	1,604	479	78,575	385,743	500,022	885,765	3	988,024
Other Services /Other activities	3,735	8,889	10	1	8,900	142,056	203,236	345,292	–	357,927
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Loans to individuals	30,225,920	3,103,876	247,209	102,063	3,453,148	411,598	410,705	822,303	108,623	34,609,994
Non-financial comp.- Trade	4,567,962	687,009	14,604	2,497	704,110	85,369	40,804	126,173	4	5,398,249
Non-financial comp.- Construction	1,813,032	653,567	4,698	1,323	659,588	361,827	55,165	416,992	6	2,889,618
Non finan. comp.- Manufacturing indust.	4,906,969	759,025	11,354	4,671	775,050	92,998	75,162	168,160	–	5,850,179
Non-financial comp.-Other activities	1,427,825	395,024	4,547	796	400,367	87,416	7,483	94,899	–	1,923,091
Non-financial comp.- Other services	9,379,108	2,098,338	20,061	7,733	2,126,132	303,150	265,653	568,803	7	12,074,050
Other Services /Other activities	4,462,365	775,359	77	8	775,444	75,602	50,692	126,294	–	5,364,103
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Loans to individuals	0.14%	0.87%	5.47%	12.85%	1.61%	22.95%	38.68%	31.70%	11.14%	1.41%
Non-financial comp.- Trade	0.32%	1.79%	6.02%	13.16%	1.93%	47.46%	55.08%	50.19%	19.52%	2.80%
Non-financial comp.- Construction	0.33%	1.26%	11.59%	6.39%	1.36%	27.27%	75.29%	42.15%	17.98%	9.94%
Non finan. comp.- Manufacturing indust.	0.33%	2.29%	8.25%	13.97%	2.46%	35.76%	41.08%	38.25%	0.00%	2.33%
Non-financial comp.-Other activities	0.22%	2.71%	1.63%	13.20%	2.72%	46.22%	36.08%	45.54%	0.00%	4.65%
Non-financial comp.- Other services	0.25%	3.52%	7.41%	5.83%	3.56%	55.99%	65.30%	60.90%	32.25%	7.56%
Other Services /Other activities	0.08%	1.13%	11.49%	12.31%	1.13%	65.27%	80.04%	73.22%	0.00%	6.26%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	37,360,242	7,539,145	213,859	50,683	7,803,687	2,091,146	1,634,199	3,725,345	4	48,889,278
Poland	17,805,331	637,164	103,279	83,608	824,051	280,998	375,142	656,140	122,260	19,407,782
Mozambique	1,223,817	458,251	3,965	1,682	463,898	32,342	133,378	165,720	–	1,853,435
Switzerland	503,716	–	–	–	–	3,554	–	3,554	–	507,270
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Portugal	29,491	135,225	6,309	2,365	143,899	862,601	946,988	1,809,589	–	1,982,979
Poland	76,111	20,991	11,359	14,078	46,428	115,442	222,327	337,769	13,624	473,932
Mozambique	3,966	6,146	885	439	7,470	8,488	67,740	76,228	–	87,664
Switzerland	357	–	–	–	–	3,549	–	3,549	–	3,906
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Portugal	37,330,751	7,403,920	207,550	48,318	7,659,788	1,228,545	687,211	1,915,756	4	46,906,299
Poland	17,729,220	616,173	91,920	69,530	777,623	165,556	152,815	318,371	108,636	18,933,850
Mozambique	1,219,851	452,105	3,080	1,243	456,428	23,854	65,638	89,492	–	1,765,771
Switzerland	503,359	–	–	–	–	5	–	5	–	503,364
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Portugal	0.08%	1.79%	2.95%	4.67%	1.84%	41.25%	57.95%	48.58%	0.00%	4.06%
Poland	0.43%	3.29%	11.00%	16.84%	5.63%	41.08%	59.26%	51.48%	11.14%	2.44%
Mozambique	0.32%	1.34%	22.33%	26.10%	1.61%	26.25%	50.79%	46.00%	0.00%	4.73%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	99.87%	0.00%	99.87%	0.00%	0.77%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2019							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	27,229,156	9,199,924	3,325,337	24,978	3,593,623	43,373,018	96,281	43,276,737
stage 2	1,156,108	1,649,110	2,999,799	498,649	615,424	6,919,090	184,280	6,734,810
stage 3	1,054	3,425	66,159	3,757,614	75,746	3,903,998	2,048,079	1,855,919
POCI	434	536	456	112,054	8,662	122,142	13,622	108,520
	28,386,752	10,852,995	6,391,751	4,393,295	4,293,455	54,318,248	2,342,262	51,975,986
Debt instruments at fair value through other comprehensive income (*)								
stage 1	12,732,509	88,792	184	–	276,641	13,098,126	–	13,098,126
Guarantees and other commitments (**)								
stage 1	7,431,539	2,938,347	940,101	235	482,333	11,792,555	9,321	11,783,234
stage 2	206,446	342,793	640,031	65,466	453,912	1,708,648	6,047	1,702,601
stage 3	9	9	18,415	457,458	1,596	477,487	99,279	378,208
POCI	–	2	2	79	40	123	2	–
	7,637,994	3,281,151	1,598,549	523,238	937,881	13,978,813	114,649	13,864,043
Total	48,757,255	14,222,938	7,990,484	4,916,533	5,507,977	81,395,187	2,456,911	78,938,155

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Segment	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Individuals-Mortgage	27,029	26,070,158	26,097,187	9,168	130,216	139,384
Individuals-Other	114,561	9,193,845	9,308,406	34,298	415,960	450,258
Financial Companies	223,808	3,438,544	3,662,352	189,757	10,231	199,988
Non-financial comp. - Corporate	726,992	9,981,576	10,708,568	444,566	66,599	511,165
Non-financial comp.- SME-Corporate	842,456	13,466,855	14,309,311	373,935	187,640	561,575
Non-financial comp. -SME-Retail	211,864	7,110,405	7,322,269	119,019	165,815	284,834
Non-financial comp.-Other	1,313	478,473	479,786	226	366	592
Other loans	—	5,376,335	5,376,335	—	9,213	9,213
Total	2,148,023	75,116,191	77,264,214	1,170,969	986,040	2,157,009

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Sector of activity	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Loans to individuals	141,590	35,264,003	35,405,593	43,466	546,176	589,642
Non-financial comp.- Trade	116,516	6,146,963	6,263,479	63,083	82,783	145,866
Non-financial comp.- Construction	365,367	2,907,411	3,272,778	137,254	51,336	188,590
Non finan. comp.- Manufacturing indust.	212,034	6,497,902	6,709,936	96,352	79,596	175,948
Non-financial comp.-Other activities	211,532	2,138,777	2,350,309	115,615	25,427	141,042
Non-financial comp.-Other services	877,176	13,346,256	14,223,432	525,442	181,278	706,720
Other Services /Other activities	223,808	8,814,879	9,038,687	189,757	19,444	209,201
Total	2,148,023	75,116,191	77,264,214	1,170,969	986,040	2,157,009

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Geography	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Portugal	1,855,583	53,429,290	55,284,873	1,062,714	520,138	1,582,852
Poland	218,477	19,429,526	19,648,003	79,616	452,010	531,626
Mozambique	73,963	1,719,347	1,793,310	28,639	13,524	42,163
Switzerland	—	538,028	538,028	—	368	368
Total	2,148,023	75,116,191	77,264,214	1,170,969	986,040	2,157,009

Group has concluded that there is no objective evidence of impairment.

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Segment	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Individuals-Mortgage	29,015	25,589,333	25,618,348	10,216	113,084	123,300
Individuals-Other	115,704	9,370,476	9,486,180	29,834	341,400	371,234
Financial Companies	458,198	3,592,084	4,050,282	344,870	7,607	352,477
Non-financial comp. - Corporate	1,044,443	9,087,294	10,131,737	649,682	48,242	697,924
Non-financial comp.- SME-Corporate	902,774	12,151,844	13,054,618	452,958	153,755	606,713
Non-financial comp. -SME-Retail	438,601	5,553,145	5,991,746	255,339	101,892	357,231
Non-financial comp.-Other	61,862	591,244	653,106	33,358	794	34,152
Other loans	—	1,671,748	1,671,748	—	5,450	5,450
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Sector of activity	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Loans to individuals	144,718	34,959,810	35,104,528	40,050	454,484	494,534
Non-financial comp.- Trade	167,971	5,385,966	5,553,937	98,054	57,634	155,688
Non-financial comp.- Construction	605,188	2,603,226	3,208,414	281,705	37,091	318,796
Non finan. comp.- Manufacturing indust.	170,689	5,819,276	5,989,965	82,803	56,983	139,786
Non-financial comp.-Other activities	152,241	1,864,576	2,016,817	75,203	18,523	93,726
Non-financial comp.-Other services	1,351,591	11,710,483	13,062,074	853,573	134,451	988,024
Other Services /Other activities	458,199	5,263,831	5,722,030	344,869	13,058	357,927
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Geography	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Portugal	2,732,595	46,156,683	48,889,278	1,626,492	356,487	1,982,979
Poland	181,361	19,226,421	19,407,782	83,898	390,034	473,932
Mozambique	133,087	1,720,348	1,853,435	62,318	25,346	87,664
Switzerland	3,554	503,716	507,270	3,549	357	3,906
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

Group has concluded that there is no objective evidence of impairment.

As at 31 December 2020, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2020					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2010 and previous						
Number of operations	16,767	26,597	324,767	673,562	634	1,042,327
Value (Euros '000)	1,068,622	3,793,513	12,928,312	1,140,256	73,823	19,004,526
Impairment constituted (Euros '000)	71,273	90,991	119,375	26,259	675	308,573
2011						
Number of operations	1,510	3,980	14,140	106,248	16	125,894
Value (Euros '000)	69,455	241,433	561,325	172,819	3,959	1,048,991
Impairment constituted (Euros '000)	7,017	8,549	4,680	4,201	39	24,486
2012						
Number of operations	1,381	4,320	12,335	112,410	200	130,646
Value (Euros '000)	89,788	239,830	450,555	157,067	11,746	948,986
Impairment constituted (Euros '000)	3,752	7,302	5,856	5,302	12	22,224
2013						
Number of operations	1,934	5,636	12,332	122,150	33	142,085
Value (Euros '000)	95,288	725,594	500,758	168,380	9,832	1,499,852
Impairment constituted (Euros '000)	5,138	30,095	6,748	7,398	4,296	53,675
2014						
Number of operations	2,008	7,479	10,727	141,894	115	162,223
Value (Euros '000)	114,841	772,668	478,551	197,259	230,082	1,793,401
Impairment constituted (Euros '000)	5,008	44,559	5,149	11,017	432	66,165
2015						
Number of operations	2,848	10,829	13,168	193,971	179	220,995
Value (Euros '000)	150,370	1,151,841	670,555	316,507	59,311	2,348,584
Impairment constituted (Euros '000)	5,471	47,097	4,426	21,971	8,464	87,429
2016						
Number of operations	3,472	16,227	15,000	235,919	162	270,780
Value (Euros '000)	221,374	1,717,428	803,036	479,839	36,189	3,257,866
Impairment constituted (Euros '000)	11,849	104,871	4,572	35,178	1,816	158,286
2017						
Number of operations	4,472	21,166	24,438	247,818	193	298,087
Value (Euros '000)	364,260	2,057,156	1,563,829	587,943	88,347	4,661,535
Impairment constituted (Euros '000)	6,993	38,347	5,401	39,675	1,234	91,650
2018						
Number of operations	8,189	35,046	31,732	444,697	328	519,992
Value (Euros '000)	1,005,812	3,279,224	2,352,367	1,191,363	436,245	8,265,011
Impairment constituted (Euros '000)	11,726	49,171	5,364	63,291	4,480	134,032
2019						
Number of operations	11,730	40,469	35,600	870,741	368	958,908
Value (Euros '000)	1,289,453	3,536,024	2,827,566	2,068,071	262,031	9,983,145
Impairment constituted (Euros '000)	14,178	104,468	3,206	79,571	1,869	203,292
2020						
Number of operations	16,363	112,733	41,298	806,233	3,758	980,385
Value (Euros '000)	2,199,757	8,758,730	3,311,281	1,864,062	533,921	16,667,751
Impairment constituted (Euros '000)	21,343	112,625	9,788	45,319	1,926	191,001
Total						
Number of operations	70,674	284,482	535,537	3,955,643	5,986	4,852,322
Value (Euros '000)	6,669,020	26,273,441	26,448,135	8,343,566	1,745,486	69,479,648
Impairment constituted (Euros '000)	163,748	638,075	174,565	339,182	25,243	1,340,813

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2019, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2019					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2009 and previous						
Number of operations	17,070	27,744	324,486	611,691	385	981,376
Value (Euros '000)	1,098,178	3,889,372	13,295,414	1,053,292	22,035	19,358,291
Impairment constituted (Euros '000)	104,226	130,808	105,157	18,205	182	358,578
2010						
Number of operations	1,675	3,557	21,269	98,942	42	125,485
Value (Euros '000)	155,253	385,822	979,221	177,869	6,340	1,704,505
Impairment constituted (Euros '000)	10,486	12,877	5,437	2,869	370	32,039
2011						
Number of operations	1,725	4,645	15,104	112,267	19	133,760
Value (Euros '000)	78,994	411,266	650,922	185,559	1,312	1,328,053
Impairment constituted (Euros '000)	9,134	14,440	3,869	4,264	12	31,719
2012						
Number of operations	1,629	5,250	13,289	120,107	209	140,484
Value (Euros '000)	98,151	318,169	530,220	167,261	15,625	1,129,426
Impairment constituted (Euros '000)	4,763	16,965	5,676	6,264	663	34,331
2013						
Number of operations	2,331	6,893	13,349	142,202	44	164,819
Value (Euros '000)	125,157	864,816	584,262	192,277	74,566	1,841,078
Impairment constituted (Euros '000)	13,095	49,704	7,744	10,635	37,955	119,133
2014						
Number of operations	2,446	9,630	11,529	166,901	114	190,620
Value (Euros '000)	137,239	924,371	555,774	246,849	223,382	2,087,615
Impairment constituted (Euros '000)	8,951	49,380	6,418	17,301	694	82,744
2015						
Number of operations	3,791	15,509	13,989	255,641	248	289,178
Value (Euros '000)	205,091	1,377,949	760,503	484,927	118,968	2,947,438
Impairment constituted (Euros '000)	22,617	64,782	4,524	33,907	7,293	133,123
2016						
Number of operations	4,352	21,555	15,876	272,966	204	314,953
Value (Euros '000)	296,587	2,108,876	904,586	674,725	112,707	4,097,481
Impairment constituted (Euros '000)	16,843	102,965	4,418	40,701	2,702	167,629
2017						
Number of operations	5,514	27,110	25,886	300,210	279	358,999
Value (Euros '000)	561,497	2,446,356	1,763,007	830,302	164,562	5,765,724
Impairment constituted (Euros '000)	42,394	84,823	5,317	40,748	3,229	176,511
2018						
Number of operations	9,199	39,431	33,391	556,652	508	639,181
Value (Euros '000)	1,375,058	4,168,601	2,626,272	1,607,824	578,385	10,356,140
Impairment constituted (Euros '000)	13,609	59,314	3,537	50,647	8,488	135,595
2019						
Number of operations	18,526	180,431	36,975	1,253,320	4,142	1,493,394
Value (Euros '000)	1,775,386	7,322,607	3,095,865	2,983,482	459,630	15,636,970
Impairment constituted (Euros '000)	14,784	122,409	4,174	46,290	1,770	189,427
Total						
Number of operations	68,258	341,755	525,143	3,890,899	6,194	4,832,249
Value (Euros '000)	5,906,591	24,218,205	25,746,046	8,604,367	1,777,512	66,252,721
Impairment constituted (Euros '000)	260,902	708,467	156,271	271,831	63,358	1,460,829

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2020, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2020					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0.5 M€						
Number	6,762	10,127	9,465	71,863	454,548	384
Value (Euros '000)	873,961	227,216	1,424,019	1,376,171	52,818,151	20,439
>= 0.5 M€ and < 1 M€						
Number	760	64	1,237	266	4,635	4
Value (Euros '000)	530,701	41,638	866,580	181,600	3,005,220	2,442
>= 1 M€ and < 5 M€						
Number	570	69	1,071	206	710	1
Value (Euros '000)	1,193,643	126,066	2,092,151	390,196	1,046,271	2,080
>= 5 M€ and < 10 M€						
Number	99	4	120	19	8	—
Value (Euros '000)	678,577	30,555	821,700	127,934	55,714	—
>= 10 M€ and < 20 M€						
Number	49	1	56	13	—	—
Value (Euros '000)	658,968	14,194	768,953	197,908	—	—
>= 20 M€ and < 50 M€						
Number	31	1	30	1	—	—
Value (Euros '000)	918,836	24,631	923,056	42,758	—	—
>= 50 M€						
Number	5	—	10	2	—	—
Value (Euros '000)	292,767	—	907,585	680,699	—	—
Total						
Number	8,276	10,266	11,989	72,370	459,901	389
Value (Euros '000)	5,147,453	464,300	7,804,044	2,997,266	56,925,356	24,961

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2019, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2019					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0.5 M€						
Number	6,437	9,745	10,791	74,567	453,331	413
Value (Euros '000)	833,563	228,720	1,526,932	1,608,063	52,185,423	22,193
>= 0.5 M€ and < 1 M€						
Number	685	46	1,366	279	4,234	6
Value (Euros '000)	476,576	29,484	952,816	192,906	2,747,545	3,487
>= 1 M€ and < 5 M€						
Number	910	895	1,104	276	848	12
Value (Euros '000)	1,274,189	240,034	2,146,890	422,576	845,945	3,606
>= 5 M€ and < 10 M€						
Number	86	8	126	24	6	—
Value (Euros '000)	588,600	62,474	850,782	157,821	39,768	—
>= 10 M€ and < 20 M€						
Number	42	4	60	16	—	—
Value (Euros '000)	576,221	50,642	803,455	240,773	—	—
>= 20 M€ and < 50 M€						
Number	33	4	24	3	—	—
Value (Euros '000)	869,417	73,324	709,533	96,262	—	—
>= 50 M€						
Number	3	—	12	4	—	—
Value (Euros '000)	171,131	—	924,316	863,177	—	—
Total						
Number	8,196	10,702	13,483	75,169	458,419	431
Value (Euros '000)	4,789,697	684,678	7,914,724	3,581,578	55,818,681	29,286

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2020				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,588,618	844,461	350,664	142,435
<60%	19,206	789,264	234,200	56,620	24,279
>=60% and <80%	3,700	709,085	101,272	72,452	37,061
>=80% and <100%	1,662	248,389	78,613	77,370	39,665
>=100%	9,488	545,414	235,800	134,275	61,323
Companies - Other Activities					
Without associated collateral	n.a.	17,737,941	2,961,784	1,056,742	874,987
<60%	48,932	1,535,990	495,872	175,632	66,483
>=60% and <80%	16,436	1,054,486	423,175	126,032	57,750
>=80% and <100%	10,940	631,875	151,211	144,382	74,328
>=100%	5,373	805,289	366,542	225,969	168,215
Mortgage loans					
Without associated collateral	n.a.	379,665	20,531	14,332	8,621
<60%	333,998	10,989,137	1,049,779	188,239	50,755
>=60% and <80%	138,075	7,644,345	820,004	168,267	43,624
>=80% and <100%	59,838	3,581,664	417,700	112,552	28,692
>=100%	19,609	1,222,170	114,204	130,599	55,103

As at 31 December 2019, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2019				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,086,625	768,657	442,944	202,585
<60%	17,242	558,709	241,261	63,333	15,699
>=60% and <80%	3,389	675,660	97,461	26,694	10,938
>=80% and <100%	1,538	163,759	85,336	112,415	26,182
>=100%	8,068	436,551	190,209	370,532	195,285
Companies - Other Activities					
Without associated collateral	n.a.	14,681,508	2,224,191	1,597,121	1,045,994
<60%	47,980	1,374,701	447,465	233,219	80,416
>=60% and <80%	16,575	902,710	244,641	151,310	51,077
>=80% and <100%	13,894	709,089	202,621	143,773	70,388
>=100%	8,657	1,115,491	357,817	723,141	487,563
Mortgage loans					
Without associated collateral	n.a.	231,962	5,098	10,469	7,999
<60%	272,952	8,057,885	952,664	201,100	30,362
>=60% and <80%	145,013	7,210,271	1,031,242	236,650	29,324
>=80% and <100%	67,132	3,286,948	616,158	251,569	29,570
>=100%	28,216	1,343,396	219,650	375,142	115,204

As at 31 December 2020, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2020					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	364,668	280,263	236,513	236,513	601,181	516,776
Rural	45,122	35,122	3,225	3,225	48,347	38,347
Buildings in development						
Mortgage loans	5,538	4,355	–	–	5,538	4,355
Other	47	47	–	–	47	47
Constructed buildings						
Commercials	219,242	172,188	13,166	13,166	232,408	185,354
Mortgage loans	258,399	201,337	1,542	1,542	259,941	202,879
Other	4,834	4,524	2,636	2,636	7,470	7,160
Other assets	4,069	4,069	–	–	4,069	4,069
	901,919	701,905	257,082	257,082	1,159,001	958,987

As at 31 December 2019, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2019					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	462,441	367,128	252,190	252,190	714,631	619,318
Rural	20,104	15,065	3,398	3,398	23,502	18,463
Buildings in development						
Commercials	1,468	767	34,176	34,176	35,644	34,943
Mortgage loans	4,000	3,043	–	–	4,000	3,043
Other	61	61	–	–	61	61
Constructed buildings						
Commercials	288,983	233,049	21,467	21,467	310,450	254,516
Mortgage loans	312,807	251,777	2,948	2,948	315,755	254,725
Other	6,827	6,502	2,659	2,659	9,486	9,161
Other assets	3,894	3,894	–	–	3,894	3,894
	1,100,585	881,286	316,838	316,838	1,417,423	1,198,124

Credit concentration risk

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document *Credit Principles and Guidelines*, approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity. Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Exposures to Sovereigns;
2) Exposures to Institutions (Banks/financial institutions);
3) Single-name exposures (Large Corporate exposures);
4) Geographic concentration (country risk);
5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The measurement of geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique).

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The limits in force as at 31 December 2020, for the exposure to Sovereigns, Institutions, Single-name and geographical (for a given Customer/Group of Customers in the second and third cases) are the following, in terms of the Net Exposure weight over the Consolidated Own Funds:

		Limit = Max. % of Net Exposure over the Consolidated Own Funds		
Risk quality	**Risk grades**	**Sovereigns**	**Institutions**	**Countries (geog.)**
1st Tier	1 - 3	25.0%	10.0%	40.0%
2nd Tier	4 - 6	10.0%	5.0%	20.0%
3rd Tier	7 - 12	7.5%	2.5%	10.0%

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.6%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default;
(**) NPE = Non-performing exposures

As at 31 December 2020:

- There were no exposure excesses to Sovereigns, Institutions or countries;

- There were 2 Economic Groups with net exposure above the established Single-name limits for their respective risk grade, which compares with 3 cases by the end of 2019. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31 December 2020, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. As of 31 December 2020, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office supported on a database on credit exposures (the *Risk Office Datamart*), monthly updated by the Group's systems, which feeds the risk management system of the Group.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division within the scope of credit analysis for large clients.

Market risk

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

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

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

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

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

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

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

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

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

(Thousands of euros)

	31 December 2020	Max of global risk in the period	Min of global risk in the period	31 December 2019
Generic Risk (VaR)	3,863	4,895	826	2,095
Interest Rate Risk	3,770	3,244	800	1,876
FX Risk	341	4,555	183	1,170
Equity Risk	318	195	91	81
Diversification effects	*567*	*3,100*	*249*	*1,033*
Specific Risk	19	10	10	3
Commodities Risk	—	—	3	5
Global Risk	3,882	4,905	839	2,103

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

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

	2020			
Currency	**-200 bp (*)**	**- 100 bp (*)**	**+100 bp**	**+ 200 bp**
CHF	(996)	2,997	4,227	8,362
EUR	(23,033)	829	6,466	138,375
PLN	18,171	18,434	(3,926)	(6,686)
USD	(21,289)	(18,414)	4,901	35,048
	(27,147)	3,846	11,668	175,099

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

	2019			
Currency	**- 200 bp (*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	2,075	2,075	2,906	6,406
EUR	67,754	66,915	8,699	27,583
PLN	69,034	37,128	(34,785)	(67,405)
USD	(21,837)	(12,593)	12,160	23,930
	117,026	93,525	(11,020)	(9,486)

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1 B), the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	**2020**	**2019**	**2020**	**2019**
AOA	800.4060	541.2770	663.3585	412.0225
BRL	6.3542	4.5114	5.9636	4.3958
CHF	1.0812	1.0872	1.0699	1.1132
MOP	9.7706	9.0080	9.7706	9.0080
MZN	91.2250	70.0750	79.3506	69.9398
PLN	4.5603	4.2518	4.4571	4.2954
USD	1.2234	1.1225	1.1427	1.1201

Foreign exchange and equity risk in the banking book

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

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

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

As at 31 December 2020, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2020			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	76,359	100,000	70,626	92,492
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	563,563	563,563

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during 2020, as referred in the accounting policy 1 C4.

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

The evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risk Commission is responsible for controlling the liquidity risk. This control is reinforced through the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

The COVID19 pandemic, whose negative effects on the economy and in particular on the banking sector are not yet fully known, led supervisors and central banks to promptly take a broad range of mitigation measures. In the case of the ECB, these were announced throughout April, involving the provision of additional liquidity to the banking system through the creation of “Targeted longer-term refinancing operations III” (“TLTRO III”) and the transversal reduction of haircuts applicable to all types of assets eligible for discount with the ECB.

Although the daily monitoring of all liquidity indicators has shown since the beginning of the crisis, both at BCP and at its subsidiaries, a total stability of the deposit base and liquidity buffers with central banks, the Bank decided to rapidly adjust its funding policy from a precautionary point of view: still in April, BCP SA borrowed an additional 1.5 billion from the ECB through the use of Main refinancing operations ("MRO") with a 3-month term, thus increasing its exposure to the central bank from Euros 4,000,000,000 related to the Targeted long-term refinancing operation II ("T LTRO II") to Euros 5,500,000,000; and in June, on the due date of the T LTRO II and the MROs referred to above, it took over Euros 7,550,070,000 in T LTRO III. After these operations, net financing from the ECB increased to a maximum of Euros 4,866,960,000 in September 2020, decreasing until the end of the year to Euros 3,282,609,000, Euros 2,999,224.000 more than in the previous year.

The additional liquidity thus obtained, added to that resulting from the reduction of the commercial gap in Portugal, was applied to the repayment of long-term loans from the European Investment Bank which totalled Euros 1,050,917,000 in 2020 (of which Euros 750,000,000 with early repayment in June), the strengthening of the securities portfolio in Portugal Euros 3,841,666,000, of which Euros 3,564,240,000 in sovereign debt, and in liquidity deposited with the Banco de Portugal (increase of Euros 638,256,000, to Euros 4,295,156,000).

The strengthening of the sovereign debt portfolios was reflected in an increase in the size of the portfolio of assets eligible for discount at the ECB, which also benefited, within the scope of prudent liquidity management, from the inclusion in the monetary policy pool of a retained covered bond issuance worth Euro 1,841,580,000 after haircuts. Together with the collateral easing measures determined by the ECB, this decision contributed to raise the balance of assets eligible for discount at the ECB to Euros 22,502,737,000 (after haircuts), Euros 5,442,604,000 more than in December 2020 .

In the same period, the liquidity buffer with the ECB increased by Euros 2,443,473,000, to Euros 19,220,220,000.

As in BCP, all liquidity indicators regarding Bank Millennium (Poland) and BIM (Mozambique) demonstrate the resilience of their liquidity positions throughout the COVID19 crisis, supported from the outset by the stability of deposit bases and the solidity of liquidity buffers held with the respective central banks. Accordingly, both operations are positioned throughout 2020 in the comfort zone of the liquidity risk indicators adopted across the Group, as well as regarding the regulatory standards.

In consolidated terms, the refinancing risk of medium-term liabilities will remain at very low levels over the coming years, reaching Euros 1,000,000,000 only in 2022. Even in this case, it will involve the payment of a covered bond issue in that exact amount, the collateral of which will be integrated into the ECB's liquidity buffer after repayment, thus meaning a minor loss of liquidity.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

(Thousands of euros)

	2020	2019
European Central Bank	9,783,715	7,328,153
Other Central Banks	4,591,249	5,888,324
	14,374,964	13,216,477

As at 31 December 2020 the gross amount discounted with the European Central Bank amounts to Euros 7,550,070,000 (31 December 2019: Euros 4,000,000,000). As at 31 December 2020 the amount discounted with the Bank of Mozambique was Euros 2.364.000 (Euros 2,426,000 as at 31 December 2019). There were no discounted amounts with other central banks. The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2020	2019
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	9,783,715	7,328,153
Outside the pool of ECB monetary policy	12,719,114	9,731,980
	22,502,829	17,060,133
Net borrowing at the ECB (ii)	3,282,609	283,385
Liquidity buffer (iii)	19,220,220	16,776,748

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 31 December 2020, the value of funding with ECB (deducted from the accrual of the T LTRO III), deducted from deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 4,642,131,000), plus the minimum cash reserves (Euros 414,727,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 31 December 2020 of 85% (current version) and on 31 December 2019 this ratio was set at 86% (according to the current version of the Instruction as at 31 December 2020).

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 230% at the end of December 2020, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (216%), with a high coverage level.

Net stable funding ratio

The definition of the Net Stable Funding Ratio (NSFR) was approved by the Basel Committee in October 2014. The Group has a stable financing base, obtained by the high weight of customer deposits in the funding structure, collateralised financing, medium and long-term instruments and a strengthened regulatory capital structure, that allow to adequately support the stable financing requirements of the medium and long-term business model, including tangible and intangible assets, customers loans and the securities portfolio that partly serves the purpose of maintaining a highly liquid assets buffer to cover liquidity outflows in adverse situations. The NFSR stood at 140% as at 31 December 2020 (which compares to 135% by 31 December 2019).

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	2020 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the reporting institution	13,132,480	1,282,547			72,219,836	19,600,935		
Equity instruments	—	—			89,476	—		
Debt securities	1,282,547	1,282,547	1,271,418	1,271,418	19,744,815	15,027,097	19,778,972	15,063,086
of which:								
issued by general governments	1,229,857	1,229,857	1,220,181	1,220,181	14,576,381	14,227,085	14,615,178	14,263,052
issued by financial corporations	529	529	529	529	2,033,289	81,056	2,025,739	81,069
issued by non-financial corporations	39,353	39,353	38,417	38,417	3,018,735	703,490	3,019,139	703,407
Other assets:	11,913,754	—			52,427,676	4,073,228		
of which:								
Loans on demand	—	—			3,860,054	3,565,628		
Loans and advances other than loans on demand	11,618,136	—			41,548,406	—		
Other	325,213	—			7,178,437	529,125		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA e HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank's eligible.

(Thousands of euros)

	2019 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the reporting institution	10,459,171	1,043,266			70,539,049	16,449,753		
Equity instruments	—	—			86,033	—		
Debt securities	1,137,566	1,043,266	1,136,379	1,042,273	17,762,092	12,773,551	17,764,516	12,774,818
of which:								
issued by general governments	765,468	666,166	765,468	666,166	12,312,751	11,902,959	12,319,695	11,905,154
issued by financial corporations	32,938	32,938	32,938	32,938	1,975,150	23,492	1,970,819	23,492
issued by non-financial corporations	336,757	336,757	336,064	336,064	2,726,570	496,101	2,726,817	495,520
Other assets of which:	9,321,605	—			52,690,924	3,676,202		
of which:								
Loans on demand	—	—			3,430,440	3,130,931		
Loans and advances other than loans on demand	9,061,854	—			41,740,048	—		
Other	259,751	—			7,520,436	545,271		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA e HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank's eligible.

(Thousands of euros)

	2020 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the reporting institution	—	—	32,017	13,752
Debt securities	—	—	13,752	13,752
of which:				
issued by general governments	—	—	13,752	13,752
Loans and advances other than loans on demand	—	—	12,665	—
Own covered bonds and asset-backed securities issued and not yet pledged			5,021,248	4,992,276
Total assets, Collateral Received and Own Debt Securities Issued	13,132,480	1,282,547		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

(Thousands of euros)

	2019 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the reporting institution	—	—	32,476	32,476
Debt securities	—	—	32,476	32,476
of which:				
issued by general governments	—	—	32,476	32,476
Own covered bonds and asset-backed securities issued and not yet pledged			3,616,373	3,616,373
Total assets, Collateral Received and Own Debt Securities Issued	10,459,171	1,043,266		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

(Thousands of euros)

	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	
Sources of encumbrance	2020 (1)	2019 (1)	2020 (1)	2019 (1)
Carrying amount of selected financial liabilities	9,830,665	6,768,487	12,788,441	10,056,710

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.

At the end of 2020, and according to the EBA methodology, the total encumbered assets represents 15% of the Group's total balance sheet assets. The encumbered Loans to customers represents 87%, while Debt securities represents 8%.

The encumbered assets are mostly related with the Group’s funding operations, namely with the ECB, through the issuance of mortgage bonds and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers’ portfolios, supporting securitisation programs and mortgage bonds issues, either placed outside of the Group or intended to reinforce the collateral pool with the ECB. Another part of the collateralisation of financing operations with the European Investment Bank, is obtained though sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 31 December 2020, the Other assets: Other in the amount of Euros 7,178,437,000, although not encumbered, are mostly related to the Group’s activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31 December 2020, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme (“BCP Programme”) with Euros 10.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.7 billion portfolio of residential mortgages, providing an overcollateralization (“OC”) of 14.6%, which is above the minimum of 14% currently required by rating agencies.

The Portuguese covered bond legislation ensures covered bond holders benefit from a dual-recourse, i.e. over the issuer and over the loan portfolio allocated to the Program which, together with other assets, constitute an autonomous estate over which the respective bondholders have a special credit privilege. The national OH Law that this autonomous heritage is segregated from any eventual future bankruptcy, for the holders of mortgage bonds, these having precedence over any other creditors of the issuing entity, overriding the OH Law, in this way and to this extent, the applicable general insolvency and recovery law. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP’s Programme documentation limits property location to Portugal only.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2020						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	5,303,864	–	–	–	–	–	5,303,864
Loans and advances to CI							
Repayable on demand	262,395	–	–	–	–	–	262,395
Other loans and advances (a)	–	987,553	14,051	13,787	–	–	1,015,391
Loans and advances to customers (a)	–	–	7,865,743	11,285,260	33,608,298	1,398,036	54,157,337
Other financial assets (b)	–	331,652	772,319	6,531,078	6,198,737	653,274	14,487,060
	262,395	1,319,205	8,652,113	17,830,125	39,807,035	2,051,310	69,922,183
Liabilities							
Resources from CI	–	622,107	262,482	7,954,170	60,000	–	8,898,759
Resources from costumers	43,094,367	10,425,445	8,919,552	501,248	60,217	–	63,000,829
Debt securities issued	–	70,579	150,404	1,000,065	167,801	–	1,388,849
Subordinated debt	–	133,954	186,966	–	1,084,252	–	1,405,172
	43,094,367	11,252,085	9,519,404	9,455,483	1,372,270	–	74,693,609

(a) Gross of impairment
(b) Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income.

Operational Risk

The operational risk management system adopts the “3 Lines of Defence” model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes’ management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred.

In 2020, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group’s management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

As at 31 December 2020, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2020			
	Hedging instruments			
		Book value		Change in fair value (A)
Type of hedging	**Notional**	**Assets**	**Liabilities**	
Fair value hedge				
Interest rate risk				
Interest rate swaps	6,403,553	5,396	97,342	(49,584)
Interest rate futures	197,400	—	—	647
Foreign exchange risk				
Currency and interest rate swap	436,079	34	26,365	70
	7,037,032	5,430	123,707	(48,867)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,777,323	69,275	10,020	121,896
Foreign exchange risk				
Currency swap	274,584	—	6,385	755
Currency and interest rate swap	3,278,713	4,779	143,465	148
	15,330,620	74,054	159,870	122,799
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	574,266	11,765	2,189	40,891
Total	22,941,918	91,249	285,766	114,823

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2019, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2019			
	Hedging instruments			
		Book value		
Type of hedging	**Notional**	**Assets**	**Liabilities**	**Change in fair value (A)**
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,536,385	17,131	46,122	(106,219)
	4,536,385	17,131	46,122	(106,219)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,883,933	18,972	77,272	(123,578)
Foreign exchange risk				
Currency swap	83,090	185	172	48
Currency and interest rate swap	3,005,625	8,853	98,300	4,019
	14,972,648	28,010	175,744	(119,511)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	598,795	—	8,057	(6,303)
Total	20,107,828	45,141	229,923	(232,033)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

		2020						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
	Balance	Book value		Cumulative value of the adjustments		Change in fair value	Hedging relationships	Hedging relationships
Type of hedging	sheet item	Assets	Liabilities	Assets	Liabilities	(A)	in effect	discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	—	6,559	—	4,727	n.a.	n.a.
	(H)	1,672,825	—	28,794	—	25,080	n.a.	n.a.
	(C)	2,129,459	—	(47,320)	1,014	27,490	n.a.	n.a.
	(D)	—	10,000	—	233	(99)	n.a.	n.a.
	(E)	—	153,450	—	2,253	2,534	n.a.	n.a.
	(F)	—	2,542	—	42	12	n.a.	n.a.
	(G)	—	449,688	—	1,223	(8,197)	n.a.	n.a.
Interest rate futures	(H)	212,143	—	—	—	(911)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		—	436,080	—	34	(37)	n.a.	n.a.
		4,125,009	1,051,760	(11,967)	4,799	50,599	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,883,933	—	—	—	(121,896)	61,541	207,147
Foreign exchange risk								
Currency and interest rate swap	(B)	3,707,466	—	—	—	(903)	(3,855)	(394)
		15,591,399	—	—	—	(122,799)	57,686	206,753
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(40,891)	40,891	—
Total		19,716,408	1,051,760	(11,967)	4,799	(113,091)	98,577	206,753

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2019, the table below includes the detail of the hedged items:

(Thousands of euros)

	2019							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
		Book value		Cumulative value of the adjustments		Change in fair value	Hedging relationships	Hedging relationships
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	(A)	in effect	discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	449,137	–	5,102	–	623	n.a.	n.a.
	(H)	89,953	–	856	–	856	n.a.	n.a.
	(C)	2,217,744	–	(26,417)	–	105,005	n.a.	n.a.
	(D)	–	260,000	–	9,950	1,470	n.a.	n.a.
	(E)	–	180,650	–	5,149	(6,407)	n.a.	n.a.
	(F)	–	2,554	–	54	(43)	n.a.	n.a.
	(G)	–	441,389	–	(6,974)	6,974	n.a.	n.a.
		2,756,834	884,593	(20,459)	8,179	108,478	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,883,933	–	–	–	123,592	(60,371)	217,308
Foreign exchange risk								
Currency and interest rate swap	(B)	3,181,707	–	–	–	(4,067)	(10,302)	(2,598)
		15,065,640	–	–	–	119,525	(70,673)	214,710
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	6,303	(6,303)	–
Total		17,822,474	884,593	(20,459)	8,179	234,306	(76,976)	214,710

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2020 and 2019, is as follows:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	2020	**2019**	**2020**	**2019**
Balance as at 1 January	(6,585)	(16,126)	15,480	21,783
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	(1,044)	4,067	–	–
Foreign exchange changes	445	(170)	–	–
Ineffectiveness of coverage recognised in results	2,029	4,514	–	–
Others	(2,924)	1,130	–	–
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	–	–	40,891	(6,303)
Balance at the end of the year	(8,079)	(6,585)	56,371	15,480

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2020:

(Thousands of euros)

	2020					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	**Income statement item (A)**	**Gains / (losses) recognised in Other comprehensive income**	**Hedging ineffectiveness recognised in Income statement (A)**	**Income statement item (B)**	**Cash flows that were being hedged (C)**	**Hedged item with an impact on results**
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	1,963		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,732		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(1,934)	(13)	(E)	72,606	–
Foreign exchange risk						
Currency and interest rate swap	(D)	903	(2,029)			–
		(1,031)	(2,042)		72,606	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	40,891	–		–	–
		40,891	–		–	–
Total		39,860	(310)		72,606	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains / (losses) from hedge accounting operations
(E) Interest income
(F) Net gains / (losses) from foreign exchange

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2019:

(Thousands of euros)

	2019					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	2,259		n.a.	n.a.
		n.a.	2,259		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(62)	(129)	(E)	44,882	–
Foreign exchange risk						
Currency and interest rate swap	(D)	6,020	(4,514)		–	–
		5,958	(4,643)		44,882	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(6,303)	–		–	–
		(6,303)	–		–	–
Total		(345)	(2,384)		44,882	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains / (losses) from hedge accounting operations
(E) Interest income
(F) Net gains / (losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 31 December 2020, by maturity:

(Thousands of euros)

	2020					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Fixed interest rate (average)	1.68%	1.02%	0.47%	0.59%		
Stock Exchange:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	274,584	–	–	274,584	–	6,385
Currency and interest rate swap	442,564	610,622	2,225,527	3,278,713	4,779	143,465
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market:	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange:	–	–	197,400	197,400	–	–

The table below shows the detail of hedging instruments, as at 31 December 2019, by maturity:

(Thousands of euros)

	2019					
	Remaining period				Fair value	
Type of hedging	months	1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
Fixed interest rate (average)	1.98%	-0.05%	1.19%	0.81%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	83,090	–	–	83,090	185	172
Currency and interest rate swap	469,804	930,004	1,605,817	3,005,625	8,853	98,300
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	–	462,072	136,723	598,795	–	8,057
Total derivatives traded by OTC Market:	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

55. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 14 October 2020,the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the International Bank of Mozambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Court of Commerce. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Court of Commerce, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as of 31 December 2020, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 31 December 2020, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 274,701,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 229,851,000. BIM's contribution to consolidated net income for 2020, attributable to the shareholders of the Bank, amounts to Euros 44,561,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 568,314,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 57,927,000.

As at 31 December 2020, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 238,871,000 (of which Euros 238,868,000 are denominated in Metical and Euros 2,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 97,994,000 denominated in USD and in the balance Guarantees granted revocable and irrevocable commitments, an amount of Euros 64,789,000 (of which Euros 1,599,000 are denominated in Metical, Euros 59,632,000 denominated in USD, Euros 161,000 are denominated in euros and Euros 3,397,000 denominated in Rands).

56. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority (PCA) initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ('BCP' or 'Bank') and other credit institutions, where it seized documentation considered relevant for the investigation of an alleged exchange of sensitive commercial information between credit institutions in the Portuguese market.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections (SO) in connection with the administrative offence no. 2012/9, in which the Bank is accused of participating in a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, consumer and small and medium enterprises credit products. The notification of a SO does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court (Competition Court) on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the PCA – for several months, the PCA denied the defendant's right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the SO. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearing of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

On 9 September 2019, the PCA adopted its final decision on this proceeding, fining BCP in Euros 60 million for its alleged participation in a confidential information exchange system with its competitors in the mortgage, consumer and small and medium enterprises credit segments. The Bank considers that this decision contains serious factual and legal errors, having filed an appeal on 21 October 2019 before the Competition Court requesting the annulation of the decision and the suspensive effect of the appeal.

On 8 May 2020, BCP's appeal was admitted.

On 9 July 2020, BCP requested the Court to declare nullity of the PCA's condemnatory decision, due to the omission of an analysis of the economic and legal context in the terms required by the recent jurisprudence of the Court of Justice of the European Union. Subsequently, the Competition Court clarified that prior questions will not be known before the court hearing begins.

On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between PCA and the appellant banks, including BCP, regarding the dosimetry (i.e., 50% of the amount of the fine) and the modalities of the guarantees to be provided, in order to the appeal to have a suspensive effect.

On 21 December 2020, BCP submitted, having the Competition Court accepted, a bank guarantee in the maximum amount of Euros 30 million, issued by the bank itself as a way to satisfy the referred security deposit.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1) send information about the UOKIK's decision to the referred 78 clients;

2) place information about the decision and the decision itself on its website and on Twitter;

3) pay a fine amounting to PLN 20.7 million (Euros 4.54 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. According to current estimates of the risk of losing this dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought up by UOKIK, in which the President of UOKIK considers to have existed anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, it was imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.68 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.3 million), the setting of which took it account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of use of the provisions in question.

Bank Millennium was also requested to, after the decision becomes final and binding, inform consumers, by registered mail, of the effect that the said clauses were deemed to be abusive and, therefore, not binding upon them (without need to obtain the court's decision confirming this circumstance) and publish the decision on the case in Bank Millennium's website.

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by itself (on the basis of a concept, not specified in any regulations, of average interbank market rate). Moreover, the client had no precise knowledge of where to look for the said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC's Chairman also indicated that, in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC's Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the said decision within the statutory term. Bank Millennium believes that the chances for it to win the case are positive.

4. Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729,580,027 (Euros 159,985,095). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635,681,381 (Euros 139,394,641). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, we point out that Bank Millennium participates as an intervener in three other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

5. On 5 April 2016, Bank Millennium was notified of a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, worth of the dispute of PLN 521.9 million (Euros 114.44 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; the lawsuit was notified to Bank Millennium only on 4 April 2016. According to the plaintiff, the petition for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the wrong interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 54.82 million). On the 5 September 2016 the Court of Appeal dismissed such claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

6. On 19 January 2018, Bank Millennium received a lawsuit filed by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 40.96 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. Bank Millennium did not accept the claim and contested this action. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. The case is currently awaiting verdict before the court of second instance. According to current estimates of the risk of losing the dispute, Bank Millennium has not created a specific provision related to this matter.

7. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, which are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.77 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.77 million) to over PLN 5 million (Euros 1.1 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,616,364.70).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff. Bank Millennium submitted an appeal against the resolution on 14 July 2020. The appeal has not yet been decided.

As at 31 December 2020, there are also 386 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

8. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

a) presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;

b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;

c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

9. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit aiming that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis proven and that must be proven. Meanwhile, a head expert has already been appointed and the investigation is ongoing.

In October 2020, the experts requested an extension of the deadline for submitting the report by 90 days, stating that they would be collecting and analysing elements until the end of December 2020.

10. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. This list details that the total of the acknowledge credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, there being no guaranteed or privileged claims. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined with the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2019, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. (…) The Board of Directors supported by lawyers opinion, which sponsored these actions, and in the light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

On 31 March 2017, Bank of Portugal communicated the sale of Novo Banco, where it states the following: "*Banco of Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital*".

The terms agreed also include a Contingent Capital Agreement, under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are to be met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of Banco Espírito Santo.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion (*) that revealed significant uncertainties regarding adequacy in provisioning (**):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*) (**) (***);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion (**);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (**).

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible to clarify any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2019 Resolution Fund's annual report, the work carried out by the Verification Agent continues to be followed.

In its 2019 annual report, the Resolution Fund states that "*Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the agreement on the Contingent Capital Agreement with Novo Banco*".

(*) Exact value not disclosed by the European Commission for confidentiality reasons
(**) As referred to in the respective European Commission Decision
(***) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the contingent capitalization agreement was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as of 31 December 2019, amounted to approximately Euros 3 billion (book value, net of impairments), according to Novo Banco’s 2019 annual report.

According to the 2019 Resolution Fund’s annual report, “in 24 May 2018, the Fund paid Novo Banco Euros 791,695 million, with reference to 2017, under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. The Resolution Fund used its available financial resources from banking contributions (direct or indirect) complemented by a State loan of Euros 430 million. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, of Euros 1,149 million under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. For this purpose, the Resolution Fund used its own resources from banking contributions (direct or indirect) and also resorted to a State loan of Euros 850 million”.

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

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

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Bank’s decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million".

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that may still be used amounts to Euros 912 million.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that "the Resolution Fund has also provided the Budget and Finance Committee, in writing, of all the clarifications on its decision to deduct from the amount calculated under the Contingent Capital Agreement, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco".

Following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the Contingent Capitalisation Agreement, a special audit determined by the Government was carried out. According to a statement by the Resolution Fund on 3 September, information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in Banco Espírito Santo, S.A., and resulting impairment charges and provisions. Regarding the exercise of the powers of the Resolution Fund under the Contingent Capitalisation Agreement, the audit results reflect the adequacy of the principles and the adopted criteria.

In November 2020, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively (****).

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, having had the confirmation of the conversion of the deferred tax assets into tax credits by the Tax and Customs Authority for the tax period of 2015 and 2016 in exchange for conversion rights attributed to the State. If the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, which expires in 2022, the State may become Novo Banco's shareholder up to a stake of 2.71% of Novo Banco's share capital, while diluting the Resolution Fund's shareholder position. According to the Resolution Fund's 2019 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake. It is estimated, according to note 21, although subject to certain assumptions, that the processes in progress for the conversion of deferred tax assets into tax credits with reference to 2017 and 2018 may correspond to about 7.6 percentage points of the share capital of Novo Banco. These effects may impact the shareholder position of the Resolution Fund in Novo Banco.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a mutual contract given by the State.

According to the Resolution Fund's 2019 annual report, note 21, "*to ensure that the Fund has, at due date, the financial resources necessary to comply with this guarantee, if the principal debtor – Oitante - defaults, the Portuguese State counter-guarantees the referred bond issue. Until 31 December 2019, Oitante made partial prepayments of Euros 546,461 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 199,539 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2019 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund*". *Also, according to the 2019 Resolution Fund's annual report, "at the date of approval of this report, the debt reimbursed since it was incurred is above 73%*".

(****) In Novo Banco's earnings presentation on 13 November 2020, the Resolution Fund holds 25% of Novo Banco's capital while the remaining is held by Lone Star.

Also, according to this source, *"The outstanding debt related to the amount made available by the State to finance the absorption of BANIF's losses, following the resolution measure applied by Bank of Portugal to that entity [amounts to] Euros 352,880 thousand"*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

On 12 January 2021, Bank of Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of those deliberations by Bank of Portugal.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2019, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the Contingent Capital Agreement (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 21 of the Resolution Fund's 2019 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- *“The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif- Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks*";

- *“Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another"*;

- *“The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";*

- *"The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions"*.

On 2 October 2017, by Council of Ministers (Resolution no. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds’ participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative equity of Euros 7,021 million vs. Euros 6,114 million in 2018, according to the latest 2019 annual report of the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to fulfil with their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., (‘BES’). Therefore, the eventual collection of a special contribution appears to be unlikely"*.

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year based on objective incidence of periodic contributions. The instruction of the Bank of Portugal no. 32/2020, published on 18 December 2020, set the base rate to be effective in 2021 for the determination of periodic contributions to the FR by 0.06%, unchanged from the rate in force in 2020.

During 2020, the Group made regular contributions to the Resolution Fund in the amount of Euros 15,138 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2020, was Euros 35,416 thousand. These contributions were recognized as a cost in the financial year of 2020, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the financial year of 2020 was Euros 22,808 thousand, of which the Group delivered Euros 19,394 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Bank of Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to the bonds issued by Oitante, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2019 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF and no such contributions are foreseen, in particular after a review of the financing conditions of the Resolution Fund"*.

The State Budget for 2021 does not include any loan to the Resolution Fund, contrary to previous years. The press reports that (i) the Resolution Fund and banks are negotiating a syndicated loan, led by CGD, of Euros 275 million, which conditions will be identical to the financing already in place for the Resolution Fund, and, (ii) the Government maintains the commitments assumed under the Novo Banco sale agreement, but without materializing the means for that purpose.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

The COVID-19 pandemic, duration and effects, create an additional context of uncertainty relative to its impacts, in accordance with the opinion of Novo Banco's external auditor as per Novo Banco's first half of 2020 financial accounts report and the opinion of the audit board of Bank of Portugal as per 2019 Resolution Fund's annual report.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalization Mechanism of Novo Banco.

11. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified.

The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

Besides opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent part invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision.

12. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, it was implemented in Group Banco Comercial Português a process of salary adjustment with temporary term. Additionally, it was agreed between the Bank and the Trade Unions that, in the following years after the State intervention and if then exist distributable profits, the Board of Directors and the Executive Committee will submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains on-job on the date of payment of the remuneration corresponding to June 2020, until the maximum global amount of Euros 5,281,000.

13. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction pro rata used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were object of contestation by administrative and/or judicial ways.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

14. In 2013, Banco Comercial Português, S.A. filed a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting, essentially, that the following was recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, couldn't exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the referred former director couldn't maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director couldn't benefit from a survival lifelong pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

On 27 January 2019, the court of first instance issued a sentence considering: (i) rejected that request made by the Bank regarding the reduction of the pensions paid and to be paid to the first defendant Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survival pension of the second defendant; (iii) partially accepted the counter-claim formulated by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of Euros 2,124,923.97, as reimbursement of the expenses regarding the use of a car with driver and private security until June 2016, and also those that, on this regard, he had paid since that date or will pay in the future, in the amount that would come to be settled, expenses which would be part of his retirement regime, plus default interest accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

The Bank appealed the referred sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) and, on 5 March 2020, a judgment was issued by the Lisbon Court of Appeal which, revoking the court of first instance's decision, upheld the Bank's legal action, determining the non-existence of the right of the defendant Mr. Jorge Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, and condemning the defendant to return to the Bank the amounts received monthly in excess of the limits provided for in Article 402 (2) of the Commercial Companies Code, as from the date of retirement; as well as enacted the partial nullity of the insurance contracts titled by the capitalisation and lifelong pension policy, sentencing Ocidental Vida to return to the Bank the amounts paid by the latter to support the retirement supplements of Mr. Jorge Jardim Gonçalves, dismissing, as well, the counterclaim formulated by the defendant Mr. Jorge Jardim Gonçalves, absolving the Bank of that request.

From that decision of the Lisbon Court of Appeal in favour of the Bank, on 6 July 2020 the defendant Mr. Jorge Jardim Gonçalves filed an appeal with the Supreme Court of Justice. At that time, the court was suspended, determined by notice issued on 30 April 2020, following the death of the defendant Mrs. Maria Assunção Jardim Gonçalves.

The referred appeal presented to the Supreme Court of Justice was not judged inasmuch as, however, in December 2020 the parties reached an agreement regarding the retirement pension due to Mr. Jorge Jardim Gonçalves, in terms similar to those agreed with other former administrators, hence it was decided to end that dispute, giving up the instance, agreement which was ratified by a final and unappealable sentence.

The reached agreement also allowed for the termination, in the same way, of another legal action that the Bank had established on 30 December 2019, also against Mr. Jorge Jardim Gonçalves, whose object was also directly and indirectly related to the respective retirement pension.

57. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Current provisions for legal risk

As at 31 December 2020, Bank Millennium had 5,018 loan agreements and, additionally, 496 loan agreements from former Euro Bank, S.A. (98% loan agreements before the court of first instance and 2% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 562.4 million (Euros 123.33 million) and CHF 34.3 million (Euros 31.72 million) [Bank Millennium portfolio: PLN 508.2 million (Euros 111.44 million) and CHF 33.4 million (Euros 30.89 million); former Euro Bank, S.A. portfolio: PLN 54.1 million (Euros 11.86 million) and CHF 0.9 million (Euros 0.83 million)]. The outstanding amount of the loan agreements under individual court cases, as at 31 December 2020, is PLN 1.794 million (Euros 393.40 million).

Until 31 December 2020, only 69 lawsuits had been definitively resolved (49 cases regarding claims submitted by clients against Bank Millennium and 20 cases regarding claims submitted by Bank Millennium against clients, i.e., debt collection cases).

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract or the obligation to reimburse, due to the alleged abusive nature of the indexation clauses.

In addition, Bank Millennium is a party to a group proceedings (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavorable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is of 3,281. At the current stage, the composition of the group members if this class action has been established and confirmed by the court. On 11 August 2020, the claimant requested granting interim measures to secure the claims presented against Bank Millennium. In a decision of 18 August 2020, that request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against Bank Millennium concerning two group members. By decision of 6 November 2020, the application was also rejected. The court's decision dismissing the request for interim measures with a justification has not been notified yet. During the session occurred on 26 October 2020, the Court conducted a hearing of the parties' position and, afterwards, postponed the session without setting the next term. The outstanding amount of the loan agreements under the class action proceeding is PLN 1.000 million (Euros 219.28 million) as at 31 December 2020.

Bank Millennium remains open to negotiating agreements with its customers that put an end to that dispute. Bank Millennium is receptive to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions. Bank Millennium has already reached agreement with 117 borrowers that participated in that class action.

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in 2019 a provision in the amount of PLN 223 million (Euros 48.9 million), while in 2020 constituted a provision in the amount of PLN 713 million (Euros 156.35 million), which includes a provision in the amount of PLN 677 million (Euros 148.46 million) for legal risk regarding Bank Millennium's portfolio and a provision of PLN 36.4 million (Euros 7.98 million) for legal risk regarding former Euro Bank, S.A.'s portfolio. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As at 31 December 2020, Bank Millennium's balance sheet value of provisions set aside for FX-indexed mortgages legal risk regarding Bank Millennium's portfolio reached PLN 924 million (Euros 202.62 million) and PLN 36.4 million (Euros 7.98 million) regarding former Euro Bank, S.A.'s portfolio. Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 33 million (Euros 7.24 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 25 million (Euros 5.48 million)

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who judge on the application of the same rules. The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether he wishes to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

CJEU's judgment respects only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

The annulment of Bank Millennium's loan agreements currently subject to those lawsuits can have a cost, before tax, of up to PLN 2.385 million.

2. Events that may impact the provision for legal risk

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

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

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

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

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

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

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

58. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in 2020

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Group started on 1 January 2020:

Amendment to IFRS 3: Definition of a business

Corresponds to amendments in the definition of a business and clarifies the identification of the acquisition of a business or an acquired set of activities and assets. The revised definition also clarifies the definition of a business output by focusing on goods and services provided to customers. The changes also add guidance and illustrative examples to help entities assess an acquisition of a business.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform – Phase I

Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 relative to the interest rate benchmark reform (known as 'IBOR reform'), with the purpose of diminishing the potential impact of reference interest rate changes in financial reporting, namely in hedge accounting.

There were no material impacts on the application of these amendments in the Group's financial statements.

Amendments to IAS 1 and IAS 8: Definition of material

Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

There were no material impacts on the application of these amendments in the Group's financial statements.

Amendments to references to the conceptual framework in IFRS standards

Corresponds to amendments in several standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32) related to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised definitions of an asset and liability and new guidance on measurement, derecognition, presentation and disclosure.

There were no material impacts on the application of these amendments in the Group's financial statements.

Amendment to IFRS 16: COVID-19-Related Rent Concessions

This amendment allows lessees, as a practical expedient, to have the option of not considering a rent concession that occurs as a direct consequence of the pandemic COVID-19 as a lease modification. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that would be done under IFRS 16 – Leases if that change did not constitute a lease modification. This amendment does not affect lessors.

There were no material impacts on the application of this amendment in the Group's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future financial years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

Amendment to IFRS 4: Extension of the temporary exemption from applying IFRS 9 – Financial instruments (applicable for years beginning on or after 1 January 2021)

This amendment aims to extend the exemption date from applying IFRS 9 – Financial instruments from 1 January 2021 to 1 January 2023, in order to be aligned with the effective date of adoption of IFRS 17 – Insurance contracts.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2020 as its application is not mandatory yet.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase II (applicable for years beginning on or after 1 January 2021)

These amendments aim to answer to the effects on financial reporting of replacing the current reference interest rates with alternative reference rates, providing an accounting treatment that allows the phased distribution of changes in the value of financial instruments or lease contracts, mitigating the impact on profit or loss and avoiding consequences in terms of hedge accounting.

These amendments, although endorsed by the European Union, were not adopted by the Group in 2020 as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Group:

IFRS 17 – Insurance contracts (applicable for years beginning on or after 1 January 2023)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 – Insurance contracts.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (applicable for years beginning on or after 1 January 2016)

These amendments clarify a conflict between the requirements in IAS 28 and those in IFRS 10, being the aim of its implementation that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This way, these amendments define that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and, on the other hand, a partial gain or loss is recognized when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current – Deferral of effective date (applicable for years beginning on or after 1 January 2023)

On 23 January 2020, the Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment, thus becoming applicable for years beginning on or after 1 January 2023.

Amendment to IFRS 3: Reference to the conceptual framework (applicable for years beginning on or after 1 January 2022)

This amendment aims to update IFRS 3 so that it corresponds to the conceptual framework of 2018, not occurring significant changes in the requirements of this standard.

Amendment to IAS 16: Property, Plant and Equipment – Proceeds before intended use (applicable for years beginning on or after 1 January 2022)

This amendment prohibits an entity from deducting from the cost of a property, plant or equipment any proceeds arising from the sale of items produced while the entity prepares the asset to operate as intended, at the location and necessary conditions. The entity shall recognize any proceeds arising from those sales and the respective costs of production in the income statement.

Amendment to IAS 37: Onerous contracts – Cost of fulfilling a contract (applicable for years beginning on or after 1 January 2022)

This amendment aims to clarify what costs an entity should consider as related to the fulfilling of a contract when assessing whether a contract is onerous. It also specifies that the costs of fulfilling a contract correspond only to the costs directly related to it, which may take the form of incremental costs or of an allocation of other costs directly related to the fulfilling of the contract.

Improvements to international financial reporting standards (cycle 2018-2020) (applicable for years beginning on or after 1 January 2022)

These improvements comprise the clarification of some aspects related to: IFRS 1 – First-time adoption of International Financial Reporting Standards: allows a subsidiary that adopts IFRS for the first time to measure cumulative translation differences based on the amounts presented in the consolidated financial statements of its parent company, according to the transition date of the parent company to IFRS; IFRS 9 – Financial instruments: clarifies that, when assessing the derecognition of a financial liability, an entity should only consider fees paid or received between the entity and the lender, including fees paid or received by one on behalf of the other; IFRS 16 – Leases: amendment to illustrative example 13 presented in the standard, in order to avoid the emergence of doubts regarding the treatment of lease incentives; IAS 41 – Agriculture: removal of the requirement to exclude taxation cash flows when measuring the fair value of a biological asset, thus ensuring consistency with IFRS 13 – Fair value measurement.

59. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, the option not to apply this standard to leases of intangible assets was also used.

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

For contracts in which a sublease is identified, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Group's financial statements, namely:

- in the consolidated income statement:

(i) in Net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.

- in the consolidated balance sheet:

(i) in Financial assets at amortised cost - Loans and advances to customers, the recognition of financial assets related to sublease operations measured in accordance with IFRS 9, as referred to in note 21. Loans and advances to customers, balance Finance leases;
(ii) in Other tangible assets, the recognition of right-of-use assets, as referred in note 28. Other tangible assets, balance Right of use; and
(iii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 39. Other liabilities, balance Rents to pay.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Decrease in other sundry liabilities and non-controlling interests includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Consolidated statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 25,733,000. IFRS 16's adoption didn't cause an impact in the Group's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	2,753,839	–	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	–	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	890,033	–	890,033
Loans and advances to customers	45,560,926	9,835	45,570,761
Debt securities	3,375,014	–	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	870,454	–	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	–	1,404,684
Financial assets designated at fair value through profit or loss	33,034	–	33,034
Financial assets at fair value through other comprehensive income	13,845,625	–	13,845,625
Assets with repurchase agreement	58,252	–	58,252
Hedging derivatives	123,054	–	123,054
Investments in associated companies	405,082	–	405,082
Non-current assets held for sale	1,868,458	–	1,868,458
Investment property	11,058	–	11,058
Other tangible assets	461,276	249,416	710,692
Goodwill and intangible assets	174,395	–	174,395
Current tax assets	32,712	–	32,712
Deferred tax assets	2,916,630	–	2,916,630
Other assets	811,816	–	811,816
TOTAL ASSETS	75,923,049	259,251	76,182,300
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,752,796	–	7,752,796
Resources from customers	52,664,687	–	52,664,687
Non subordinated debt securities issued	1,686,087	–	1,686,087
Subordinated debt	1,072,105	–	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	327,008	–	327,008
Financial liabilities at fair value through profit or loss	3,603,647	–	3,603,647
Hedging derivatives	177,900	–	177,900
Provisions	350,832	–	350,832
Current tax liabilities	18,547	–	18,547
Deferred tax liabilities	5,460	–	5,460
Other liabilities	1,300,074	259,251	1,559,325
TOTAL LIABILITIES	68,959,143	259,251	69,218,394
EQUITY			
Share capital	4,725,000	–	4,725,000
Share premium	16,471	–	16,471
Other equity instruments	2,922	–	2,922
Legal and statutory reserves	264,608	–	264,608
Treasury shares	(74)	–	(74)
Reserves and retained earnings	470,481	–	470,481
Net income for the year attributable to Bank's Shareholders	301,065	–	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	–	5,780,473
Non-controlling interests	1,183,433	–	1,183,433
TOTAL EQUITY	6,963,906	–	6,963,906
TOTAL LIABILITIES AND EQUITY	75,923,049	259,251	76,182,300

60. Acquisition/Merger of Euro Bank, S.A.

Description of the transaction

On 5 November 2018, Bank Millennium announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. from SG Financial Services Holdings a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic logic of the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million (of which more around 494 thousand fulfil the classification of active client as per Bank's internal definition) and therefore allowed the Bank to become one of the largest Polish bank in terms of the number of retail clients.

The acquisition of Euro Bank allowed the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group. The acquisition of Euro Bank enabled Millennium Bank to acquire competences in the franchise model and strengthen its presence in smaller cities, where Euro Bank was strongly located, and contributed to increase of the geographical coverage of the Bank's distribution network.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Português, were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital. Additionally, on 31 May 2019, the Bank has repaid the non-subordinated financing granted to Euro Bank by Societe Generale S.A. ("SG") in the amount of ca. PLN 3.800.000.000. It was preceded by Euro Bank's repayment of a part of subordinated debt from SG in the amount of PLN 250.000.000, after obtaining appropriate agreements from the PFSA in this particular area. In October 2019, a final repayment of a subordinated loan of SG taken out by Euro Bank in the amount of PLN 100 million (fully collateralised by a cash deposit since 31 May 2019) took place.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") were allocated to the minority shareholders of Euro Bank. The shares were purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 paragraph 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank received 4.1 Merger Shares.

As a result of the Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium. The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:

(i) - permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law"); (ii) - permission of the PFSA to amend the Statute of Bank Millennium pursuant to art. 34 paragraph 2 of the Banking Law.

Transaction settlement

Transaction settlement was performed applying the acquisition method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase.

As part of the transaction, the Group identified non-controlling interests amounting to 0.2% of the total value of Euro Bank shares. Bank Millennium acquired 26,240 shares of the Bank, constituting 0.00216302% of its share capital, which were then offered as merging shares to authorized shareholders of Euro Bank other than the Bank. The average purchase price of one merger share was PLN 5.939842, and the total price, representing the total cost of purchasing the merger shares, was PLN 156 thousand.

The Group made a final settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares within a period of one year from the date of acquiring the control in accordance with the requirements of IFRS 3. During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized goodwill or gain on bargain purchase.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold. A detailed description of the fair value measurement of individual assets acquired and liabilities assumed was presented in the consolidated annual report of the Millennium Group for 2019.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	millions of zloty	millions of euros
Assets		
Cash and deposits at Central Banks	242	57
Loans and advances to credit institutions repayable on demand	85	20
Financial assets at amortised cost		
Loans and advances to customers	12,558	2,933
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss	17	4
Financial assets at fair value through other comprehensive income	1,385	324
Other tangible assets	113	26
Goodwill and intangible assets	50	12
Deferred tax assets	143	33
Other assets	72	16
Total Assets	14,665	3,425
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	4,087	955
Resources from customers	7,975	1,863
Non subordinated debt securities issued	506	118
Subordinated debt	100	23
Hedging derivatives	6	1
Provisions	1	—
Other liabilities	375	88
Total Liabilities	13,050	3,048
	1,615	377

The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax.

Calculation of goodwill

As at the date of the present report, the Group has completed the process of calculating goodwill as at 31 May 2019.

In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expired after 12 months from the date of the acquisition, i.e. on 31 May 2020. The finally determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Group in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(25,529)	(5,963)
Price after adjustment	1,807,471	422,188
Fair value of acquired net assets	1,615,346	377,312
Exchange differences	—	(2,746)
Goodwill	192,125	42,130

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

Pursuant to IAS 36, as at 31 December 2020, the Bank conducted a test for impairment of goodwill arising from the acquisition of Euro Bank S.A. In principle, this test compares the carrying amount of a cash-generating unit ('CGU') with its recoverable amount (where the CGU is the smallest identifiable group of assets generating cash inflows largely independent of the cash inflows from other assets or groups of assets). The Bank conducted an impairment test with regard to the portfolio of assets of the retail segment, constituting a set of CGUs, by comparing their carrying amount with the recoverable amount. The recoverable amount was estimated based on the value in use of the CGU, which was calculated as the present, estimated value of future cash flows for the period of 5 years, taking into account the residual value of the CGU. The residual value of the CGU was calculated by extrapolating the cash flow projections beyond the forecast period, using the growth rate assumed at 3.5%. Cash flow forecasts are based on the assumptions contained in the financial plan for the Bank Millennium Capital Group for 2021 and the projections for 2022-2023. The cash flows were discounted using a discount rate of 9.44%. The impairment test performed as at 31 December 2020 showed a surplus of the recoverable amount over the carrying amount of individual CGUs, and therefore no impairment of goodwill was identified.

61. Impact of COVID-19 Pandemic

Background

The year of 2020 was marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019, leading to the declaration of a pandemic by the World Health Organization as at 11 March 2020. The immediate impacts of this pandemic have reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries including Portugal where the state of emergency was declared as at 18 March 2020, for the first time since the country's current Constitution was enacted.

The outbreak of COVID-19 forced the majority of the countries to implement restraining measures, including successive renewals of the state of emergency, temporary confinement of large proportions of the populations of the most-affected countries and strong restrictions to the normal economic activity of many companies in almost every sector, to contain the spread of the disease. These measures turned out to be very harmful for the global economy, causing a sudden slowdown in activity.

According to the International Monetary Fund (IMF), the COVID-19 pandemic has likely led to a contraction of the World economy of 3.5% in 2020, in a context of strong restrictions to the normal functioning of the economic activity. Though global, the recessive intensity proved heterogeneous, having affected more the developed economies than the emerging markets. For 2021, the IMF envisions a scenario of strong recovery of the global activity, which is naturally subject to the dissipation of the pandemic.

The extraordinarily negative impact of the pandemic on the global economy led to a generalized and unprecedented economic policy response, both on the monetary and fiscal fronts. With the aim of accelerating the economic recovery the European leaders approved in July an extraordinary package of funds named NextGeneration EU, amounting to Euros 750 billion distributed into subsidies and loans, that will be deployed from 2021 to 2023 and that will be financed by the issuance of European debt. In the Euro Area, the ECB launched an emergency public debt purchase program and strengthened other mechanisms of liquidity injection into the financial system, which contributed to keep the Euribor rates in negative values along the whole extension of the curve and also led to a reduction of the government bond yields of the peripheral member-states, including Portugal.

Additionally, in order for credit institutions to preserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID-19, ECB issued a recommendation related to dividend distributions. According to this recommendation, banks should refrain from paying out dividends and from assuming irrevocable commitment to pay out dividends for the financial years 2019 and 2020 and should also abstain from buying-back shares aimed at remunerating shareholders. The deadline for this recommendation, initially scheduled until 1 October 2020, was subsequently extended to at least 1 January 2021. As at 15 December 2020, ECB issued a new recommendation stating that, until 30 September 2021, significant credit institutions should exercise extreme caution in the payment of dividends or in the repurchase of shares designed to remunerate shareholders, and should previously debate with the supervision the acceptable level of distribution.

In the year of 2020, the Portuguese economy recorded an unprecedented contraction of 7.6% stemming from the effects of the pandemic on activity, which turned out particularly pernicious for tourism, private consumption, and to a lesser degree investment. The strong recovery of GDP in the third quarter suffered a sharp slowdown in the last three months of the year due, to a great extent, to the implementation of new health-driven restrictions. Notwithstanding the adverse context and the elevated uncertainty, the economic recovery should proceed in 2021, supported by the expansionism of both the monetary and fiscal policies and by the significant increase of households' savings in the last few quarters. However, the lockdowns imposed from January of the new year should dampen some of the recovery dynamism. According to the latest forecasts of the Bank of Portugal, the growth of GDP in 2021 should be 3.9%. The effort of supporting the household and corporate income by the government led to a substantial deterioration of the fiscal performance and, consequently, of the public debt ratios, an evolution that should improve progressively in tandem with the recovery of economic activity.

In Poland the fall of GDP in 2020 stood at 2.8%, reflecting the adverse effects of the health restriction on economic activity, especially in what concerns consumption and investment. However, the better than expected performance of goods exports fostered by the recovery of the German and Chinese economies in the second half of 2020 contributed to cushion the severity of last year's recession. In 2021, the external demand and the expectation of progressive normalization of the restrictive measures should support the recovery of activity, with the European Commission projecting a GDP growth rate of 3.1%. On the foreign-exchange front, the heightened uncertainty environment that dominated the international financial markets in 2020 took a toll on the evolution of the Zloty, which for the whole year depreciated around 7% against the Euro.

Measures to support the economy

Portugal

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favourable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums

The Portuguese Government, through Decree-Law no. 10-J/2020, of 26 March, introduced a moratorium on credits towards financial institutions with the objective of supporting families and companies in an adverse context of a substantial decline in income caused by the COVID-19 pandemic. This public moratorium establishes exceptional measures to protect the credits of beneficiary entities in the context of the COVID-19 pandemic, allowing the deferral of the fulfilment of responsibilities, when they represent credits assumed by the beneficiary entities towards the Bank, which are not overdue on the date on which the application to the public moratorium is received.

As the economic crisis generated by the COVID-19 pandemic was evolving, in June 2020, the Portuguese Government extended the scope and the deadline of the public moratorium. Thus, Decree-Law No. 26/2020, of 16 June, introduced changes to the public moratorium, regarding the period covered, the timing for accession and the scope of the beneficiaries and the operations covered. With these changes, bank customers began to benefit from an extension of the term of the public moratorium. The moratorium term initially set at six months, until 30 September 2020, has been extended until 31 March 2021. This new term is applicable not only to new moratoriums but to those that were subscribed in periods prior to the extension. Within the scope of these amendments, 30 June 2020 was set as deadline for adhering to the public moratorium.

In the third quarter of this year, Decree-Law No. 78-A/2020, of 29 September, introduced additional amendments to Decree-Law no. 10-J/2020, establishing a further extension of the period of validity of the public moratorium. In this context, bank customers who had adhered to the public moratorium regime until 30 September 2020 will benefit from the support measures provided for in that regime until 30 September 2021. It should be noted, however, that between 31 March 2021 and 30 September 2021, support measures are different depending on whether or not customers operate in sectors especially affected by the pandemic COVID-19. Bank customers operating in sectors particularly affected by the COVID-19 pandemic may continue to benefit from the suspension of capital reimbursement and payment of interest, commissions and other charges, while the remaining customers will only be entitled to benefit from the grace period for repayment of capital during the additional period.

In addition, it should be noted that the new deadlines are automatically applicable to the public moratoriums in force, unless customers intend to benefit from the effects of protection measures for a shorter period, in which case they will have to communicate this intention to the Bank with a minimum period of 30 days in advance. The referred Decree-Law No. 78/A/2020 also includes a new measure applicable only to the moratorium credits granted to entities comprised in one of the sectors of activity specified in the Decree-Law, that corresponds to an additional extension of the term of 12 months , added to the extension arising from the application of the moratorium.

As at 2 December 2020, following the impacts of the second wave of the pandemic, the European Banking Authority reactivated bank moratorium, allowing new applications to the moratoriums between 1 January 2021 and 31 March 2021, for a moratorium period of up to nine months from the date of accession. In this sense, Decree-Law No. 107/2020, of 31 December, was published in order to adapt the national legislative framework to the European prudential framework, maintaining the conditions and characteristics of the moratorium regime in force for new accessions, but with the adaptations inherent to the reactivation of the measure, namely, the term of application and the duration of the moratorium.

Based on this framework, the Bank provides credit moratoriums designed to protect, namely, companies, self-employed entrepreneurs and other professionals, private social solidarity institutions, non-profit associations and other entities of the social economy, which fulfil the requirements of the law.

In the case of households, moratoriums covers loans with mortgage guarantee (with multi-purpose, namely mortgage loans, including credit granted for the acquisition of secondary residential property or for rental purposes), as well as the real estate financial leasing and the consumer credit agreements for the purpose of education, including for academic and professional training.

Following the guidance issued by the European Banking Authority on public and private moratoriums applied to credit operations in the context of the COVID-19 pandemic, the Portuguese Banking Association provided for two private moratoriums open to natural persons, residents or non-residents in Portugal , one of which relates to mortgage loans and the other to non-mortgage loans (e.g. personal or automobile). In the case of non-mortgage loans, the moratoriums agreed until 30 June 2020 are granted for a period of 12 months, counting from the date of the agreement. The moratoriums that will be agreed after 30 June 2020 will end on 30 June 2021. In the case of mortgage loans, the moratoriums will last until 31 March 2021.

Measures to support clients

(i) Exemption and commissions reduction

In parallel with the suspension of certain commissions due for the use and carrying out of payment transactions through digital platforms, established by Law No. 7/2020, of April 10, the Bank created several exemptions or commission reductions benefiting corporate and private customers, mainly those most affected by the pandemic. In this context, the access to integrated solutions with special conditions or reduced prices was extended and facilitated for private customers.

(ii) Other measures implemented by the Bank

In addition to the aforementioned measures, BCP launched a set of additional measures to help families and companies to overcome the economic challenges caused by the COVID-19 pandemic.

Simultaneously with the moratorium on the repayment of principal and interests, BCP suspended, between 1 April and 30 June 2020, spread increases on real estate credit agreements to private customers for non-compliance with contractual bonus conditions, resulting from the constraints associated with the COVID-19 pandemic. Additionally, the digital transformation was accelerated, making it easier and faster to access the Bank and its services.

In order to support the economy, protect employment and strengthen corporate sustainability, BCP under the corporate support program, also offers current-account credit facilities and immediate liquidity, with Factoring and Confirming products, providing even the possibility of access to several credit lines, namely following the protocol signed with European Investment Fund, with European Investment Bank and with Development Financial Institution.

International

In the international activity, it is worth mentioning the initiatives launched by Bank Millennium in Poland. Bank Millennium provided its customers with the possibility of deferring payments of interest and principal for credits as provided for in credit moratoriums sponsored by local associations representing the banking sector and leasing companies. Bank Millennium has launched several initiatives aimed at facilitating access to the bank and carrying out financial transactions remotely, mainly benefiting its private customers. In order to make it easier for companies to meet their cash flow needs during this period, Bank Millennium launched several funding solutions for this specific purpose.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of COVID-19 measures, issued by EBA on 25 March 2020;

- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS9 Financial Instruments in the light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IASB;

- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, issued by EBA in April 2, 2020 (EBA/GL/2020/02) and updated on 25 June 2020;

- IFRS 9 in the context of the coronavirus (COVID-19) pandemic, issued on 1 April 2020 by ECB and after 2 December 2020;

- Guidance (EBA/GL/2020/12) amending the EBA guidance (EBA/GL/2018/01) on uniform disclosure (CRR Article 473 A) with respect to the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR "Quick Fix" in response to the COVID-19 pandemic;

- Commission Regulation (EU) 2020/1434 of 9 October 2020 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16 (IFRS 16).

Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments

Since the time at which it was perceived that the outbreak of the COVID-19 pandemic would have significant impacts globally, the Bank has been directing its attention and the necessary efforts towards addressing the challenges that this threat represents. In this regard, we may highlight the following fronts:

- The holding of discussion and analysis sessions involving several areas of the Bank such as the Executive Commission, the Marketing Division, the Operations Division, the IT Division, the Credit Division, the Rating Division and the Risk Office;
- Identification of the potential impacts on the Bank’s risk profile, and possible mitigation measures, in relation to the COVID-19 outbreak;
- Understanding/evaluation of the range of support measures implemented or promoted by entities such as the Portuguese Government, European bodies, Supervisory Authorities, Banking Associations, etc. to minimise the impacts of COVID-19;
- Definition of a strategy to deal with the risks faced by the Institution with the COVID-19 pandemic, in line with the risk appetite of the institution;
- Development of a framework that allows information regarding the scope and effects related to the use of the moratorium and other support measures (such as lines of credit with State Guarantees) to be collected, processed and reported, on a regular basis, to the governance bodies, Supervisory Authorities and market participants in general;
- Review of the principles of the Bank’s credit policy for facing the challenges of the COVID-19 pandemic, which are periodically reviewed according to shifts in scenarios.
- Adaptation/updating of prevailing models and procedures used to estimate expected credit losses (ECL) and evaluate situations with a significant rise in credit risk or unlikeliness to pay;

More specifically in terms of the implications for the classification of risk into stages, as provided under IFRS 9, which consists of identifying and classifying customers in situations of increased risk, or indeed default, as well as the determination of impairments, the main procedures implemented by the Bank are those set forth below.

i. Updating of macroeconomic scenarios

With respect to the portfolio of customers subject to collective analysis, at the end of June and at the end of December, updates were made to the macroeconomic assumptions used in the calculation of impairment, in both cases based on three scenarios (Central, Upside and Downside Scenarios) prepared by the Bank's Planning Division, which took into account, at each point in time, the most recent forecasts of leading bodies that publish forecasts of macroeconomic variables, such as the Banco de Portugal and European bodies.

These scenarios are used across the Bank for various purposes beyond the calculation of collective impairment.

Taking as a reference point the last update of macroeconomic assumptions conducted in December and taking as a point of comparison the macroeconomic assumptions existing prior to the outbreak of the COVID-19 pandemic, the impact in Portugal on the amount of impairment resulting from the component corresponding to the application of the collective impairment model was around Euros 58 million (applying to the portfolio of Loans and advances to customers, guarantees and other commitments), reflecting the changes in the probability of default.

An identical procedure was followed at the Bank's main affiliated companies, and in Poland, the impact resulting from the updating of scenarios resulted in an increase of around Euros 15 million in total impairment associated with performing customers.

The tables presented below systematise the updates performed in December 2020 for Portugal and Poland of the central scenarios in relation to some of the most critical variables used in the estimation of collective impairment, and their comparison with that considered in December 2019, where it is possible to perceive the significant magnitude of the changes incorporated.

Update of main macroeconomic scenario assumptions (Base Scenario) - Portugal

	December 2019 Scenario		December 2020 Scenario		Difference	
Variable	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Unemployment rate	6.10 %	6.00 %	7.20 %	8.80 %	1.10 %	2.80 %
Nominal GDP annual evolution	2.80 %	2.80 %	(5.90)%	5.20 %	(8.70)%	2.40 %
Savings Rate	6.20 %	6.30 %	10.10 %	8.70 %	3.90 %	2.40 %
German 10year Sovereign Debt Yield	(0.69)%	(0.66)%	(0.61)%	(0.55)%	0.08 %	0.11 %

Update of main macroeconomic scenario assumptions (Base Scenario) - Poland

	December 2019 Scenario		December 2020 Scenario		Difference	
Indicator	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Unemployment rate	5.40 %	5.60 %	6.80 %	7.10 %	1.40 %	1.50 %
Nominal GDP annual evolution	3.70 %	3.40 %	(5.40)%	7.50 %	(9.10)%	4.10 %
Consumption annual evolution	4.20 %	3.70 %	(5.30)%	7.70 %	(9.50)%	4.00 %
Disposable Income	4.84 %	4.59 %	0.20 %	8.30 %	(4.64)%	3.71 %
EUR/PLN exchange rate	4.28	4.28	4.45	4.35	0.17	0.07
EUR/CHF exchange rate	3.96	3.84	4.10	4.00	0.14	0.16

The following tables describe the weightings attributed to the different macroeconomic scenarios considered at the end of 2019 and December 2020, which may be considered conservative:

	Weightings			
	Portugal		Poland	
Scenario	**Dec 2019**	**Dec 2020**	**Dec 2019**	**Dec 2020**
Central	60 %	60 %	70 %	60 %
Upside	20 %	10 %	15 %	15 %
Downside	20 %	30 %	15 %	25 %

With respect to Portugal, in order to draw attention to the impact of a less favourable trend in two variables especially critical for the estimation of collective impairment (GDP growth and unemployment rate), a simulation was performed of an additional worsening of one percentage point in these indicators, which is reflected in the impacts presented in the table shown below, taking as a baseline the collective impairment of the portfolio in Portugal at 31 December 2020, which stood at Euros 515 million:

Variable	Estimated impact (% variation)
100 bp GDP growth aggravation	1.9%
100 bp unemployment rate growth aggravation	0.8%

ii. Inclusion of impairment overlays

In an effort to follow the Supervisors' guidelines, namely with respect to the identification and measurement of credit risk against the backdrop of the COVID-19 pandemic, the Bank recorded additional impairment in relation to the prevailing models for the calculation of collective impairment (overlays), which amounted to around Euros 27 million in Portugal and Euros 14 million in Poland.

The approach underlying the calculation of the value of overlays took into consideration several factors considered relevant to an assessment of the potential risk of customer exposures within the exceptional context resulting from the COVID-19 pandemic, including data already observed of the customers and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force for the calculation of impairment, having been adopted different approaches for the calculation of the overlays for corporate and households segments.

The exercise carried out was translated in terms of impairment value, for calculating the estimated impact arising from the migrations of customers identified as having a higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis, it should be noted that the most significant impact was verified in the corporate segment.

iii. Review of the credit portfolio with respect to most significant exposures

With respect to customers with more significant credit exposures, we should highlight the implementation of a series of extraordinary procedures with the aim of evaluating the potential impacts of the outbreak of the COVID-19 pandemic.

a) Customers with significant exposures - Performing portfolio:

With respect to customers who form part of the individual analysis of impairment group, which consists of customers with greater exposures or with a risk profile considered high, significant effort was made to bring forward the implementation of questionnaires regarding signs of impairment. This process began in the second quarter of 2020, the year ending with a group of customers for whom the questionnaire was brought forward, which amounted to an exposure corresponding to around 20% of the Bank's performing portfolio of companies as at 31 December 2020.

Overall, it should likewise be highlighted that, in the period following the outbreak of the COVID-19 pandemic, individual analysis questionnaires were implemented with an exposure value representing around 45% of the Bank's performing portfolio of companies as at 31 December 2020.

The re-evaluation of the portfolio of significant cases sought to identify customers who may have experienced a significant rise in credit risk and/or an increase in the probability of default that could result in a transfer of stage or classification as NPE.

b) Customers with significant exposures - NPE Portfolio:

For this group of customers, in addition to the usual portfolio analysis, special attention was paid to a review of more representative customers, which occurred above all up to the end of the 3rd quarter, with subsequent follow-ups. In this group, the analysis of the following cases was particularly noteworthy:

- Review of impairment for customers of the 20 largest NPE Groups and/or 20 largest NPE customers with going concern approach;

- Review of impairment for NPE customers with gone concern approach and collateral with valuation of over Euros 10 million.

With reference to 31 December 2020, NPE customers subject to more detailed analysis correspond to exposure of around Euros 1.2 billion, corresponding to around 50% of the portfolio of companies classified as NPE by the Bank and 7% of the total Corporate portfolio. The amounts are lower than those of June and September due to the significant drop in NPE.

c) Private Customers:

In relation to private customers, it is important to take into consideration that most of the portfolio corresponds to mortgage lending operations, representing around Euros 17.4 billion. This kind of operation corresponds to 45.1% of the Bank's credit portfolio and 87% of the credit portfolio to private individuals and is characterised by low levels of delinquency and higher rates of recovery, due to the weight and liquidity of the associated collateral.

The levels of impairment of the portfolio that benefited from a mortgage guarantee at the end of December 2020 corresponded to an average rate of impairment of 0.30% for operations classified under stage 2.

iv. Transverse approach with a view to identifying situations involving more vulnerable corporate customers and respective close monitoring

As with the objective of identifying, evaluating and monitoring the impact in terms of credit risk arising from the COVID-19 pandemic crisis, from a more global and transverse perspective, and one which may allow consistent support during the period in which the effects of the aforementioned pandemic persist, the Bank has developed an approach to Corporate customers, with heavy involvement of the Rating Division, which is reflected in the following methodology:

- Identification of the business sectors deemed to be at greater risk and with a more adverse potential impact in the context of the COVID-19 crisis;
- Definition of stress scenarios adapted to the severity of the impact expected for each business sector;
- Assessment of resilience (measured in terms of the potential deterioration of the respective rating) of the companies belonging to the sectors identified as being more vulnerable;
- Identification of customers who exhibit greater vulnerability, according to the assessment carried out.

Under this process, the Bank assessed practically all the exposure of the sectors deemed to have been impacted most.

This assessment constitutes a highly valuable starting point for selecting the most vulnerable customers, identifying customers who should be subject to closer monitoring and analysis and devising the credit strategy to be followed on a case-by-case basis for each of these customers.

The aforementioned support is given in coordination with the commercial area, which supports the customers identified, and the credit division, and involves the requesting of monthly or quarterly information with the aim of monitoring, in the most timely manner possible, changes in their economic and financial situation. The conclusions of this analysis are presented to a monitoring committee specifically created for the purpose, on which members of the Executive Committee sit.

This approach allows the early detection of potential default risk, creating the conditions for informed and prompt action by the Bank, specifically adjustment of the credit strategy to be adopted for each customer prior to the end of the period of the moratoriums. The strategy to be determined for each case may involve measures such as those listed below:

- Reducing exposure;
- Reducing unused internal limits;
- Restructuring loans with amortisation plans, anticipating potential future defaults;
- Increasing guarantees;
- Maintenance (without changes);
- Maintenance with the option of granting specific credit operations with a good risk profile (e.g.: commercial credit);
- Partial conversion of financial loans into commercial credit;
- Repricing;
- Transfer to the recovery division.

v. Approach addressed to customers in the Retail segment

In terms of the retail segment, with a view to monitoring and following up the default risk of customers within the context of the COVID-19 pandemic and supporting the determination and implementation of more appropriate solutions to address the potential default of each cluster of customers, the Bank is in the process of developing a series of projects and activities to adapt credit portfolio monitoring and management processes to the new situation on the ground.

These initiatives, which form part of the NPA Reduction Plan, are being developed in an integrated manner under the auspices of a specific Project, with the direct involvement of all relevant internal stakeholders and, despite also involving customers who have benefited from support measures such as recourse to moratoriums, it is not limited to those.

The development of this approach is based on CRM tools, Data Analytics and Decision Models with the goal of boosting efficiency and automatization.

In short, the main initiatives in this domain may be characterised in the following terms:

a) Improvement of credit data marts for all customers with credit exposure, with a view to supporting:

. the production of information on customers (financial/non-financial/behavioural)

. credit decision models

. internal and external reporting

With this support, the goal of the Bank is to systematise information critical to customer evaluation, in particular in the following domains:

. Historical analysis pre-COVID, and in the entire subsequent period

. Analysis of financial flows (inflows and outflows) and recurring flow variations

. Analysis of the variation in financial assets

. Analysis of credit behaviour in OCI (number of entities, recourse to moratoriums, balance history) and their changes

. Analysis of delays in payments and receipts and other risk implications

. Analysis of the impacts of the pandemic from a sectoral perspective

b) Bolstering of the system of early warning signs for the retail segment (private and small business)

c) Segmentation in homogeneous clusters, with a view to prioritising contact and action plans

d) Launch of a process of contacting customers, in particular the completion of questionnaires to gauge their economic and financial situation, inter alia to evaluate the impacts of the pandemic

e) Development of standard credit solutions adapted to the different standard situations and review of the predefined solutions in effect.

f) Determination of a pre-analysed restructuring option for customers with risk implications.

g) Broadening of the range of solutions on the Banking App.

h) Increase in the capacity to monitor customers in difficulties, involving an increase in the capacity for processing customers and simplification and automation of support processes that allow the Bank to cope with the increase in the number of transactions.

vi. Classification of operations as restructured due to financial difficulties

Specifically, with respect to the classification of customers as restructured due to financial difficulties, under the provisions of the guidelines issued by regulators and supervisory authorities, operations that fell under the state moratorium (Decree-Law 10-J/2020, of 26 March) or the sectoral moratorium (official memorandum adopted within the context of the APB), did not have to be flagged as restructured due to financial difficulties. Even so, the Bank decided to adopt a conservative approach, classifying as restructured due to financial difficulties operations that benefited from the aforementioned moratoriums which, as of 26 March (the date of entry into force of Decree-Law 10-J/2020), had been in default for more than 60 consecutive days after the due dates, and which remained in a situation of default as of 31 March.

With respect to the flagging of restructuring due to financial difficulties for other operations or contractual amendments, the Bank continued to intensify internal procedures with a view to strict classification of new operations or modification of ongoing operations considered carried out due to the customers' financial difficulties.

Taking as a reference the range of operations that fall under the general moratoriums – the state moratorium (Decree-Law 10-J/2020, of 26 March) and the sectoral moratorium (official memorandum adopted within the context of the APB) – and with a view to conveying a perspective on the form in which the impacts already felt from the outbreak of the COVID-19 pandemic have affected the Bank's risk classification in exposures that used these mechanisms of altering the debt service profile, a comparative analysis was carried out of the status of these operations between 29 February 2020 and 31 December 2020 with regard to the classification of Risk Stages under the terms laid down in IFRS 9, mindful of the fact that allocation to Stage 3 corresponds to a classification as NPE (default).

With respect to operations in the private segment, which at the end of 2020 had a moratorium in force, it is found that 86% of the exposure remained at the same stage and the part that was downgraded was smaller than that which saw an improvement (4.7% vs 7.7%), with an insignificant 1.2% of unclassified operations being recorded in February.

In the Corporate segment, the trend is different, with stage stability of 79% of the value of the operations, with a greater weight of cases with downgraded exposure (11.3%) in comparison with situations of improvement (5.8%).

(Thousands of euros)

		Exposure 31 December 2020					
		Households			Corporates		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Exposure 29 February 2020	Stage 1	2,917,926	144,674	6,618	2,163,464	420,538	25,033
	Stage 2	270,425	583,103	40,846	257,782	1,000,176	71,511
	Stage 3	3,053	40,839	45,379	465	9,318	444,745
	n.a	40,349	6,683	802	103,762	75,631	5,911
	Total	3,231,753	775,299	93,645	2,525,473	1,505,663	547,200

An analysis of the development of IFRS 9 staging with respect to financing operations that fall under the lines adopted under the National Mutual Guarantees System, as guaranteed by the Portuguese State to mitigate the impacts of the COVID-19 pandemic, is not applicable, given that they correspond to new operations and they did not exist as of the end of February. In any case, it is important to mention that, as of the end of December, 76% of the Bank's exposure to this kind of instrument is allocated to stage 1, with the part relating to stage 3 being largely insignificant (0.3%).

Operations subject to legislative and non-legislative moratoriums and new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis

The tables presented below describe the operations that, as of 31 December 2020, were subject to legislative and non-legislative moratoriums, as well as new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis, in Portugal and consolidated.

From the details shown in the aforementioned tables, in terms of the moratoriums, the presentation of the structure of exposure by customer segment, performing/non-performing status, classification in stage 2 (operations with a significant increase in credit risk since initial recognition, but without impairment of credit), the existence of restructuring due to financial difficulties, impairment constituted and the residual term of the moratoriums should be noted.

In terms of loans granted under the new systems of public guarantee, a breakdown is presented of exposure by segment, the amount of the associated guarantees and an indication of the part classified as restructuring due to financial difficulties or classified as non-productive.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective accumulated impairment, of loans and advances subject to the moratorium, with reference as at 31 December 2020 is as follows:

(Thousands of euros)

	Gross carrying amount						
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Total
Loans and Advances subject to moratorium	8,170,851	492,317	2,309,639	643,275	503,946	636,520	8,814,126
of which: Household	4,107,036	137,572	781,891	94,994	49,253	89,545	4,202,030
of which: Collateralised by residential of immovable property	3,650,810	122,431	696,962	75,498	40,695	71,729	3,726,308
of which: Non-financial corporations	3,988,894	353,395	1,481,533	527,556	433,971	526,249	4,516,450
of which: Small and Medium-sized Enterprises	3,609,107	323,470	1,326,112	502,240	415,758	500,933	4,111,347
of which: Collateralised by commercial immovable property	1,454,731	79,947	662,967	198,606	150,430	198,552	1,653,337

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and Advances subject to moratorium	105,518	29,698	85,041	282,524	245,754	281,986	35,868
of which: Household	8,044	920	5,404	7,503	3,725	7,081	5,750
of which: Collateralised by residential of immovable property	2,683	494	2,246	2,360	1,306	2,300	3,497
of which: Non-financial corporations	95,166	28,377	77,415	255,391	222,401	255,276	30,118
of which: Small and Medium-sized Enterprises	87,220	26,168	71,305	241,534	212,568	241,418	30,118
of which: Collateralised by commercial immovable property	32,088	3,014	28,252	78,288	63,586	78,287	23,776

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratorium

The analysis of the loans and advances which moratorium was offered and was granted (includes moratorium already expired) is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount	Of which: legislative moratorium	Of which: expired
Loans and advances for which moratorium was offered	148,065	11,034,681		
Loans and advances subject to moratorium (granted)	147,756	10,969,087	8,224,930	2,154,960
of which: Households		5,822,651	3,452,952	1,620,622
of which: Collateralised by residential immovable property		4,924,905	3,385,794	1,198,596
of which: Non-financial corporations		5,049,253	4,674,796	532,804
of which: Small and Medium-sized Enterprises		4,445,032	4,261,385	333,685
of which: Collateralised by commercial immovable property		1,725,280	1,690,487	71,943

The analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratorium is as follows:

(Thousands of euros)

	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	767,694	100,384	7,946,049	8,814,127
of which: Households	744,159	90,158	3,367,713	4,202,030
of which: Collateralised by residential immovable property	420,121	2,867	3,303,321	3,726,309
of which: Non-financial corporations	23,536	10,226	4,482,688	4,516,450
of which: Small and Medium-sized Enterprises	2,660	1,104	4,107,583	4,111,347
of which: Collateralised by commercial immovable property	14,282	807	1,638,248	1,653,337

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,369,072	18	1,931,615	3,683
of which: Households	14,128	—	12,514	—
of which: Collateralised by residential immovable property	260	—	234	—
of which: Non-financial corporations	2,352,281	18	1,916,959	3,683
of which: Small and Medium-sized Enterprises	2,180,750	18	1,834,277	2,678
of which: Collateralised by commercial immovable property	74,141	—	62,819	1,501

Use of judgments and estimates in the preparation of financial statements

The preparation of consolidated financial statements requires using judgements, preparing estimates and making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the reported amounts of revenue and expenses during the reporting period.

The main judgments and estimates adopted in the context of preparing these consolidated financial statements are described in point Z. Accounting estimates and judgments in applying accounting policies, from note 1. Accounting policies.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The BCP Group's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Group has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, cash flows, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the BCP Group's operations, on its profitability, capital and liquidity.

Contingency Plan

To deal with the COVID-19 pandemic, the Bank adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of the activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Bank activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Bank maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts in income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Net interest income – The COVID-19 pandemic produced several types of impacts on the net interest income of the Group, with different magnitudes and effects depending on its nature. In 2020, net interest income benefited from the interest generated by the credit lines guaranteed by the Portuguese State, even though the average spread for these lines was lower than the average spread of the existing portfolio. In addition, the lower level of repayments associated to the credits covered by the legal framework of moratoria contributed positively to the net interest income of the year. Conversely, the increased level of uncertainty associated with the COVID-19 pandemic caused a global economic recession, putting pressure on the reduction in reference interest rates in foreign geographies where the Group operates, with a particular focus on Poland, whose reference rate fell by 140 bps during last year.

- Commissions – In 2020, commissions related to the banking business, in particular commissions related to transfers and cards, were significantly penalized, 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 in Portugal, embodied in exemptions granted to face the crisis situation that the country is going through. These commissions are mainly related 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. 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 guarantees and credit also decreased from the same period of the previous year. Although the granting of credit commissions within the scope of measures related to COVID-19, have contributed positively to the commissions generated in this period, that contribution is limited, since the commissions generated by these operations are regulated and deferred.

- Net trading income – Net trading income, in 2020, was penalized by the negative impact arising from the revaluation of corporate restructuring funds, reflecting a review of the business plans and the evaluations of the assets from the funds by the respective management companies.

- Other net operating income - Other net operating income was penalized by the introduction, in 2020, of the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic.

- Operating costs – The impacts of COVID-19 pandemic on operating costs were mainly in other administrative costs. Therefore, 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. 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.

- Impairment for loan losses – The impacts are quantified in the section “Analysis of the impacts of the COVID-19 pandemic on the determination of Risk Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments”.

- Other impairment and provisions – The impacts are quantified in the section “Analysis of the impacts of the COVID-19 pandemic on the determination of Risk Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments”.

- Income tax – The tax impacts recognized in the year 2020 are detailed in note 30. Income tax.

Strategic guidelines and targets

The outbreak of COVID-19 caused a pandemic on a global scale that forced different countries to adopt exceptional measures with great impact on the lives of people and companies. Financial institutions were forced to change the focus of their business objectives to outline an action plan to respond to the crisis. In this context, the Bank reacted quickly and adjusted its priorities, trying to anticipate the impacts of the crisis. The strategic orientation focused on growth has temporarily been superimposed by a model aimed at protecting the quality of the balance sheet, supporting the economy and adapting business processes and models to the current situation.

The Bank has defined five priorities to 2020:

1. Protect Employees and customers
2. Defend the quality of the balance sheet, liquidity and solvency of the Bank
3. Support the economy, families, businesses and institutions
4. Adapt business models and processes to the new normal
5. Strengthen the social support component for the most vulnerable

The answer of financial institutions and of their customers has made it possible to highlight that the crisis was a powerful trends accelerator, with an adaptation of traditional business models and existing processes to a new context entitled as the “new normal”, which is primarily based on digital channels. The pandemic accelerated and even forced the use of digital channels by customers who would otherwise continue to use traditional channels for their needs. This evolution has validated the priorities of the 2018-2021 Strategic Plan, which the Bank has continued to implement, although subject to the immediate response to the crisis and adapting the initiatives to the environment emerging from the crisis.

Targets to be achieved after the impacts of the current pandemic

Among the priorities included in the 2018-2021 Strategic Plan, digitization focused on mobile takes a prominent place. The customers of BCP confirmed their positive appreciation of the digital approach of the Bank, reflected in an increasing number of digital customers, but above all in an increasing number of mobile customers. Thus, the targets initially established for the number of digital customers and mobile customers will not be harmed and are expected to even be exceeded. It should be noted, however, that the potential for revenue generated in a post-pandemic context, probably lower, will increase the pressure on financial institutions to capture additional efficiency gains in order to preserve the sustainability of their business models.

Additionally, it is necessary to highlight that, if the current crisis has accelerated the importance of digitalization, both in terms of attracting and retaining customers, and in terms of improving operational efficiency, the same crisis will jeopardize the achievement of the financial goals of the Strategic Plan, namely the profitability, financial efficiency and asset quality, within the initially predicted time horizon, until 2021, and as an inevitable reflection of the pronounced economic recession suffered.

The economic and social impacts of the public health crisis and the measures adopted by governments and authorities, including supervisory authorities, will produce effects that at this stage are still uncertain, but which will materially affect the activity of the Group in the three main markets where it operates.

In this context, the Bank considers that the targets defined under the 2018-2021 Strategic Plan remain valid, reaffirming its commitment to the established goals. However, it considers that some of the defined financial targets will only be attainable after the effects of the current economic crisis are overcome. The main targets defined in the Strategic Plan are the following:

	2020	Steady Sate*
Growth of business		
Active Customers	5.7 million	> 6 million
Digital Customers	64%	> 60%
Mobile Customers	48%	> 45%
Value Criation		
Cost to income	49% (47% excluding non-usual items)	≅ 40%
ROE	3.1%	≅ 10%
CET1	12.2%	≅ 12%
Loans-to-deposits	85%	< 100%
Dividend payout		≅ 40%
Asset Quality		
NPE Stock	Euros 3.3 billion	≅ Euros 3 billion Down ≅ 60% from 2017
Cost of risk	91 bp	< 50 bps

* Original Plan. To achieved after the economic impact of the pandemic.

NPE include loan to Customers only

Pandemic impacts on financial targets

The evolution of macroeconomic conditions on a global scale caused by the COVID-19 pandemic will have materially relevant impacts on the profitability and future financial position of the BCP Group. The impacts on bank income already observed in this exercise will persist in the subsequent periods, with greater or lesser intensity, depending on how fast countries will be able to tackle the public health crisis and on the constraints to the economic recovery. With regard to operating costs, in addition to the direct impacts of savings from the suspension or cancellation of several initiatives and the expenses arising from measures to protect employees and customers, the evolution of the pandemic will also affect the implementation of restructuring and capture efficiency gains measures. Profitability will also be influenced by the cost of risk, whose downward trend converging to the target of the Plan was interrupted and will tend to remain at a higher level, according to the evolution of macroeconomic conditions. Likewise, the pace of NPE reduction will be affected by a higher level of inflows associated with more adverse economic conditions, as well as by the constraints resulting from these same conditions in exit strategies.

Capital and liquidity requirements

The crisis of public health caused by COVID-19 has led regulators and supervisors to temporarily reduce capital, liquidity and operational requirements for banks, as described in the following paragraphs, to ensure that they still perform their role in supporting and financing the economy.

In particular, the European Commission, the European Central Bank and EBA issued clarifications on some of the flexibilities already incorporated in Regulation (EU) 575/2013, issuing interpretations and guidelines on the application of the prudential framework in the context of COVID-19.

The capital buffers have been designed with a view to allowing banks to withstand stressed situations and since the European banking sector has built up a significant amount of these buffers, the ECB will allow banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the systemic buffer (O-SII) and suggested the relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks will also be allowed to partially use capital instruments that do not qualify as CET1 capital to meet Pillar 2 Requirements (P2R), bringing forward a measure included in the latest revision of the Capital Requirements Directive (CRD V), that was planned to come into force in January 2021.

In addition, the European Central Bank allows banks, if necessary, to use their liquidity buffers and temporarily operate below the minimum regulatory level of the LCR (100%).

62. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 December 2020, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	101,000,000	EUR	Banking	100	100	100
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100	100	100
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100	100	100
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100	100	100
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100	100	100
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100	100	100
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100	100	—
BCP Finance Company	George Town	31,000,785	EUR	Financial	100	100	—
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	—
Millennium Bank Hipoteczny S.A.	Warsaw	40,000,000	PLN	Banking	100	50.1	—
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100	100	—
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	59,538,679	BRL	Financial Services	100	100	100
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100	100	100
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100	100	100
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100	100	100
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.4	96	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100	100	100
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100	50.1	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100	50.1	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100	50.1	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100	50.1	—
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100	50.1	—

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100	100	100
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	90	90	–
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100	100	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100	100	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100	100	–

During 2020, the Group repurchased 10% of Setelote - Aldeamentos Turísticos, S.A. and it was liquidated the company BG Leasing, S.A. and in the third quarter Millennium Bank Hipoteczny S.A was formed, 100% owned by Bank Millennium, S.A.

As at 31 December 2020, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real-estate investment fund	100	100	100
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real-estate investment fund	100	100	100
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100	100	100
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real-estate investment fund	100	100	100
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real-estate investment fund	100	100	100
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,307,377	EUR	Real-estate investment fund	100	100	100
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Real-estate investment fund	100	100	100

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100	100	100
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real-estate investment fund	100	100	100
DP Invest - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real-estate investment fund	54	54	54
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100	100	100
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	63.3	63.3	63.3
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60	60	60

(*) - Company classified as non-current assets held for sale.

During 2020, the Group settled "Fundo Especial de Investimento Imobiliário Fechado Intercapital" and "Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado" and sold the participation units that held in "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado".

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 B), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 December 2020, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No.3 Limited	Dublin	400,000	EUR	Special Purpose Entities	82.4	82.4	82.4

As at 31 December 2020, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	EUR	Insurance	92.0	61.4	—

As at 31 December 2020, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Participation units	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	—
Banque BCP, S.A.S.	Paris	155,054,747	EUR	Banking	19.8	19.8	19.8
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14	—
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50	50	50
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20	12.3	—
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35	35	—
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50	25.1	—
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2	28.2	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32	32	0.53
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1	25.1	25.1

During 2020 the Group sold Projepolska, S.A. and the entity PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E was settled.

As at 31 December 2020, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Participation units	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49	49	49
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49	49	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49	49	—

63. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Issue of senior preferred debt securities

On 5 February 2021, Banco Comercial Português, S.A. has fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of Euros 500 million, will have a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

The transaction was placed with a very diversified group of European institutional investors.

Accounts and Notes to the Individual Accounts

SEPARATE INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
Interest and similar income	2	893,687	944,520
Interest expense and similar charges	2	(99,268)	(152,522)
NET INTEREST INCOME		794,419	791,998
Dividends from equity instruments	3	15,818	19,677
Net fees and commissions income	4	465,392	467,552
Net gains / (losses) from financial operations at fair value through profit or loss	5	(55,438)	(42,540)
Net gains / (losses) from foreign exchange	5	55,415	13,626
Net gains / (losses) from hedge accounting operations	5	398	(968)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(28,157)	(9,447)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	71,347	94,578
Other operating income / (losses)	6	(48,631)	(42,255)
TOTAL OPERATING INCOME		1,270,563	1,292,221
Staff costs	7	384,985	401,052
Other administrative costs	8	182,829	196,526
Amortisations and depreciations	9	77,805	70,528
TOTAL OPERATING EXPENSES		645,619	668,106
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		624,944	624,115
Impairment for financial assets at amortised cost	10	(354,213)	(277,097)
Impairment for financial assets at fair value through other comprehensive income	11	(10,362)	2,180
Impairment for other assets	12	(93,284)	(90,383)
Other provisions	13	(37,494)	994
NET OPERATING INCOME		129,591	259,809
Gains / (losses) arising from sales of subsidiaries and other assets	14	(485)	27,201
NET INCOME BEFORE INCOME TAXES		129,106	287,010
Income taxes			
Current	27	(6,763)	11,393
Deferred	27	(71,710)	(159,107)
NET INCOME FOR THE YEAR		50,633	139,296
Earnings per share (in Euros)			
Basic	15	0.001	0.007
Diluted	15	0.001	0.007

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
NET INCOME FOR THE YEAR		50,633	139,296
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		181,442	188,298
Reclassification of (gains) / losses to profit or loss		(71,347)	(94,578)
Cash flows hedging			
Gains / (losses) for the year		113,738	42,929
Fiscal impact		(70,663)	(44,959)
		153,170	91,690
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the year		(17,534)	(19,387)
Changes in credit risk of financial liabilities at fair value through profit or loss	39	461	(4,019)
Actuarial gains / (losses) for the year	45	(87,043)	(281,760)
Fiscal impact		26,744	(43,781)
		(77,372)	(348,947)
Other comprehensive income / (loss) for the year		75,798	(257,257)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		126,431	(117,961)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
ASSETS			
Cash and deposits at Central Banks	16	4,650,772	4,049,676
Loans and advances to credit institutions repayable on demand	17	101,809	126,050
Financial assets at amortised cost			
Loans and advances to credit institutions	18	350,896	514,309
Loans and advances to customers	19	35,029,071	32,386,351
Debt securities	20	5,577,875	2,448,401
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	945,317	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,277,826	1,444,772
Financial assets designated at fair value through profit or loss	21	—	31,496
Financial assets at fair value through other comprehensive income	21	8,085,669	8,078,870
Hedging derivatives	22	74,704	34,990
Investments in subsidiaries and associated companies	23	3,101,912	3,135,649
Non-current assets held for sale	24	754,163	929,066
Other tangible assets	25	366,851	395,770
Intangible assets	26	48,323	40,822
Current tax assets		6,163	8,984
Deferred tax assets	27	2,469,190	2,584,903
Other assets	28	1,124,952	1,094,337
TOTAL ASSETS		63,965,493	57,946,804
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	29	10,960,177	8,181,865
Resources from customers	30	41,380,458	36,492,065
Non subordinated debt securities issued	31	1,814,653	1,496,508
Subordinated debt	32	976,882	1,125,053
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	33	243,934	269,166
Financial liabilities at fair value through profit or loss	34	1,599,405	3,201,310
Hedging derivatives	22	121,559	121,474
Provisions	35	270,435	260,446
Current tax liabilities		1,927	1,480
Other liabilities	36	614,277	904,997
TOTAL LIABILITIES		57,983,707	52,054,364
EQUITY			
Share capital	37	4,725,000	4,725,000
Share premium	37	16,471	16,471
Other equity instruments	37	400,000	400,000
Legal and statutory reserves	38	254,464	240,535
Reserves and retained earnings	39	535,218	371,138
Net income for the year		50,633	139,296
TOTAL EQUITY		5,981,786	5,892,440
TOTAL LIABILITIES AND EQUITY		63,965,493	57,946,804

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	767,953	862,967
Commissions received	591,455	619,570
Fees received from services rendered	51,876	66,109
Interests paid	(70,253)	(140,801)
Commissions paid	(99,857)	(103,311)
Recoveries on loans previously written off	6,691	8,691
Payments (cash) to suppliers and employees (*)	(679,814)	(693,597)
Income taxes (paid) / received	(3,196)	20,980
	564,855	640,608
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	163,565	(9,637)
Loans and advances to customers receivable / (granted)	(2,437,725)	(394,595)
Short term trading securities	(339,302)	140,370
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	120,022	(171,359)
Deposits from credit institutions with agreed maturity date	2,642,320	(1,237,613)
Loans and advances to customers repayable on demand	4,196,744	2,986,683
Deposits from customers with agreed maturity date	(788,696)	(1,591,066)
	4,121,783	363,391
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	20	13
Acquisition of shares in subsidiaries and associated companies	(37,015)	(1,017)
Dividends received	11,560	16,670
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	14,880	69,634
Sale of financial assets at fair value through other comprehensive income and at amortised cost	15,098,916	17,420,488
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(19,426,303)	(17,438,490)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,131,974	1,115,291
Acquisition of tangible and intangible assets	(43,648)	(51,137)
Sale of tangible and intangible assets	5,414	1,293
Decrease / (increase) in other sundry assets	89,360	(320,702)
	(3,154,842)	812,043
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	450,000
Reimbursement of subordinated debt	(161,285)	(129,086)
Issuance of debt securities	350,000	833,225
Reimbursement of debt securities	(107,485)	(151,878)
Issuance of commercial paper and other securities	22,694	238,839
Reimbursement of commercial paper and other securities	(239,116)	(171,641)
Issue of Perpetual Subordinated Bonds (Additional Tier 1)	–	396,325
Reimbursed of perpetual subordinated debt securities	–	(2,922)
Dividends paid to shareholders of the Bank (note 43)	–	(30,228)
Dividends paid of perpetual subordinated debt securities	–	(148)
Dividends paid of perpetual subordinated bonds (Additional Tier 1)	(37,000)	(27,750)
Increase / (decrease) in other sundry liabilities (**)	(217,894)	(273,843)
	(390,086)	1,130,893
Net changes in cash and equivalents	576,855	2,306,327
Cash (note 16)	381,202	355,745
Deposits at Central Banks (note 16)	3,668,474	1,327,177
Loans and advances to credit institutions repayable on demand (note 17)	126,050	186,477
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,175,726	1,869,399
Cash (note 16)	345,767	381,202
Deposits at Central Banks (note 16)	4,305,005	3,668,474
Loans and advances to credit institutions repayable on demand (note 17)	101,809	126,050
CASH AND EQUIVALENTS AT THE END OF THE YEAR	4,752,581	4,175,726

(*) In 2020, this balance includes the amount of Euros 104,000 (31 December 2019: Euros 541,000) related to short-term lease contracts and the amount of Euros 1,853,000 (31 December 2019: Euros 1,540,000) related to lease contracts of low value assets.
(**) In 2020, this balance includes the amount of Euros 19,355,000 (31 December 2019: Euros 18,853,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	2,922	264,608	522,895	59,267	5,591,163
Fair value reserves	—	—	—	—	23,839	—	23,839
Merger reserve of Banco de Investimento Imobiliário, S.A. (BII) on Banco Comercial Português, S.A. (BCP)	—	—	—	—	63,901	—	63,901
BALANCE AS AT 1 JANUARY 2019	4,725,000	16,471	2,922	264,608	610,635	59,267	5,678,903
Net income for the year	—	—	—	—	—	139,296	139,296
Other comprehensive income	—	—	—	—	(257,257)	—	(257,257)
TOTAL COMPREHENSIVE INCOME	—	—	—	—	(257,257)	139,296	(117,961)
Results applications:							
Legal reserve (note 38)	—	—	—	5,927	(5,927)	—	—
Statutory reserve (note 38)	—	—	—	(30,000)	30,000	—	—
Transfers for Reserves and retained earnings	—	—	—	—	59,267	(59,267)	—
Dividends	—	—	—	—	(30,228)	—	(30,228)
Reimbursed of perpetual subordinated debt securities (note 37)	—	—	(2,922)	—	—	—	(2,922)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 37)	—	—	400,000	—	—	—	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	(27,750)	—	(27,750)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	19	—	19
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	(3,675)	—	(3,675)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	2	—	2
Reversal of deferred tax assets related with expenses with the capital increase	—	—	—	—	(3,652)	—	(3,652)
Costs with merger reserve	—	—	—	—	(148)	—	(148)
Dividends from other equity instruments	—	—	—	—	(148)	—	(148)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	371,138	139,296	5,892,440
Net income for the year	—	—	—	—	—	50,633	50,633
Other comprehensive income	—	—	—	—	75,798	—	75,798
TOTAL COMPREHENSIVE INCOME	—	—	—	—	75,798	50,633	126,431
Results applications:							
Legal reserve (note 38)	—	—	—	13,929	(13,929)	—	—
Transfers for Reserves and retained earnings	—	—	—	—	139,296	(139,296)	—
Interests of the perpetual subordinated bonds (Additional Tier 1)	—	—	—	—	(37,000)	—	(37,000)
Reversal of deferred tax assets related with expenses with the capital increase	—	—	—	—	(96)	—	(96)
Other reserves (note 39)	—	—	—	—	11	—	11
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	535,218	50,633	5,981,786

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the “Bank”) is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these separate financial statements reflect the results of the operations of the Bank for the years ended 31 December 2020 and 2019.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Bank’s separate financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), since 2016. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The separate financial statements and the accompanying notes were approved on 24 March 2021 by the Bank's Board of Directors and are presented in thousands of Euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to the respective current version.

The separate financial statements for the year ended 31 December 2020 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU effective on that date.

These separate financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

A1. Comparative information

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2020. The accounting policies are consistent with those used in the preparation of the financial statements of the previous period.

During the month of September 2019, the Board of Directors of Banco Comercial Português, S.A. and Banco de lnvestimento lmobiliário, S.A. (BII) approved the merger project of BII, a subsidiary 100% owned by Banco Comercial Português, S.A., by incorporation in the latter. The merger process for incorporating BII into BCP was concluded on 30 December 2019, after the signing of the merger deed, with effect from 1 January 2019. The detail of this operation is presented in note 53. Merger of Banco de Investimento Imobiliário S.A. with Banco Comercial Português, S.A.

The Bank's financial statements were prepared under the going concern assumption, the accrual basis of accounting and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are considered to be significant are presented in note 1.Y.

B. Financial instruments (IFRS 9)

B1. Financial assets

B1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

- "Financial assets at amortised cost";
- "Financial assets at fair value through other comprehensive income"; or,
- "Financial assets at fair value through profit or loss".

The classification is made taking into consideration the following aspects:

- the Bank's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Bank carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management bodies;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Bank establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, for the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), as well as for a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Bank considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Bank to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and,
- the prepaid fair value is insignificant at initial recognition.

B1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised cost" category includes loans and advances to credit institutions, loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Bank accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note B1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note B3.

Gains or losses generated at the time of derecognition are registered in "Gains/(losses) with derecognition of financial assets and liabilities at amortised cost".

B1.1.2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Bank may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement item designated "Gains or losses on derecognition of financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note B1.5). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against "Other comprehensive income", and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note B3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are recognised against "Other comprehensive income". Dividends are recognised in the income statement when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recognised in "Fair value changes" are transferred to "Retained earnings" at the time of their derecognition.

B1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Bank for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Bank may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

The Bank classified "Financial assets at fair value through profit and loss" in the following items:

a) "Financial assets held for trading"

These financial assets are acquired with the purpose of short-term selling; at the initial recognition, they are part of a portfolio of identified financial instruments and for which there is evidence of profit-taking in the short-term; or they can be defined as derivatives (except for hedging derivatives).

b) "Financial assets not held for trading mandatorily at fair value through profit or loss"

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) "Financial assets designated at fair value through profit or loss"

This item includes the financial assets that the Bank has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit and loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with negative fair value are included in "Financial liabilities held for trading".

B1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification and any gains, losses (including the ones related to impairment) or interest previously recognised should not be restated.

It is not allowed the reclassification of investments in equity instruments measured at fair value through other comprehensive income, nor of financial instruments designated at fair value through profit or loss.

B1.3. Modification and derecognition of financial assets

General principles

i) The Bank shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or,
- it transfers the financial asset as set out in notes ii) and iii) below and the transfer qualifies for derecognition in accordance with note iv).

ii) The Bank transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset; or,
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions presented in note iii).

iii) When the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay these cash flows to one or more entities (the 'eventual recipients'), the Bank shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- the Bank does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
- the Bank is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 – Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Bank transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:

- if the Bank transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Bank retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Bank neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Bank did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;
b) if the Bank retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Bank retained or not control (see note iv) above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous section, and considering that contract modification processes may lead, in some circumstances, to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification), the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Bank considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal amount higher than 90% of the nominal amount of the new instrument;
- double extension of residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of modification;
- increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- change in qualitative features, namely:

a) change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or relevant monetary authorities;
b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;
c) transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Bank writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Bank prove to be fruitless. Loans written-off are recognised in offbalance sheet accounts.

B1.4. Purchased or originated credit-impaired assets

Purchased or originated credit-impaired (POCI) assets are assets that present objective evidence of credit impairment in the moment of their initial recognition. An asset is credit-impaired if one or more events have occurred with a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the origin of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note B1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

At initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balance) is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

The Bank recognises impairment losses for expected credit losses on financial instruments recognised in the following accounting items:

B1.5.1.1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment for financial assets at amortised cost" (in the income statement).

B1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

B1.5.1.3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

B1.5.2. Classification of financial instruments by stages

Changes in credit risk since the initial recognition

	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Bank determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note B1.5.3) but are not impaired (note B1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

B1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers' behavior towards the financial system.

B1.5.4. Definition of financial assets in default and impaired

Until 31 December 2019, customers who met at least one of the following criteria were considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with restructured operations caused by financial difficulties, for which it was registered, at the time of restructuring, an economic loss over Euros 5 million or 20% of total exposure;
g) Customers with restructured operations caused by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its credit operations;
h) Customers that register a recurrence of restructured operations due to financial difficulties within a 24 months period since default resulting from a previous restructuring. If the previous restructuring did not result in default, the 24 months period count begins at the date of the previous restructuring;
i) Customers for which a part or the entirety of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that result from a decision regarding balance sheet management and not from a disposal of problematic loans);
j) Customers for which takes place a new sale with loss, regardless of the amount, within a period of 24 months since the trigger resulting from the previous sale;
k) Guarantors of operations overdue for more than 90 days above the defined materiality, as long as the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Until 31 December 2019, it was considered as having objective signs of impairment (i.e., impaired):

i) customers in default, i.e., marked as grade 15 on the Bank's Rating Master Scale;
ii) customers that, when submitted to a questionnaire for analysis of financial difficulties evidence, are considered with objective signs of impairment;
iii) customers whose contracts' values, that are due for more than 90 days, represent more than 20% of their total exposure in the balance sheet;
iv) the Non-Retail customers with one or more contracts overdue for more than 90 days and whose total overdue amount exceeds Euros 500;
v) the Retail customers contracts overdue for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) contracts restructured due to financial difficulties that are overdue for more than 30 days and in which the overdue amount exceeds Euros 200.

As of 1 January 2020, all customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default (or GR15).

The existence of a material payment delay gives rise to the default setting (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:

i. Credit restructuring due to financial difficulties with loss of value;
ii. Delay after restructuring due to financial difficulties;
iii. Recurrence of restructuring due to financial difficulties;
iv. Credit with signs of impairment (or stage 3 of IFRS 9);
v. Insolvency or equivalent proceedings;

vi. Litigation;
vii. Guarantees of operations in default;
viii. Credit sales with losses;
ix. Credit fraud;
x. Unpaid credit status;
xi. Breach of covenants in a credit agreement;
xii. Spread of default in an economic group;
xiii. Cross *default* in BCP Group.

B1.5.5. Estimates of expected credit losses - Individual analysis

1. Customers who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency, since the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, since they have a risk grade 15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, since a group member has a risk grade14
	Groups or customers with an exposure over Euros 5 million, since a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure over Euros 500,000, not being considered customers with exposure below this limit for the purpose of determining the exposure referred in the previous point.

3. Other customers that do not meet the criteria defined in 1 will also be subject to individual analysis, if under the following conditions:

- have impairment as a result of the latest individual analysis;
- according to recent information, show a significant deterioration in risk levels; or,
- are a Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- for customers that are not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in stage 2 given the occurrence of a significant increase in credit risk, considering for this purpose a set of predetermined signs;
- for customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the departments in charge of customers' management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

The assessment of existence of impairment losses in individual terms is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Bank assessed, at each balance sheet date, the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

- total exposure of each customer towards the Bank and the existence of overdue loans;
- viability of the customer's business and its capacity to generate enough cash flows to service debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- significant deterioration of the customer's rating;
- the customer's available assets in liquidation or insolvency situations;
- the existence of preferential creditors;
- the amount and expected recovery term.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.
7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.
8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.
9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

- for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
- for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.
11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.
12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.
13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- recovery of debt related to geographies in which there is a strong political instability;
- recovery of non-real estate collateral for which there is no evidence of market liquidity;
- recovery of related collateral or government guarantees in a currency other than the country's own;
- recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the customer's impairment.
15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.
16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this customer.

B1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Bank's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated 'low default': Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;
b) Segments not 'low default': - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ('SME Retail'); and Others - Corporate: Small and medium enterprises - Corporate ('Large SME'); and Real Estate.

The Bank performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year.

Expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Bank expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Bank expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and,
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD associated with each exposure.

The Bank collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Bank estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and/or customer defaults. The Bank obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortisations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Bank will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Bank has the right to require payment or end the commitment or guarantee.

The Bank adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of products applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Bank uses models to forecast the evolution of the most relevant parameters to the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

B2. Financial liabilities

B2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- “Financial liabilities at amortised cost”;
- “Financial liabilities at fair value through profit or loss”.

B2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) “Financial liabilities held for trading”

In this balance are classified the issued liabilities with the purpose of repurchasing in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) “Financial liabilities designated at fair value through profit or loss”

The Bank may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Bank in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest expense and similar charges" based on the effective interest rate of each transaction.

B2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note B1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

B2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes resources from credit institutions and from customers, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. Interest on financial liabilities at amortised cost are recognised in "Interest expense and similar charges", based on the effective interest rate method.

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

The Bank derecognises financial liabilities when these are cancelled or extinct.

B3. Interest recognition

Income and expense related to interest from financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (e.g., early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e., for financial assets entering stage 3, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

For purchased or originated credit-impaired assets (POCI), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

B4. Hedge accounting

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39.

The Bank designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Bank. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and,
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

B4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual term of the hedged item.

B4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- deferred over the residual period of the hedged instrument; or,
- recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

B4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable, and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

B4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

B5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note B1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

C. Securitization operations

C1. Traditional securitizations

The Bank has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), which portfolios were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

The three operations are traditional securitizations, where each mortgage loan portfolio was sold to a portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

As at 31 December 2020, the Bank has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), having occurred in October 2019 the liquidation of the operation Magellan Mortgages no.2 and the consequent incorporation of its credits in BCP and BII.

C2. Synthetic securitizations

Currently, the Bank has two synthetic securitization operations.

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME no.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying, this way, the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

D. Equity instruments

A financial instrument is an equity instrument only if: i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and, ii) the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the Bank and dividends are paid at the discretion of the Bank.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

E. Securities borrowing and repurchase agreement transactions

E1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

E2. Repurchase agreements

The Bank performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised in the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

F. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in the Bank's financial statements at their historical cost less any impairment losses.

Subsidiaries are entities controlled by the Bank (including investment funds and securitization vehicles). The Bank controls an entity when it holds the power to designate the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity and is able to take possession of those results through the power it holds over the relevant activities of that entity (*de facto* control).

Investments in associates

Associates are those entities in which the Bank has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

The recoverable amount of the investments in subsidiaries and associates is assessed annually, with reference to the end of the year or whenever exists any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Merger of companies

The process of merging companies by incorporation corresponds to the incorporation of the assets and liabilities of a company (merged) into another company (acquirer). In the event that the Bank is the acquirer company and the merged company is controlled by the Bank, the merger is classified as a transaction between companies under common control, and the Bank uses the denominated 'predecessor approach' as a criterion for recording in its individual accounts, which consists of recording the assets and liabilities of the merged company at their book value as presented in the Bank's consolidated accounts. This criterion provides for intra-group balances and historical transactions between the two companies to be eliminated and the amounts regarding assets and liabilities to be adjusted accordingly. The net difference between the amount recorded by the Bank and the amounts of the assets and liabilities incorporated is recorded as a "Merger reserve".

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Bank must be committed to a plan to sell the asset (or disposal group) and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Bank remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

G1. Non-operating real estate (INAE)

The Bank also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Bank as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Bank's services.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs, or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortisation. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the Comissão do Mercado de Valores Mobiliários (CMVM).

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Bank's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Bank may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

The Bank adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Bank did not adopt earlier any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with these leases as an expense.

The Bank chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard was not applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e., the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Bank recognises for all leases, except for those with a term under 12 months or for leases of low-value assets:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Bank's spread of risk, applied over the weighted average term of each lease contract. For contracts with term, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, it is considered the particular clauses of the contracts, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in-substance fixed payments and the review of the lease term.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Bank did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Bank's financial statements, namely:

- in the income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the balance sheet:
  (i) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (ii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the separate statement of cash flows.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

I. Lease transactions (IAS 17)

Until 31 December 2018, and in accordance with IAS 17, the lease transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was done according to the substance and not the form of the contract.

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions were recorded at the beginning as an asset and liability at fair value of the leased asset, which was equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases were recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals were a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflected a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, were measured in accordance with the accounting policy defined in note 1.G.

I2. Operational leases

At the lessee's perspective, the Bank had various operating leases for properties and vehicles. The payments under these leases were recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract was evidenced in its balance sheet.

J. Recognition of income from services and commissions

Income from services and commissions is recognised according to the following criteria:

- in the moment it is received, as services are being provided, it is recognised in the income statement of the period to which it corresponds;
- when it results from a service, it is recognised as income when the referred service is concluded.

Income from services and commissions, that is an integral part of the effective interest rate of a financial instrument, is recognised in net interest income.

K. Net gains/(losses) from financial operations at fair value through profit or loss, Net gains/(losses) from foreign exchange, Net gains/(losses) from hedge accounting, Net gains/(losses) from derecognition of assets and liabilities at amortised cost and Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, i.e., fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Bank’s financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

M. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred, under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

N. Investment property

Real estate properties owned by the Bank are recognised as 'Investment properties', considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, as "Other operating income/(losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

O. Intangible assets

O1. Research and development expenditure

The Bank does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Bank recognises as intangible assets the costs associated to software acquired from external entities, and depreciates them on a straight-line basis by an estimated lifetime of three years. The Bank does not capitalise internal costs arising from software development.

P. Cash and cash equivalents

For the purposes of the cash flow statement, the item "Cash and cash equivalents" comprises balances with less than three months maturity from the balance sheet date, where are included the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions".

Q. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Bank intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Bank, no compensation of material amount is made. In case of reclassification of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified; and, iii) the reason for the reclassification.

R. Foreign currency transactions

Transactions in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. Defined benefit plans

The Bank has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are estimated in the pension's plans ‘Plano ACT’ and ‘Plano ACTQ’ of the Pension Plan of BCP Group.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). In the scope of its management and human resources, the Bank had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from said DL 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

Until 2011, along with the benefits provided in two planes above, the Bank had assumed the responsibility, if certain conditions were verified in each year, of assigning complementary benefits to the Bank's employees hired before 21 September 2006 (Complementary Plan). The Bank at the end of 2012 decided to extinguish (cut) the benefit of old age Complementary Plan. As at 14 December 2012, the Instituto de Seguros de Portugal (ISP - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Bank with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Bank also proceeded to the settlement of the related liability.

From 1 January 2011, Bank’s employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and two federations of the unions that represented the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with Sindicato dos Bancários do Norte (SBN), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability), that changed from 65 years to 66 years and two months in 2016 and the subsequent update of an additional month in each year, which cannot, in any case, be higher than the one in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and, lastly, it was introduced a new benefit called the End of Career Premium, that replaces the Seniority Premium.

These changes described above were framed by the Bank as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF - Portuguese Insurance and Pension Funds Supervision Authority), the BCP Group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits, as well as to transfer to the pension fund the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

The Bank’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Bank’s net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high quality corporate bonds that have maturity dates approximating the terms of the Bank’s obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income/cost of interests with the pension plan is calculated, by the Bank, multiplying the net asset/liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income/cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Bank recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income/cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and, (v) the effects of any settlement or curtailment occurred during the period. The net income/cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post-retirement health care benefits and benefits for the spouse and descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each company of the Bank, according to a specific contributions plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

S2. Revision of the salary tables for employees in service and pensions in payment

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. This agreement established, for 2018, the increase in the base salary of 0.75% until level 6 and of 0,50% for the levels from 7 until 20 (similar increase for 2019), as well as the increase in other pecuniary clauses, such as lunch allowance, diuturnities, among others.

At the end of 2019, the Bank started a negotiation process for the full revision of the Collective Labour Agreements' Clauses, with work continuing to take place during the first months of 2020, until they were interrupted in March, due to the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals received in the meantime from the Unions regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labour Agreements under negotiation, which led to the Bank formally presenting to the Unions, on 3 July, a counter-offer to update them by 0.3%, in line with the variation registered in 2019 in the Consumer Price Index, according to official information from the National Statistical Institute.

Following the negotiation process developed in 2020 with several unions subscribing to the Collective Labour Agreements, the Bank agreed, on 30 July 2020, with SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca and SBN – Sindicato Bancários do Norte, meanwhile renamed to SBN – Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of the Bank's Salary Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of pecuniary expression, such as lunch allowance, diuturnities, among others. The agreed updates took effect on 1 January 2020, except for remunerations related to subsistence and travel allowances, which will be updated after the operationalization of the agreed updates.

Regarding the remaining unions subscribing to the Group's Collective Labour Agreements, i.e., SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank's Employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements for the conclusion of the full review of their respective Clauses, which are still ongoing.

The publication in the Labour and Employment Bulletin of the referred Agreements with the respective Unions is in progress.

S3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Bank's employees are recognised as expenses when incurred.

As at 31 December 2020, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

S4. Variable remuneration paid to employees

The remuneration policy for employees includes an annual variable remuneration system for employees not covered by commercial incentive systems, for which an assessment of the performance of each employee is carried out on an annual basis, based on quantitative and qualitative criteria. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

S5. Share-based compensation plan

As at 31 December 2020, a variable compensation plan with shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the employees, approved for the financial year of 2020 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year to which it concerns. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the annual assessment of the performance of each Employee, carried out using quantitative and qualitative criteria. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered as Employees with Key Functions, the payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year to which it concerns. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

Employees considered as Employees with Key Functions are not covered by Commercial Incentives Systems.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Employees with Key Functions are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the covered people have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Employees with Key Functions, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Employee with Key Function, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

T. Income taxes

The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax puposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

The item "Deferred tax assets" includes amounts associated with credit impairments not accepted for tax purposes whose credits have been written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the deductible temporary differences for tax purposes (including reportable tax losses).

The Bank, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity, or different taxable entities that intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which deferred tax liabilities or assets are expected to be settled or recovered.

The Bank complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the Bank's financial statements resulting from its application.

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2020 and 2019, the RETGS application was maintained.

U. Segmental reporting

The Bank adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Bank's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance; and, (iii) for which separate financial information is available.

Since the separate financial statements are presented with the Group's report, in accordance with paragraph 4 of IFRS 8, the Bank is exempt of presenting information on an individual basis regarding segmental reporting.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle; and, (iii) a reliable estimation can be made of the amount of the obligation.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were initially created, or in the case that these obligations cease to exist.

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Bank registers a contingent liability when:

i) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events that are not wholly within the control of the Bank; or,
ii) it is a present obligation that arises from past events but is not recognised because:
   a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
   b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

W. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

X. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) for the practice of insurance intermediation in the category of Linked Insurance Broker, in accordance with Article 8, paragraph a), subparagraph i) of Decree-Law no. 144/2006, of 31 July, carrying out insurance intermediation activities in life and nonlife segments.

Within the scope of insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for insurance intermediation services, they receive commissions for arranging insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurance Companies.

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions whose receipt occurs at a different time from the period to which they refer are recognised as an amount receivable under the item "Other assets".

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the financial statements, considering the context of uncertainty that results from the impact of Covid-19 in the current economic scope (note 54). The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Bank's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, under advice of the Executive Committee, the Bank's reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimations would be more appropriate.

Y1. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Bank considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

The regulatory decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. 13/2018, of 28 December, established the maximum limits for impairment losses and other value adjustments for specific credit risk deductible for the purposes of calculating taxable income under IRC in 2016, 2017 and 2018, respectively. These regulatory decrees establish that Bank of Portugal Notice no. 3/95 (Notice that was relevant for determining credit provisions in the financial statements presented in NCA) must be considered for the purposes of determining the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively,

Meanwhile, it was published the Law no. 98/2019, of 4 September, that establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless of the option mentioned above, the application of the new regime will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;

- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

In the calculation of 2019's taxable income and in the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019. Tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80%, when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2020, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since it was not created a transitional regime that established the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the application of IRC Code's general rules.

The taxable income or tax loss determined by the Bank can be corrected by the Portuguese Tax Authority in the period of four years, except if any deduction was made or if tax credit was used, in which the limitation period corresponds to the same of exercising of that right. The Bank recorded provisions or deferred tax liabilities in the amount that finds appropriate to face the tax amendments or the tax losses of which was object, as well as the contingencies regarding exercises not yet revised by the Tax Authority.

Y2. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

The hair-cut estimates applied in determining the fair value of these properties were adjusted, in the case of commercial properties and lands.

In part, this change stems from the impact on sales prices of the current pandemic situation of COVID-19.

Y3. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimations, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields regarding a bond issues universe – that the Bank considers to have high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers.

Y4. Financial instruments – IFRS 9

Y4.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, must be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Bank monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for these assets. This monitoring is part of a process of continuous evaluation by the Bank of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

Y4.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimations regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in Stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in Stages 2 and 3. An asset is classified in Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers qualitative and quantitative information, reasonable and sustainable.

In order to comply with the Supervisors' guidelines, namely with regard to the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays), as described in note 54.

The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Bank monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product/market and determination of relevant prospective information:

In estimating expected credit losses, the Bank uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimation of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Y4.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the COVID-19 pandemic, the calculation of fair value adjustments was revised taking into account liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

Y5. Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiary and associated companies, regardless of the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiary and associated companies and their book value. Impairment losses identified are recognised against profit and loss, being subsequently reversed by profit and loss if there is a reduction in the estimated impairment loss in a subsequent period.

The recoverable amount is determined based on the highest between the value in use of the assets and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, which require the use of assumptions or judgments in establishing fair value estimates.

The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses recognized, with the consequent impact on the Bank’s consolidated income statement.

Y6. Leases (IFRS 16)

On 12 October 2020, the European Union published an amendment to IFRS 16, associated with income concessions related to COVID-19.

This amendment allows tenants, as a practical expedient, to have the possibility to choose not to consider a rent concession that occurs as a direct consequence of the COVID-19 pandemic as a modification of the lease. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that he would do it under IFRS 16 – Leases, if this change did not constitute a modification of the lease. This amendment does not affect lessors.

Within the scope of the sublease, the Bank carried out the analysis of the respective contracts.

Z. Subsequent events

The Bank analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(912)	(2,864)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	6,189	25,583
Loans and advances to customers	779,641	768,404
Debt instruments	36,101	42,492
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,100	8,846
Financial assets not held for trading mandatorily at fair value through profit or loss	3,138	5,000
Financial assets designated at fair value through profit or loss	569	1,115
Interest on financial assets at fair value through other comprehensive income	42,515	55,575
Interest on hedging derivatives	20,429	34,827
Interest on other assets	3,917	5,542
	893,687	944,520
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	20,690	(24,192)
Resources from customers	(29,794)	(48,518)
Non subordinated debt securities issued	(25,730)	(19,427)
Subordinated debt	(40,438)	(30,015)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(771)	(3,628)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,058)	(3,512)
Non subordinated debt securities issued	(1,937)	(3,783)
Interest on hedging derivatives	(12,644)	(14,410)
Interest on leasing	(3,111)	(3,556)
Interest on other liabilities	(2,475)	(1,481)
	(99,268)	(152,522)
	794,419	791,998

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 27,923,000 (2019: Euros 34,387,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,378,000 and Euros 1,542,000 respectively (2019: Euros 3,195,000 and Euros 7,921,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 41,700,000 (2019: Euros 55,582,000) related to interests income arising from customers classified in stage 3. The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 18,273,000 (2019: Euros 29,308,000), as referred in note 19 and Euros 54,000 (2019: Euros 120,000), as referred in note 20, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

The balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H and note 52.

As at 31 December 31 2020, according to note 29, in the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions, it was recorded a negative cost of Euros 40,057,000, associated with the TLTRO III operation.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Dividends from financial assets through other comprehensive income	4,030	130
Dividends from subsidiaries and associated companies	11,788	19,547
	15,818	19,677

The balances Dividends from financial assets through other comprehensive income in 2020 and 2019 include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2020, the amounts of Euros 5,922,000, and Euros 1,102,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A. and the company Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., respectively. The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2019, the amounts of Euros 7,610,000, and Euros 4,976,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A. and the company Millennium bcp Participações, S.G.P.S, Sociedade Unipessoal, Lda., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Fees and commissions received		
From guarantees	39,466	43,961
From commitments	4,463	4,334
From banking services	248,330	258,900
From bancassurance	83,360	86,173
From securities operations	64,003	51,236
From management and maintenance of accounts	112,007	105,221
From other commissions	17,023	27,244
	568,652	577,069
Fees and commissions paid		
From guarantees received provided by third parties	(5,101)	(6,132)
From banking services	(81,390)	(84,568)
From securities operations	(7,020)	(6,585)
From other commissions	(9,749)	(12,232)
	(103,260)	(109,517)
	465,392	467,552

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	32,596	158,518
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(88,921)	(33,610)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	887	(167,448)
	(55,438)	(42,540)
Net gains / (losses) from foreign exchange	55,415	13,626
Net gains / (losses) from hedge accounting	398	(968)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(28,157)	(9,447)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	71,347	94,578
	43,565	55,249

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	2020	2019
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	7,795	1,591
Equity instruments	696	170
Derivative financial instruments	351,058	389,530
Other operations	1,836	1,016
	361,385	392,307
Losses		
Debt securities portfolio	(5,974)	(1,219)
Equity instruments	(199)	(135)
Derivative financial instruments	(321,781)	(232,136)
Other operations	(835)	(299)
	(328,789)	(233,789)
	32,596	158,518
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	9,448	38,572
Losses		
Debt securities portfolio	(98,369)	(72,182)
	(88,921)	(33,610)

(continues)

(continuation)

(Thousands of euros)

	2020	2019
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	747	46
Debt securities issued		
Certificates and structured securities issued	68,289	37,749
Other debt securities issued	612	1,802
	69,648	39,597
Losses		
Debt securities portfolio	(874)	(1,897)
Resources from customers	(114)	(1,456)
Debt securities issued		
Certificates and structured securities issued	(66,977)	(197,518)
Other debt securities issued	(796)	(6,174)
	(68,761)	(207,045)
	887	(167,448)
	(55,438)	(42,540)

In the balances Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss - Profits/(Losses) - Certificates and structured securities issued are recorded the valuations and devaluations of certificates issued by the Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Net gains /(losses) from financial assets held for trading - Profit/(Losses) - Derivative financial instruments.

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets, liabilities at amortised cost and Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income, are presented as follows:

(Thousands of euros)

	2020	2019
Net gains / (losses) from foreign exchange		
Gains	104,044	43,204
Losses	(48,629)	(29,578)
	55,415	13,626
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	21,149	26,985
Hedged items	67,373	116,950
	88,522	143,935
Losses		
Hedging derivatives	(76,114)	(135,503)
Hedged items	(12,010)	(9,400)
	(88,124)	(144,903)
	398	(968)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,101	7,499
Debt securities portfolio	—	996
Debt securities issued	505	33
Others	94	19,303
	6,700	27,831
Losses		
Credit sales	(34,335)	(36,424)
Debt securities issued	(55)	(405)
Others	(467)	(449)
	(34,857)	(37,278)
	(28,157)	(9,447)

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	2020	2019
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	106,280	95,647
Losses		
Debt securities portfolio	(34,933)	(1,069)
	71,347	94,578

In 2020, the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 89,458,000 (2019: Euros 70,169,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2020, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 5,266,000 (2019: net gain of Euros 89,174,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Operating income		
Income from services	23,813	25,967
Cheques and others	7,038	8,708
Gains on leasing operations	3,489	3,949
Rents	1,587	1,697
Other operating income	13,700	15,097
	49,627	55,418
Operating costs		
Taxes	(10,358)	(14,248)
Donations and contributions	(3,903)	(3,616)
Contribution over the banking sector	(35,180)	(31,675)
Resolution Funds Contribution	(15,040)	(15,893)
Contribution for the Single Resolution Fund	(19,344)	(18,697)
Contributions to Deposit Guarantee Fund	(90)	(94)
Losses on financial leasing operations	(371)	(80)
Other operating costs	(13,972)	(13,370)
	(98,258)	(97,673)
	(48,631)	(42,255)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and European Parliament and of the Council Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67 (4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

During 2020, the Bank delivered the amount of Euros 19,344,000 (2019: Euros 18,697,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 22,758,000 (2019: Euros 21,868,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,414,000 (2019: Euros 3,731,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. In 2020 the total amount of irrevocable commitments constituted was Euros 17,274,000 (2019: Euros 13,860,000), are recorded in the balance Other assets - Deposit account applications (note 28).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Remunerations	285,487	297,636
Mandatory social security charges		
Post-employment benefits (note 45)		
Service cost	(14,948)	(15,068)
Cost / (income) in the liability coverage balance	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
	2,597	7,300
Other mandatory social security charges	74,844	75,979
	77,441	83,279
Voluntary social security charges	8,411	10,283
Other staff costs	13,646	9,854
	384,985	401,052

The balance Remuneration includes the amount of Euros 5,281,000 (2019: Euros 12,587,000) related to the distribution of profits to Bank's employees, as described in note 43.

In 2020, under the scope of the salary increases recorded in September 2020, with retroactive effect since 1 January 2020, agreed between the Bank and the Unions, the Bank recorded the impact of Euros 1,400,000 in Staff costs, including mandatory social charges.

In 2019, under the scope of the salary increases recorded in October 2019, with retroactive effect since 1 January 2018, agreed between the Bank and the Unions, the Bank recorded the impact of Euros 3,910,000 (of which Euros 1,619,000 refer to retroactive payments of 2018) in Personnel costs, as described in the policy accounting 1 S2.

In 2020, the balance Other staff costs includes severance payments in the amount of Euros 19,713,000 (2019: Euros 9,650,000) of which the highest amounts to Euros 504,000 (2019: Euros 1,313,000).

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2020	2019
Top Management	938	970
Intermediary Management	1,560	1,609
Specific/Technical functions	2,962	2,918
Other functions	1,479	1,552
	6,939	7,049

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Outsourcing and independent labour	73,987	75,318
Rents and leases	6,770	6,134
Other specialised services	18,333	19,290
Communications	8,974	10,202
Information technology services	17,446	15,776
Maintenance and related services	8,193	8,225
Water, electricity and fuel	6,862	8,799
Advertising	5,838	7,887
Advisory services	13,333	15,170
Transportation	5,894	6,863
Legal expenses	2,730	4,215
Travel, hotel and representation costs	1,850	4,972
Insurance	2,211	2,518
Consumables	1,463	1,905
Credit cards and mortgage	1,333	1,160
Training costs	1,175	2,099
Other supplies and services	6,437	5,993
	182,829	196,526

The balance Rents and leases includes, in 2020, the amount of Euros 104,000 (2019: Euros 541,000) related to short-term lease contracts and the amount of Euros 1,853,000 (2019: Euros 1,540,000) related to lease contracts of low value assets, as described in the accounting policy 1 H and note 52.

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, are as follows:

(Thousands of euros)

	2020	2019
Auditing services		
Legal certification	2,187	2,363
Other assurance services	909	1,034
Other services	24	122
	3,120	3,519

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Intangible assets amortisations (note 26):		
Software	20,273	13,565
Other tangible assets depreciations (note 25):		
Properties	8,314	9,012
Equipment		
Computers	9,459	8,966
Security equipment	755	872
Installations	1,795	1,525
Machinery	411	339
Furniture	1,632	1,585
Motor vehicles	1,646	2,240
Other equipment	8	7
Right-of-use		
Real estate	33,475	32,380
Vehicles and equipment	37	37
	57,532	56,963
	77,805	70,528

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions (note 18):		
Charge for the year	1	55
Reversals for the year	(65)	(863)
	(64)	(808)
Loans and advances to customers (note 19):		
Charge for the year	437,075	454,520
Reversals for the year	(85,308)	(169,181)
Recoveries of loans and interest charged-off	(6,691)	(8,691)
	345,076	276,648
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	6,293	1,717
Reversals for the year	–	(907)
	6,293	810
Not associated to credit operations		
Charge for the year	2,908	447
	9,201	1,257
	354,213	277,097

11. Impairment for financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	2020	2019
Impairment for financial assets at fair value through other comprehensive income (note 21)		
Charge for the year	11,485	538
Reversals for the year	(1,123)	(2,718)
	10,362	(2,180)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Impairment for investments in associated companies (note 23)		
Charge for the year	34,607	11,944
Reversals for the year	–	(4,540)
	34,607	7,404
Impairment for non-current assets held for sale (note 24)		
Charge for the year	53,009	75,510
Reversals for the year	(17)	–
	52,992	75,510
Impairment for other assets (note 28)		
Charge for the year	6,156	7,469
Reversals for the year	(471)	–
	5,685	7,469
	93,284	90,383

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments (note 35)		
Charge for the year	2,498	5
Write-back for the year	–	(4,382)
	2,498	(4,377)
Other provisions for liabilities and charges (note 35)		
Charge for the year	35,178	3,395
Write-back for the year	(182)	(12)
	34,996	3,383
	37,494	(994)

14. Gains / (losses) arising from sales of subsidiaries and other assets

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Sale of subsidiaries	(3)	(165)
Sale of other assets	(482)	27,366
	(485)	27,201

The balance Sale of other assets corresponds to the gains and losses arising from the sale and revaluation of assets held by the Bank and classified as non-current assets held for sale.

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2020	2019
Net income / (loss) for the year	50,633	139,296
Dividends from other equity instruments	—	(148)
Interests of the perpetual subordinated bonds (Additional Tier 1)	(37,000)	(27,750)
Adjusted net income / (loss)	13,633	111,398
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros)	0.001	0.007
Diluted earnings per share (Euros)	0.001	0.007

The Bank's share capital, as at 31 December 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 31 December 2020 e 2019.

16. Cash and deposits at Central banks

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Cash	345,767	381,202
Central Banks	4,305,005	3,668,474
	4,650,772	4,049,676

The balance Central Banks includes deposits at Central Banks of the countries where the Bank operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In addition, from the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to an estimated maximum of 6 times of the reserves, is remunerated at the central bank's lending rate instead of the deposit rate.

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Credit institutions in Portugal	1,594	1,401
Credit institutions abroad	32,262	34,543
Amounts due for collection	67,953	90,106
	101,809	126,050

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions in Portugal		
Loans	30,942	36,655
Term applications to collateralise CIRS and IRS operations (*)	2,850	–
Other	812	6,028
	34,604	42,683
Loans and advances to credit institutions abroad		
Very short-term deposits	–	283,322
Short-term deposits	136,418	2,999
Term deposits to collateralise CIRS and IRS operations (*)	166,300	171,428
Other	13,876	14,245
	316,594	471,994
	351,198	514,677
Overdue loans - over 90 days	2	–
	351,200	514,677
Impairment for loans and advances to credit institutions	(304)	(368)
	350,896	514,309

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"). These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Bank.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	323,826	504,117
3 to 6 months	10,268	–
6 to 12 months	3,317	560
1 to 5 years	13,787	10,000
Undetermined	2	–
	351,200	514,677

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	368	1,850
Impairment charge for the year (note 10)	1	55
Reversals for the year (note 10)	(65)	(863)
Loans charged-off	–	(674)
Balance at the end of the year	304	368

19. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Discounted bills	187,383	259,281
Current account credits	939,781	1,343,276
Overdrafts	299,772	319,750
Loans	12,024,807	9,614,819
Mortgage loans	17,820,559	17,320,899
Factoring operations	1,946,974	1,945,732
Finance leases	2,358,801	2,336,499
	35,578,077	33,140,256
Overdue loans - less than 90 days	14,045	28,305
Overdue loans - Over 90 days	909,540	1,079,684
	36,501,662	34,248,245
Impairment for credit risk	(1,472,591)	(1,861,894)
	35,029,071	32,386,351

In the evolution of the balance Loans and advances to customers, is to highlight in 2020, the weight of the financing granted under the COVID-19 lines, which benefit from the guarantee of the Portuguese State, as detailed in note 54.

The balance Loans and advances to customers, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	510,370	1	510,371	(1,725)	508,646
Asset-backed loans	20,320,472	480,108	20,800,580	(790,735)	20,009,845
Other guaranteed loans	5,235,582	117,927	5,353,509	(216,317)	5,137,192
Unsecured loans	3,135,564	166,994	3,302,558	(190,789)	3,111,769
Foreign loans	2,070,314	121,642	2,191,956	(125,242)	2,066,714
Factoring operations	1,946,974	15,010	1,961,984	(41,201)	1,920,783
Finance leases	2,358,801	21,903	2,380,704	(106,582)	2,274,122
	35,578,077	923,585	36,501,662	(1,472,591)	35,029,071

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Other guaranteed loans: First-demand guarantees issued by banks or other entities and personal guarantees.

The balance Loans and advances to customers, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	554,047	2	554,049	(1,137)	552,912
Asset-backed loans	20,037,965	692,956	20,730,921	(1,233,215)	19,497,706
Other guaranteed loans	3,286,023	108,088	3,394,111	(189,536)	3,204,575
Unsecured loans	3,288,027	142,659	3,430,686	(148,735)	3,281,951
Foreign loans	1,691,963	125,073	1,817,036	(188,380)	1,628,656
Factoring operations	1,945,732	14,806	1,960,538	(30,303)	1,930,235
Finance leases	2,336,499	24,405	2,360,904	(70,588)	2,290,316
	33,140,256	1,107,989	34,248,245	(1,861,894)	32,386,351

As at 31 December 2020, the balance Loans and advances to customers includes the amount of Euros 11,692,831,000 (31 December 2019: Euros 11,674,854,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

The Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank , which include loans and advances to customers.

As referred in note 46, the Bank provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 37.

As at 31 December 2020, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 66,334,000 (31 December 2019: Euros 99,774,000), as referred in note 46 A). The amount of impairment recognised for these contracts amounts to Euros 363,000 (31 December 2019: Euros 210,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of euros)

	2020	2019
Amount of future minimum payments	2,810,475	2,738,951
Interest not yet due	(451,674)	(402,452)
Present value	2,358,801	2,336,499

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of euros)

	2020	2019
Up to 1 year	371,509	469,949
1 to 5 years	1,067,240	995,541
Over 5 years	1,371,726	1,273,461
	2,810,475	2,738,951

The analysis of the maturing component of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2020	2019
Individuals		
Home	51,291	56,084
Consumer	29,920	30,585
Others	88,949	92,309
	170,160	178,978
Companies		
Equipment	457,251	438,944
Real estate	1,731,390	1,718,577
	2,188,641	2,157,521
	2,358,801	2,336,499

Regarding operational leasing, the Bank does not present relevant contracts as leasor.

The analysis of loans and advances to customers, as at 31 December 2020, by sector of activity, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	376,141	7,429	383,570	(6,899)	376,671	1.05%
Fisheries	22,766	36	22,802	(318)	22,484	0.06%
Mining	42,876	2,692	45,568	(2,001)	43,567	0.12%
Food, beverage and tobacco	605,887	5,893	611,780	(15,701)	596,079	1.68%
Textiles	444,738	11,046	455,784	(24,503)	431,281	1.25%
Wood and cork	152,473	3,274	155,747	(3,611)	152,136	0.43%
Paper, printing and publishing	166,820	1,202	168,022	(14,547)	153,475	0.46%
Chemicals	549,645	15,167	564,812	(25,053)	539,759	1.55%
Machinery, equipment and basic metallurgical	890,637	22,361	912,998	(34,389)	878,609	2.50%
Electricity and gas	203,340	122	203,462	(871)	202,591	0.56%
Water	194,147	333	194,480	(16,722)	177,758	0.53%
Construction	1,448,474	78,767	1,527,241	(126,091)	1,401,150	4.18%
Retail business	1,228,223	27,252	1,255,475	(39,071)	1,216,404	3.44%
Wholesale business	1,369,363	31,016	1,400,379	(72,332)	1,328,047	3.84%
Restaurants and hotels	1,317,594	36,972	1,354,566	(59,451)	1,295,115	3.71%
Transports	677,452	21,154	698,606	(33,492)	665,114	1.91%
Post offices	15,392	170	15,562	(236)	15,326	0.04%
Telecommunications	227,553	4,407	231,960	(16,945)	215,015	0.64%
Services						
Financial intermediation	1,577,351	85,556	1,662,907	(190,489)	1,472,418	4.56%
Real estate activities	1,616,656	12,737	1,629,393	(82,234)	1,547,159	4.46%
Consulting, scientific and technical activities	883,352	30,444	913,796	(73,762)	840,034	2.50%
Administrative and support services activities	446,136	8,558	454,694	(63,965)	390,729	1.25%
Public sector	798,510	1	798,511	(1,725)	796,786	2.19%
Education	120,385	1,339	121,724	(6,537)	115,187	0.33%
Health and collective service activities	337,420	781	338,201	(8,953)	329,248	0.93%
Artistic, sports and recreational activities	358,125	10,853	368,978	(101,591)	267,387	1.01%
Other services	139,186	242,052	381,238	(178,004)	203,234	1.04%
Consumer loans	1,837,420	109,238	1,946,658	(106,898)	1,839,760	5.33%
Mortgage credit	17,171,929	47,176	17,219,105	(55,276)	17,163,829	47.18%
Other domestic activities	848	358	1,206	(21,203)	(19,997)	0.00%
Other international activities	357,238	105,199	462,437	(89,721)	372,716	1.27%
	35,578,077	923,585	36,501,662	(1,472,591)	35,029,071	100.00%

The analysis of loans and advances to customers, as at 31 December 2019, by sector of activity, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	299,991	4,545	304,536	(3,992)	300,544	0.89%
Fisheries	24,938	29	24,967	(576)	24,391	0.07%
Mining	27,612	1,110	28,722	(4,228)	24,494	0.08%
Food, beverage and tobacco	482,581	5,478	488,059	(9,927)	478,132	1.43%
Textiles	350,066	8,028	358,094	(17,695)	340,399	1.05%
Wood and cork	118,609	2,637	121,246	(1,801)	119,445	0.35%
Paper, printing and publishing	135,206	1,085	136,291	(14,079)	122,212	0.40%
Chemicals	448,963	14,928	463,891	(17,104)	446,787	1.35%
Machinery, equipment and basic metallurgical	651,436	15,117	666,553	(18,268)	648,285	1.95%
Electricity and gas	213,989	122	214,111	(1,015)	213,096	0.63%
Water	155,240	332	155,572	(8,952)	146,620	0.45%
Construction	1,254,853	142,644	1,397,497	(230,698)	1,166,799	4.08%
Retail business	921,187	30,030	951,217	(41,708)	909,509	2.78%
Wholesale business	1,095,396	31,119	1,126,515	(71,203)	1,055,312	3.29%
Restaurants and hotels	1,093,086	36,372	1,129,458	(79,359)	1,050,099	3.30%
Transports	643,697	18,483	662,180	(27,563)	634,617	1.93%
Post offices	3,489	118	3,607	(72)	3,535	0.01%
Telecommunications	159,079	3,749	162,828	(4,786)	158,042	0.48%
Services						
Financial intermediation	1,561,425	133,458	1,694,883	(492,447)	1,202,436	4.95%
Real estate activities	1,365,548	92,603	1,458,151	(107,166)	1,350,985	4.26%
Consulting, scientific and technical activities	935,741	17,416	953,157	(167,445)	785,712	2.78%
Administrative and support services activities	376,218	12,369	388,587	(67,776)	320,811	1.13%
Public sector	776,378	2	776,380	(1,136)	775,244	2.27%
Education	107,859	933	108,792	(5,899)	102,893	0.32%
Health and collective service activities	253,152	923	254,075	(3,240)	250,835	0.74%
Artistic, sports and recreational activities	263,806	989	264,795	(66,438)	198,357	0.77%
Other services	101,069	242,548	343,617	(186,390)	157,227	1.00%
Consumer loans	1,904,231	105,028	2,009,259	(78,700)	1,930,559	5.87%
Mortgage credit	16,943,057	68,287	17,011,344	(48,736)	16,962,608	49.67%
Other domestic activities	989	272	1,261	(82)	1,179	0.00%
Other international activities	471,365	117,235	588,600	(83,413)	505,187	1.72%
	33,140,256	1,107,989	34,248,245	(1,861,894)	32,386,351	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2020 is as follows:

(Thousands of euros)

	2020						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	92,933	87,557	195,651	376,141	7,429	383,570	1.05%
Fisheries	3,321	5,320	14,125	22,766	36	22,802	0.06%
Mining	10,432	13,956	18,488	42,876	2,692	45,568	0.12%
Food, beverage and tobacco	266,261	148,245	191,381	605,887	5,893	611,780	1.68%
Textiles	118,726	153,860	172,152	444,738	11,046	455,784	1.25%
Wood and cork	44,180	48,892	59,401	152,473	3,274	155,747	0.43%
Paper, printing and publishing	58,024	46,577	62,219	166,820	1,202	168,022	0.46%
Chemicals	152,193	182,640	214,812	549,645	15,167	564,812	1.55%
Machinery, equipment and basic metallurgical	227,699	267,865	395,073	890,637	22,361	912,998	2.50%
Electricity and gas	16,135	70,651	116,554	203,340	122	203,462	0.56%
Water	17,039	15,274	161,834	194,147	333	194,480	0.53%
Construction	361,316	432,901	654,257	1,448,474	78,767	1,527,241	4.18%
Retail business	375,213	285,880	567,130	1,228,223	27,252	1,255,475	3.44%
Wholesale business	487,039	343,251	539,073	1,369,363	31,016	1,400,379	3.84%
Restaurants and hotels	65,648	316,512	935,434	1,317,594	36,972	1,354,566	3.71%
Transports	95,019	190,592	391,841	677,452	21,154	698,606	1.91%
Post offices	11,248	1,484	2,660	15,392	170	15,562	0.04%
Telecommunications	75,008	62,418	90,127	227,553	4,407	231,960	0.64%
Services							
Financial intermediation intermediation	190,877	393,833	992,641	1,577,351	85,556	1,662,907	4.56%
Real estate activities	259,936	537,711	819,009	1,616,656	12,737	1,629,393	4.46%
Consulting, scientific and technical activities	149,985	228,143	505,224	883,352	30,444	913,796	2.50%
Administrative and support services activities	96,941	163,565	185,630	446,136	8,558	454,694	1.25%
Public sector	121,885	456,876	219,749	798,510	1	798,511	2.19%
Education	22,855	19,294	78,236	120,385	1,339	121,724	0.33%
Health and collective service activities	102,017	83,736	151,667	337,420	781	338,201	0.93%
Artistic, sports and recreational activities	33,982	45,405	278,738	358,125	10,853	368,978	1.01%
Other services	52,244	31,250	55,692	139,186	242,052	381,238	1.04%
Consumer credit	493,283	588,499	755,638	1,837,420	109,238	1,946,658	5.33%
Mortgage credit	9,859	226,212	16,935,858	17,171,929	47,176	17,219,105	47.18%
Other domestic activities	123	287	438	848	358	1,206	0.00%
Other international activities	203,535	66,067	87,636	357,238	105,199	462,437	1.27%
	4,214,956	5,514,753	25,848,368	35,578,077	923,585	36,501,662	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2019 is as follows:

(Thousands of euros)

	2019						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	105,011	69,353	125,627	299,991	4,545	304,536	0.89%
Fisheries	4,935	5,263	14,740	24,938	29	24,967	0.07%
Mining	13,104	10,813	3,695	27,612	1,110	28,722	0.08%
Food, beverage and tobacco	300,692	115,593	66,296	482,581	5,478	488,059	1.43%
Textiles	176,953	91,456	81,657	350,066	8,028	358,094	1.05%
Wood and cork	53,231	36,518	28,860	118,609	2,637	121,246	0.35%
Paper, printing and publishing	59,407	33,168	42,631	135,206	1,085	136,291	0.40%
Chemicals	161,411	175,657	111,895	448,963	14,928	463,891	1.35%
Machinery, equipment and basic metallurgical	280,952	214,439	156,045	651,436	15,117	666,553	1.95%
Electricity and gas	30,720	40,043	143,226	213,989	122	214,111	0.63%
Water	18,481	15,646	121,113	155,240	332	155,572	0.45%
Construction	361,937	336,747	556,169	1,254,853	142,644	1,397,497	4.08%
Retail business	456,021	231,571	233,595	921,187	30,030	951,217	2.78%
Wholesale business	589,889	275,308	230,199	1,095,396	31,119	1,126,515	3.29%
Restaurants and hotels	136,849	197,960	758,277	1,093,086	36,372	1,129,458	3.30%
Transports	167,924	151,468	324,305	643,697	18,483	662,180	1.93%
Post offices	1,930	1,121	438	3,489	118	3,607	0.01%
Telecommunications	86,615	45,452	27,012	159,079	3,749	162,828	0.48%
Services							
Financial intermediation intermediation	190,274	450,293	920,858	1,561,425	133,458	1,694,883	4.95%
Real estate activities	266,381	349,018	750,149	1,365,548	92,603	1,458,151	4.26%
Consulting, scientific and technical activities	301,178	155,619	478,944	935,741	17,416	953,157	2.78%
Administrative and support services activities	144,295	121,828	110,095	376,218	12,369	388,587	1.13%
Public sector	160,688	366,611	249,079	776,378	2	776,380	2.27%
Education	33,542	15,587	58,730	107,859	933	108,792	0.32%
Health and collective service activities	92,056	66,828	94,268	253,152	923	254,075	0.74%
Artistic, sports and recreational activities	30,931	28,137	204,738	263,806	989	264,795	0.77%
Other services	31,613	30,577	38,879	101,069	242,548	343,617	1.00%
Consumer credit	529,509	594,544	780,178	1,904,231	105,028	2,009,259	5.87%
Mortgage credit	7,890	247,882	16,687,285	16,943,057	68,287	17,011,344	49.67%
Other domestic activities	154	282	553	989	272	1,261	0.00%
Other international activities	159,919	110,405	201,041	471,365	117,235	588,600	1.72%
	4,954,492	4,585,187	23,600,577	33,140,256	1,107,989	34,248,245	100.00%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	72,028	35,382	402,960	510,370	1	510,371
Asset-backed loans	670,563	1,559,550	18,090,358	20,320,471	480,108	20,800,579
Other guaranteed loans	862,548	1,786,290	2,586,744	5,235,582	117,927	5,353,509
Unsecured loans	814,149	875,694	1,445,722	3,135,565	166,994	3,302,559
Foreign loans	231,408	288,132	1,550,774	2,070,314	121,642	2,191,956
Factoring operations	1,521,278	425,696	—	1,946,974	15,010	1,961,984
Finance leases	42,982	544,009	1,771,810	2,358,801	21,903	2,380,704
	4,214,956	5,514,753	25,848,368	35,578,077	923,585	36,501,662

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	74,517	47,688	431,842	554,047	2	554,049
Asset-backed loans	746,596	1,301,489	17,989,880	20,037,965	692,956	20,730,921
Other guaranteed loans	1,174,234	1,268,319	843,470	3,286,023	108,088	3,394,111
Unsecured loans	1,091,972	756,879	1,439,176	3,288,027	142,659	3,430,686
Foreign loans	126,868	338,567	1,226,528	1,691,963	125,073	1,817,036
Factoring operations	1,614,674	331,058	—	1,945,732	14,806	1,960,538
Finance leases	125,631	541,187	1,669,681	2,336,499	24,405	2,360,904
	4,954,492	4,585,187	23,600,577	33,140,256	1,107,989	34,248,245

The balance Total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, is analysed as follows:

(Thousands of euros)

	2020	2019
Total credit	40,283,837	38,252,575
Stage 1		
Gross amount	30,887,770	27,748,411
Impairment	(85,715)	(24,036)
	30,802,055	27,724,375
Stage 2		
Gross amount	6,685,877	6,869,096
Impairment	(179,488)	(139,432)
	6,506,389	6,729,664
Stage 3		
Gross amount	2,710,190	3,635,068
Impairment	(1,282,423)	(1,792,847)
	1,427,767	1,842,221
	38,736,211	36,296,260

The total credit portfolio includes, as at 31 December 2020, loans and advances to customers in the amount of Euros 36,501,662,000 (31 December 2019: Euros: 34,248,245,000) and guarantees granted and commitments to third parties balance (note 40), in the amount of Euros 3,782,175,000 (31 December 2019: Euros 4,004,330,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 B1.5, including the provision for guarantees and other commitments to third parties (note 35), in the amount of Euros 89,678,000 (31 December 2019: Euros 102,068,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, by stage, considering the fair value of collaterals, is as follows:

(Thousands of euros)

	2020	2019
Stage 1		
Securities and other financial assets	1,104,093	1,448,903
Residential real estate	14,791,847	14,164,780
Other real estate	2,862,274	2,357,206
Other guarantees	6,042,950	4,496,322
	24,801,164	22,467,211
Stage 2		
Securities and other financial assets	240,604	289,904
Residential real estate	2,280,043	2,582,831
Other real estate	1,148,280	1,195,427
Other guarantees	1,415,008	864,638
	5,083,935	4,932,800
Stage 3		
Securities and other financial assets	117,281	301,578
Residential real estate	503,612	634,662
Other real estate	542,552	607,618
Other guarantees	403,068	578,057
	1,566,513	2,121,915
	31,451,612	29,521,926

The balance Other guarantees refers to first-demand guarantees issued by banks or other entities with an internal risk level of “7” or better; personal guarantees, when the guarantors are classified as having an internal risk level of “7” or better.

The balance Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 48), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

As detailed in note 54, the increase in this balance in 2020 is largely due to the weight of the financing granted under the COVD-19 lines, which benefit from the guarantee from of the Portuguese State.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Bank continued to negotiate additional physical and financial collaterals with its customers.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and / or in interest rate.

The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2020			2019		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	16,449	(1,784)	14,665	10,706	(548)	10,158
Fisheries	123	(41)	82	6,134	(454)	5,680
Mining	2,130	(314)	1,816	5,485	(3,275)	2,210
Food, beverage and tobacco	17,395	(5,061)	12,334	13,361	(3,706)	9,655
Textiles	15,814	(6,040)	9,774	13,898	(4,225)	9,673
Wood and cork	4,343	(384)	3,959	5,207	(324)	4,883
Paper, printing and publishing	15,893	(12,279)	3,614	16,218	(12,185)	4,033
Chemicals	18,907	(8,434)	10,473	19,007	(4,577)	14,430
Machinery, equipment and basic metallurgical	30,672	(10,453)	20,219	26,109	(8,325)	17,784
Electricity and gas	373	(8)	365	379	(5)	374
Water	49,677	(13,663)	36,014	51,469	(7,046)	44,423
Construction	225,858	(77,125)	148,733	224,953	(134,169)	90,784
Retail business	36,071	(12,866)	23,205	47,711	(17,150)	30,561
Wholesale business	42,168	(14,200)	27,968	36,213	(7,903)	28,310
Restaurants and hotels	64,362	(6,741)	57,621	87,261	(14,527)	72,734
Transports	6,343	(2,177)	4,166	4,015	(1,490)	2,525
Post offices	132	(58)	74	126	(9)	117
Telecommunications	15,388	(11,060)	4,328	17,971	(1,184)	16,787
Services						
Financial intermediation	156,447	(85,829)	70,618	532,983	(340,890)	192,093
Real estate activities	124,685	(44,871)	79,814	157,517	(42,968)	114,549
Consulting, scientific and technical activities	263,449	(62,847)	200,602	162,833	(92,367)	70,466
Administrative and support services activities	80,479	(55,775)	24,704	77,634	(56,618)	21,016
Public sector	3,020	(657)	2,363	5,811	(746)	5,065
Education	19,680	(4,667)	15,013	19,739	(4,605)	15,134
Health and collective service activities	24,998	(4,931)	20,067	10,021	(948)	9,073
Artistic, sports and recreational activities	152,032	(73,058)	78,974	89,969	(40,498)	49,471
Other services	242,723	(176,060)	66,663	243,589	(176,395)	67,194
Consumer credit	112,586	(30,123)	82,463	115,214	(19,554)	95,660
Mortgage credit	402,812	(12,161)	390,651	485,933	(10,455)	475,478
Other domestic activities	23	(1)	22	22	(1)	21
Other international activities	26,113	(21,699)	4,414	28,005	(22,546)	5,459
	2,171,145	(755,367)	1,415,778	2,515,493	(1,029,693)	1,485,800

The breakdown of the restructured loans as at 31 December 2020, by restructuring measure, is as follows:

(Thousands of euros)

	2020					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	1,890	376,970	10,636	387,606	(65,443)	322,163
Introduction of the grace period for capital and / or interest	1,860	386,499	341,058	727,557	(386,947)	340,610
Interest rate reduction	3,925	266,266	13,864	280,130	(117,215)	162,915
Payment plan change	1,173	110,661	729	111,390	(10,820)	100,570
Debt relief	307	2,998	6,808	9,806	(5,647)	4,159
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	13,222	477,891	124,491	602,382	(150,332)	452,050
	22,392	1,647,317	523,828	2,171,145	(755,367)	1,415,778

The breakdown of the restructured loans as at 31 December 2019, by restructuring measure, is as follows:

(Thousands of euros)

	2019					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	1,688	129,604	40,985	170,589	(34,005)	136,584
Introduction of the grace period for capital and / or interest	1,536	173,761	6,443	180,204	(57,465)	122,739
Interest rate reduction	3,587	51,227	7,247	58,474	(6,150)	52,324
Payment plan change	893	61,781	273	62,054	(295)	61,759
Debt relief	151	3,457	1,965	5,422	(1,495)	3,927
Debt-asset swaps	14	88,356	7,848	96,204	(68,177)	28,027
Other restructured loans	16,483	1,409,475	533,071	1,942,546	(862,106)	1,080,440
	24,352	1,917,661	597,832	2,515,493	(1,029,693)	1,485,800

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Bank has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined;

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as NPE, this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2020, the amount calculated is Euros 1,244,361,000 (31 December 2019: Euros 1,678,232,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent:

a) More than 100 euros (retail) or more than 500 euros (non-retail); and

b) More than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

As at 31 December 2020, the NPE amounts to Euros 2,349,918,000 (31 December 2019: Euros 3,234,081,000).

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	1,861,894	2,293,486
Transfer resulting from the merger of BII on BCP	—	49,179
Charge for the year in net income interest (note 2)	18,273	29,308
Other transfers	5,782	67,579
Impairment charge for the year (note 10)	437,075	454,520
Reversals for the year (note 10)	(85,308)	(169,181)
Loans charged-off	(764,939)	(863,099)
Exchange rate differences	(186)	102
Balance at the end of the year	1,472,591	1,861,894

As at 31 December 2020, the balance Other transfers includes the amount of Euros 14,885,000 (31 December 2019: Euros 64,588,000 related to provisions for guarantees and other commitments, which were transferred to impairment for credit risks due to the fact that the guarantees granted were converted into loans and advances to customers.

This balance also includes the transfer of impairments for credit risks to other assets, in the amount of Euros 16,858,000.

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of euros)

	2020	2019
Agriculture and forestry	271	3,751
Fisheries	359	4
Mining	17	3,844
Food, beverage and tobacco	2,313	6,013
Textiles	10,893	7,172
Wood and cork	2	2,710
Paper, printing and publishing	24	6,160
Chemicals	1,418	28,607
Machinery, equipment and basic metallurgical	2,194	23,343
Water	398	230
Construction	136,461	265,909
Retail business	13,449	74,013
Wholesale business	27,968	29,068
Restaurants and hotels	52,838	11,939
Transports	1,197	5,916
Post offices	5	6
Telecommunications	401	17,402
Services		
Financial intermediation	314,797	20,608
Real estate activities	42,924	61,841
Consulting, scientific and technical activities	119,316	167,111
Administrative and support services activities	9,222	5,781
Education	16	373
Health and collective service activities	383	551
Artistic, sports and recreational activities	(3,289)	3,448
Other services	303	1,496
Consumer credit	23,033	109,207
Mortgage credit	1,400	4,035
Other domestic activities	5,740	2,561
Other international activities	886	—
	764,939	863,099

In compliance with the accounting policy described in note 1 B1.3, loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Unsecured loans	743,182	853,957
Factoring operations	48	2,926
Finance leases	21,709	6,216
	764,939	863,099

The analysis of recovered loans and interest occurred during the 2020 and 2019 by sector of activity, is as follows:

(Thousands of euros)

	2020	2019
Agriculture and forestry	258	61
Mining	25	—
Food, beverage and tobacco	23	198
Textiles	36	384
Wood and cork	5	41
Paper, printing and publishing	—	292
Chemicals	435	484
Machinery, equipment and basic metallurgical	26	127
Construction	2,064	1,514
Retail business	630	1,322
Wholesale business	464	628
Restaurants and hotels	50	19
Transports	304	60
Post offices	11	—
Telecommunications	—	5
Services		
Financial intermediation	1,089	749
Real estate activities	61	1,217
Consulting, scientific and technical activities	13	2
Administrative and support services activities	7	169
Education	22	—
Health and collective service activities	1	2
Artistic, sports and recreational activities	—	257
Other services	8	6
Consumer credit	1,143	953
Mortgage credit	2	1
Other domestic activities	14	200
	6,691	8,691

The analysis of recovered loans and interest occurred during 2020 and 2019, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Unsecured loans	5,769	8,521
Foreign loans	919	9
Finance leases	3	161
	6,691	8,691

The caption Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1 C).

Traditional securitizations

The traditional securitization operations carried out by the Group concern mortgage loan portfolios and were carried out through credit securitization funds (FTCs) and special purpose entities (SPEs).

Magellan Mortgages No.2

The Magellan 2 securitization operation was repaid on 18 October 18 2019, through a Clean-Up Call exercise, following the repurchase of loans to Magellan 2, with an increase in gross credit and POCI's of approximately Euros 90 million and Euros 3 million respectively.

Synthetic securitizations

The Bank has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 547,549,000 as at 31 December 2020. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 198,005,000 and the registered cost in 2020 amounts to Euros 4,051,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and as at 31 December 2020, the operation amounts to Euros 731,733,000. The fair value of the relative CDS is recorded as a positive amount of Euros 63,659,000 and their registered cost in 2020 amounts to Euros 370,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Group under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1B.1.3.

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	214,421	155,567
Commercial paper	1,334,236	1,871,985
Foreign issuers		
Bonds	30,398	32,356
Commercial paper	28,160	25,233
	1,607,215	2,085,141
Overdue securities - over 90 days	1,761	1,799
	1,608,976	2,086,940
Impairment	(11,021)	(12,431)
	1,597,955	2,074,509
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,758,015	137,330
Foreign issuers	5,666	8,173
Bonds issued by other entities		
Portuguese issuers	178,405	178,067
Foreign issuers	41,238	50,854
	3,983,324	374,424
Impairment	(3,404)	(532)
	3,979,920	373,892
	5,577,875	2,448,401

(*) Includes the amount of Euros 28,794,000 (31 December 2019: 856,000) related to adjustments resulting from the application of fair value hedge accounting.

As at 31 December 2020, the balance Debt securities held not associated with credit operations - Bonds issued by other entities includes the amount of Euros 139,085,000 (31 December 2019: Euros 138,752,000) related to public sector companies.

In 2020, under the terms of IFRS 9, the Bank took the decision to establish, the balance Debt securities held not associated with credit operations - Bonds issued by Portuguese public issuers, a portfolio of securities whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value at 31 December 2020 amounts to Euros 3,544,918,000.

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	7,069	207,352	–	214,421
Commercial paper	970,522	362,714	1,000	–	1,761	1,335,997
Foreign issuers						
Bonds	–	10,222	–	20,176	–	30,398
Commercial paper	19,532	8,628	–	–	–	28,160
	990,054	381,564	8,069	227,528	1,761	1,608,976
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	873,998	2,884,017	–	3,758,015
Foreign issuers	–	–	5,666	–	–	5,666
Other entities						
Portuguese issuers	25,628	–	113,351	39,426	–	178,405
Foreign issuers	–	–	–	41,238	–	41,238
	25,628	–	993,015	2,964,681	–	3,983,324
	1,015,682	381,564	1,001,084	3,192,209	1,761	5,592,300

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	–	155,567	–	155,567
Commercial paper	1,342,583	529,402	–	–	1,799	1,873,784
Foreign issuers						
Bonds	–	–	10,881	21,475	–	32,356
Commercial paper	15,201	10,032	–	–	–	25,233
	1,357,784	539,434	10,881	177,042	1,799	2,086,940
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	–	137,330	–	137,330
Foreign issuers	1,998	–	6,175	–	–	8,173
Other entities						
Portuguese issuers	–	–	138,737	39,330	–	178,067
Foreign issuers	–	–	–	50,854	–	50,854
	1,998	–	144,912	227,514	–	374,424
	1,359,782	539,434	155,793	404,556	1,799	2,461,364

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Agriculture and forestry	4,877	—
Mining	27,646	17,493
Food, beverage and tobacco	85,174	83,063
Textiles	61,725	67,201
Wood and cork	6,438	8,017
Paper, printing and publishing	9,295	10,305
Chemicals	105,146	151,612
Machinery, equipment and basic metallurgical	54,108	76,345
Electricity and gas	198,291	184,911
Water	12,417	14,956
Construction	16,650	12,135
Retail business	48,377	73,243
Wholesale business	70,625	70,554
Restaurants and hotels	9,394	7,506
Transports	62,811	35,948
Telecommunications	5,572	6,444
Services		
Financial intermediation	88,292	222,846
Real estate activities	28,139	23,919
Consulting, scientific and technical activities	616,512	923,513
Administrative and support services activities	10,754	16,924
Health and collective service activities	—	4,999
Artistic, sports and recreational activities	12,455	—
Other services	5,055	5,084
Other international activities	58,202	57,491
	1,597,955	2,074,509
Debt securities held not associated with credit operations		
Chemicals	25,578	25,609
Water	39,394	39,324
Transports (*)	99,504	99,402
Services		
Financial intermediation	41,238	50,854
Consulting, scientific and technical activities	13,483	13,550
	219,197	228,739
Government and Public securities	3,760,723	145,153
	3,979,920	373,892
	5,577,875	2,448,401

(*) corresponds to securities of public sector companies

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Balance on 1 January	12,431	39,921
Charge for the year in net income interest (note 2)	54	120
Other transfers	(7,756)	—
Impairment charge for the year (note 10)	6,293	1,717
Reversals for the year (note 10)	—	(907)
Loans charged-off	—	(28,420)
Exchange rate differences	(1)	—
Balance at the end of the year	11,021	12,431
Debt securities held not associated with credit operations		
Balance on 1 January	532	284
Impairment charge for the year (note 10)	2,908	447
Loans charged-off	—	(202)
Exchange rate differences	(36)	3
Balance at the end of the year	3,404	532

21. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	2020	2019
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	425,880	51,452
Equity instruments	827	545
Trading derivatives	518,610	590,361
	945,317	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,277,826	1,444,772
Financial assets designated at fair value through profit or loss		
Debt instruments	—	31,496
Financial assets at fair value through other comprehensive income		
Debt instruments	8,024,989	8,006,771
Equity instruments	60,680	72,099
	8,085,669	8,078,870
	10,308,812	10,197,496

As at 31 December 2019, the balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. in the amount of Euros 956,000.

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	101	—	—	3,601,203	3,601,304
Foreign issuers	—	—	—	2,886,900	2,886,900
Bonds issued by other entities					
Portuguese issuers	837	16,778	—	900,018	917,633
Foreign issuers	46,994	11,536	—	636,868	695,398
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	377,948	—	—	—	377,948
Investment fund units (a)	—	1,242,597	—	—	1,242,597
Shares of foreign companies (b)	—	6,915	—	—	6,915
	425,880	1,277,826	—	8,024,989	9,728,695
Equity instruments					
Shares					
Portuguese companies	—	—	—	17,395	17,395
Foreign companies	—	—	—	8,891	8,891
Investment fund units (c)	—	—	—	34,394	34,394
Other securities	827	—	—	—	827
	827	—	—	60,680	61,507
Trading derivatives	518,610	—	—	—	518,610
	945,317	1,277,826	—	8,085,669	10,308,812
Level 1	421,754	—	—	7,717,765	8,139,519
Level 2	238,513	—	—	169,116	407,629
Level 3	285,050	1,277,826	—	198,788	1,761,664

(a) Under IFRS 9, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2020 this balance include Euros 346,236,000 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2020, the Bank has recorded a provision for other risks and charges in the amount of Euros 42,874,000 in relation to the properties held by these real estate funds.

(b) Under IFRS 9, these shares were considered as debt instruments because they do not fall within the definition of SPPI.

(c) Units of real estate investment funds mainly owned by the Bank. As at 31 December 2020, the Bank has recorded a provision for other risks and charges in the amount of Euros 13,989,000 in relation to the properties held by these real estate funds.

As at 31 December 2020, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2020, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 61,454,000, Euros 11,536,000 and Euros 4,481,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1 C.

As at 31 December 2020, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 318,855,000 related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,180	—	31,496	4,407,607	4,442,283
Foreign issuers	238	—	—	538,224	538,462
Bonds issued by other entities					
Portuguese issuers	—	16,778	—	802,267	819,045
Foreign issuers	48,034	13,596	—	341,696	403,326
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	—	—	—	1,916,977	1,916,977
Investment fund units (a)	—	1,401,248	—	—	1,401,248
Shares of foreign companies (b)	—	13,150	—	—	13,150
	51,452	1,444,772	31,496	8,006,771	9,534,491
Equity instruments					
Shares					
Portuguese companies	1	—	—	20,037	20,038
Foreign companies	—	—	—	9,638	9,638
Investment fund units (c)	—	—	—	42,424	42,424
Other securities	544	—	—	—	544
	545	—	—	72,099	72,644
Trading derivatives	590,361	—	—	—	590,361
	642,358	1,444,772	31,496	8,078,870	10,197,496
Level 1	46,703	—	31,496	7,718,032	7,796,231
Level 2	303,933	—	—	152,712	456,645
Level 3	291,722	1,444,772	—	208,126	1,944,620

(a) Under IFRS 9, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2019 this balance include Euros 404,230 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2019, the Bank has recorded a provision for other risks and charges in the amount of Euros 52,038,000 in relation to the properties held by these real estate funds.

(b) Under IFRS 9, these shares were considered as debt instruments because they not fall within the definition of SPPI.

(c) Units of real estate investment funds mainly owned by the Bank. As at 31 December 2019, the Bank has recorded a provision for other risks and charges in the amount of Euros 11,389,000 in relation to the properties held by these real estate funds.

As at 31 December 2019, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2019, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 64,998,000, Euros 13,596,000 and Euros 4,854,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1 C.

As at 31 December 2019, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 297,243,000 related to public sector companies.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,496,635	13,982	90,586	3,601,203
Foreign issuers	2,831,696	1,558	53,646	2,886,900
Bonds issued by other entities				
Portuguese issuers	860,369	20,130	19,519	900,018
Foreign issuers	570,994	15,179	50,695	636,868
	7,759,694	50,849	214,446	8,024,989
Equity instruments				
Shares				
Portuguese companies	43,700	–	(26,305)	17,395
Foreign companies	23,433	–	(14,542)	8,891
Investment fund units	49,354	–	(14,960)	34,394
	116,487	–	(55,807)	60,680
	7,876,181	50,849	158,639	8,085,669

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1B1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	4,276,310	91,781	39,516	4,407,607
Foreign issuers	534,100	–	4,124	538,224
Bonds issued by other entities				
Portuguese issuers	764,721	17,622	19,924	802,267
Foreign issuers	295,951	5,281	40,464	341,696
Treasury bills				
(Public Issuers and Central Banks)				
Portuguese issuers	1,916,652	–	325	1,916,977
	7,787,734	114,684	104,353	8,006,771
Variable income:				
Shares				
Portuguese companies	50,771	–	(30,734)	20,037
Foreign companies	15,590	–	(5,952)	9,638
Investment fund units	42,424	–	–	42,424
Other securities	6,930	–	(6,930)	–
	115,715	–	(43,616)	72,099
	7,903,449	114,684	60,737	8,078,870

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1B1.5.1.2.

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,517,537	83,767	–	3,601,304
Foreign issuers	2,886,900	–	–	2,886,900
Bonds issued by other entities				
Portuguese issuers	738,574	82,152	96,907	917,633
Foreign issuers	614,725	3,298	77,375	695,398
Treasury bills and other Government bonds				
Portuguese issuers	377,948	–	–	377,948
Investment fund units	–	–	1,242,597	1,242,597
Shares of foreign companies	–	–	6,915	6,915
	8,135,684	169,217	1,423,794	9,728,695
Variable income:				
Shares				
Portuguese companies	3,476	–	13,919	17,395
foreign companies	–	–	8,891	8,891
Investment fund units	–	–	34,394	34,394
Other securities	359	–	468	827
	3,835	–	57,672	61,507
Trading derivatives	–	238,412	280,198	518,610
	8,139,519	407,629	1,761,664	10,308,812

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	4,374,686	67,597	–	4,442,283
Foreign issuers	538,462	–	–	538,462
Bonds issued by other entities				
Portuguese issuers	644,463	69,044	105,538	819,045
Foreign issuers	316,858	3,309	83,159	403,326
Treasury bills and other Government bonds				
Portuguese issuers	1,916,977	–	–	1,916,977
Investment fund units	–	–	1,401,248	1,401,248
Shares of foreign companies	–	–	13,150	13,150
	7,791,446	139,950	1,603,095	9,534,491
Variable income:				
Shares				
Portuguese companies	4,786	3,424	11,828	20,038
foreign companies	–	9,338	300	9,638
Investment fund units	–	–	42,424	42,424
Other securities	–	–	544	544
	4,786	12,762	55,096	72,644
Trading derivatives	–	303,933	286,428	590,361
	7,796,232	456,645	1,944,619	10,197,496

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 42.

The item Investment fund units as level 3 include the amount of Euros 827,976,000 (31 December 2019: Euros 924,489,000) relating to units in restructuring funds (described in note 42) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2020, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

As at 31 December 2020, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2020, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 34,393,000 (31 December 2019: Euros 42,424,000), with unrealised net losses in the amount of Euros 14,960,000 (31 December 2019: Euros net losses 6,930,000), and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 366,293,000 (31 December 2019: Euros 424,808,000).

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	–	18,563	496,375	3,086,366	–	3,601,304
Foreign issuers	–	251,701	1,318,352	1,316,847	–	2,886,900
Bonds issued by other entities						
Portuguese issuers	54,305	35,736	411,143	416,449	–	917,633
Foreign issuers	1,510	44,812	178,215	470,861	–	695,398
Treasury bills and other						
Government bonds						
Portuguese issuers	166,329	211,619	–	–	–	377,948
Investment fund units	–	–	–	1,242,597	–	1,242,597
Shares of foreign companies	–	–	–	6,915	–	6,915
	222,144	562,431	2,404,085	6,540,035	–	9,728,695
Variable income						
Shares						
Portuguese companies	–	–	–	–	17,395	17,395
Foreign companies	–	–	–	–	8,891	8,891
Investment fund units	–	–	–	–	34,394	34,394
Other securities	–	–	–	–	827	827
	–	–	–	–	61,507	61,507
	222,144	562,431	2,404,085	6,540,035	61,507	9,790,202

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	–	66,318	2,951,571	1,424,394	–	4,442,283
Foreign issuers	201,996	226,023	103,387	7,056	–	538,462
Bonds issued by other entities						
Portuguese issuers	44	–	382,496	436,505	–	819,045
Foreign issuers	495	–	155,864	246,967	–	403,326
Treasury bills and other						
Government bonds						
Portuguese issuers	782,058	1,134,919	–	–	–	1,916,977
Investment fund units	–	–	–	1,401,248	–	1,401,248
Shares of foreign companies	–	–	–	13,150	–	13,150
	984,593	1,427,260	3,593,318	3,529,320	–	9,534,491
Variable income						
Shares						
Portuguese companies	–	–	–	–	20,038	20,038
Foreign companies	–	–	–	–	9,638	9,638
Investment fund units	–	–	–	–	42,424	42,424
Other securities	–	–	–	–	544	544
	–	–	–	–	72,644	72,644
	984,593	1,427,260	3,593,318	3,529,320	72,644	9,607,135

The changes occurred in impairment for financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	–	3,722
Transfers	(10,362)	(1,194)
Reversals	(1,123)	(2,522)
Impairment against profit and loss	11,485	–
Amounts charged-off	–	(6)
Balance at the end of the year	–	–

As at 31 December 2020, the accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 13,822,000 and is recorded against Fair value reserves (31 December 2019: Euros 3,154,000).

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Paper, printing and publishing	54,207	—	—	—	54,207
Electricity and gas	16,239	—	—	—	16,239
Water	7,136	—	—	—	7,136
Construction	17,730	—	18,865	—	36,595
Wholesale business	53,355	—	—	—	53,355
Restaurants and hotels	—	871	—	—	871
Transports	222,982	—	—		222,982
Telecommunications	—	2,704	—	—	2,704
Services					
Financial intermediation (*)	767,827	20,062	1,242,956	—	2,030,845
Real estate activities	—	—	15,528	—	15,528
Consulting, scientific and technical activities	446,502	138	—	—	446,640
Administrative and support services activities	10,370	9,404	—	—	19,774
Public sector	—	—	469	—	469
Artistic, sports and recreational activities	16,683	—	—	—	16,683
Other services	—	22	—	—	22
	1,613,031	33,201	1,277,818	—	2,924,050
Government and Public securities	6,866,152	—	—	—	6,866,152
	8,479,183	33,201	1,277,818	—	9,790,202

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000 which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 42.

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Paper, printing and publishing	51,735	—	—	—	51,735
Electricity and gas	9,410	—	—	—	9,410
Water	7,000	—	—	—	7,000
Construction	17,611	—	23,252	—	40,863
Wholesale business	200,367	162	—	—	200,529
Restaurants and hotels	—	9,357	—	—	9,357
Transports	297,236	—	—		297,236
Telecommunications	—	4,619	—	—	4,619
Services					
Financial intermediation (*)	483,067	19,135	1,400,671	—	1,902,873
Real estate activities	—	—	19,749	—	19,749
Consulting, scientific and technical activities	129,301	140	—	—	129,441
Administrative and support services activities	9,961	9,391	—	—	19,352
Public sector	—	—	544	—	544
Artistic, sports and recreational activities	16,683	—	—	—	16,683
Other services	—	22	—	—	22
	1,222,371	42,826	1,444,216	—	2,709,413
Government and Public securities	4,980,745	—	1,916,977	—	6,897,722
	6,203,116	42,826	3,361,193	—	9,607,135

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 924,489,000 which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 42.

The Bank, as part of the management process of the liquidity risk (note 48), had, in 2019, a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities. As at 31 December 2019, this caption included the amount of Euros 38,380,000, of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives by maturity as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	438,600	1,238,122	4,437,458	6,114,180	215,133	232,519
Interest rate options (purchase)	–	83,417	130,981	214,398	9	–
Interest rate options (sale)	–	–	130,981	130,981	–	40
	438,600	1,321,539	4,699,420	6,459,559	215,142	232,559
Stock Exchange transactions:						
Interest rate futures	–	–	1,360,300	1,360,300	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	34,337	125,555	291	160,183	2,445	2,513
Currency swaps	986,552	118,228	–	1,104,780	8,247	5,974
	1,020,889	243,783	291	1,264,963	10,692	8,487
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	–	359,815	214,452	574,267	11,765	2,189
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	–	–	18,401	18,401	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	148,863	204,134	699,216	1,052,213	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,731	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,731	–
Total derivatives traded in:						
OTC Market	1,689,875	2,129,271	5,889,099	9,708,245	518,610	243,797
Stock Exchange	–	–	2,028,038	2,028,038	–	–
Embedded derivatives					–	137
	1,689,875	2,129,271	7,917,137	11,736,283	518,610	243,934

The analysis of trading derivatives by maturity as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	146,000	1,348,807	5,184,287	6,679,094	296,357	238,048
Interest rate options (purchase)	–	83,417	134,529	217,946	19	–
Interest rate options (sale)	–	–	134,529	134,529	–	40
	146,000	1,432,224	5,453,345	7,031,569	296,376	238,088
Stock Exchange transactions:						
Interest rate futures	49,967	17,817	–	67,784	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	52,173	89,135	–	141,308	442	934
Currency swaps	1,661,166	228,136	–	1,889,302	3,401	19,199
Currency options (purchase)	24,979	2,274	–	27,253	632	–
Currency options (sale)	24,979	2,274	–	27,253	–	632
	1,763,297	321,819	–	2,085,116	4,475	20,765
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	–	462,072	136,723	598,795	–	8,057
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	304,513	1,179,093	1,027,987	2,511,593	4,271	1,910
Shares/indexes options (sale)	–	–	20,126	20,126	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,442	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	338,241	1,179,093	1,048,113	2,565,447	20,713	1,910
Stock exchange transactions:						
Shares futures	728,807	–	–	728,807	–	–
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	38	–	–	38	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	283,107	283,107	267,841	–
Other credit derivatives (sale)	–	–	78,484	78,484	–	–
	–	–	361,591	361,591	267,841	–
Total derivatives traded in:						
OTC Market	2,247,538	3,395,208	6,999,772	12,642,518	589,405	268,820
Stock Exchange	778,812	17,817	–	796,629	–	–
Embedded derivatives					956	346
	3,026,350	3,413,025	6,999,772	13,439,147	590,361	269,166

22. Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	74,704	121,559	34,990	121,474

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2020, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 1,842,000 (31 December 2019: negative amount of Euros 2,232,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2020, reclassifications were made from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 72,606,000 (31 December 2019: positive amount of Euros 44,882,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 48).

The analysis of hedging derivatives portfolio by maturity as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	23,500	370,100	4,006,862	4,400,462	5,396	88,654
Stock Exchange transactions:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Other currency contracts (CIRS)	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,080,000	11,080,000	69,274	6,540
Total derivatives traded by:						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

The analysis of hedging derivatives portfolio by maturity as at 31 December 2019 is as follows:

(Thousands of euros)

	2019					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	1,367,350	2,062,680	3,430,030	17,859	46,122
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	–	1,367,350	13,512,680	14,880,030	34,990	121,474

23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Portuguese credit institutions	164,705	128,205
Foreign credit institutions	769,328	805,385
Other Portuguese companies	1,962,499	1,963,132
Other foreign companies	2,758,172	2,757,657
	5,654,704	5,654,379
Impairment for investments in:		
Subsidiary companies	(2,539,822)	(2,484,269)
Associated and other companies	(12,970)	(34,461)
	(2,552,792)	(2,518,730)
	3,101,912	3,135,649

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of euros)

	2020	2019
Banco ActivoBank, S.A.	164,705	128,205
Bank Millennium S.A.	611,208	651,959
Banque BCP, S.A.S.	37,389	33,210
Banque Privée BCP (Suisse) S.A.	120,731	120,216
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	29,773	29,773
BCP International B.V.	1,203,262	1,203,262
BCP Investment, B.V.	1,534,842	1,534,842
Cold River's Homestead, S.A.	20,211	20,211
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	355,475
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	20,068	19,553
Millennium bcp Imobiliária, S.A.	359,683	359,683
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	493,940	493,940
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
Projepolska, S.A.	—	633
	5,654,704	5,654,379
Impairment for investments in subsidiary and associated companies		
BCP África, S.G.P.S., Lda.	(149,473)	(92,726)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,196)	(26,161)
BCP International B.V.	(148,477)	(145,988)
BCP Investment, B.V.	(1,529,324)	(1,530,314)
Cold River's Homestead, S.A.	(5,681)	(4,689)
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(20,067)	(19,553)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	—	(22,537)
Millennium bcp Imobiliária, S.A.	(348,377)	(348,321)
Millennium bcp Participacöes, S.G.P.S., Sociedade Unipessoal, Lda.	(324,424)	(327,049)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(773)	(782)
Projepolska, S.A.	—	(610)
	(2,552,792)	(2,518,730)
	3,101,912	3,135,649

During 2020 the Bank sold Projepolska, S.A.

During 2019, the Bank sold 51% of Planfipsa S.G.P.S, settled Imábida - Imobiliária da Arrábida, S.A. and Servitrust - Trust Management Services S.A. The Banco de Investimento Imobiliário, S.A. was merged into Banco Comercial Português, S.A. (merger by incorporation).

The movements for Impairment for investments in subsidiary and associated companies are analysed as follows:

(Thousands of euros)

	2020	2019
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,518,730	2,550,346
Transfer to merge reserve resulting from the merger of BII on BCP (note 53)	–	(50,704)
Transfers	–	12,425
Impairment charge for the year (note 12)	34,606	11,944
Write-back for the year (note 12)	–	(4,540)
Loans charged-off	(610)	(750)
Exchange rate differences	66	9
Balance at the end of the year	2,552,792	2,518,730

As at 31 December 2020, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of Servitrust - Trust Management Services S.A.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 F). The Bank's subsidiaries and associated companies are presented in note 55.

Regarding holding companies, namely BCP International B.V., BCP Investment B.V., Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1 F), was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the year 2020 and following years (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2020			2019		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	8.875%	9.000%	0.000%	9.065%	9.250%	0.000%
Poland	8.875%	8.875%	2.370%	8.565%	8.750%	2.800%
Angola	23.000%	n.a.	n.a.	19.000%	19.000%	n.a.
Mozambique	21.000%	21.000%	6.723%	21.000%	21.000%	4.750%
Switzerland	9.125%	9.250%	2.019%	9.065%	9.250%	0.000%

Based on the analysis made, the Bank recognised in 2020 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Loans charged-off	Transfers	Exchange rate differences	Balance on 31 December
BCP África, S.G.P.S., Lda.	92,726	56,747	—	—	—	149,473
BCP Capital - Sociedade de Capital de Risco, S.A.	26,161	35	—	—	—	26,196
BCP International B.V.	145,988	2,489	—	—	—	148,477
BCP Investment B.V.	1,530,314	(990)	—	—	—	1,529,324
Cold River's Homestead, S.A.	4,689	992	—	—	—	5,681
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	19,553	448	—	—	66	20,067
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	22,537	(22,537)	—	—	—	—
Millennium bcp Imobiliária, S.A.	348,321	56	—	—	—	348,377
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,049	(2,625)	—	—	—	324,424
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	782	(9)	—	—	—	773
Projepolska, S.A.	610	—	(610)	—	—	—
	2,518,730	34,606	(610)	—	66	2,552,792

24. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans (note 48)	804,474	(140,227)	664,247	1,015,937	(182,646)	833,291
Assets for own use (closed branches)	3,512	(502)	3,010	3,584	(597)	2,987
Equipment and other	6,839	(4,887)	1,952	9,769	(6,329)	3,440
Subsidiaries acquired exclusively with the purpose of short-term sale	84,998	(20,097)	64,901	86,826	(21,511)	65,315
Other assets	20,053	—	20,053	24,033	—	24,033
	919,876	(165,713)	754,163	1,140,149	(211,083)	929,066

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 G).

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 48.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

In 2019, the Bank established a contract for the sale of a real estate assets portfolio in the total amount of Euros 122,029,000, which generated in that year a gain of Euros 2,000,000. Under the same contract in 2020, additional real estate assets were sold in the total amount of Euros 5,549,000, which generated a loss of Euros 747,000.

The Bank requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Bank has already established contracts for the sale in the amount of Euros 27,200,000 (31 December 2019: Euros 33,846,000), which impairment associated is Euros 10,088,000 (31 December 2019: Euros 10,006,000), which was calculated taking into account the value of the respective contracts.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 31 December	211,083	231,080
Transfer resulting from the merger of BII on BCP	—	24,413
Impairment for the year (note 12)	52,992	75,510
Loans charged-off	(96,946)	(120,233)
Exchange rate differences	(1,416)	313
Balance at the end of the year	165,713	211,083

25. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Land and buildings	466,252	479,172
Equipment		
Computer equipment	195,307	190,756
Security equipment	62,470	62,838
Interior installations	104,385	102,087
Machinery	18,196	17,864
Farniture	74,397	74,065
Motor vehicles	15,311	15,686
Other equipment	2,760	2,787
Right of use		
Real estate	235,573	219,624
Vehicles and equipment	82	81
Work in progress	1,961	2,297
Other tangible assets	30	30
	1,176,724	1,167,287
Accumulated depreciation		
Relative to the year (note 9)	(57,532)	(56,963)
Relative to the previous years	(752,341)	(714,554)
	(809,873)	(771,517)
	366,851	395,770

The balance Right-of-use essentially corresponds to lease agreements on real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the term of each lease agreement, as described in the accounting policy 1 H and note 52.

The changes occurred in Other tangible assets, during 2020, are analysed as follows:

(Thousands of euros)

	Initial Balance	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	479,172	9	(12,879)	(9)	(41)	466,252
Equipment:						
Computer equipment	190,756	9,344	(4,782)	–	(11)	195,307
Security equipment	62,838	255	(621)	–	(2)	62,470
Interior installations	102,087	676	(989)	2,612	(1)	104,385
Machinery	17,864	337	(62)	62	(5)	18,196
Furniture	74,065	805	(479)	13	(7)	74,397
Motor vehicles	15,686	1,794	(2,161)	–	(8)	15,311
Other equipment	2,787	3	(30)	–	–	2,760
Right of use:						
Real estate	219,624	18,316	(2,385)	109	(91)	235,573
Vehicles and equipment	81	1	–	–	–	82
Work in progress	2,297	2,487	(37)	(2,786)	–	1,961
Other tangible assets	30	–	–	–	–	30
	1,167,287	34,027	(24,425)	1	(166)	1,176,724
Accumulated depreciation:						
Real estate	(326,304)	(8,314)	9,137	–	28	(325,453)
Equipment:						
Computer equipment	(169,359)	(9,459)	4,349	–	10	(174,459)
Security equipment	(58,773)	(755)	621	–	1	(58,906)
Interior installations	(91,185)	(1,795)	842	–	1	(92,137)
Machinery	(15,884)	(411)	62	–	5	(16,228)
Furniture	(67,012)	(1,632)	464	–	7	(68,173)
Motor vehicles	(7,810)	(1,646)	1,827	–	5	(7,624)
Other equipment	(2,744)	(8)	30	–	–	(2,722)
Right of use:						
Real estate	(32,380)	(33,475)	1,758	–	29	(64,068)
Vehicles and equipment	(37)	(37)	–	–	–	(74)
Other tangible assets	(29)	–	–	–	–	(29)
	(771,517)	(57,532)	19,090	–	86	(809,873)
	395,770	(23,505)	(5,335)	1	(80)	366,851

The changes occurred in Other tangible assets, during 2019, are analysed as follows:

(Thousands of euros)

	Balance on 1 January						
	Initial Balance	IFRS 16 adjustment (note 52)	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	494,685	—	152	(7,723)	(7,955)	13	479,172
Equipment:							
Computer equipment	180,692	—	13,901	(4,712)	872	3	190,756
Security equipment	63,391	—	689	(1,205)	(37)	—	62,838
Interior installations	100,312	—	594	(760)	1,941	—	102,087
Machinery	17,157	—	564	(50)	192	1	17,864
Furniture	70,360	—	2,476	(1,008)	2,235	2	74,065
Motor vehicles	14,337	—	3,151	(1,804)	—	2	15,686
Other equipment	2,829	—	—	(42)	—	—	2,787
Right of use:							
Real estate	—	160,578	50,443	(5)	8,608	—	219,624
Vehicles and equipment	—	66	2	(6)	19	—	81
Work in progress	7,908	—	4,910	(72)	(10,449)	—	2,297
Other tangible assets	29	—	—	—	—	1	30
	951,700	160,644	76,882	(17,387)	(4,574)	22	1,167,287
Accumulated depreciation:							
Real estate	(328,545)	—	(9,012)	7,453	3,807	(7)	(326,304)
Equipment:							
Computer equipment	(164,080)	—	(8,966)	4,561	(872)	(2)	(169,359)
Security equipment	(59,154)	—	(872)	1,205	48	—	(58,773)
Interior installations	(90,150)	—	(1,525)	743	(253)	—	(91,185)
Machinery	(15,504)	—	(339)	50	(90)	(1)	(15,884)
Furniture	(64,203)	—	(1,585)	1,005	(2,228)	(1)	(67,012)
Motor vehicles	(7,085)	—	(2,240)	1,516	—	(1)	(7,810)
Other equipment	(2,779)	—	(7)	42	—	—	(2,744)
Right of use:							
Real estate	—	—	(32,380)	—	—	—	(32,380)
Vehicles and equipment	—	—	(37)	—	—	—	(37)
Other tangible assets	(29)	—	—	—	—	—	(29)
	(731,529)	—	(56,963)	16,575	412	(12)	(771,517)
	220,171	160,644	19,919	(812)	(4,162)	10	395,770

26. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Intangible assets		
Software	86,952	73,763
Other intangible assets	147	154
	87,099	73,917
Accumulated amortisation		
Relative to the year (note 9)	(20,273)	(13,565)
Relative to the previous years	(18,503)	(19,530)
	(38,776)	(33,095)
	48,323	40,822

The changes occurred in Intangible assets balance, during 2020, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	73,763	27,938	(14,719)	–	(30)	86,952
Other intangible assets	154	–	(1)	–	(6)	147
	73,917	27,938	(14,720)	–	(36)	87,099
Accumulated amortisation						
Software	(33,008)	(20,273)	14,568	–	18	(38,695)
Other intangible assets	(87)	–	–	–	6	(81)
	(33,095)	(20,273)	14,568	–	24	(38,776)
	40,822	7,665	(152)	–	(12)	48,323

The changes occurred in Intangible assets balance, during 2019, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	49,054	24,700	–	–	9	73,763
Other intangible assets	153	–	–	–	1	154
	49,207	24,700	–	–	10	73,917
Accumulated amortisation						
Software	(19,437)	(13,565)	–	–	(6)	(33,008)
Other intangible assets	(87)	–	–	–	–	(87)
	(19,524)	(13,565)	–	–	(6)	(33,095)
	29,683	11,135	–	–	4	40,822

27. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2020			2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	–	983,177	983,177	–	983,177
Employee benefits	836,876	–	836,876	836,876	–	836,876
	1,820,053	–	1,820,053	1,820,053	–	1,820,053
Deferred taxes depending on the future profits						
Intangible assets	49	–	49	49	–	49
Other tangible assets	1,373	(3,055)	(1,682)	1,926	(3,118)	(1,192)
Impairment losses (b)	599,780	(50,303)	549,477	707,536	(50,303)	657,233
Employee benefits	50,008	(542)	49,466	41,552	(811)	40,741
Financial assets at fair value through other comprehensive income	28,251	(168,303)	(140,052)	47,111	(121,751)	(74,640)
Tax losses carried forward	147,819	–	147,819	109,964	–	109,964
Others	81,708	(37,648)	44,060	64,339	(31,644)	32,695
	908,988	(259,851)	649,137	972,477	(207,627)	764,850
Total deferred taxes	2,729,041	(259,851)	2,469,190	2,792,530	(207,627)	2,584,903
Offset between deferred tax assets and deferred tax liabilities	(259,851)	259,851	–	(207,627)	207,627	–
Net deferred taxes	2,469,190	–	2,469,190	2,584,903	–	2,584,903

(a) Special Regime applicable to deferred tax assets.
(b) The amounts of 2020 and 2019 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the periods taxation beginning on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,471,591,000 (31 December 2019: Euros 1,391,072,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or of an entity with headquarters in Portugal within the same perimeter of prudential consolidation or integrated into the same group of companies to which the Special Taxation Regime for Groups of Companies applies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was described by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favor of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and when the deferred taxes are related to the same tax.

The deferred tax rate is analysed as follows:

Description	2020	2019
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000	9.0%	9.0%

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2019: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 31.3% (31 December 2019: 31.3%).

Following the changes provided for in Law no. 27-A/2020, of July 24, under the Supplementary Budget for 2020, the deadline for carrying forward tax losses in Portugal is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses determined in 2020 and 2021 have a reporting period of 12 years, which can be deducted until 2032 and 2033, respectively. The limit for the deduction of tax losses is increased from 70% to 80% when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

The Bank applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it’s the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expire date, are presented as follows:

(Thousands of euros)

Expire date	2020	2019
2028	—	109,964
2030	104,000	—
2032	43,819	—
	147,819	109,964

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

In the calculation of taxable income for 2019 and in the estimation of taxable income by reference to 31 December 2020 it was considered the maintenance of the tax rules in force until 2018, since the option to apply the new regime was not exercised.

The Bank complies with the guidelines of IFRIC 23 - Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the Bank's financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.1) and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2021 and adjusted according to the strategic plan approved by the elected governing bodies, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods of 2021 to 2033, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2021 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2020, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) The reversals of impairment not accepted for tax purposes were estimated based on the Non Performing Assets 2019-2021 Reduction Plan submitted to the supervisory entity in March 2019, updated to 30 June 2020, and also based on the average percentage reversal observed in the years from 2016 to 2020;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures:

- The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;
- Reversals of impairment of non-financial assets not accepted for tax purposes were projected taking into account the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2020. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated based on the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2020, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made reflect the effects of changes in the macroeconomic, competitive and legal/regulatory framework caused by the Covid-19 pandemic. The Group's strategic priorities remain unchanged, although the achievement of the projected financial results will necessarily suffer a time delay due, on the one hand, to the constraints on the development of activity imposed by the crisis and, on the other, to the impact that the same crisis will have on the credit and other asset portfolios, with immediate repercussions on profitability. To this extent, the projections assume, beyond the initial years of the crisis, a convergence towards medium/long-term metrics and trends consistent with commercial positioning and the ambitious capture of efficiency gains, to which the Group remains committed, with emphasis on:

- improvement in the net margin, reflecting an effort to increase credit, favoring certain segments, the focus on off-balance sheet resources while interest rates remain negative and the effect of the normalization of those rates in the last years of the projection horizon, such as results from the market interest rate curve;
- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non current assets, with the progressive reduction of the historical NPE, foreclosed assets and FREs portfolios;
- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, but implying in the short term an effort to adapt the Bank's structure;

The analysis of recoverability of deferred tax assets with reference to 31 December 2020 allows us to conclude that the recoverability of all deferred tax assets recognized are recoverable in reference to 31 December 2020.

In accordance with these assessments, the amount of unrecognised deferred tax related to tax losses, by expiry year, is as follows:

(Thousands of euros)

Tax losses carried forward	2020	2019
2023	—	140,216
2024	—	35,391
2025	112,855	—
2026	42,424	212,833
2028	212,833	407,380
2030 and following	413,345	—
	781,457	795,820

The impact of income taxes in Net income and in other balances of Bank's equity is analysed as follows:

(Thousands of euros)

	2020		2019		
	Net income for the year	Reserves	Net income for the year	Reserves	Merge BII
Deferred taxes					
not depending on the future profits					
Impairment losses	—	—	9,860	—	47,897
Employee benefits	—	—	102	232	1,308
	—	—	9,962	232	49,205
Deferred taxes					
depending on the future profits					
Intangible assets	—	—	10	—	39
Other tangible assets	(490)	—	15	—	—
Impairment losses	(107,756)	—	(12,030)	—	10,025
Employee benefits	5,652	3,073	5,694	(4,534)	29
Financial assets at fair value					
through other comprehensive income	—	(65,412)	—	(41,235)	(6,766)
Tax losses carried forward (a)	19,375	18,480	(161,693)	(48,111)	—
Others	11,509	(144)	(1,065)	1,277	1,313
	(71,710)	(44,003)	(169,069)	(92,603)	4,640
	(71,710)	(44,003)	(159,107)	(92,371)	53,845
Current taxes					
Actual year	(3,405)	—	(3,097)	—	—
Correction of previous years	(3,358)	—	14,490	—	—
	(6,763)	—	11,393	—	—
	(78,473)	(44,003)	(147,714)	(92,371)	53,845

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income. The impacts on results and reserves of 2019 include the negative amounts of Euros 9,889,000 and Euros 1,349,000, respectively, resulting from the merger by incorporation of Banco de Investimento Imobiliário, S.A.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	2020	2019
Net income / (loss) before income taxes	129,106	287,010
Current tax rate (%)	31.30%	31.30%
Expected tax	(40,410)	(89,834)
Elimination of double economic taxation of dividends received	4,926	6,118
Non deductible impairment	(21,203)	(6,932)
Contribution to the banking sector	(11,011)	(9,914)
Interest from other capital instruments (a)	11,581	—
Fiscal gains and losses	(188)	6,591
Effect of tax rate difference and international double taxation (b)	(15,476)	15,577
Non-deductible expenses and other corrections	(1,658)	(699)
Effect of recognition / derecognition net of deferred taxes	122	(79,474)
Impact of the special tax regime for groups of companies	(3,405)	—
Correction of previous years	(678)	12,448
Autonomous tax	(1,073)	(1,595)
Total	(78,473)	(147,714)
Effective rate (%)	60.78 %	51.47 %

(a) Relates to the impact of the deduction, for the purpose of calculating the taxable income, of interests paid related with the perpetual bond, subordinated debt representative, issued on 31 January 2019.
(b) It mainly concerns the difference in the deferred tax rate associated with tax losses.

28. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Debtors	209,164	76,355
Capital supplies	239,735	238,449
Capital supplementary contributions	165	165
Other financial investments	292	292
Gold and other precious metals	3,741	3,767
Deposit account applications	324,371	468,084
Debtors for futures and options transactions	281,991	98,965
Artistic patrimony	28,815	28,816
Amounts due for collection	74,103	74,451
Other recoverable tax	15,501	18,972
Subsidies receivables	9,739	9,416
Associated companies	2,904	5,671
Interest and other amounts receivable	34,091	28,110
Prepaid expenses	19,011	20,373
Amounts receivable on trading activity	498	5,732
Amounts due from customers	21,278	225,073
Obligations with post-employment benefits (note 45)	92,117	10,163
Sundry assets	31,162	27,223
	1,388,678	1,340,077
Impairment for other assets	(263,726)	(245,740)
	1,124,952	1,094,337

As referred in note 23, the Bank sold 51% of Planfipsa S.G.P.S. S.A. and a set of credit granted, which generated an income of Euros 10,386,000 (income before taxes of Euros 15,118,000 according to note 5, and a tax cost of Euros 4,732,000).

As referred in note 42, the balances Capital supplies include the amount of Euros 232,421,000 (31 December 2019: Euros 231,136,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2020, the balance Deposit account applications includes the amount of Euros 286,315,000 (31 December 2019: Euros 431,226,000) on the Clearing houses / Clearing derivatives.

The balance Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Bank's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The caption Supplementary capital contributions is analysed as follows:

(Thousands of euros)

	2020	2019
Others	165	165
	165	165

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	245,740	312,773
Transfer resulting from the merger of BII on BCP	—	1
Transfers	17,184	(8,721)
Impairment for the year (note 12)	6,156	7,469
Write back for the year (note 12)	(471)	—
Amounts charged-off	(4,883)	(65,782)
Balance at the end of the year	263,726	245,740

29. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	–	7,510,013	7,510,013	–	3,940,496	3,940,496
Central Banks abroad	–	92,341	92,341	–	106,715	106,715
	–	7,602,354	7,602,354	–	4,047,211	4,047,211
Resources from credit institutions in Portugal						
Sight deposits	302,960	–	302,960	218,975	–	218,975
Term Deposits	–	1,463,612	1,463,612	–	1,207,589	1,207,589
CIRS and IRS operations collateralised by deposits (*)	–	120	120	–	1,060	1,060
Other resources	–	229	229	–	–	–
	302,960	1,463,961	1,766,921	218,975	1,208,649	1,427,624
Resources from credit institutions abroad						
Very short-term deposits	–	–	–	–	28,756	28,756
Sight deposits	164,488	–	164,488	127,979	–	127,979
Term Deposits	–	1,050,306	1,050,306	–	1,032,182	1,032,182
Loans obtained	–	351,459	351,459	–	1,504,052	1,504,052
CIRS and IRS operations collateralised by deposits (*)	–	16,190	16,190	–	8,200	8,200
Other resources	–	8,459	8,459	–	5,861	5,861
	164,488	1,426,414	1,590,902	127,979	2,579,051	2,707,030
	467,448	10,492,729	10,960,177	346,954	7,834,911	8,181,865

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	1,902,222	1,861,569
3 to 6 months	158,450	3,524,850
6 to 12 months	196,950	1,044,411
1 to 5 years	8,341,537	1,145,164
Over 5 years	361,018	605,871
	10,960,177	8,181,865

The caption Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to report operations carried out in the money market and is a tool for the Bank's treasury management.

Considering the characteristics of the financing and the nature of the respective lender, the Bank accounts for the TLTRO III operation under IFRS 9. The Bank considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically for the period between 24 June 2020, the date of disbursement of financing funds in progress at 31 December 2020 and 23 June 2021, the Bank considers that, with a high degree of probability, it will fulfil the conditions required for application to the financing an interest rate corresponding to the average Deposit Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. As at 31 December 2020, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 7,550,070,000.

30. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	26,099,958	382,188	26,482,146	21,860,155	425,247	22,285,402
Term deposits	—	9,208,859	9,208,859	—	9,529,571	9,529,571
Saving accounts	—	5,278,113	5,278,113	—	4,270,512	4,270,512
Cheques and orders to pay	351,152	—	351,152	346,394	—	346,394
Other	—	60,188	60,188	—	60,186	60,186
	26,451,110	14,929,348	41,380,458	22,206,549	14,285,516	36,492,065

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation No. 11/94 of the Bank of Portugal.

This balance is analysed by remaining period (maturity of the next renovation), as follows:

(Thousands of euros)

	2020	2019
Deposits repayable on demand	26,482,146	22,285,402
Term deposits and saving accounts		
Up to 3 months	7,038,144	6,645,037
3 to 6 months	4,886,825	4,285,470
6 to 12 months	2,525,849	2,762,628
1 to 5 years	35,937	106,705
Over 5 years	217	243
	14,486,972	13,800,083
Cheques and orders to pay		
Up to 3 months	351,152	346,394
Other		
Up to 3 months	188	186
Over 5 years	60,000	60,000
	60,188	60,186
	41,380,458	36,492,065

31. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities at amortised cost		
Bonds	714,543	392,190
Covered bonds	997,765	995,977
MTNs	91,511	98,814
	1,803,819	1,486,981
Accruals	10,834	9,527
	1,814,653	1,496,508

The characteristics of the bonds issued by the Bank, as at 31 December 2020 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	2,000
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,542
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate of 0.75%	1,000,000	997,766
Bcp Mill Cabaz 3 Acoes Fev 2021-Smtn Sr 6	February, 2018	February, 2021	Indexed to a portfolio of 3 shares	10,854	10,849
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to a portfolio of 3 shares	24,230	24,208
Bcp Part Euro Acoes Valor Iii/18 - Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,320	1,320
Bcp Tit Div Mill Cabaz 3 Acoes Mai 2021-Smtn Sr10	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	31,781	31,733
Bcp Perfor Cabaz Ponder 18/17.05.21-Smtn Sr14	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	790	787
Bcp Obrigacoes Janeiro 2026	January, 2019	January, 2026	Euribor 6M+3,5%	360,000	360,000
Bcp Rend Min Cb Multi Set Iii19 28Mar22 Smtn Sr36	March, 2019	March, 2022	Indexed to a portfolio of 3 shares	3,000	3,000
Bcp Eur Sect. Retorno Garant. Iv 19 May22 Smtn37	May, 2019	May, 2022	Indexed to 3 indexes	3,960	3,960
Bcp Acoes Euro Zona Ret. Min.V19 31Mai22 Smtn39	May, 2019	May, 2022	Indexed to a portfolio of 3 shares	2,480	2,480
Bcp Rend. Min. Eur Setores Vi 19Jun22 Smtn Sr41	June, 2019	June, 2022	Indexed to 3 indexes	3,150	3,150
Bcp Eur Cabaz Acoes Ret.Min.Vii 19Ago22 Smtn Sr43	July, 2019	August, 2022	Indexed to a portfolio of 3 shares	2,220	2,204
Bcp Cabaz Acoes America Ret Min 10Out22 Smtn 45	October, 2019	October, 2022	Indexed to a portfolio of 3 shares	1,610	1,610
Bcp Cabaz Acoes Europa Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to a portfolio of 3 shares	6,210	6,210
Obrigacoes Bcp Senior Fev 2027	February, 2020	February, 2027	Euribor 6M + 1,5%	350,000	350,000
					1,803,819
Accruals					10,834
					1,814,653

This balance, as at 31 December 2020, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	—	2,543	—	2,000	710,000	714,543
Covered bonds	—	—	—	997,765	—	997,765
MTNs	36,377	32,520	—	22,614	—	91,511
	36,377	35,063	—	1,022,379	710,000	1,803,819

This balance, as at 31 December 2019, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	—	—	27,641	4,549	360,000	392,190
Covered bonds	—	—	—	995,977	—	995,977
MTNs	—	—	6,318	92,496	—	98,814
	—	—	33,959	1,093,022	360,000	1,486,981

32. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Bonds		
Non Perpetual	961,804	1,094,087
Perpetual	—	22,035
	961,804	1,116,122
Accruals	15,078	8,931
	976,882	1,125,053

As at 31 December 2020, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3,75%	114,000	114,000	5,573
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3,75%	64,100	64,100	3,241
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3,75%	35,000	35,000	2,158
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See ref. (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See ref. (ii)	450,000	449,688	450,000
					961,804	760,972
Accruals					15,078	—
					976,882	760,972

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Interest rate

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (ii) Annual interest rate of 3.871 per cent during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

As at 31 December 2019, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Obrigações não perpétuas						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3,75%	114,000	114,000	28,373
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3,75%	64,100	64,100	16,061
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3,75%	35,000	35,000	9,158
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7,15%	14,000	14,042	101
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 7,01%	23,000	23,210	741
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9%	51,000	51,611	2,635
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9,15%	25,000	25,325	1,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	Fixed rate 9% (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	Ver ref. (iii)	450,000	441,389	450,000
					1,094,087	811,140
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	–
					22,035	–
Accruals					8,931	–
					1,125,053	811,140

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:

Date of exercise of the next call option - Dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2020

Interest rate

(ii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (iii) Annual interest rate of 3.871 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	114,000	37,252
3 to 6 months	99,100	76,936
Up to 1 year	–	26,668
1 to 5 years	–	213,100
Over 5 years	748,704	740,131
Undetermined	–	22,035
	961,804	1,116,122
Accruals	15,078	8,931
	976,882	1,125,053

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2020	2019
Trading derivatives (note 22):		
Swaps	241,244	267,213
Options	40	672
Embedded derivatives	137	347
Forwards	2,513	934
	243,934	269,166
Level 2	241,171	269,166
Level 3	2,763	–

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2020, the balance Financial liabilities held for trading includes, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 B.5, in the amount of Euros 137,000 (31 December 2019: Euros 346,000). This note should be analysed together with note 22.

34. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Deposits from customers	258,528	1,720,135
Debt securities at fair value through profit and loss		
Bonds	–	262
Medium term notes (MTNs)	662,016	734,722
	662,016	734,984
Accruals	1	801
	662,017	735,785
Certificates	678,860	745,390
	1,599,405	3,201,310

As at 31 December 2020, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bcp Euro Dividendos Cupao Memoria Iii18-Smtn Sr.9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	1,933
Bcp Rend Multi Set Eur Autocallable Abr21-Smtn11	April, 2018	April, 2021	Indexed to 3 shares portfolio	1,230	1,225
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	85,847	85,529
Bcp Rend Cabaz Sect Autocall 28Jun2021-Smtn Sr15	June, 2018	June, 2021	Indexed to 3 shares portfolio	1,580	1,566
Bcp Inv. Eur Acoes Cupao Lock 28Jun21-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50	2,130	2,088
Bcp Tit Div Mill Cabaz 3 Acoes 25Jul2023-Smtn Sr 17	July, 2018	July, 2023	Indexed to 3 shares portfolio	15,066	15,315
Bcp Ret Sect Europa Autcall Vii18 26Jul21-Smtn Sr18	July, 2018	July, 2021	Indexed to 3 indexes	1,270	1,262
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	29,390	29,288
Bcp Rend Sectores Ix 18/27092021 - Smtn 22	September, 2018	September, 2021	Indexed to 3 indexes	1,070	1,066
Cabaz Multi Sect Eur.Autocall Xi18 29Oct21-Smtn23	October, 2018	October, 2021	Indexed to 3 shares portfolio	3,910	3,913
Rembolsos Parciais Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	297
Bcp Perfor. Euro Dividendos 29Nov2021 Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,252
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn25	December, 2018	December, 2023	Indexed to 3 shares portfolio	95,875	95,914
Bcp Rend Acoes Eur Cupao Min Autoc Ii19 Smtn Sr32	February, 2019	February, 2022	Indexed to 3 shares portfolio	8,140	8,198
Bcp Cabaz 3 Acoes Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to 3 shares portfolio	75,288	75,648
Bcp Acoes Eur Rend Min Aut Iii19 12Mar22 Smtn34	March, 2019	March, 2022	Indexed to 3 shares portfolio	5,650	5,711
Bcp Tit Div Mill Cabaz 3 Acoes 8Abr24 Smtn Sr35	April, 2019	April, 2024	Indexed to 3 shares portfolio	68,593	68,688
Bcp Tit Div Mill Cabaz 4 Acoes 5Junho24 Smtn Sr38	June, 2019	June, 2024	Indexed to 4 shares portfolio	85,165	85,656
Bcp Tit Div Mill Cabaz 5 Ac 26Julho2024 Smtn42	July, 2019	July, 2024	Indexed to 5 shares portfolio	78,914	79,046
Bcp Tit Div Millennium Cabaz 5 Ac 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to 5 shares portfolio	97,836	98,421
					662,016
Accruals					1
					662,017

As at 31 December 2020, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	96,517	158,123	2,660	1,228	—	258,528
Debt securities at fair value through profit and loss						
MTNs	1,933	4,879	7,790	647,414	—	662,016
Certificates	—	—	—	—	678,860	678,860
	98,450	163,002	10,450	648,642	678,860	1,599,404

As at 31 December 2019, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	318,904	433,281	734,858	233,092	–	1,720,135
Debt securities at fair value through profit and loss						
Bonds	262	–	–	–	–	262
Medium Term Notes (MTNs)	–	31,797	3,776	699,149	–	734,722
	262	31,797	3,776	699,149	–	734,984
Certificates	–	–	–	–	745,390	745,390
	319,166	465,078	738,634	932,241	745,390	3,200,509

35. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments	89,678	102,068
Other provisions for liabilities and charges	180,757	158,378
	270,435	260,446

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	102,068	163,363
Transfer resulting from the merger of BII on BCP	–	10,165
Other transfers (note 19)	(14,885)	(67,083)
Charge for the year (note 13)	2,498	5
Reversals for the year (note 13)	–	(4,382)
Exchange rate differences	(3)	–
Balance at the end of the year	89,678	102,068

As at 31 December 2020, the balance Other transfers includes the amount of Euros 14,885,000 (31 December 2019: Euros 64,588,000 related to provisions for guarantees and other commitments, which were transferred to impairment for credit risks due to the fact that the guarantees granted were converted into loans and advances to customers.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	158,378	150,505
Transfer resulting from the merger of BII on BCP	–	7,230
Transfers	41	188
Charge for the year (note 13)	35,178	3,395
Reversals for the year (note 13)	(182)	(12)
Amounts charged-off	(12,658)	(2,928)
Balance at the end of the year	180,757	158,378

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 61,720,000 (31 December 2019: Euros 68,224,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

36. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Creditors:		
Suppliers	28,628	42,978
From factoring operations	40,045	35,948
Deposit account applications and others applications	36,820	58,468
For futures and options transactions	6,852	11,039
Obligations not covered by the Group Pension Fund - amounts payable by the Bank	10,205	11,634
Rents to pay	157,806	175,598
Other creditors		
Residents	45,815	40,250
Non-residents	6,372	3,136
Public sector	28,371	33,218
Interests and other amounts payable	38,801	35,640
Deferred income	6,436	7,153
Holiday pay and subsidies	42,629	44,026
Amounts payable on trading activity	50,821	81,464
Operations to be settled - foreign, transfers and deposits	19,931	230,189
Other liabilities	94,745	94,256
	614,277	904,997

The balance Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 4,072,000 (31 December 2019: Euros 5,448,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2019: Euros 3,733,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 46.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Bank has several operating leases for properties, and accounts for, in the balance Rents to pay, the amount of lease liabilities recognised under IFRS 16, according to the accounting policy 1 H and note 52. The analyse of this balance, by maturity, is as follows:

(Thousands of euros)

	2020	2019
Until 1 year	833	9,389
1 to 5 years	69,043	61,467
Over 5 years	97,389	116,316
	167,265	187,172
Accrued costs recognised in Net interest income	(9,459)	(11,574)
	157,806	175,598

37. Share capital and Other equity instruments

The Bank's share capital, as at 31 December 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of shares. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 December 2020, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2020, the balance Other equity instruments, in the amount of Euros 400,000,000 (31 December 2019: Euros 400,000,000) corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

In December 2019, the Bank reimbursed 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each, in the amount of Euros 2,922,000.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000. This issue was classified as a equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1D.

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

As at 31 December 2020, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	Number of shares	% share capital	% voting rights
Grupo Fosun - Chiado (Luxembourg) S.a.r.l. detida pela Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, diretamente	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	423,574,988	2.80%	2.80%
Fundo de Pensões EDP (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	8,204,929,549	54.28%	54.28%

(*) In accordance with the announcement on 26 November 2020 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

38. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2019 financial year approved at the General Shareholders' Meeting held on 20 May 2020, the Bank increased its legal reserve in the amount of Euros 13,929,000. Thus, as at 31 December 2020, the Legal reserves amount to Euros 254,464,000 (31 December 2019: Euros 240,535,000).

Under the appropriation of net income for the 2018 financial year, in 2019 the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

39. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	214,448	104,353
Equity instruments	(55,809)	(43,616)
Cash-flow hedge	270,367	156,629
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	593	132
	429,599	217,498
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(67,100)	(32,037)
Equity instruments	11,673	6,422
Cash-flow hedge	(84,625)	(49,025)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(186)	(41)
	(140,238)	(74,681)
	289,361	142,817
Other reserves and retained earnings	245,857	228,321
	535,218	371,138
Legal reserve (note 38)	254,464	240,535
	789,682	611,673

(*) Includes the effects arising from the application of hedge accounting.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 B.

During 2020, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 31 December 2019	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2020
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	39,840	29,644	76,241	1,826	(56,940)	90,611
Others	64,513	77,601	(12,406)	8,536	(14,407)	123,837
	104,353	107,245	63,835	10,362	(71,347)	214,448
Equity instruments	(43,616)	(17,534)	—	—	5,341	(55,809)
	60,737	89,711	63,835	10,362	(66,006)	158,639

The changes occurred, during 2019, in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 31 December 2018	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2019
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	(45,633)	99,875	58,559	(2,718)	(70,243)	39,840
Others	25,662	79,118	(16,470)	538	(24,335)	64,513
	(19,971)	178,993	42,089	(2,180)	(94,578)	104,353
Equity instruments	(34,107)	(19,387)	—	—	9,878	(43,616)
	(54,078)	159,606	42,089	(2,180)	(84,700)	60,737

40. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Guarantees granted		
Guarantees	3,281,193	3,509,180
Stand-by letter of credit	46,084	44,982
Open documentary credits	208,913	203,623
Bails and indemnities	137,135	137,695
Other liabilities	108,850	108,850
	3,782,175	4,004,330
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	150,000	–
Irrevocable credit lines	2,080,170	1,497,679
Securities subscription	75,362	83,842
Other irrevocable commitments	116,088	114,165
Revocable commitments		
Revocable credit lines	5,455,500	5,025,527
Bank overdraft facilities	959,392	551,556
Other revocable commitments	112,363	88,337
	8,948,875	7,361,106
Guarantees received	23,886,504	22,712,077
Commitments from third parties	12,649,232	10,254,809
Securities and other items held for safekeeping	66,845,519	55,706,145
Securities and other items held under custody by the Securities Depository Authority	81,733,478	65,410,519
Other off balance sheet accounts	123,848,449	124,162,888

The guarantees granted by the Bank may be related to loans transactions, where the Bank grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 35).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 B). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

41. Assets under management and custody

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of euros)

	2020	2019
Assets under deposit	62,891,829	51,826,908
Wealth management (*)	2,901,172	2,610,678
	65,793,001	54,437,586

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

42. Transfers of assets

The Bank performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During 2020 and 2019, no credits were sold to specialized funds in credit recovery. The amounts accumulated as at 31 December 2020 and 2019, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains/ (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2020			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2020, corresponds to the estimated NAV with reference to that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of Covid-19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2020 and to 30 June 2020, and the latest Audit reports available with reference to 31 December 2019 for 2 funds, which include an emphasis related to Covid -19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Bank has no intention to sell these assets for a lower value than the respective NAV.

As a result of the consideration of the final NAVs as at 31 December 2020, the Bank recognised a negative impact of Euros 72,370,000 under the balance Gains / (losses) in financial operations at fair value through profit or loss. It should be noted that as a result of consideration of the NAV estimates as at 30 June 2020, on this date, the Bank had recognised in the first semester of 2020, a negative impact of Euro 67,500,000 on this balance.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Bank still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

As at 31 December 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2019			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	–	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	–	(84,029)
	224,887	–	–	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	–	33,280	121,682
Impairment and other fair value adjustments	(44,698)	–	(33,280)	(77,978)
	43,704	–	–	43,704
FLIT-PTREL				
Gross value	247,354	38,154	–	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	–	(45,741)
	239,767	–	–	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	–	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	–	(184,443)
	86,245	–	–	86,245
Fundo Aquarius FCR				
Gross value	139,147	–	–	139,147
Impairment and other fair value adjustments	(9,153)	–	–	(9,153)
	129,994	–	–	129,994
Discovery Real Estate Fund				
Gross value	155,328	–	–	155,328
Impairment and other fair value adjustments	2,149	–	–	2,149
	157,477	–	–	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	–	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	–	(83,027)
	42,415	–	–	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	–	–	924,489

(*) Corresponds to supplementary capital contributions initially recorded for Euros 33,280,000 and it was made a negative fair value adjustment of the same amount.

The book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2019, corresponds to the NAV at that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available (with reference to 31 December 2018 for 2 funds and Limited Revision Report with reference to 30 June 2019 for 5 funds), do not present any reservations except for Fundo de Reestruturação Empresarial whose Limited Review Report of 30 June 2019 includes a reserve by scope limitation whose potential negative impact was considered in the valuation reflected in the consolidated accounts as at 31 December 2019; (ii) the funds are subject to supervision by the competent authorities.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2020			2019		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	277,351	14,649	292,000	276,246	15,754
Fundo Reestruturação Empresarial FCR	55,115	50,028	5,087	74,263	67,409	6,854
FLIT-PTREL	242,889	242,889	—	241,358	241,358	—
Fundo Recuperação FCR	206,805	188,262	18,543	206,805	187,742	19,063
Fundo Aquarius FCR	142,627	127,138	15,489	156,100	139,148	16,952
Discovery Real Estate Fund	158,214	158,214	—	156,121	156,121	—
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,601	3,015
	1,147,266	1,090,483	56,783	1,176,263	1,114,625	61,638

In 31 December 2020, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 16,696,000 and Euros 1,884,000, respectively (31 December 2019: Euros 18.227.000 and Euros 3.977.000, respectively).

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2020	2019
Loans and advances to customers	146,252	232,892
Guarantees granted and irrevocable credit lines	40,792	49,327
Gross exposure	187,044	282,219
Impairment	(55,227)	(88,337)
Net exposure	131,817	193,882

43. Relevant events occurred during 2020

COVID-19

The year of 2020 was marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019, leading to the declaration of a pandemic by the World Health Organization on 11 March 2020. The immediate impacts of this pandemic have reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries.

In this context, the Bank adopted a set of pre-established initiatives designed to protect human lives and maintain business activity, which include those recommended by the health authorities, work from home, the segregation of primary and back-up staff for various tasks, in an effort to maximise organizational resilience.

The financial statements have been prepared on a going concern basis, since it is considered that the Bank has the adequate resources to continue operations and business in the foreseeable future. The evaluation was based on a wide range of information related to current and future conditions, but the COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the operations, on its profitability, capital and liquidity. The impact of the COVID-19 pandemic is presented in note 54.

Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 20 May 2020, exclusively through electronic means, with 61.31% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2019 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Five – Approval of the acquisition and sale of own shares and bonds;

Item Six – Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023.

Appropriation of profits for the 2019 financial year

In accordance with the Companies Code, and with the Bank's articles of association, was deliberated in the Annual General Meeting of Shareholders of 20 May 2020, that the year-end results amounting to Euros 139,296,016.59, be applied as follows:

a) For the reinforcement of legal reserve, Euros 13,929,601.66;

b) to be distributed to employees Euros 5,281,000.00;

c) Euros 120,085,414.93, that is, the remaining, to Retained Earnings.

Rating evaluation

Long-term issuer rating reaffirmed by Fitch Ratings at BB and its intrinsic rating at bb, the long-term outlook was reviewed from positive to negative, based on the uncertainty associated with the coronavirus.

It was attributed the BB- rating to the Bank's senior non-preferred debt and the B+ rating to Tier 2 debt, according to its new bank rating methodology.

It was assigned the BB+ / B rating to deposits, a level above the long-term IDR, reflecting its view of a higher level of protection for depositors.

Long-term issuer rating reaffirmed by Standard & Poor's at BB and its intrinsic rating at bb, the long-term outlook was revised from positive to stable, based on the uncertainty associated with the coronavirus.

Amend of the terms and conditions of the Covered Bonds

On 21 April, Banco Comercial Português, SA changed the conditions relating to the issue of Mortgage Bonds with ISIN PTBCQLOE0036, namely the amount of said issue from Euros 2,000,000,000 to Euros 4,000,000,000, with the objective of increasing the portfolio of assets eligible for discount with the ECB.

Decision of not to continue the legal proceeding before the General Court of the European Union regarding its approval of the Contingent Capitalisation Mechanism of Novo Banco.

Banco Comercial Português, S.A. ("BCP") informs that it has decided not to continue the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalisation Mechanism ("MCC") of Novo Banco.

Two factors were particularly important in this decision:

- Firstly, the recognition that the goal of preserving the stability of the national financial system, especially relevant in the current pandemic, is of crucial importance, with the risk that such stability may be affected by a decision by European bodies that indirectly could challenge the sale process of Novo Banco, unlike the position held by BCP, which has always only challenged the MCC;

- Secondly, as there is now greater evidence and public awareness that the current model for compensating losses of Novo Banco, through the MCC supported by the National Resolution Fund, places Portuguese banks - those that support most the recovery of Portugal's economy - in a disadvantage and in an unsustainable position vis-à-vis financial institutions not based but operating in Portugal, BCP maintains the legitimate expectation that a funding model for the National Resolution Fund will be found which, without penalising Portuguese taxpayers, ensures a fair competition and safeguards the competitiveness of the financial institutions operating in the Portuguese market.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) hereby informs that, under the context of the Supervisory Review and Evaluation Process (SREP), it has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2021. In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII). All requirements were kept unchanged at the value of 2020.

The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 January 2021:

Minimum capital requirements								
		of which:				of which:		
BCP Solo	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	7.00%	4.50%	0%	2.50%	7.00%	4.50%	0%	2.50%
T1	8.50%	6.00%	0%	2.50%	8.50%	6.00%	0%	2.50%
Total	10.50%	8.00%	0%	2.50%	10.50%	8.00%	0%	2.50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). BCP was granted an additional year (1 January 2023) for the gradual fulfilment of the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 8 May 2020.

44. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at central banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.5% as at 31 December 2020 (31 December 2019: -0.4%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2020	2019	2020	2019	2020	2019	2020	2019
EUR	0.84%	2.54%	1.81%	2.23%	-0.18%	0.25%	-0.17%	-0.07%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	1.17%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.59%	2.05%
CHF	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.37%	-0.35%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.35%	2.64%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.12%	-0.29%
GBP	0.45%	n.a.	3.19%	3.88%	n.a.	n.a.	0.28%	1.01%
HKD	n.a.	n.a.	0.43%	n.a.	n.a.	n.a.	0.07%	2.99%
MOP	n.a.	n.a.	0.37%	2.29%	n.a.	n.a.	0.43%	2.35%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.79%	2.08%
PLN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.42%	1.84%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	0.44%
USD	0.62%	2.10%	1.26%	2.83%	0.58%	1.91%	0.51%	2.05%
ZAR	n.a.	7.25%	n.a.	n.a.	n.a.	n.a.	6.28%	7.16%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt instruments

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments remunerated for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional customers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 5.68% (31 December, 2019: 5.23%). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 1.90% (31 December, 2019: 3.88%). For senior and collateralised securities placed on the retail market, the average discount rate was -0.10% (31 December 2019: 0.10%).

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 287,000 (31 December 2019: a positive amount of Euros 22,994,000), and includes a payable amount of Euros 137,000 (31 December 2019: a receivable amount of Euros 610,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2020 and 2019, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	2020				2019			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.55%	0.33%	0.09%	0.04%	-0.47%	1.73%	0.73%	1.45%
7 days	-0.54%	0.34%	0.09%	0.04%	-0.47%	1.70%	0.74%	1.45%
1 month	-0.54%	0.31%	0.11%	0.10%	-0.47%	1.75%	0.75%	1.53%
2 months	-0.53%	0.30%	0.11%	0.10%	-0.44%	1.79%	0.80%	1.57%
3 months	-0.52%	0.30%	0.12%	0.11%	-0.43%	1.81%	0.83%	1.61%
6 months	-0.49%	0.32%	0.15%	0.15%	-0.38%	1.84%	0.90%	1.69%
9 months	-0.47%	0.34%	0.17%	0.15%	-0.35%	1.86%	0.93%	1.70%
1 year	-0.52%	0.19%	0.18%	0.14%	-0.32%	1.75%	0.97%	1.70%
2 years	-0.52%	0.20%	0.03%	0.21%	-0.29%	1.67%	0.80%	1.75%
3 years	-0.51%	0.24%	0.09%	0.32%	-0.24%	1.65%	0.82%	1.75%
5 years	-0.46%	0.43%	0.19%	0.61%	-0.12%	1.70%	0.88%	1.79%
7 years	-0.38%	0.65%	0.28%	0.83%	0.02%	1.76%	0.94%	1.82%
10 years	-0.27%	0.92%	0.40%	1.09%	0.21%	1.86%	1.02%	1.87%
15 years	-0.07%	1.18%	0.52%	1.47%	0.47%	1.97%	1.10%	1.98%
20 years	0.01%	1.31%	0.57%	1.57%	0.60%	2.02%	1.12%	2.07%
30 years	-0.03%	1.40%	0.57%	1.57%	0.63%	2.05%	1.11%	2.07%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2020:

(Thousands of euros)

	2020				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	4,650,772	4,650,772	4,650,772
Loans and advances to credit institutions repayable on demand	–	–	101,809	101,809	101,809
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	350,896	350,896	350,415
Loans and advances to customers (i)	–	–	35,029,071	35,029,071	35,081,003
Debt instruments	–	–	5,577,875	5,577,875	5,665,739
Financial assets at fair value through profit or loss					
Financial assets held for trading	945,317	–	–	945,317	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	1,277,826	–	–	1,277,826	1,277,826
Financial assets at fair value through other comprehensive income	–	8,085,669	–	8,085,669	8,085,669
Hedging derivatives (ii)	74,704	–	–	74,704	74,704
	2,297,847	8,085,669	45,710,423	56,093,939	56,233,254
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	10,960,177	10,960,177	11,042,050
Resources from customers (i)	–	–	41,380,458	41,380,458	41,385,408
Non subordinated debt securities issued (i)	–	–	1,814,653	1,814,653	1,814,940
Subordinated debt (i)	–	–	976,882	976,882	972,121
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	243,934	–	–	243,934	243,934
Financial liabilities designated at fair value through profit or loss	1,599,405	–	–	1,599,405	1,599,405
Hedging derivatives (ii)	121,559	–	–	121,559	121,559
	1,964,898	–	55,132,170	57,097,068	57,179,417

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2019:

(Thousands of euros)

	2019				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	4,049,676	4,049,676	4,049,676
Loans and advances to credit institutions repayable on demand	–	–	126,050	126,050	126,050
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	514,309	514,309	513,367
Loans and advances to customers (i)	–	–	32,386,351	32,386,351	32,459,652
Debt instruments	–	–	2,448,401	2,448,401	2,462,053
Financial assets at fair value through profit or loss					
Financial assets held for trading	642,358	–	–	642,358	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	1,444,772	–	–	1,444,772	1,444,772
Financial assets designated at fair value through profit or loss	31,496	–	–	31,496	31,496
Financial assets at fair value through other comprehensive income	–	8,078,870	–	8,078,870	8,078,870
Hedging derivatives (ii)	34,990	–	–	34,990	34,990
	2,153,616	8,078,870	39,524,787	49,757,273	49,843,284
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,181,865	8,181,865	8,216,520
Resources from customers (i)	–	–	36,492,065	36,492,065	36,501,585
Non subordinated debt securities issued (i)	–	–	1,496,508	1,496,508	1,519,502
Subordinated debt (i)	–	–	1,125,053	1,125,053	1,196,452
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	269,166	–	–	269,166	269,166
Financial liabilities designated at fair value through profit or loss	3,201,310	–	–	3,201,310	3,201,310
Hedging derivatives (ii)	121,474	–	–	121,474	121,474
	3,591,950	–	47,295,491	50,887,441	51,026,009

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/ other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2020:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,650,772	–	–	4,650,772
Loans and advances to credit institutions repayable on demand	101,809	–	–	101,809
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	350,415	350,415
Loans and advances to customers	–	–	35,081,003	35,081,003
Debt instruments	3,796,492	229,830	1,639,417	5,665,739
Financial assets at fair value through profit or loss				
Financial assets held for trading	421,754	238,513	285,050	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,277,826	1,277,826
Financial assets at fair value through other comprehensive income	7,717,765	169,116	198,788	8,085,669
Hedging derivatives	–	74,704	–	74,704
	16,688,592	712,163	38,832,499	56,233,254
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	11,042,050	11,042,050
Resources from customers	–	–	41,385,408	41,385,408
Non subordinated debt securities issued	–	–	1,814,940	1,814,940
Subordinated debt	–	–	972,121	972,121
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	241,171	2,763	243,934
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	121,559	–	121,559
	678,860	362,730	56,137,827	57,179,417

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2019:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,049,676	—	—	4,049,676
Loans and advances to credit institutions repayable on demand	126,050	—	—	126,050
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	513,367	513,367
Loans and advances to customers	—	—	32,459,652	32,459,652
Debt instruments	123,300	235,606	2,103,147	2,462,053
Financial assets at fair value through profit or loss				
Financial assets held for trading	46,703	303,933	291,722	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	1,444,772	1,444,772
Financial assets designated at fair value through profit or loss	31,496	—	—	31,496
Financial assets at fair value through other comprehensive income	7,718,032	152,712	208,126	8,078,870
Hedging derivatives	—	34,990	—	34,990
	12,095,257	727,241	37,020,786	49,843,284
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	8,216,520	8,216,520
Resources from customers	—	—	36,501,585	36,501,585
Non subordinated debt securities issued	—	—	1,519,502	1,519,502
Subordinated debt	—	—	1,196,452	1,196,452
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	269,166	—	269,166
Financial liabilities designated at fair value through profit or loss	745,390	—	2,455,920	3,201,310
Hedging derivatives	—	121,474	—	121,474
	745,390	390,640	49,889,979	51,026,009

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2020 is presented as follows:

(Thousands of euros)

	2020			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	291,722	1,444,772	208,126	–
Gains / (losses) recognised in:				
Results on financial operations	(452)	(101,402)	–	–
Net interest income	22	–	1,234	–
Transfers between levels	151	–	7,003	2,763
Increase / (reduction) share capital	–	(1,500)	–	–
Purchases	(6,393)	(64,044)	(4,682)	–
Gains / (losses) recognised in reserves	–	–	(12,829)	–
Accruals of interest	–	–	(64)	–
Balance as at 31 December	285,050	1,277,826	198,788	2,763

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2019 is presented as follows:

(Thousands of euros)

	2019			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	293,968	1,589,899	153,968	18
Gains / (losses) recognised in:				
Results on financial operations	519	(43,002)	–	–
Net interest income	16	–	586	–
Transfers between levels	(3,378)	–	83,815	(14)
Purchases	597	(102,125)	(26,676)	(4)
Gains / (losses) recognised in reserves	–	–	(3,743)	–
Accruals of interest	–	–	176	–
Balance as at 31 December	291,722	1,444,772	208,126	–

45. Post-employment benefits and other long-term benefits

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 S).

As at 31 December 2020 and 2019, the number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2020	2019
Pensioners	17,003	16,953
Former attendees acquired rights	3,161	3,139
Employees	6,923	7,129
	27,087	27,221

In accordance with the accounting policy described in note 1 S), the Bank's retirement pension liabilities and other benefits and the respective coverage for the Group, based on the Projected Unit credit method are analysed as follows:

(Thousands of euros)

	2020	2019
Actual amount of the past services		
Pensioners	2,430,504	2,309,366
Former attendees acquired rights	242,245	220,064
Employees	955,677	935,161
	3,628,426	3,464,591
Pension Fund Value	(3,720,543)	(3,474,754)
Net (assets) in balance sheet (note 28)	(92,117)	(10,163)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,645,840	3,558,797

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which in December 2020 amounted to Euros 285,421,000 (31 December 2019: Euros 289,733,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. The agreement establishes the increase for 2018 by 0.75% to level 6 and 0.50% for levels 7 to 20 (similar increase for 2019) and the increase of other pecuniary clauses, such as the lunch allowance, diuturnities, among others.

Regarding from the update of salary tables, with reference to 2019 and 2018, the Group recorded an actuarial loss in the amount of Euros 53,464,000 in the pension fund's liabilities.

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

Following the negotiation process developed in 2020 with several unions subscribing to the Collective Labor Agreements in force for the Banco Comercial Português Group, the Bank agreed, on 30 July 2020, with "SNQTB - Sindicato Nacional dos Quadros e Técnicos Bancários", "SIB - Sindicato Independente da Banca" and "SBN - Sindicato Bancários do Norte", meanwhile renamed to "SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal", the updating of the Bank's Wage Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of monetary expression, such as subsidy lunch, seniority, among others. The agreed updates will take effect on 1 January 2020, with the exception of remunerations related to subsistence allowances and travel, which will be updated after the operationalization of the agreed updates.

With regard to the remaining unions subscribing to the Group's Collective Labour Agreements, that is, SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank’s employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of their respective Clauses.

The publication of the said Agreements with the respective Unions in the Labor and Employment Bulletin is in progress.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	3,464,591	3,040,405
Service cost	(14,948)	(15,068)
Interest cost / (income)	49,475	57,344
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	30,980	99,611
Arising from changes in actuarial assumptions	195,438	362,836
Payments	(115,825)	(111,275)
Early retirement programmes and terminations by mutual agreement	11,708	18,537
Contributions of employees	7,714	7,926
Transfer from / (to) other plans (a)	(707)	4,275
Balance at the end of the year	3,628,426	3,464,591

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

As at 31 December 2020, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 115,825,000 (31 December 2019: Euros 111,275,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 333,102,000 as at 31 December 2020 (31 December 2019: Euros 325,405,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2020 amounts to Euros 41,018,000 (31 December 2019: Euros 58,039,000), in order to pay:

(i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
(ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group, and Ageas Group is 49% owned by the BCP Group.

During the 2020 and 2019, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	3,474,754	3,050,346
Actuarial gains / (losses)	139,375	180,687
Contributions to the Fund	171,594	289,250
Payments	(115,825)	(111,275)
Expected return on plan assets	43,212	52,829
Employees' contributions	7,714	7,926
Transfer from / (to) other plans (a)	(707)	4,307
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	426	684
Balance at the end of the year	3,720,543	3,474,754

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The elements that make up the share value of the Bank in the assets of the Pension Fund are analysed as follows:

(Thousands of euros)

	2020			2019		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	417,205	104,254	521,459	301,171	111,067	412,238
Bonds and other fixed income securities	1,919,334	4,571	1,923,905	1,732,315	4,372	1,736,687
Participations units in investment funds	–	395,548	395,548	–	546,624	546,624
Participation units in real estate funds	–	259,480	259,480	–	264,236	264,236
Properties	–	237,924	237,924	–	243,561	243,561
Loans and advances to credit institutions and others	–	382,227	382,227	–	271,408	271,408
	2,336,539	1,384,004	3,720,543	2,033,486	1,441,268	3,474,754

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2020 amounts to Euros 102,812,000 (31 December 2019: Euros 109,635,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2020, amounts to Euros 237,924,000 (31 December 2019: Euros 243,561,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions and others	409,930	26,336
Bonds and other fixed income securities	12,132	12,186
	422,062	38,522

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	(10,163)	(9,941)
Recognised in the income statement:		
Service cost	(14,948)	(15,068)
Interest cost / (income) net of the balance liabilities coverage	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
	2,597	7,300
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(139,375)	(180,687)
Difference between expected and effective obligations	30,980	99,611
Arising from changes in actuarial assumptions	195,438	362,836
	87,043	281,760
Contributions to the fund	(171,594)	(289,250)
Transfer from / (to) other plans	—	(32)
Balance at the end of the year	(92,117)	(10,163)

The estimated contributions to be made in 2021, by the employees, for the Defined Benefit Plan amount to Euros 7,379,000.

In accordance with IAS 19, during 2020 and 2019, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2020	2019
Current service cost	(14,948)	(15,068)
Net interest cost in the liability coverage balance	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
(Income) / Cost of the year	2,597	7,300

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Board of directors plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the policy associated with the retirement regulations of former Board of Directors, the Bank registered the responsibility of supporting the cost with: (i) the retirement pensions of former Group's Executive Board Members; and (ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations. The Bank recognised a provision of Euros 3,733,000 (31 December 2019: Euros 3,733,000).

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2020	2019
Salary growth rate	0.75%	0.75%
Pensions growth rate	0.50%	0.5%
Discount rate / Projected Fund's rate of return	1.05%	1.4%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 5 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2020 it is 66 years and 5 months (2019: 66 years and 5 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 31 December 2020, the Group used a discount rate of 1.05% (31 December 2019: 1.4%).

As at 31 December 2020 and 2019, the Actuarial losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2020		2019	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Difference between expected and actual liabilities		30,980		99,610
Changes on the assumptions:				
Discount rate		195,437		362,837
Difference between expected income and income from funds	5.77%	(139,374)	8.13%	(180,687)
		87,043		281,760

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2020		2019	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	150,862	(141,956)	144,668	(136,109)
Pensions increase rate	(157,490)	166,119	(153,884)	163,333
Increase in future compensation levels	(39,926)	43,280	(35,487)	44,492

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2020		2019	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	137,659	(136,650)	124,900	(124,408)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy.

Defined contribution plan

According to what is described in accounting policy 1 S3), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during the year of 2020 and 2019, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. As at 31 December 2020, the Bank accounted as staff costs the amount of Euros 218,000 (31 December 2019: Euros 170,000) related to this contribution.

46. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 55 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 37.

A) Transactions with qualified shareholders

The balances reflected in assets of individual balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2020	2019
Assets		
Financial assets at amortised cost		
Loans and advances to customers	65,971	99,564
Debt instruments	137,685	159,160
Financial assets at fair value through profit or loss		
Financial assets held for trading	5,243	5,525
Financial assets at fair value through other comprehensive income	134,527	108,361
Other Assets	53	53
	343,479	372,663
Liabilities		
Resources from customers	303,263	119,530
	303,263	119,530

Loans and advances to customers are net of impairment in the amount of Euros 363,000 (31 December 2019: Euros 210,000).

During the 2020 and 2019, the transactions with qualified shareholders, reflected in the individual income statement items, are as follows:

(Thousands of euros)

	2020	2019
Income		
Interest and similar income	11,903	12,547
Commissions income	8,812	5,447
	20,715	17,994
Costs		
Interest and similar expenses	2	8
Commissions expenses	85	175
	87	183

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2020	2019
Guarantees granted	44,173	99,792
Revocable credit lines	57,977	67,500
Irrevocable credit lines	151,000	150,000
	253,150	317,292

B) Transactions with members of the board of directors and key management members

The balances with related parties discriminated in the following table, included on the individual balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	3	2	5,540	7,892
Executive Committee (*)	78	107	937	631
Closely related people	258	277	1,575	419
Controlled entities	—	—	31	30
Key management members				
Key management members	6,910	6,047	8,856	8,744
Closely related people	823	916	4,306	3,272
Controlled entities	8	12	2,298	1,801
	8,080	7,361	23,543	22,789

(*) The balance Loans and advances to customers corresponds to the mortgage credit granted previously to the respective election and to the amount used from private credit cards that is of mandatory liquidation on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, in the year of 2020 no credits were attributed.

During the 2020 and 2019, the balances with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	—	—	37	21
Executive Committee	—	—	8	14
Closely related people	—	—	4	5
Key management members				
Key management members	26	43	47	37
Closely related people	12	10	38	35
Controlled entities	—	—	9	8
	38	53	143	120

During the 2020 and 2019, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	111	172	—	1
Key management members				
Key management members	9	19	1	1
Closely related people	1	2	1	1
Controlled entities	—	1	2	2
	121	194	4	5

Revocable and irrevocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines	
	2020	2019
Board of Directors		
Non-executive directors	47	39
Executive Committee (*)	161	157
Closely related people	24	27
Key management members		
Key management members	665	616
Closely related people	189	154
Controlled entities	22	20
	1,108	1,013

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2020	2019	2020	2019	2020	2019
Fixed remunerations	2,947	2,961	1,876	1,804	6,803	6,675
Variable remuneration	129	479	—	—	573	1,019
Supplementary retirement pension	611	611	138	84	—	—
Post-employment benefits	4	3	—	—	(114)	(123)
Other mandatory social security charges	733	711	455	430	1,710	1,652
	4,424	4,765	2,469	2,318	8,972	9,223
Beneficiary Number	6	6	11	11	47	46

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank.

During 2020, the amount of remuneration paid to the Executive Committee includes Euros 108,000 (2019: Euros 94,000) supported by subsidiaries or companies whose governing bodies represent the Group's interests, while the remuneration paid to the Board of Directors in the referred conditions include the amount of Euros 34,000 (2019: Euros 55,000).

In 2020, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2019, as described in accounting policies 1 S4) and 1 S5).

In the current financial year of 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounted to Euros 1,232,000. By CRP's deliberation, the payment was postponed to the year in which the payment of dividends to shareholders is resumed.

In 2019, it was attributed a variable remuneration to the Executive Committee regarding the financial year of 2018 in the total amount of Euros 1,073,000, 50% of which was paid in 2019 through the payment in cash of Euros 268,000 and the assignment of 1,042,295 shares of BCP S.A. in the amount of Euros 210,000, being the remaining 50% deferred over a period of 3 years, in the amount of Euros 268,000 in cash and 1,042,295 shares of BCP S.A. In the financial year of 2020, the variable remuneration paid regarding the financial year of 2018 comprises the amount of Euros 39,000 (corresponding to 347,432 shares) and the amount of Euros 89,000 in cash.

In 2020, the remunerations and social security charges supported regarding the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remunerations	856	1,749	450	3,747	6,802
Variable remuneration	80	116	22	356	574
Post-employment benefits	(40)	22	13	(109)	(114)
Other mandatory social security charges	212	437	109	951	1,709
	1,108	2,324	594	4,945	8,971
Beneficiary Number	6	10	2	29	47

As described in accounting policies 1 S4) and 1 S5), in 2020 in accordance with the remuneration policies for employees considered key management members, approved for 2019.

In the current financial year of 2020, the variable remuneration comprises the amount of Euros 346,000 and shares in the amount of Euros 139,000, as well as 2019's deferred variable remuneration of shares in the amount of Euros 88,000. It was also attributed to the 47 key-management elements a deferred variable remuneration, over a period of 5 years, in the amount of Euros 387,000.

During 2020 no severance pay was paid to key management elements.

In 2019, the remunerations and social security charges supported regarding the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remunerations	855	1,656	451	3,713	6,675
Variable remuneration	148	211	55	605	1,019
Post-employment benefits	(41)	21	9	(112)	(123)
Other mandatory social security charges	211	414	109	918	1,652
	1,173	2,302	624	5,124	9,223
Beneficiary Number	6	9	2	29	46

As described in accounting policies 1 S4) and 1 S5), in 2019 in accordance with the remuneration policies for employees considered key management members, approved for 2018, it was assigned to key management members a variable remuneration deferred over a 3-year period in the amount of Euros 542,000.

During 2019, variable remuneration was paid to 46 key management members and it was provided severance pay to three key management members in the amount of Euros 1,077,000, being the highest one in the amount of Euros 657,000.

The shareholder and bondholder position of members of the Board of Directors, Key management members and people closely related to the previous categories, as well as the movements occurred during 2020, are as follows:

Shareholders/Bondholders	Security	Number of securities 2020	2019	Acquisitions		Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS								
Ana Paula Alcobia Gray	BCP Shares	0	0					
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184					
Fernando da Costa Lima	BCP Shares	18,986	18,986					
João Nuno Oliveira Jorge Palma	BCP Shares	268,687	231,676	66,327	*	29,316	25/6/2020	0.115
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500					
	Bonds (a)	1	1					
José Manuel Elias da Costa	BCP Shares	0	0					
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	207,863	175,707	58,569	*	26,431	25/6/2020	0.115
Lingjiang Xu	BCP Shares	0	0					
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	221,325	**** 169,450	*** 56.753	*	4,878	25/6/2020	0.115
Miguel de Campos Pereira de Bragança	BCP Shares	602,626	564,949	66,327	*	28,650	25/6/2020	0.115
Miguel Maya Dias Pinheiro	BCP Shares	621,467	581,117	73,236	*	32,886	25/6/2020	0.115
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,025,388	500,000			9/3/2020	0.132
	Bonds (a)	2	2					
Rui Manuel da Silva Teixeira (3)	BCP Shares	244,199	212,043	58,569	*	26,413	25/6/2020	0.115
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000					
Valter Rui Dias de Barros	BCP Shares	0	0					
Wan Sin Long	BCP Shares	0	0					
Xiao Xu Gu	BCP Shares	0	0					
KEY MANAGEMENT MEMBERS								
Albino António Carneiro de Andrade	BCP Shares	64,824		10,000			12/3/2020	0.115
			5,000	49,824	***		25/6/2020	0.115
Alexandre Manuel Casimiro de Almeida	BCP Shares	31,878	0	31,878	***		25/6/2020	0.115
Américo João Pinto Carola (7)	BCP Shares	25,459	503	43,702	**	18,746	25/6/2020	0.115
Ana Isabel dos Santos de Pina Cabral (4)	BCP Shares	70,507	39,040	57,309	**	25,842	25/6/2020	0.115
Ana Maria Jordão F. Torres Marques Tavares (6)	BCP Shares	134,652	82,635	52,017	***		25/6/2020	0.115
André Cardoso Meneses Navarro	BCP Shares	290,091	267,888	22,203	***		25/6/2020	0.115
António Augusto Amaral de Medeiros	BCP Shares	55,139	0	55,139	***		25/6/2020	0.115
António José Lindeiro Cordeiro	BCP Shares	16,314	0	25,928	**	9,614	25/6/2020	0.115
António Luís Duarte Bandeira (5)	BCP Shares	210,905		37,000			10/3/2020	0.13
			***** 115.976	57,929	***		25/6/2020	0.115
António Ricardo Fery Salgueiro Antunes	BCP Shares	0	0					
Artur Frederico Silva Luna Pais	BCP Shares	365,663	328,795	36,868	***		25/6/2020	0.115
Belmira Abreu Cabral	BCP Shares	37,841	0	37,841	***		25/6/2020	0.115
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	15,015	0	25,103	**	10,088	25/6/2020	0.115
Chi Wai Leung (Timothy)	BCP Shares	0	0					
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	57,309	0	57,309	***		25/6/2020	0.115
Francisco António Caspa Monteiro (8)	BCP Shares	87,283	29,354	57,929	***		25/6/2020	0.115
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	53,591	48	53,543	***		25/6/2020	0.115
Hugo Miguel Martins Resende	BCP Shares	65,527	11,984	53,543	***		25/6/2020	0.115
João Brás Jorge	BCP Shares	91,709	91,709					
João Manuel Taveira Pinto Santos Paiva	BCP Shares	58,429	500	57,929	***		25/6/2020	0.115
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	47,495	1,600	45,895			25/6/2020	0.115
Jorge Manuel Machado de Sousa Góis	BCP Shares	39,316	0	39,316	***		25/6/2020	0.115
Jorge Manuel Nobre Carreteiro	BCP Shares	14,701				9,468	21/9/2020	0.094
			9,468	23,368	**	8,667	25/6/2020	0.115
José Carlos Benito Garcia de Oliveira	BCP Shares	30,321	0	30,321			25/6/2020	0.115
José Gonçalo Prior Regalado (10)	BCP Shares	42,438	0	42,438	***		25/6/2020	0.115
José Guilherme Potier Raposo Pulido Valente	BCP Shares	186,063	138,719	47,344	**		25/6/2020	0.115

The paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with in the category "People closely related to the previous categories".
(a) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		2020	2019				
José Laurindo Reino da Costa (13)	BCP Shares	751,100	246,100	505,000		9/7/2020	0.109
José Manuel Moser Cardoso Salgado (15)	BCP Shares	37,500	37,500				
Luis Miguel Manso Correia dos Santos	BCP Shares	82,903	21,328	61,575 ***		25/6/2020	0.115
Maria de Los Angeles Sanchez Sanchez (14)	BCP Shares	8,192	8,192				
Maria Helena Soledade Nunes Henriques	BCP Shares	188,015	170,974	28,822 **	11,781	25/6/2020	0.115
Maria Manuela de Araújo Mesquita Reis (9)	BCP Shares	132,646	106,656	41,981 **	15,991	25/6/2020	0.115
Maria Rita Sítima Fonseca Lourenço	BCP Shares	79,222	42,385	36,837 ***		25/6/2020	0.115
Mário António Pinho Gaspar Neves	BCP Shares	56,522	30,000	26,522 ***		25/6/2020	0.115
Mário Madeira Robalo Fernandes	BCP Shares	43,702	0	43,702 ***		25/6/2020	0.115
Nelson Luís Vieira Teixeira	BCP Shares	32,840	285	57,309 **	24,754	25/6/2020	0.115
Nuno Alexandre Ferreira Pereira Alves (12)	BCP Shares	59,982	10,755	49,227 ***		25/6/2020	0.115
Nuno Miguel Nobre Botelho	BCP Shares	33,366	0	33,366 ***		25/6/2020	0.115
Pedro José Mora de Paiva Beija	BCP Shares	57,929	0	57,929 ***		25/6/2020	0.115
Pedro Manuel Francisco da Silva Dias (11)	BCP Shares	27,583	0	27,583 ***		25/6/2020	0.115
Pedro Manuel Macedo Vilas Boas	BCP Shares	43,702	0	43,702 ***		25/6/2020	0.115
Pedro Manuel Rendas Duarte Turras	BCP Shares	41,596	14,816	44,771 **	17,991	25/6/2020	0.115
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	37,108	0	37,108 ***		25/6/2020	0.115
Ricardo Potes Valadares	BCP Shares	32,102	10,613	33,366 **	11,877	25/6/2020	0.115
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	41,168	8,204	57,929 **	24,965	25/6/2020	0.115
Rui Emanuel Agapito Silva	BCP Shares	33,078	0	57,929 **	24,851	25/6/2020	0.115
Rui Fernando da Silva Teixeira	BCP Shares	113,674	91,297	39,316 **	16,939	25/6/2020	0.115
Rui Manuel Pereira Pedro	BCP Shares	203,538	149,328	54,210 ***		25/6/2020	0.115
Rui Miguel Alves Costa	BCP Shares	194,493	162,881	31,612 ***		25/6/2020	0.115
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	32,151	0	57,309 **	25,158	25/6/2020	0.115
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	39,316	0	39,316 ***		25/6/2020	0.115
Vânia Alexandra Machado Marques Correia	BCP Shares	39,316	0	39,316 ***		25/6/2020	0.115
MEMBROS PRÓXIMOS DA FAMÍLIA							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2) ****	BCP Shares	221,325	169,450	*****			
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP Shares	1,616	1,616				
Ana Margarida Rebelo A.M. Soares Bandeira (5)	BCP Shares	2,976	2,976				
António da Silva Bandeira (5)	BCP Shares	20,000	20,000				
Álvaro Manuel Coreia Marques Tavares (6)	BCP Shares	25,118	25,118				
Francisco Jordão Torres Marques Tavares (6)	BCP Shares	1,016	1,016				
Maria Avelina V C L J Teixeira Diniz (6)	BCP Shares	16,770	16,770				
Ana Isabel Salgueiro Antunes (7)	BCP Shares	29	29				
José Francisco Conceição Monteiro (8)	BCP Shares	18,002	18,002				
Ricardo Miranda Monteiro (8)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (8)	BCP Shares	1,639	1,639				
Luís Filipe da Silva Reis (9)	BCP Shares	280,000	280,000				
Américo Simões Regalado (10)	BCP Shares	880	880				
Filomena Maria Brito Francisco Dias (11)	BCP Shares	4,290	4,290				
António Henrique Leite Pereira Alves (12)	BCP Shares	73,926	63,926	10,000		23/9/2020	0.087
Maria Raquel Sousa Candeias Reino da Costa (13)	BCP Shares	10,000	10,000				
Guilherme Sanchez Oliveira Lima (14)	BCP Shares	0	1,000		1,000	7/12/2020	0.123
José Manuel Espirito Santo Salgado (15)	BCP Shares	10,000	10,000				
Mariana Espirito Santo Salgado (15)	BCP Shares	18,000	18,000				
Matilde Espirito Santo Salgado (15)	BCP Shares	20,000	20,000				

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".

(*) identifies the increment and sell-cover of shares occurred in 2020 corresponding to deferred variable remuneration of 2019, assigned in 2018.

(**) identifies the increment and sell-cover of shares occurred in 2020 corresponding to variable remuneration of 2019.

(***) identifies the increment of shares occurred in 2020 corresponding to variable remuneration of 2019.

(****) person in the category "People closely related to the previous categories" is equally a "Key management member".

(*****) position held in which the primary account holder is part of "People closely related to the previous categories" or "Key management member".

C) Balances and transactions with subsidiaries and associated companies, detailed in note 55

As at 31 December 2020, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
		Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss					
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	100	100
Banco Millennium Atlântico, S.A.	134	271	-	31	-	-	-	-	-	436
Banque BCP, S.A.S.	5	50.043	-	-	-	-	-	-	-	50.048
BCP Finance Bank Ltd	-	5	-	-	-	3.298	-	-	-	3.303
Bichorro–Empreendimentos Turísticos e Imobiliários,S.A.	-	-	3.925	-	-	-	-	-	-	3.925
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	-	-	-	-	-	-	-	1.895	2.083
Cold River's Homestead, S.A.	-	-	-	-	-	-	1.793	-	-	1.793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Exporsado - Comércio e Ind. de Produtos do Mar, S.A.	-	-	658	-	-	-	-	-	-	658
Fiparso- Sociedade Imobiliária Lda.	-	-	65	-	-	-	-	-	5	70
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	16	16
Fundo Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	9	9
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	3	3
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	5.096	-	-	72	-	-	-	-	-	5.168
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	30	30
Magellan Mortgages No. 3 PLC	-	-	-	4.385	11.536	61.454	-	-	-	77.375
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	59.073	53.521	-	-	257.250	-	12.830	382.674
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	18.000	-	2.894	20.894
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	18.595	-	-	18.595
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	166.287	-	-	166.287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9.824	-	-	-	-	-	5	9.829
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	43.782	2	43.784
Sciense4You S.A.	-	-	3.745	-	-	-	-	-	-	3.745
UNICRE - Instituição Financeira de Crédito, S.A.	-	31.691	33	-	-	-	-	-	-	31.724
Webspectator Corporation	-	-	-	-	-	-	-	15.743	-	15.743
	5.423	82.010	77.323	58.009	11.536	64.752	461.925	59.525	17.801	838.304

(*) Regarding supplies

As at 31 December 2019, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
		Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss					
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	50	50
Banco Millennium Atlântico, S.A.	147	209.377	-	-	-	-	-	-	-	209.524
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	-	5
BCP Finance Bank Ltd	-	-	-	-	-	3.309	-	-	-	3.309
Bichorro–Empreendimentos Turísticos e Imobiliários,S.A.	-	-	3.795	-	-	-	-	-	-	3.795
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	1.874	-	-	-	-	-	-	2.455	4.517
Cold River's Homestead, S.A.	-	-	-	-	-	-	1.793	-	-	1.793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Exporsado - Comércio e Indústria de Produtos do Mar,S.A	-	-	302	-	-	-	-	-	-	302
Fiparso- Sociedade Imobiliária Lda.	-	-	52	-	-	-	-	-	5	57
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	16	16
Fundo de Inv. Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	9	9
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	3	3
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	37	-	-	85	-	-	-	-	-	122
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	115	115
Magellan Mortgages No. 3 PLC	-	-	-	4.749	13.596	64.814	-	-	-	83.159
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	62.649	101.391	-	-	257.250	-	13.835	435.125
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	18.000	-	5.464	23.464
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	18.595	-	-	18.595
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	166.287	-	-	166.287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9.824	-	-	-	-	-	6	9.830
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	43.782	2	43.784
Sciense4You S.A.	-	-	3.579	-	-	-	-	-	-	3.579
UNICRE - Instituição Financeira de Crédito, S.A.	-	41.243	10	-	-	-	-	-	-	41.253
Webspectator Corporation	-	-	-	-	-	-	-	17.158	-	17.158
	377	252.494	80.211	106.225	13.596	68.123	461.925	60.940	21.974	1.065.865

(*) Regarding supplies

As at 31 December 2020, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	held for trading	at fair value through profit or loss	Other liabilities	Total
Banco ActivoBank, S.A.	1,355,861	—	716,400	—	—	—	19,796	2,092,057
Banco Millennium Atlântico, S.A.	80,649	—	—	—	—	—	—	80,649
Banque BCP, S.A.S.	1,662	—	—	—	—	—	—	1,662
Banque Privée BCP (Suisse) S.A.	18,146	—	—	—	—	—	—	18,146
BCP África, S.G.P.S., Lda.	—	169,328	—	—	—	—	—	169,328
BCP Capital - Sociedade de Capital de Risco, S.A.	—	3,583	—	—	—	—	—	3,583
BCP Finance Bank Ltd	611,910	—	—	—	—	—	—	611,910
BCP Finance Company, Ltd	—	117,437	—	—	—	—	—	117,437
BCP International, B.V.	—	94,777	—	—	—	—	—	94,777
BCP Investment, B.V.	—	29,046	—	—	—	—	—	29,046
BIM - Banco Internacional de Moçambique, S.A.R.L.	15,048	—	—	—	—	—	9	15,057
Cold River's Homestead, S.A.	—	1,489	—	—	—	—	—	1,489
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	247	—	—	—	—	—	247
DP Invest – Fundo Especial de Invest. Imobiliário Fechado	—	595	—	—	—	—	—	595
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	230	—	—	—	—	—	230
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	2,310	—	—	—	—	—	2,310
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	637	—	—	—	—	—	637
Fundo de Investimento Imobiliário Fechado Gestimo	—	1,028	—	—	—	—	—	1,028
Fundo de Investimento Imobiliário Imorenda	—	2,541	—	—	—	—	—	2,541
Fundo de Investimento Imobiliário Imosotto Acumulação	—	3,797	—	—	—	—	—	3,797
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	652	—	—	—	—	—	652
Fundo Especial de Invest. Imobiliário Fechado Stone Capital	—	1,237	—	—	—	—	—	1,237
Fundo Especial de Investimento Imobiliário Oceânico II	—	1,301	—	—	—	—	—	1,301
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	457	—	—	—	—	—	457
Grupo Bank Millennium (Poland)	268	—	—	—	—	—	—	268
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	7,375	—	—	—	—	—	7,375
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	407,940	17,855	213,312	43,224	—	8	682,339
Millennium bcp - Prestação de Serviços, A.C.E.	—	4,504	—	—	—	—	720	5,224
Millennium bcp Bank & Trust	319,163	—	—	—	—	—	—	319,163
Millennium bcp Imobiliária, S.A.	—	5,259	—	—	—	—	—	5,259
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	13,430	—	—	—	—	—	13,430
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	114	—	—	—	—	—	114
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	6,623	—	—	—	—	—	6,623
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	194	—	—	—	—	—	194
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	1,744	—	—	—	—	—	1,744
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	1,390	—	—	—	—	—	1,390
Sciense4you S.A.	—	448	—	—	—	—	—	448
Setelote-Aldeamentos Turísticos, S.A.	—	127	—	—	—	—	—	127
SIBS, S.G.P.S., S.A.	—	12,976	—	—	—	—	—	12,976
UNICRE - Instituição Financeira de Crédito, S.A.	11,729	—	—	—	—	—	—	11,729
	2,414,436	892,816	734,255	213,312	43,224	—	20,533	4,318,576

As at 31 December 2020, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 17,568,000.

As at 31 December 2019, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordina ted debt securities issued	Subordinated debt	held for trading	at fair value through profit or loss	Other liabilities	Total
Banco ActivoBank, S.A.	1,221,849	—	365,021	—	—	—	15,784	1,602,654
Banco Millennium Atlântico, S.A.	16,239	—	—	—	30	—	—	16,269
Banque BCP, S.A.S.	104,752	—	—	—	—	—	—	104,752
Banque Privée BCP (Suisse) S.A.	14,077	—	—	—	—	—	—	14,077
BCP África, S.G.P.S., Lda.	—	134,262	—	—	—	—	—	134,262
BCP Capital - Sociedade de Capital de Risco, S.A.	—	3,565	—	—	—	—	—	3,565
BCP Finance Bank Ltd	609,973	—	—	—	—	—	—	609,973
BCP Finance Company, Ltd	—	117,455	—	—	—	—	—	117,455
BCP International, B.V.	—	94,836	—	—	—	—	—	94,836
BCP Investment, B.V.	—	28,941	—	—	—	—	—	28,941
BIM - Banco Internacional de Moçambique, S.A.R.L.	4,392	—	—	—	—	—	—	4,392
Cold River's Homestead, S.A.	—	1,283	—	—	—	—	—	1,283
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	327	—	—	—	—	—	327
DP Invest – Fundo Especial de Invest. Imobiliário Fechado	—	546	—	—	—	—	—	546
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	104	—	—	—	—	—	104
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	1,395	—	—	—	—	—	1,395
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	627	—	—	—	—	—	627
Fundo de Investimento Imobiliário Fechado Gestimo	—	133	—	—	—	—	—	133
Fundo de Investimento Imobiliário Gestão Imobiliária	—	194	—	—	—	—	—	194
Fundo de Investimento Imobiliário Imorenda	—	697	—	—	—	—	—	697
Fundo de Investimento Imobiliário Imosotto Acumulação	—	1,126	—	—	—	—	—	1,126
Fundo Especial de Investimento Imobiliário Fechado Intercapital	—	272	—	—	—	—	—	272
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	1,354	—	—	—	—	—	1,354
Fundo Especial de Invest. Imobiliário Fechado Stone Capital	—	1,372	—	—	—	—	—	1,372
Fundo Especial de Investimento Imobiliário Oceânico II	—	591	—	—	—	—	—	591
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	285	—	—	—	—	—	285
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	—	599	—	—	—	—	—	599
Grupo Bank Millennium (Poland)	25,119	—	—	—	—	—	—	25,119
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	5,151	—	—	—	—	—	5,151
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	606,902	45,622	355,236	18,417	31,070	7	1,057,254
Millennium bcp - Prestação de Serviços, A.C.E.	—	4,498	—	—	—	—	3,188	7,686
Millennium bcp Bank & Trust	316,957	—	—	—	—	—	—	316,957
Millennium bcp Imobiliária, S.A.	—	1,744	—	—	—	—	—	1,744
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	10,692	—	—	—	—	—	10,692
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	113	—	—	—	—	—	113
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	6,748	—	—	—	—	—	6,748
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	428	—	—	—	—	—	428
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	2,376	—	—	—	—	—	2,376
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	—	1,223	—	—	—	—	—	1,223
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	23	—	—	—	—	—	23
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	1,790	—	—	—	—	—	1,790
Sciense4you S.A.	—	1,008	—	—	—	—	—	1,008
Setelote-Aldeamentos Turísticos, S.A.	—	139	—	—	—	—	—	139
SIBS, S.G.P.S., S.A.	—	7,468	—	—	—	—	—	7,468
UNICRE - Instituição Financeira de Crédito, S.A.	8	—	—	—	—	—	—	8
	2,313,366	1,040,267	410,643	355,236	18,447	31,070	18,979	4,188,008

As at 31 December 2019, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 28,891,000.

As at 31 December 2020, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco Millennium Atlântico, S.A.	2,521	787	188	–	–	3,496
Banque BCP, S.A.S.	43	–	–	–	4,178	4,221
Banque Privée BCP (Suisse) S.A.	–	1,158	42	–	5,922	7,122
BCP Capital - Sociedade de Capital de Risco, S.A.	–	2	–	–	–	2
BCP Finance Bank Ltd	373	–	–	–	–	373
Bichorro-Empreendimentos Turísticos e Imobiliários S.A.	59	–	–	–	–	59
BIM - Banco Internacional de Moçambique, S.A.R.L.	214	203	9,524	–	–	9,941
Cold River's Homestead, S.A.	–	5	4	–	–	9
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	–	12	–	–	–	12
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	–	6	–	–	–	6
Fiparso- Sociedade Imobiliária Lda.	1	–	–	–	–	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	–	14	–	–	–	14
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Fundo de Investimento Imobiliário Fechado Gestimo	–	5	–	–	–	5
Fundo de Investimento Imobiliário Imorenda	–	113	3	–	–	116
Fundo de Investimento Imobiliário Imosotto Acumulação	–	106	1	–	–	107
Fundo Especial de Investimento Imobiliário Fechado Intercapital	–	4	–	–	–	4
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	–	33	–	–	–	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	–	8	–	–	–	8
Fundo Especial de Investimento Imobiliário Oceânico II	–	79	–	–	–	79
Funsita - Fundo Especial de Investimento Imobiliário Fechado	–	61	–	–	–	61
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	–	3	–	–	–	3
Grupo Bank Millennium (Poland)	1	3	–	20	–	24
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	–	319	34	–	1,102	1,455
Magellan Mortgages No. 3 PLC	3,071	340	–	–	–	3,411
Millennium bcp Bank & Trust	–	2	–	–	–	2
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,696	56,304	237	10,647	–	69,884
Millennium bcp Imobiliária, S.A.	–	1	–	–	–	1
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	–	–	–	–	575	575
Millennium bcp - Prestação de Serviços, A.C.E.	–	139	4,809	–	–	4,948
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	–	–	–	–	11	11
Millennium Fundo de Capitalização - Fundo de Capital de Risco	–	5	–	–	–	5
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	12	–	–	–	12
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	60	–	–	–	160
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	–	29	–	–	–	29
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	–	–	170	–	–	170
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Sciense4you S.A.	66	17	1	–	–	84
SIBS, S.G.P.S., S.A.	–	12	–	–	–	12
UNICRE - Instituição Financeira de Crédito, S.A.	517	679	3	–	80	1,279
	9,662	60,557	15,016	10,667	11,868	107,770

As at 31 December 2019, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	5	–	–	–	5
Banco Millennium Atlântico, S.A.	9,648	1,495	155	–	–	11,298
Banque BCP, S.A.S.	–	5	–	–	3,007	3,012
Banque Privée BCP (Suisse) S.A.	–	919	49	–	7,610	8,578
BCP Capital - Sociedade de Capital de Risco, S.A.	–	2	–	–	–	2
BCP Finance Bank Ltd	336	–	–	–	–	336
Bichorro-Empreendimentos Turísticos e Imobiliários S.A.	57	–	–	–	–	57
BIM - Banco Internacional de Moçambique, S.A.R.L.	43	121	11,546	–	–	11,710
Cold River's Homestead, S.A.	–	1	–	–	–	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	–	14	–	–	–	14
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	–	6	–	–	–	6
Fiparso- Sociedade Imobiliária Lda.	1	–	–	–	–	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	–	12	–	–	–	12
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	–	23	–	–	–	23
Fundo de Investimento Imobiliário Fechado Gestimo	–	9	–	–	–	9
Fundo de Investimento Imobiliário Gestão Imobiliária	–	1	–	–	–	1
Fundo de Investimento Imobiliário Imorenda	–	119	–	–	–	119
Fundo de Investimento Imobiliário Imosotto Acumulação	–	134	–	–	–	134
Fundo Especial de Investimento Imobiliário Fechado Intercapital	2	6	–	–	–	8
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	–	33	–	–	–	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	–	7	–	–	–	7
Fundo Especial de Investimento Imobiliário Oceânico II	–	80	–	–	–	80
Funsita - Fundo Especial de Investimento Imobiliário Fechado	–	61	–	–	–	61
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	–	6	–	–	–	6
Grupo Bank Millennium (Poland)	16	3	–	48	–	67
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	–	317	41	–	3,668	4,026
Magellan Mortgages No. 2 PLC	1,171	94	–	–	–	1,265
Magellan Mortgages No. 3 PLC	3,898	379	–	–	–	4,277
Millennium bcp Bank & Trust	–	–	–	29	–	29
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,828	54,447	244	10,363	–	67,882
Millennium bcp Imobiliária, S.A.	–	1	1	–	–	2
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	–	–	–	–	4,976	4,976
Millennium bcp - Prestação de Serviços, A.C.E.	–	139	4,889	–	–	5,028
Millennium Fundo de Capitalização - Fundo de Capital de Risco	–	5	–	–	–	5
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	15	–	–	–	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	62	–	–	–	162
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	–	30	–	–	–	30
Mundotêxtil - Indústrias Têxteis, S.A.	111	28	–	–	–	139
Planfipsa S.G.P.S., S.A. (Group)	348	9	2	–	–	359
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	–	–	332	–	–	332
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Sciense4you S.A.	70	8	10	–	–	88
SIBS, S.G.P.S., S.A.	1	21	–	–	–	22
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	–	1	–	–	286	287
UNICRE - Instituição Financeira de Crédito, S.A.	602	1,062	3	–	130	1,797
	19,232	59,698	17,272	10,440	19,677	126,319

As at 31 December 2020, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	16,021	7,018	(42)	—	—	22,997
Banco Millennium Atlântico, S.A.	13	3	—	—	—	16
Banque BCP, S.A.S.	64	—	—	—	—	64
BCP Finance Bank Ltd	14,461	—	—	—	—	14,461
BIM - Banco Internacional de Moçambique, S.A.R.L.	123	12	—	—	—	135
Fundo de Investimento Imobiliário Imorenda	—	—	3	—	—	3
Group Bank Millennium (Poland)	(50)	23	—	—	—	(27)
Millennium bcp Bank & Trust	3,083	—	—	—	—	3,083
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	19,794	3	6	112	10,563	30,478
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	4,216	—	4,216
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	10	—	10
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	—	—	293	—	293
Sciense4you S.A.	—	1	—	—	—	1
UNICRE - Instituição Financeira de Crédito, S.A.	—	10	180	3	—	193
	53,509	7,070	147	4,649	10,563	75,938

As at 31 December 2019, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	11,995	8,523	(34)	—	—	20,484
Banco Millennium Atlântico, S.A.	302	4	—	—	—	306
Banque BCP, S.A.S.	892	—	—	—	—	892
BCP Capital - Sociedade de Capital de Risco, S.A.	39	—	—	—	—	39
BCP Finance Bank Ltd	13,197	—	—	—	—	13,197
BIM - Banco Internacional de Moçambique, S.A.R.L.	732	10	—	—	—	742
Fundo de Investimento Imobiliário Imosotto Acumulação	—	—	—	11	—	11
Group Bank Millennium (Poland)	(11)	49	—	—	2	40
Imábida - Imobiliária da Arrábida, S.A.	—	—	—	28	—	28
Millennium bcp Bank & Trust	3,215	—	—	—	23	3,238
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	40,569	3	—	313	13,411	54,296
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	3,377	—	3,377
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	1	—	—	—	—	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	9	—	9
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	—	—	928	—	928
SIBS, S.G.P.S., S.A.	1	—	—	—	—	1
Sciense4you S.A.	—	1	—	—	—	1
UNICRE - Instituição Financeira de Crédito, S.A.	—	10	1,136	1	—	1,147
	70,932	8,600	1,102	4,682	13,436	98,752

As at 31 December 2020, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco ActivoBank, S.A.	—	—	150,000	—	150,000
Banco Millennium Atlântico, S.A.	7,615	—	600	—	8,215
Banque Privée BCP (Suisse) S.A.	—	200,000	—	9,963	209,963
BCP Finance Bank Ltd	108,850	—	—	—	108,850
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	—	72	—	—	72
BIM - Banco Internacional de Moçambique, S.A.R.L.	497	—	—	—	497
Cold River's Homestead, S.A.	271	1,793	—	—	2,064
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	40	6	—	—	46
Fiparso- Sociedade Imobiliária Lda.	—	15	—	—	15
Group Bank Millennium (Poland)	93	—	—	9,585	9,678
Millennium bcp Bank & Trust	—	—	—	419	419
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	—	316,264	—	—	316,264
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	170	—	—	—	170
Sciense4you S.A.	62	—	—	—	62
SIBS, S.G.P.S., S.A.	50	—	—	—	50
UNICRE - Instituição Financeira de Crédito, S.A.	—	9,200	—	—	9,200
	117,648	527,350	150,600	19,967	815,565

As at 31 December 2019, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco Millennium Atlântico, S.A.	7,422	—	600	—	8,022
Banque BCP, S.A.S.	—	—	—	4,907	4,907
Banque Privée BCP (Suisse) S.A.	—	200,000	—	9,966	209,966
BCP Finance Bank Ltd	108,850	—	—	—	108,850
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	—	53	—	—	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	601	—	—	—	601
Cold River's Homestead, S.A.	323	1,793	—	—	2,116
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	40	5	—	—	45
Fiparso- Sociedade Imobiliária Lda.	—	28	—	—	28
Fundo de Investimento Imobiliário Imosotto Acumulação	—	—	695	—	695
Group Bank Millennium (Poland)	97	—	—	9,589	9,686
Millennium bcp Bank & Trust	—	—	—	1,244	1,244
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	20	—	—	105
Sciense4you S.A.	62	17	—	—	79
SIBS, S.G.P.S., S.A.	50	—	—	—	50
UNICRE - Instituição Financeira de Crédito, S.A.	—	3,909	—	—	3,909
	117,530	205,825	1,295	25,706	350,356

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2020	2019
Life insurance		
Saving products	34,388	35,742
Mortgage and consumer loans	17,528	19,925
Others	30	31
	51,946	55,698
Non - Life insurance		
Accidents and health	18,970	18,548
Motor	4,047	3,919
Multi-Risk Housing	6,874	6,674
Others	1,470	1,303
	31,361	30,444
	83,307	86,142

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensoes, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, S.A. The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2020	2019
Funds receivable for payment of life insurance commissions	12,795	13,810
Funds receivable for payment of non-life insurance commissions	8,097	7,643
	20,892	21,453

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) Transactions with the pension fund

The balances with the Pension Fund included in items of the balance sheet are as follows:

(Thousands of euros)

	2020	2019
Liabilities		
Resources from customers	417,950	31,391
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	20,630	14,426
Subordinated debt	1,772	—
	440,352	45,817

During 2020, the Pension Fund doesn't holds Perpetual subordinated debt securities (Adt1), (31 December 2019: Euros 1,575,000) issued by Banco Comercial Português, S.A. During 2020 and 2019, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During the 2020 and 2019, the balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2020	2019
Income		
Commissions	1,374	836
Expenses		
Interest expense and similar charges	111	176
Other administrative costs	96	96
	207	272

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Bank.

At 31 December 2020, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2019: Euros 5,000).

47. Solvency

The Bank’s own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted of anticipated dividends ; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group’s capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non performing exposures, are also deducted, due to SREP recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt, that are compliant with the issue conditions established in the Regulation.

Tier 2 includes the subordinated debt that is compliant with the Regulation. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements lasted until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to art.º 473º-A of CRR.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios, including a conservation buffer, according to the following table:

2020 Minimum Capital Requirements								
		of which:			Fully	of which:		
BCP Solo	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	7.00%	4.50%	0.00%	2.50%	7.00%	4.50%	0.00%	2.50%
T1	8.50%	6.00%	0.00%	2.50%	8.50%	6.00%	0.00%	2.50%
Total	10.50%	8.00%	0.00%	2.50%	10.50%	8.00%	0.00%	2.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Bank has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio and its corporate portfolio. The bank has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks and the standard method was used for the purposes of operating risk coverage.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR (phased-in) previously referred , are the following:

(Thousands of euros)

	2020	2019
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	828,037	699,485
Regulatory adjustments to CET1	(560,017)	(541,037)
	5,009,491	4,899,919
Tier 1		
Capital Instruments	400,000	400,000
	5,409,491	5,299,919
Tier 2		
Subordinated debt	760,972	811,140
Others	(7,184)	(38,365)
	753,788	772,775
Total own funds	6,163,279	6,072,694
RWA - Risk weighted assets		
Credit risk	30,278,997	29,771,502
Market risk	687,308	1,595,571
Operational risk	2,288,843	2,341,374
CVA	72,109	102,460
	33,327,257	33,810,907
Capital ratios		
CET1	15.0%	14.5%
Tier 1	16.2%	15.7%
Tier 2	2.3%	2.3%
Total	18.5%	18.0%

The 2020 and 2019 amounts include the accumulated net income.

48. Risk management

The Bank is subject to several risks during the course of its business.

The Bank's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Bank's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main types ok risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

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

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund’s assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT’s structure and the Bank’s strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behavior or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules at the very highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and the Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Bank level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Bank, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Bank activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Bank's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2020	2019
Central Governments or Central Banks	14,390,978	8,884,919
Regional Governments or Local Authorities	1,202,973	750,240
Administrative and non-profit Organisations	174,543	174,550
Other Credit Institutions	1,981,393	2,019,120
Retail and Corporate customers	48,889,254	45,760,785
Other items (*)	10,993,487	11,803,701
	77,632,628	69,393,315

Note: gross exposures of impairment and amortization. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected, considers the following methodological notes:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance wit the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (lan or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the recognised External Credit Assessment Institutions (ECAI) and the external ratings equivalence to the Rating Master Scale of the Group:

Internal risk grade	External ratings			
	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2020 and 2019 integrates the general principles defined in International Financial Reporting Standards (IFRS 9 as at 1 January 2018 and IAS 39 as at 31 December 2017) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC/2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2020, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

Category	2020				
	Gross exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	350,591	607	2	–	351,200
Loans and advances to customers (note 19)	28,180,842	5,972,281	2,346,759	1,780	36,501,662
Debt instruments (note 20)	5,452,105	124,389	15,806	–	5,592,300
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,024,989	–	–	–	8,024,989
Guarantees and other commitments (note 40)	10,273,811	1,690,505	425,284	–	12,389,600
Total	52,282,338	7,787,782	2,787,851	1,780	62,859,751

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(Thousands of euros)

	2020				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	239	64	1	–	304
Loans and advances to customers (note 19)	85,341	178,672	1,208,578	–	1,472,591
Debt instruments (note 20)	7,699	802	5,924	–	14,425
Guarantees and other commitments (note 35)	4,365	6,891	78,422	–	89,678
Total	97,644	186,429	1,292,925	–	1,576,998

(Thousands of euros)

	2020				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	350,352	543	1	–	350,896
Loans and advances to customers (note 19)	28,095,501	5,793,609	1,138,181	1,780	35,029,071
Debt instruments (note 20)	5,444,406	123,587	9,882	–	5,577,875
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,024,989	–	–	–	8,024,989
Guarantees and other commitments (notes 35 and 40)	10,269,446	1,683,614	346,862	–	12,299,922
Total	52,184,694	7,601,353	1,494,926	1,780	61,282,753

As at 31 December 2019, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2019				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	511,671	3,006	–	–	514,677
Loans and advances to customers (note 19)	24,965,120	6,050,648	3,229,252	3,225	34,248,245
Debt instruments (note 20)	2,377,300	74,515	9,549	–	2,461,364
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,006,771	–	–	–	8,006,771
Guarantees and other commitments (note 40)	9,097,042	1,602,505	467,882	–	11,167,429
Total	44,957,904	7,730,674	3,706,683	3,225	56,398,486

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(Thousands of euros)

	2019				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	160	208	–	–	368
Loans and advances to customers (note 19)	23,898	138,780	1,699,216	–	1,861,894
Debt instruments (note 20)	3,101	382	9,480	–	12,963
Guarantees and other commitments (note 35)	1,272	4,170	96,626	–	102,068
Total	28,431	143,540	1,805,322	–	1,977,293

(Thousands of euros)

	2019				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	511,511	2,798	–	–	514,309
Loans and advances to customers (note 19)	24,941,222	5,911,868	1,530,036	3,225	32,386,351
Debt instruments (note 20)	2,374,199	74,133	69	–	2,448,401
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,006,771	–	–	–	8,006,771
Guarantees and other commitments (notes 35 and 40)	9,095,770	1,598,335	371,256	–	11,065,361
Total	44,929,473	7,587,134	1,901,361	3,225	54,421,193

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2020	2019
Financial assets held for trading (note 21)		
Debt instruments	425,880	51,452
Derivatives	565,254	698,629
Financial assets designated at fair value through profit or loss - Debt instruments (note 21)	–	31,496
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 21)	1,277,826	1,444,772
Hedging derivatives (note 22)	152,377	69,051
Total	2,421,337	2,295,400

Notes:
- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During the year of 2020, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	24,965,120	6,050,648	3,229,252	3,225	34,248,245
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,031,513)	1,031,513	–	–	–
Transfer from Stage 1 to Stage 3	(70,226)	–	70,226	–	–
Transfer from Stage 2 to Stage 1	1,507,805	(1,507,805)	–	–	–
Transfer from Stage 2 to Stage 3	–	(321,720)	321,720	–	–
Transfer from Stage 3 to Stage 1	14,892	–	(14,892)	–	–
Transfer from Stage 3 to Stage 2	–	130,656	(130,656)	–	–
Write-offs	(1,647)	(4,682)	(133,228)	–	(139,557)
Net balance of new financial assets and derecognised financial assets and other changes	2,796,411	593,671	(995,663)	(1,445)	2,392,974
Gross amount as at 31 December	28,180,842	5,972,281	2,346,759	1,780	36,501,662

During the year of 2020, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 1 January	23,898	138,780	1,699,216	–	1,861,894
Change in impairment losses:					
Transfer to Stage 1	17,187	(16,807)	(380)	–	–
Transfer to Stage 2	(2,363)	9,158	(6,795)	–	–
Transfer to Stage 3	(494)	(12,263)	12,757	–	–
Changes occurred due to changes in credit risk	8,244	32,924	216,786	–	257,954
Write-offs	(1,647)	(4,682)	(133,228)	–	(139,557)
Changes due to new financial assets and derecognised financial assets and other variations	40,516	31,562	(579,778)	–	(507,700)
Impairment losses as at 31 December	85,341	178,672	1,208,578	–	1,472,591

During the year of 2019, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 31 December 2018	22,915,268	5,758,902	4,607,650	4	33,281,824
Balances BII (integration into BCP)	765,464	252,664	164,404	—	1,182,532
Gross amount as at 1 January 2019	23,680,732	6,011,566	4,772,054	4	34,464,356
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,183,502)	1,183,502	—	—	—
Transfer from Stage 1 to Stage 3	(61,191)	—	61,191	—	—
Transfer from Stage 2 to Stage 1	1,370,214	(1,370,214)	—	—	—
Transfer from Stage 2 to Stage 3	—	(230,310)	230,310	—	—
Transfer from Stage 3 to Stage 1	40,513	—	(40,513)	—	—
Transfer from Stage 3 to Stage 2	—	392,825	(392,825)	—	—
Write-offs	(690)	(3,280)	(558,821)	—	(562,791)
Net balance of new financial assets and derecognised financial assets and other changes	1,119,044	66,559	(842,144)	3,221	346,680
Gross amount as at 31 December 2019	24,965,120	6,050,648	3,229,252	3,225	34,248,245

During the year of 2019, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 31 December 2018	25,460	125,218	2,142,808	—	2,293,486
Balances BII (integration into BCP)	90	894	48,195	—	49,179
Impairment losses as at 1 January 2019	25,550	126,112	2,191,003	—	2,342,665
Change in impairment losses:					
Transfer to Stage 1	17,491	(15,859)	(1,632)	—	—
Transfer to Stage 2	(3,237)	38,654	(35,417)	—	—
Transfer to Stage 3	(463)	(6,482)	6,945	—	—
Changes occurred due to changes in credit risk	(17,941)	(22,957)	21,815	—	(19,083)
Write-offs	(690)	(3,280)	(558,820)	—	(562,790)
Changes due to new financial assets and derecognised financial assets and other variations	3,188	22,592	75,322	—	101,102
Impairment losses as at 31 December 2019	23,898	138,780	1,699,216	—	1,861,894

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2020**	**2019**
Amortised cost before changes	277,729	591,639
Impairment losses before changes	(43,579)	(262,730)
Net amortised cost before changes	234,150	328,909
Net gain / (loss) arising on changes	(6,765)	(11,600)
Net amortised cost after changes	227,385	317,309

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	2020	2019
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	47,839	53,080

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	14,788,613	2,031,902	70,278	29,660	2,131,840	196,190	186,708	382,898	1,602	17,304,953
Individuals-Other	3,324,659	463,906	19,254	7,522	490,682	104,024	136,780	240,804	175	4,056,320
Financial Companies	2,054,502	435,198	37	1	435,236	145,897	90,861	236,758	–	2,726,496
Non-financial comp.- Corporate	5,961,180	915,159	2,195	–	917,354	151,953	461,518	613,471	–	7,492,005
Non-financial comp.- SME-Corporate	8,090,449	2,382,361	5,030	1,145	2,388,536	754,748	195,336	950,084	–	11,429,069
Non-financial comp.-SME-Retail	4,964,239	1,362,536	13,651	2,285	1,378,472	255,315	108,480	363,795	3	6,706,509
Non-financial comp.-Other	345,439	–	–	–	–	–	40	40	–	345,479
Other loans	4,728,268	45,662	–	–	45,662	–	1	1	–	4,773,931
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Individuals-Mortgage	2,389	9,994	336	196	10,526	8,673	39,514	48,187	–	61,102
Individuals-Other	2,514	8,484	1,009	861	10,354	39,676	70,944	110,620	–	123,488
Financial Companies	3,134	6,433	4	–	6,437	124,059	66,087	190,146	–	199,717
Non-financial comp.- Corporate	13,194	23,269	91	–	23,360	86,075	312,732	398,807	–	435,361
Non-financial comp.- SME-Corporate	36,823	90,351	567	232	91,150	252,743	128,024	380,767	–	508,740
Non-financial comp.-SME-Retail	35,873	40,845	1,594	354	42,793	114,810	49,559	164,369	–	243,035
Non-financial comp.-Other	22	–	–	–	–	–	28	28	–	50
Other loans	3,695	1,809	–	–	1,809	–	1	1	–	5,505
Total	97,644	181,185	3,601	1,643	186,429	626,036	666,889	1,292,925	–	1,576,998
Net exposure										
Individuals-Mortgage	14,786,224	2,021,908	69,942	29,464	2,121,314	187,517	147,194	334,711	1,602	17,243,851
Individuals-Other	3,322,145	455,422	18,245	6,661	480,328	64,348	65,836	130,184	175	3,932,832
Financial Companies	2,051,368	428,765	33	1	428,799	21,838	24,774	46,612	–	2,526,779
Non-financial comp.- Corporate	5,947,986	891,890	2,104	–	893,994	65,878	148,786	214,664	–	7,056,644
Non-financial comp.- SME-Corporate	8,053,626	2,292,010	4,463	913	2,297,386	502,005	67,312	569,317	–	10,920,329
Non-financial comp.-SME-Retail	4,928,366	1,321,691	12,057	1,931	1,335,679	140,505	58,921	199,426	3	6,463,474
Non-financial comp.-Other	345,417	–	–	–	–	–	12	12	–	345,429
Other loans	4,724,573	43,853	–	–	43,853	–	–	–	–	4,768,426
Total	44,159,705	7,455,539	106,844	38,970	7,601,353	982,091	512,835	1,494,926	1,780	53,257,764
% of impairment coverage										
Individuals-Mortgage	0.02%	0.49%	0.48%	0.66%	0.49%	4.42%	21.16%	12.58%	0.00%	0.35%
Individuals-Other	0.08%	1.83%	5.24%	11.45%	2.11%	38.14%	51.87%	45.94%	0.00%	3.04%
Financial Companies	0.15%	1.48%	10.81%	0.00%	1.48%	85.03%	72.73%	80.31%	0.00%	7.33%
Non-financial comp.- Corporate	0.22%	2.54%	4.15%	0.00%	2.55%	56.65%	67.76%	65.01%	0.00%	5.81%
Non-financial comp.- SME-Corporate	0.46%	3.79%	11.27%	20.26%	3.82%	33.49%	65.54%	40.08%	0.00%	4.45%
Non-financial comp.-SME-Retail	0.72%	3.00%	11.68%	15.49%	3.10%	44.97%	45.68%	45.18%	0.00%	3.62%
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	70.00%	70.00%	0.00%	0.01%
Other loans	0.08%	3.96%	0.00%	0.00%	3.96%	0.00%	100.00%	100.00%	0.00%	0.12%
Total	0.22%	2.37%	3.26%	4.05%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	18,113,272	2,495,808	89,532	37,182	2,622,522	300,214	323,489	623,703	1,777	21,361,274
Non-financial comp.- Trade	3,561,188	745,882	4,724	683	751,289	108,517	53,396	161,913	–	4,474,390
Non-financial comp.- Construction	1,679,428	694,394	2,613	77	697,084	392,132	78,170	470,302	–	2,846,814
Non-finan. comp.- Manufacturing ind.	4,042,117	813,142	5,365	1,123	819,630	110,634	68,726	179,360	–	5,041,107
Non-financial comp.-Other activities	1,314,558	396,155	279	10	396,444	159,169	76,880	236,049	–	1,947,051
Non-financial comp.- Other services	8,764,017	2,010,484	7,895	1,537	2,019,916	391,564	488,201	879,765	3	11,663,701
Other Services /Other activities	6,782,769	480,859	37	1	480,897	145,897	90,862	236,759	–	7,500,425
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Loans to individuals	4,902	18,479	1,345	1,057	20,881	48,349	110,459	158,808	–	184,591
Non-financial comp.- Trade	12,853	24,600	432	73	25,105	37,421	34,487	71,908	–	109,866
Non-financial comp.- Construction	8,277	15,712	548	13	16,273	113,696	36,815	150,511	–	175,061
Non-finan. comp.- Manufacturing ind.	16,069	24,682	438	234	25,354	45,996	37,060	83,056	–	124,479
Non-financial comp.-Other activities	4,528	13,184	52	2	13,238	82,218	35,784	118,002	–	135,768
Non-financial comp.- Other services	44,185	76,288	783	263	77,334	174,297	346,198	520,495	–	642,014
Other Services /Other activities	6,830	8,240	4	–	8,244	124,057	66,088	190,145	–	205,219
Total	97,644	181,185	3,602	1,642	186,429	626,034	666,891	1,292,925	–	1,576,998
Net exposure										
Loans to individuals	18,108,370	2,477,329	88,187	36,125	2,601,641	251,865	213,030	464,895	1,777	21,176,683
Non-financial comp.- Trade	3,548,335	721,282	4,292	610	726,184	71,096	18,909	90,005	–	4,364,524
Non-financial comp.- Construction	1,671,151	678,682	2,065	64	680,811	278,436	41,355	319,791	–	2,671,753
Non-finan. comp.- Manufacturing ind.	4,026,048	788,460	4,927	889	794,276	64,638	31,666	96,304	–	4,916,628
Non-financial comp.-Other activities	1,310,030	382,971	227	8	383,206	76,951	41,096	118,047	–	1,811,283
Non-financial comp.- Other services	8,719,832	1,934,196	7,112	1,274	1,942,582	217,267	142,003	359,270	3	11,021,687
Other Services /Other activities	6,775,939	472,619	33	1	472,653	21,840	24,774	46,614	–	7,295,206
Total	44,159,705	7,455,539	106,843	38,971	7,601,353	982,093	512,833	1,494,926	1,780	53,257,764
% of impairment coverage										
Loans to individuals	0.03%	0.74%	1.50%	2.84%	0.80%	16.10%	34.15%	25.46%	0.00%	0.86%
Non-financial comp.- Trade	0.36%	3.30%	9.14%	10.69%	3.34%	34.48%	64.59%	44.41%	0.00%	2.46%
Non-financial comp.- Construction	0.49%	2.26%	20.97%	16.88%	2.33%	28.99%	47.10%	32.00%	0.00%	6.15%
Non-finan. comp.- Manufacturing ind.	0.40%	3.04%	8.16%	20.84%	3.09%	41.57%	53.92%	46.31%	0.00%	2.47%
Non-financial comp.-Other activities	0.34%	3.33%	18.64%	20.00%	3.34%	51.65%	46.55%	49.99%	0.00%	6.97%
Non-financial comp.- Other services	0.50%	3.79%	9.92%	17.11%	3.83%	44.51%	70.91%	59.16%	0.00%	5.50%
Other Services /Other activities	0.10%	1.71%	10.81%	0.00%	1.71%	85.03%	72.73%	80.31%	0.00%	2.74%
Total	0.22%	2.37%	3.26%	4.04%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	14,212,753	2,287,388	120,935	25,992	2,434,315	241,184	271,844	513,028	3,221	17,163,317
Individuals-Other	3,330,637	526,860	34,229	8,761	569,850	78,517	115,927	194,444	4	4,094,935
Financial Companies	2,274,746	425,519	85	9	425,613	217,568	253,927	471,495	–	3,171,854
Non-financial comp.- Corporate	5,548,424	791,966	500	437	792,903	401,462	537,404	938,866	–	7,280,193
Non-financial comp.- SME-Corporate	6,662,320	2,129,450	20,122	3,489	2,153,061	748,748	269,881	1,018,629	–	9,834,010
Non-financial comp.-SME-Retail	3,538,444	1,163,769	35,113	11,062	1,209,944	393,672	167,721	561,393	–	5,309,781
Non-financial comp.-Other	411,377	22,676	9	–	22,685	7,006	1,821	8,827	–	442,889
Other loans	972,432	122,303	–	–	122,303	–	1	1	–	1,094,736
Total	36,951,133	7,469,931	210,993	49,750	7,730,674	2,088,157	1,618,526	3,706,683	3,225	48,391,715
Impairment										
Individuals-Mortgage	590	5,639	671	194	6,504	5,434	36,218	41,652	–	48,746
Individuals-Other	2,163	6,734	1,621	782	9,137	23,768	56,064	79,832	–	91,132
Financial Companies	1,498	5,198	10	1	5,209	142,056	203,236	345,292	–	351,999
Non-financial comp.- Corporate	5,923	16,254	2	34	16,290	255,891	341,085	596,976	–	619,189
Non-financial comp.- SME-Corporate	12,988	74,365	2,103	575	77,043	245,125	208,182	453,307	–	543,338
Non-financial comp.-SME-Retail	4,687	25,442	1,851	702	27,995	189,071	96,347	285,418	–	318,100
Non-financial comp.-Other	18	228	–	–	228	1,111	1,734	2,845	–	3,091
Other loans	564	1,134	–	–	1,134	–	–	–	–	1,698
Total	28,431	134,994	6,258	2,288	143,540	862,456	942,866	1,805,322	–	1,977,293
Net exposure										
Individuals-Mortgage	14,212,163	2,281,749	120,264	25,798	2,427,811	235,750	235,626	471,376	3,221	17,114,571
Individuals-Other	3,328,474	520,126	32,608	7,979	560,713	54,749	59,863	114,612	4	4,003,803
Financial Companies	2,273,248	420,321	75	8	420,404	75,512	50,691	126,203	–	2,819,855
Non-financial comp.- Corporate	5,542,501	775,712	498	403	776,613	145,571	196,319	341,890	–	6,661,004
Non-financial comp.- SME-Corporate	6,649,332	2,055,085	18,019	2,914	2,076,018	503,623	61,699	565,322	–	9,290,672
Non-financial comp.-SME-Retail	3,533,757	1,138,327	33,262	10,360	1,181,949	204,601	71,374	275,975	–	4,991,681
Non-financial comp.-Other	411,359	22,448	9	–	22,457	5,895	87	5,982	–	439,798
Other loans	971,868	121,169	–	–	121,169	–	1	1	–	1,093,038
Total	36,922,702	7,334,937	204,735	47,462	7,587,134	1,225,701	675,660	1,901,361	3,225	46,414,422
% of impairment coverage										
Individuals-Mortgage	0.00%	0.25%	0.55%	0.75%	0.27%	2.25%	13.32%	8.12%	0.00%	0.28%
Individuals-Other	0.06%	1.28%	4.74%	8.93%	1.60%	30.27%	48.36%	41.06%	0.00%	2.23%
Financial Companies	0.07%	1.22%	11.76%	11.11%	1.22%	65.29%	80.04%	73.23%	0.00%	11.10%
Non-financial comp.- Corporate	0.11%	2.05%	0.40%	7.78%	2.05%	63.74%	63.47%	63.58%	0.00%	8.51%
Non-financial comp.- SME-Corporate	0.19%	3.49%	10.45%	16.48%	3.58%	32.74%	77.14%	44.50%	0.00%	5.53%
Non-financial comp.-SME-Retail	0.13%	2.19%	5.27%	6.35%	2.31%	48.03%	57.44%	50.84%	0.00%	5.99%
Non-financial comp.-Other	0.00%	1.01%	0.00%	0.00%	1.01%	15.86%	95.22%	32.23%	0.00%	0.70%
Other loans	0.06%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%	0.00%	0.00%	0.16%
Total	0.08%	1.81%	2.97%	4.60%	1.86%	41.30%	58.25%	48.70%	0.00%	4.09%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	17,543,390	2,814,248	155,163	34,752	3,004,163	319,702	387,771	707,473	3,225	21,258,251
Non-financial comp.- Trade	2,925,641	492,828	13,433	2,158	508,419	144,383	56,115	200,498	–	3,634,558
Non-financial comp.- Construction	1,378,484	629,234	5,150	1,008	635,392	489,727	198,132	687,859	–	2,701,735
Non-finan. comp.- Manufacturing ind.	3,367,167	613,710	12,101	5,264	631,075	97,026	57,647	154,673	–	4,152,915
Non-financial comp.-Other activities	1,135,697	382,994	4,567	493	388,054	158,705	9,716	168,421	–	1,692,172
Non-financial comp.- Other services	7,353,576	1,989,093	20,494	6,066	2,015,653	661,048	655,214	1,316,262	–	10,685,491
Other Services /Other activities	3,247,178	547,824	85	9	547,918	217,568	253,929	471,497	–	4,266,593
Total	36,951,133	7,469,931	210,993	49,750	7,730,674	2,088,159	1,618,524	3,706,683	3,225	48,391,715
Impairment										
Loans to individuals	2,754	12,373	2,292	976	15,641	29,202	92,282	121,484	–	139,879
Non-financial comp.- Trade	4,309	10,766	807	251	11,824	68,296	31,078	99,374	–	115,507
Non-financial comp.- Construction	2,950	7,780	589	32	8,401	134,212	151,023	285,235	–	296,586
Non-finan. comp.- Manufacturing ind.	5,743	15,025	1,004	720	16,749	42,169	21,829	63,998	–	86,490
Non-financial comp.-Other activities	1,094	10,848	69	92	11,009	72,393	2,799	75,192	–	87,295
Non-financial comp.- Other services	9,520	71,871	1,486	216	73,573	374,127	440,620	814,747	–	897,840
Other Services /Other activities	2,061	6,332	10	1	6,343	142,056	203,236	345,292	–	353,696
Total	28,431	134,995	6,257	2,288	143,540	862,455	942,867	1,805,322	–	1,977,293
Net exposure										
Loans to individuals	17,540,636	2,801,875	152,871	33,776	2,988,522	290,500	295,489	585,989	3,225	21,118,372
Non-financial comp.- Trade	2,921,332	482,062	12,626	1,907	496,595	76,087	25,037	101,124	–	3,519,051
Non-financial comp.- Construction	1,375,534	621,454	4,561	976	626,991	355,515	47,109	402,624	–	2,405,149
Non-finan. comp.- Manufacturing ind.	3,361,424	598,685	11,097	4,544	614,326	54,857	35,818	90,675	–	4,066,425
Non-financial comp.-Other activities	1,134,603	372,146	4,498	401	377,045	86,312	6,917	93,229	–	1,604,877
Non-financial comp.- Other services	7,344,056	1,917,222	19,008	5,850	1,942,080	286,921	214,594	501,515	–	9,787,651
Other Services /Other activities	3,245,117	541,492	75	8	541,575	75,512	50,693	126,205	–	3,912,897
Total	36,922,702	7,334,936	204,736	47,462	7,587,134	1,225,704	675,657	1,901,361	3,225	46,414,422
% of impairment coverage										
Loans to individuals	0.02%	0.44%	1.48%	2.81%	0.52%	9.13%	23.80%	17.17%	0.00%	0.66%
Non-financial comp.- Trade	0.15%	2.18%	6.01%	11.63%	2.33%	47.30%	55.38%	49.56%	0.00%	3.18%
Non-financial comp.- Construction	0.21%	1.24%	11.44%	3.17%	1.32%	27.41%	76.22%	41.47%	0.00%	10.98%
Non-finan. comp.- Manufacturing ind.	0.17%	2.45%	8.30%	13.68%	2.65%	43.46%	37.87%	41.38%	0.00%	2.08%
Non-financial comp.-Other activities	0.10%	2.83%	1.51%	18.66%	2.84%	45.61%	28.81%	44.65%	0.00%	5.16%
Non-financial comp.- Other services	0.13%	3.61%	7.25%	3.56%	3.65%	56.60%	67.25%	61.90%	0.00%	8.40%
Other Services /Other activities	0.06%	1.16%	11.76%	11.11%	1.16%	65.29%	80.04%	73.23%	0.00%	8.29%
Total	0.08%	1.81%	2.97%	4.60%	1.86%	41.30%	58.25%	48.70%	0.00%	4.09%

As at 31 December 2020, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2020							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	25,152,472	6,612,176	2,216,651	—	2,239	33,983,538	93,279	33,890,259
stage 2	1,037,497	1,513,753	2,919,442	201,350	425,235	6,097,277	179,538	5,917,739
stage 3	—	—	—	2,362,566	1	2,362,567	1,214,503	1,148,064
POCI	33	11	86	1,605	45	1,780	—	1,780
	26,190,002	8,125,940	5,136,179	2,565,521	427,520	42,445,162	1,487,320	40,957,842
Debt instruments at fair value through other comprehensive income (*)								
stage 1	7,882,434	104,997	—	—	37,558	8,024,989	—	8,024,989
	7,882,434	104,997	—	—	37,558	8,024,989	—	8,024,989
Guarantees and other commitments								
stage 1	6,577,009	2,755,912	884,156	—	56,734	10,273,811	4,365	10,269,446
stage 2	300,674	488,972	629,160	55,560	216,139	1,690,505	6,891	1,683,614
stage 3	—	—	—	425,284	—	425,284	78,422	346,862
	6,877,683	3,244,884	1,513,316	480,844	272,873	12,389,600	89,678	12,299,922
Total	40,950,119	11,475,821	6,649,495	3,046,365	737,951	62,859,751	1,576,998	61,282,753

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

As at 31 December 2019, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2019							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	19,301,643	6,266,627	2,277,314	1	8,506	27,854,091	27,159	27,826,932
stage 2	1,064,753	1,497,166	2,744,781	322,561	498,908	6,128,169	139,370	5,988,799
stage 3	1,040	3,349	66,081	3,094,211	74,120	3,238,801	1,708,696	1,530,105
POCI	—	—	43	3,178	4	3,225	—	3,225
	20,367,436	7,767,142	5,088,219	3,419,951	581,538	37,224,286	1,875,225	35,349,061
Debt instruments at fair value through other comprehensive income (*)								
stage 1	7,917,745	88,792	184	—	50	8,006,771	—	8,006,771
	7,917,745	88,792	184	—	50	8,006,771	—	8,006,771
Guarantees and other commitments								
stage 1	6,203,291	2,112,908	650,278	—	130,565	9,097,042	1,272	9,095,770
stage 2	150,984	316,279	621,382	63,260	450,600	1,602,505	4,170	1,598,335
stage 3	9	9	18,415	447,853	1,596	467,882	96,626	371,256
	6,354,284	2,429,196	1,290,075	511,113	582,761	11,167,429	102,068	11,065,361
Total	34,639,465	10,285,130	6,378,478	3,931,064	1,164,349	56,398,486	1,977,293	54,421,193

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	3,111	17,301,842	17,304,953	1,459	59,643	61,102
Individuals-Other	79,147	3,977,173	4,056,320	24,452	99,036	123,488
Financial Companies	223,808	2,502,688	2,726,496	189,757	9,960	199,717
Non-financial comp. - Corporate	605,762	6,886,243	7,492,005	393,104	42,257	435,361
Non-financial comp.- SME-Corporate	744,552	10,684,517	11,429,069	340,661	168,079	508,740
Non-financial comp. -SME-Retail	199,201	6,507,308	6,706,509	113,281	129,754	243,035
Non-financial comp.-Other	—	345,479	345,479	—	50	50
Other loans	—	4,773,931	4,773,931	—	5,505	5,505
Total	1,855,581	52,979,181	54,834,762	1,062,714	514,284	1,576,998

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	82,258	21,279,016	21,361,274	25,911	158,680	184,591
Non-financial comp.- Trade	90,292	4,384,098	4,474,390	47,929	61,937	109,866
Non-financial comp.- Construction	354,386	2,492,428	2,846,814	130,164	44,897	175,061
Non finan. comp.- Manufacturing indust.	96,264	4,944,843	5,041,107	58,284	66,195	124,479
Non-financial comp.-Other activities	208,443	1,738,608	1,947,051	113,247	22,521	135,768
Non-financial comp.- Other services	800,130	10,863,571	11,663,701	497,424	144,590	642,014
Other Services/Other activities	223,808	7,276,617	7,500,425	189,755	15,464	205,219
Total	1,855,581	52,979,181	54,834,762	1,062,714	514,284	1,576,998

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	4,135	17,159,182	17,163,317	1,295	47,451	48,746
Individuals-Other	76,805	4,018,130	4,094,935	15,850	75,282	91,132
Financial Companies	458,198	2,713,656	3,171,854	344,870	7,129	351,999
Non-financial comp. - Corporate	933,779	6,346,414	7,280,193	593,163	26,026	619,189
Non-financial comp.- SME-Corporate	821,781	9,012,229	9,834,010	416,835	126,503	543,338
Non-financial comp. -SME-Retail	426,069	4,883,712	5,309,781	249,787	68,313	318,100
Non-financial comp.-Other	5,835	437,054	442,889	2,721	370	3,091
Other loans	—	1,094,736	1,094,736	—	1,698	1,698
Total	2,726,602	45,665,113	48,391,715	1,624,521	352,772	1,977,293

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	80,941	21,177,310	21,258,251	17,145	122,734	139,879
Non-financial comp.- Trade	134,920	3,499,638	3,634,558	79,983	35,524	115,507
Non-financial comp.- Construction	580,045	2,121,690	2,701,735	266,584	30,002	296,586
Non finan. comp.- Manufacturing indust.	84,095	4,068,820	4,152,915	46,576	39,914	86,490
Non-financial comp.-Other activities	148,954	1,543,218	1,692,172	72,422	14,873	87,295
Non-financial comp.- Other services	1,239,449	9,446,042	10,685,491	796,941	100,899	897,840
Other Services/Other activities	458,198	3,808,395	4,266,593	344,870	8,826	353,696
Total	2,726,602	45,665,113	48,391,715	1,624,521	352,772	1,977,293

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2020, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2020					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2010 and previous						
Number of operations	15,237	20,856	234,750	350,468	84	621,395
Value (Euros '000)	979,897	2,978,208	8,965,576	763,545	2,064	13,689,290
Impairment constituted (Euros '000)	68,832	76,322	38,874	14,595	1	198,624
2011						
Number of operations	1,184	1,783	4,753	44,722	1	52,443
Value (Euros '000)	53,759	177,429	246,664	89,453	20	567,325
Impairment constituted (Euros '000)	4,838	4,772	457	959	—	11,026
2012						
Number of operations	961	1,533	2,816	48,435	174	53,919
Value (Euros '000)	78,588	136,655	117,212	69,579	8,259	410,293
Impairment constituted (Euros '000)	3,430	3,727	360	487	6	8,010
2013						
Number of operations	1,469	2,388	5,522	69,600	13	78,992
Value (Euros '000)	69,535	482,040	236,171	99,713	1,571	889,030
Impairment constituted (Euros '000)	4,245	25,091	607	795	53	30,791
2014						
Number of operations	1,458	3,675	3,823	67,035	70	76,061
Value (Euros '000)	81,732	565,414	204,394	102,031	182,189	1,135,760
Impairment constituted (Euros '000)	3,700	30,654	172	835	110	35,471
2015						
Number of operations	2,055	5,455	5,774	76,269	89	89,642
Value (Euros '000)	119,000	694,515	365,544	125,916	5,888	1,310,863
Impairment constituted (Euros '000)	4,346	33,545	183	2,173	5	40,252
2016						
Number of operations	2,516	7,626	7,842	86,407	39	104,430
Value (Euros '000)	198,602	1,482,707	533,710	186,555	3,673	2,405,247
Impairment constituted (Euros '000)	9,559	93,210	347	3,276	3	106,395
2017						
Number of operations	3,189	9,843	12,385	88,640	86	114,143
Value (Euros '000)	302,687	1,583,266	1,001,857	233,144	38,649	3,159,603
Impairment constituted (Euros '000)	5,865	28,414	257	5,224	26	39,786
2018						
Number of operations	6,175	17,397	17,582	169,083	163	210,400
Value (Euros '000)	919,972	2,473,924	1,647,157	504,918	362,900	5,908,871
Impairment constituted (Euros '000)	7,646	29,306	343	8,467	67	45,829
2019						
Number of operations	9,398	23,855	19,078	447,170	77	499,578
Value (Euros '000)	1,100,422	2,560,487	1,884,065	934,200	137,753	6,616,927
Impairment constituted (Euros '000)	11,776	90,226	241	9,435	57	111,735
2020						
Number of operations	12,973	45,216	16,153	177,891	127	252,360
Value (Euros '000)	1,937,296	7,157,986	1,751,145	683,789	253,224	11,783,440
Impairment constituted (Euros '000)	17,913	89,306	1,884	8,663	151	117,917
Total						
Number of operations	56,615	139,627	330,478	1,625,720	923	2,153,363
Value (Euros '000)	5,841,490	20,292,631	16,953,495	3,792,843	996,190	47,876,649
Impairment constituted (Euros '000)	142,150	504,573	43,725	54,909	479	745,836

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2019, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2019					
Year of production	**Construction and CRE**	**Companies - Oth. Activities**	**Mortgage loans**	**Individuals - Other**	**Other loans**	**Total**
2009 and previous						
Number of operations	15,965	22,875	237,261	338,670	73	614,844
Value (Euros '000)	1,000,320	3,054,608	9,155,121	711,714	1,948	13,923,711
Impairment constituted (Euros '000)	102,077	115,483	32,867	9,578	—	260,005
2010						
Number of operations	1,417	2,008	13,102	49,884	16	66,427
Value (Euros '000)	146,692	300,328	724,651	105,693	43	1,277,407
Impairment constituted (Euros '000)	9,862	10,882	1,812	797	—	23,353
2011						
Number of operations	1,352	2,153	5,040	48,301	2	56,848
Value (Euros '000)	57,793	293,017	270,225	94,644	35	715,714
Impairment constituted (Euros '000)	5,817	10,572	392	746	—	17,527
2012						
Number of operations	1,174	2,006	3,015	52,606	185	58,986
Value (Euros '000)	83,859	182,871	129,888	71,437	8,783	476,838
Impairment constituted (Euros '000)	3,742	12,473	414	509	3	17,141
2013						
Number of operations	1,794	3,029	6,014	77,558	13	88,408
Value (Euros '000)	74,456	563,433	267,049	108,564	1,512	1,015,014
Impairment constituted (Euros '000)	5,280	38,573	622	759	—	45,234
2014						
Number of operations	1,746	4,762	4,102	74,785	69	85,464
Value (Euros '000)	96,824	661,606	227,704	118,573	181,956	1,286,663
Impairment constituted (Euros '000)	6,982	34,277	132	860	41	42,292
2015						
Number of operations	2,721	7,656	6,193	90,669	97	107,336
Value (Euros '000)	163,496	918,573	401,536	201,207	10,036	1,694,848
Impairment constituted (Euros '000)	20,926	53,101	239	2,041	4	76,311
2016						
Number of operations	3,201	10,465	8,364	101,011	43	123,084
Value (Euros '000)	235,284	1,716,183	587,504	254,860	31,627	2,825,458
Impairment constituted (Euros '000)	14,077	87,145	201	3,256	6	104,685
2017						
Number of operations	3,825	12,560	13,191	106,245	104	135,925
Value (Euros '000)	476,222	1,800,594	1,098,957	325,899	94,790	3,796,462
Impairment constituted (Euros '000)	40,385	69,068	337	4,082	27	113,899
2018						
Number of operations	6,975	20,842	18,540	191,120	187	237,664
Value (Euros '000)	1,208,373	3,059,734	1,793,911	617,921	402,646	7,082,585
Impairment constituted (Euros '000)	7,309	43,284	229	5,158	29	56,009
2019						
Number of operations	14,329	45,792	19,786	536,971	91	616,969
Value (Euros '000)	1,482,718	5,453,698	1,996,586	1,295,203	164,133	10,392,338
Impairment constituted (Euros '000)	10,482	100,326	1,389	4,461	23	116,681
Total						
Number of operations	54,499	134,148	334,608	1,667,820	880	2,191,955
Value (Euros '000)	5,026,037	18,004,645	16,653,132	3,905,715	897,509	44,487,038
Impairment constituted (Euros '000)	226,939	575,184	38,634	32,247	133	873,137

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2020, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2020					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0,5 M€						
Number	6,416	1,599	7,678	5,243	246,759	364
Value (Euros '000)	830,614	82,951	1,158,491	225,661	34,568,965	20,084
>= 0,5 M€ and < 1 M€						
Number	711	40	929	89	4,318	4
Value (Euros '000)	496,050	26,209	647,728	58,593	2,804,370	2,442
>= 1 M€ and < 5 M€						
Number	514	35	773	80	685	1
Value (Euros '000)	1,080,764	60,874	1,525,334	151,036	1,012,799	2,080
>= 5 M€ and < 10 M€						
Number	90	3	98	15	8	—
Value (Euros '000)	619,990	22,608	682,289	102,585	55,714	—
>= 10 M€ and < 20 M€						
Number	42	—	54	11	—	—
Value (Euros '000)	569,865	—	740,318	166,824	—	—
>= 20 M€ and < 50 M€						
Number	29	—	27	1	—	—
Value (Euros '000)	862,058	—	819,011	42,758	—	—
>= 50 M€						
Number	4	—	9	2	—	—
Value (Euros '000)	237,397	—	854,036	680,699	—	—
Total						
Number	7,806	1,677	9,568	5,441	251,770	369
Value (Euros '000)	4,696,738	192,642	6,427,207	1,428,156	38,441,848	24,606

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2019, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2019					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0,5 M€						
Number	6,185	1,891	9,004	7,100	260,207	402
Value (Euros '000)	798,829	91,703	1,255,316	290,238	35,043,380	22,170
>= 0,5 M€ and < 1 M€						
Number	647	35	1,037	87	3,869	6
Value (Euros '000)	450,180	21,839	721,631	56,740	2,517,184	3,487
>= 1 M€ and < 5 M€						
Number	446	43	770	81	539	2
Value (Euros '000)	932,308	69,063	1,518,322	151,602	798,827	3,105
>= 5 M€ and < 10 M€						
Number	67	3	97	17	6	—
Value (Euros '000)	465,997	23,184	661,996	114,119	39,768	—
>= 10 M€ and < 20 M€						
Number	35	1	55	14	—	—
Value (Euros '000)	485,611	13,009	740,103	207,088	—	—
>= 20 M€ and < 50 M€						
Number	25	—	24	2	—	—
Value (Euros '000)	718,625	—	709,533	57,393	—	—
>= 50 M€						
Number	3	—	9	4	—	—
Value (Euros '000)	171,131	—	745,204	863,177	—	—
Total						
Number	7,408	1,973	10,996	7,305	264,621	410
Value (Euros '000)	4,022,681	218,798	6,352,105	1,740,357	38,399,159	28,762

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2020				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,265,649	775,852	340,939	135,337
<60%	13,770	637,346	219,102	40,890	17,246
>=60% and <80%	2,256	582,394	97,014	68,520	33,614
>=80% and <100%	946	210,416	75,211	69,120	36,839
>=100%	9,330	503,561	222,337	130,534	60,129
Companies - Other Activities					
Without associated collateral	n.a.	14,597,720	2,719,477	974,465	816,312
<60%	9,794	693,927	384,584	127,348	43,030
>=60% and <80%	2,582	565,415	182,958	98,234	41,405
>=80% and <100%	1,345	224,569	103,651	123,698	59,234
>=100%	5,039	574,176	342,014	199,875	148,278
Mortgage loans					
Without associated collateral	n.a.	255,821	18,980	2,564	3,356
<60%	215,892	7,247,771	935,515	120,181	9,101
>=60% and <80%	91,001	5,043,875	718,936	109,592	7,999
>=80% and <100%	34,386	1,873,305	363,892	78,916	8,628
>=100%	8,841	418,729	94,569	73,685	26,870

As at 31 December 2019, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2019				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,736,673	741,390	430,199	187,864
<60%	12,453	408,312	224,914	41,225	8,374
>=60% and <80%	1,636	560,850	92,652	21,159	6,354
>=80% and <100%	707	92,821	80,467	101,810	21,191
>=100%	7,926	365,801	176,194	365,017	192,944
Companies - Other Activities					
Without associated collateral	n.a.	12,596,627	2,190,765	1,211,272	909,888
<60%	13,875	628,986	388,577	153,469	80,291
>=60% and <80%	2,601	440,499	199,038	58,009	15,274
>=80% and <100%	1,885	356,633	138,580	95,536	49,365
>=100%	5,545	561,738	315,401	531,144	356,633
Mortgage loans					
Without associated collateral	n.a.	279,390	25,499	4,751	4,639
<60%	212,091	6,837,908	1,005,158	123,681	3,782
>=60% and <80%	96,711	4,955,299	842,531	133,323	3,615
>=80% and <100%	36,709	1,775,415	439,968	119,234	4,104
>=100%	9,925	343,167	118,577	135,264	32,989

As at 31 December 2020 and 2019, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 24), by type of asset:

(Thousands of euros)

	2020		2019	
	Assets arising from recovered loans results (note 24)			
Asset	Appraised value	Book value	Appraised value	Book value
Land				
Urban	360,957	277,072	458,679	363,704
Rural	45,122	35,122	20,104	15,065
Buildings in development				
Commercials	–	–	1,468	767
Mortgage loans	5,538	4,355	4,000	3,043
Constructed buildings				
Commercials	196,577	149,523	259,226	203,351
Mortgage loans	254,311	197,249	307,220	246,208
Others	1,236	926	1,478	1,153
	863,741	664,247	1,052,175	833,291

Market risk

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

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

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

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

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

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

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Bank uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

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

The table below presents the amounts at risk for the Trading Book, and measured by the methodologies referred to above:

(Thousands of euros)

	2020	Max of global risk in the period	Min of global risk in the period	2019
Generic Risk (VaR)	4,025	6,536	817	1,542
Interest Rate Risk	3,795	3,248	777	1,507
FX Risk	852	6,349	380	711
Equity Risk	318	195	68	81
Diversification effects	*(940)*	*(3,256)*	*(408)*	*(757)*
Specific Risk	19	10	5	2
Non-Linear Risk	—	—	—	—
Commodities Risk	—	—	2	5
Global Risk	4,044	6,546	824	1,549

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

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Bank's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Bank's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Bank's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Bank holds material positions:

(Thousands of euros)

	2020			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	(119)	365	595	1,162
EUR	(15,417)	(14,058)	(16,808)	91,941
PLN	(944)	(198)	789	1,558
USD	(12,162)	(3,504)	10,012	19,578
	(28,642)	(17,395)	(5,412)	114,239

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

	2019			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	340	340	684	1,335
EUR	53,904	53,904	(4,092)	(510)
PLN	(1,736)	(1,100)	1,086	2,159
USD	(14,592)	(8,388)	8,085	15,878
	37,916	44,756	5,763	18,862

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialization model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments. On an individual basis hedge accounting is made for hedge investments on investments subsidiaries, by applying Fair Value Hedge.

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland) and Banque Privée BCP (Suisse) S.A., the fair value hedge accounting model.

The amount of the investment in Bank Millennium (Poland) subject to hedging is PLN 2,570,017,000 (31 December 2019: PLN 2,570,017,000), with the equivalent amount of Euros 563,563,000 (31 December 2019: Euros 604,454,000), with the hedging instrument in the same amount.

The amount of the investment Banque Privée BCP (Suisse) S.A subject to hedging is CHF 100,000,000 (31 December 2019: CHF 100,000,000), with the equivalent amount of Euros 92,492,000 (31 December 2019: Euros 91,976,000), with the hedging instrument in the amount of CHF 76,359,000 (31 December 2019: CHF 76,493,000) with the equivalent amount of Euros 70,626,000 (31 December 2019: Euros 70,355,000).

These hedging relationships were considered effective during the entire period of 2020, as described in the accounting policy in note 1 B.4.

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

Liquidity risk

The assessment of the Bank's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risk Commission is responsible for controlling the liquidity risk. This control is reinforced through the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

Considering the prudential criteria adopted by the Group for liquidity management and the decision to reinforce the liquidity buffer at the ECB in reaction to the COVID-19 crisis, the portfolio of assets available for discount with this entity ended the period at 31 December 2020 with a value of Euros 22,502,496,000 (31 December 2019: Euros 17,060,132,000), of which Euros 9,783,715,000 were mobilized in the ECB monetary policy pool.

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of euros)

	2020	2019
European Central Bank	9,783,715	7,328,153

As at 31 December 2020, the amount discounted in the European Central Bank amounts to Euros 7,550,070,000 (31 December 2019: Euros 4,000,000,000).

Liquidity coverage ratio

The credit transformation ratio on deposits calculated on 31 December 2020, in accordance with Bank of Portugal Instruction No. 16/2004 (current version), stood at 88%, improving from the level of the ratio observed on 31 December 2019 (90%).

Hedging accounting

As at 31 December 2020, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2020			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,400,462	5,396	88,654	(48,439)
Interest rate futures	197,400	—	—	647
Interest rate risk				
Currency and interest rate swap	436,079	34	26,365	70
	5,033,941	5,430	115,019	(47,722)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,080,000	69,274	6,540	123,843
	11,080,000	69,274	6,540	123,843
Total	16,113,941	74,704	121,559	76,121

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2019, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2019			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	3,430,030	17,859	46,122	(105,957)
	3,430,030	17,859	46,122	(105,957)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,450,000	17,131	75,352	(123,734)
	11,450,000	17,131	75,352	(123,734)
Total	14,880,030	34,990	121,474	(229,691)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

	2020							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	—	6,559	—	4,727	n.a.	n.a.
	(H)	1,672,825	—	28,794	—	25,080	n.a.	n.a.
	(C)	2,107,350	—	(47,320)	—	26,224	n.a.	n.a.
	(D)	—	10,000	—	233	(99)	n.a.	n.a.
	(E)	—	153,450	—	2,253	2,534	n.a.	n.a.
	(F)	—	2,542	—	42	12	n.a.	n.a.
	(G)	—	449,688	—	1,223	(8,197)	n.a.	n.a.
Interest rate futures	(H)	212,143	—	—	—	(911)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		—	436,080	—	34	(37)	n.a.	n.a.
		4,102,900	1,051,760	(11,967)	3,785	49,333	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,450,000	—	—	—	(123,843)	63,220	207,147
Total		15,552,900	1,051,760	(11,967)	3,785	(74,510)	63,220	207,147

(A) Changes in fair value used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2019, the table below includes the detail of the hedged items:

(Thousands of euros)

	2019							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	449,137	—	5,102	—	623	n.a.	n.a.
	(H)	89,953	—	856	—	856	n.a.	n.a.
	(C)	2,075,608	—	(26,689)	—	104,716	n.a.	n.a.
	(D)	—	260,000	—	9,950	1,470	n.a.	n.a.
	(E)	—	180,650	—	5,149	(6,407)	n.a.	n.a.
	(F)	—	2,554	—	54	(43)	n.a.	n.a.
	(G)	—	441,389	—	(6,974)	6,974	n.a.	n.a.
		2,614,698	884,593	(20,731)	8,179	108,189	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,450,000	—	—	—	123,734	(60,682)	217,311
Total		14,064,698	884,593	(20,731)	8,179	231,923	(60,682)	217,311

(A) Changes in fair value used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2020, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	2020					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	1,842		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,611		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		–	–	(E)	72,606	–
		–	–		72,606	–
Total		–	1,611		72,606	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2019, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	2019					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	2,232		n.a.	n.a.
		n.a.	2,232		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		–	–	(E)	44,882	–
		–	–		44,882	–
Total		–	2,232		44,882	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2020, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	2020					
	Remaining period				Fair value	
Type of hedging	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Assets**	**Liabilities**
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	23,500	370,100	4,006,862	4,400,462	5,396	88,654
Fixed interest rate (average)	0.82%	0.72%	0.11%	0.22%		
Stock Exchange transactions:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,080,000	11,080,000	69,274	6,540
Total derivatives traded by:						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

As at 31 December 2019, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	2019					
	Remaining period				Fair value	
Type of hedging	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Assets**	**Liabilities**
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	–	1,367,350	2,062,680	3,430,030	17,859	46,122
Fixed interest rate (average)		-0.13%	0.74%	0.39%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	–	1,367,350	13,512,680	14,880,030	34,990	121,474

Operational Risk

The operational risk management system adopts the “3 Lines of Defence” model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the Bank have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The risk management system (SGR) – role of Risk Management (Risk Ofice) and Compliance (Compliance Office) – represents the 2nd Line of Defence and is responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred.

In 2020, the usual operational risk management activities continued to be carried out by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilization to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels. In order to strengthen mechanisms for more efficient control of operational risk, several initiatives were launched, of which we highlight:

- Integrated assessment of operational risks and conduct risks in the analysis and approval of new products and services;
- The strengthening of the monitoring of the risk of conflicts of interest and the evaluation and monitoring of service provision contracts under an outsourcing regime considered critical;
- Conducting a new IT Risk self-assessment exercise;
- Redesign of the operational risk self-assessment methodology, to include aspects and quantitative indicators monitored by internal controls on compliance and conduct risks;
- Reinforcement of the weight of operational risk indicators in the RAS metrics, namely in the monitoring of digital channels;
- Improvement of the rules for validating the quality of regulatory reports related to Operational Risk.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade

49. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority (PCA) initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ('BCP' or 'Bank') and other credit institutions, where it seized documentation considered relevant for the investigation of an alleged exchange of sensitive commercial information between credit institutions in the Portuguese market.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections (SO) in connection with the administrative offence no. 2012/9, in which the Bank is accused of participating in a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, consumer and small and medium enterprises credit products. The notification of a SO does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court (Competition Court) on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the PCA – for several months, the PCA denied the defendant's right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the SO. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearing of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

On 9 September 2019, the PCA adopted its final decision on this proceeding, fining BCP in Euros 60 million for its alleged participation in a confidential information exchange system with its competitors in the mortgage, consumer and small and medium enterprises credit segments. The Bank considers that this decision contains serious factual and legal errors, having filed an appeal on 21 October 2019 before the Competition Court requesting the annulation of the decision and the suspensive effect of the appeal.

On 8 May 2020, BCP's appeal was admitted.

On 9 July 2020, BCP requested the Court to declare nullity of the PCA's condemnatory decision, due to the omission of an analysis of the economic and legal context in the terms required by the recent jurisprudence of the Court of Justice of the European Union. Subsequently, the Competition Court clarified that prior questions will not be known before the court hearing begins.

On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between PCA and the appellant banks, including BCP, regarding the dosimetry (i.e., 50% of the amount of the fine) and the modalities of the guarantees to be provided, in order to the appeal to have a suspensive effect.

On 21 December 2020, BCP submitted, having the Competition Court accepted, a bank guarantee in the maximum amount of Euros 30 million, issued by the bank itself as a way to satisfy the referred security deposit.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1) send information about the UOKIK's decision to the referred 78 clients;
2) place information about the decision and the decision itself on its website and on Twitter;
3) pay a fine amounting to PLN 20.7 million (Euros 4.54 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. According to current estimates of the risk of losing this dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought up by UOKIK, in which the President of UOKIK considers to have existed anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, it was imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.68 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.3 million), the setting of which took it account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of use of the provisions in question.

Bank Millennium was also requested to, after the decision becomes final and binding, inform consumers, by registered mail, of the effect that the said clauses were deemed to be abusive and, therefore, not binding upon them (without need to obtain the court's decision confirming this circumstance) and publish the decision on the case in Bank Millennium's website.

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by itself (on the basis of a concept, not specified in any regulations, of average interbank market rate). Moreover, the client had no precise knowledge of where to look for the said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC's Chairman also indicated that, in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC's Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the said decision within the statutory term. Bank Millennium believes that the chances for it to win the case are positive.

4. Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729,580,027 (Euros 159,985,095). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635,681,381 (Euros 139,394,641). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, we point out that Bank Millennium participates as an intervener in three other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

5. On 5 April 2016, Bank Millennium was notified of a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, worth of the dispute of PLN 521.9 million (Euros 114.44 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; the lawsuit was notified to Bank Millennium only on 4 April 2016. According to the plaintiff, the petition for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the wrong interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 54.82 million). On the 5 September 2016 the Court of Appeal dismissed such claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

6. On 19 January 2018, Bank Millennium received a lawsuit filed by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 40.96 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. Bank Millennium did not accept the claim and contested this action. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. The case is currently awaiting verdict before the court of second instance. According to current estimates of the risk of losing the dispute, Bank Millennium has not created a specific provision related to this matter.

7. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 which are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.77 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.77 million) to over PLN 5 million (Euros 1.1 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,616,364.70).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff. Bank Millennium submitted an appeal against the resolution on 14 July 2020. The appeal has not yet been decided.

As at 31 December 2020, there are also 386 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

8. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

a) presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;
b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;
c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);
d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

9. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit aiming that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;
b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;
c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;
d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;
e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis proven and that must be proven. Meanwhile, a head expert has already been appointed and the investigation is ongoing.

In October 2020, the experts requested an extension of the deadline for submitting the report by 90 days, stating that they would be collecting and analysing elements until the end of December 2020.

10. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the *"eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies"*.

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. This list details that the total of the acknowledge credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, there being no guaranteed or privileged claims. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined with the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2019, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. (…) The Board of Directors supported by lawyers opinion, which sponsored these actions, and in the light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure"*.

On 31 March 2017, Bank of Portugal communicated the sale of Novo Banco, where it states the following: *"Banco of Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital"*.

The terms agreed also include a Contingent Capital Agreement, under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are to be met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of Banco Espírito Santo.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion (*) that revealed significant uncertainties regarding adequacy in provisioning (**):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*)(**)(***);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion (**);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (**).

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible to clarify any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2019 Resolution Fund's annual report, the work carried out by the Verification Agent continues to be followed.

In its 2019 annual report, the Resolution Fund states that *"Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the agreement on the Contingent Capital Agreement with Novo Banco"*.

(*) Exact value not disclosed by the European Commission for confidentiality reasons
(**) As referred to in the respective European Commission Decision
(***) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the contingent capitalization agreement was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as of 31 December 2019, amounted to approximately Euros 3 billion (book value, net of impairments), according to Novo Banco’s 2019 annual report.

According to the 2019 Resolution Fund’s annual report, “in 24 May 2018, the Fund paid Novo Banco Euros 791,695 million, with reference to 2017, under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. The Resolution Fund used its available financial resources from banking contributions (direct or indirect) complemented by a State loan of Euros 430 million. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, of Euros 1,149 million under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. For this purpose, the Resolution Fund used its own resources from banking contributions (direct or indirect) and also resorted to a State loan of Euros 850 million”.

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

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

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Bank’s decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million".

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that may still be used amounts to Euros 912 million.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that "the Resolution Fund has also provided the Budget and Finance Committee, in writing, of all the clarifications on its decision to deduct from the amount calculated under the Contingent Capital Agreement, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco".

Following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the Contingent Capitalisation Agreement, a special audit determined by the Government was carried out. According to a statement by the Resolution Fund on 3 September, information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in Banco Espírito Santo, S.A., and resulting impairment charges and provisions. Regarding the exercise of the powers of the Resolution Fund under the Contingent Capitalisation Agreement, the audit results reflect the adequacy of the principles and the adopted criteria.

In November 2020, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively (****).

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, having had the confirmation of the conversion of the deferred tax assets into tax credits by the Tax and Customs Authority for the tax period of 2015 and 2016 in exchange for conversion rights attributed to the State. If the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, which expires in 2022, the State may become Novo Banco's shareholder up to a stake of 2.71% of Novo Banco's share capital, while diluting the Resolution Fund's shareholder position. According to the Resolution Fund's 2019 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake. It is estimated, according to note 21, although subject to certain assumptions, that the processes in progress for the conversion of deferred tax assets into tax credits with reference to 2017 and 2018 may correspond to about 7.6 percentage points of the share capital of Novo Banco. These effects may impact the shareholder position of the Resolution Fund in Novo Banco.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Bank of Portugal announced that Banif was *"at risk of insolvency or insolvent"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a mutual contract given by the State.

According to the Resolution Fund's 2019 annual report, note 21, *"to ensure that the Fund has, at due date, the financial resources necessary to comply with this guarantee, if the principal debtor – Oitante - defaults, the Portuguese State counter-guarantees the referred bond issue. Until 31 December 2019, Oitante made partial prepayments of Euros 546,461 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 199,539 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2019 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund". Also, according to the 2019 Resolution Fund's annual report, "at the date of approval of this report, the debt reimbursed since it was incurred is above 73%".*

(****) In Novo Banco's earnings presentation on 13 November 2020, the Resolution Fund holds 25% of Novo Banco's capital while the remaining is held by Lone Star.

Also, according to this source, *"The outstanding debt related to the amount made available by the State to finance the absorption of BANIF's losses, following the resolution measure applied by Bank of Portugal to that entity [amounts to] Euros 352,880 thousand"*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

On 12 January 2021, Bank of Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of those deliberations by Bank of Portugal.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2019, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the Contingent Capital Agreement (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3,89 billion under the aforementioned conditions, among which a reduction of CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 21 of the Resolution Fund's 2019 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif– Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks";*

- *"Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another";*

- *"The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";*

- *"The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".*

On 2 October 2017, by Council of Ministers (Resolution no. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative equity of Euros 7,021 million vs. Euros 6,114 million in 2018, according to the latest 2019 annual report of the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to fulfil with their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "*...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely*".

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year based on objective incidence of periodic contributions. The instruction of the Bank of Portugal no. 32/2020, published on 18 December 2020, set the base rate to be effective in 2021 for the determination of periodic contributions to the FR by 0.06%, unchanged from the rate in force in 2020.

During 2020, the Bank made regular contributions to the Resolution Fund in the amount of Euros 15,040 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2020, was Euros 35,180 thousand. These contributions were recognized as a cost in the financial year of 2020, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Bank made an initial contribution in the amount of Euros 30,843 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Bank in the financial year of 2020 was Euros 22,758 thousand, of which the Bank delivered Euros 19,344 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Bank of Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to the bonds issued by Oitante, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2019 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF and no such contributions are foreseen, in particular after a review of the financing conditions of the Resolution Fund"*.

The State Budget for 2021 does not include any loan to the Resolution Fund, contrary to previous years. The press reports that (i) the Resolution Fund and banks are negotiating a syndicated loan, led by CGD, of Euros 275 million, which conditions will be identical to the financing already in place for the Resolution Fund, and, (ii) the Government maintains the commitments assumed under the Novo Banco sale agreement, but without materializing the means for that purpose.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

The COVID-19 pandemic, duration and effects, create an additional context of uncertainty relative to its impacts, in accordance with the opinion of Novo Banco's external auditor as per Novo Banco's first half of 2020 financial accounts report and the opinion of the audit board of Bank of Portugal as per 2019 Resolution Fund's annual report.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalization Mechanism of Novo Banco.

11. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified.

The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

Besides opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent part invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision.

12. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, it was implemented in Group Banco Comercial Português a process of salary adjustment with temporary term. Additionally, it was agreed between the Bank and the Trade Unions that, in the following years after the State intervention and if then exist distributable profits, the Board of Directors and the Executive Comitee will submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains on-job on the date of payment of the remuneration corresponding to June 2020, until the maximum global amount of Euros 5,281,000.

13. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction pro rata used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were object of contestation by administrative and/or judicial ways.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

14. In 2013, Banco Comercial Português, S.A. filed a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting, essentially, that the following was recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, couldn't exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the referred former director couldn't maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director couldn't benefit from a survival lifelong pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

On 27 January 2019, the court of first instance issued a sentence considering: (i) rejected that request made by the Bank regarding the reduction of the pensions paid and to be paid to the first defendant Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survival pension of the second defendant; (iii) partially accepted the counter-claim formulated by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of Euros 2,124,923.97, as reimbursement of the expenses regarding the use of a car with driver and private security until June 2016, and also those that, on this regard, he had paid since that date or will pay in the future, in the amount that would come to be settled, expenses which would be part of his retirement regime, plus default interest accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

The Bank appealed the referred sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) and, on 5 March 2020, a judgment was issued by the Lisbon Court of Appeal which, revoking the court of first instance's decision, upheld the Bank's legal action, determining the non-existence of the right of the defendant Mr. Jorge Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, and condemning the defendant to return to the Bank the amounts received monthly in excess of the limits provided for in Article 402 (2) of the Commercial Companies Code, as from the date of retirement; as well as enacted the partial nullity of the insurance contracts titled by the capitalisation and lifelong pension policy, sentencing Ocidental Vida to return to the Bank the amounts paid by the latter to support the retirement supplements of Mr. Jorge Jardim Gonçalves, dismissing, as well, the counterclaim formulated by the defendant Mr. Jorge Jardim Gonçalves, absolving the Bank of that request.

From that decision of the Lisbon Court of Appeal in favor of the Bank, on 6 July 2020 the defendant Mr. Jorge Jardim Gonçalves filed an appeal with the Supreme Court of Justice. At that time, the court was suspended, determined by notice issued on 30 April 2020, following the death of the defendant Mrs. Maria Assunção Jardim Gonçalves.

The referred appeal presented to the Supreme Court of Justice was not judged inasmuch as, however, in December 2020 the parties reached an agreement regarding the retirement pension due to Mr. Jorge Jardim Gonçalves, in terms similar to those agreed with other former administrators, hence it was decided to end that dispute, giving up the instance, agreement which was ratified by a final and unappealable sentence.

The reached agreement also allowed for the termination, in the same way, of another legal action that the Bank had established on 30 December 2019, also against Mr. Jorge Jardim Gonçalves, whose object was also directly and indirectly related to the respective retirement pension.

50. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Current provisions for legal risk

As at 31 December 2020, Bank Millennium had 5,018 loan agreements and, additionally, 496 loan agreements from former Euro Bank, S.A. (98% loan agreements before the court of first instance and 2% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 562.4 million (Euros 123.33 million) and CHF 34.3 million (Euros 31.72 million) [Bank Millennium portfolio: PLN 508.2 million (Euros 111.44 million) and CHF 33.4 million (Euros 30.89 million); former Euro Bank, S.A. portfolio: PLN 54.1 million (Euros 11.86 million) and CHF 0.9 million (Euros 0.83 million)]. The outstanding amount of the loan agreements under individual court cases, as at 31 December 2020, is PLN 1.794 million (Euros 393.40 million).

Until 31 December 2020, only 69 lawsuits had been definitively resolved (49 cases regarding claims submitted by clients against Bank Millennium and 20 cases regarding claims submitted by Bank Millennium against clients, i.e., debt collection cases).

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract or the obligation to reimburse, due to the alleged abusive nature of the indexation clauses.

In addition, Bank Millennium is a party to a group proceedings (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavorable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is of 3,281. At the current stage, the composition of the group members if this class action has been established and confirmed by the court. On 11 August 2020, the claimant requested granting interim measures to secure the claims presented against Bank Millennium. In a decision of 18 August 2020, that request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against Bank Millennium concerning two group members. By decision of 6 November 2020, the application was also rejected. The court's decision dismissing the request for interim measures with a justification has not been notified yet. During the session occurred on 26 October 2020, the Court conducted a hearing of the parties' position and, afterwards, postponed the session without setting the next term. The outstanding amount of the loan agreements under the class action proceeding is PLN 1.000 million (Euros 219.28 million) as at 31 December 2020.

Bank Millennium remains open to negotiating agreements with its customers that put an end to that dispute. Bank Millennium is receptive to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions. Bank Millennium has already reached agreement with 117 borrowers that participated in that class action.

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in 2019 a provision in the amount of PLN 223 million (Euros 48.9 million), while in 2020 constituted a provision in the amount of PLN 713 million (Euros 156.35 million), which includes a provision in the amount of PLN 677 million (Euros 148.46 million) for legal risk regarding Bank Millennium's portfolio and a provision of PLN 36.4 million (Euros 7.98 million) for legal risk regarding former Euro Bank, S.A.'s portfolio. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As at 31 December 2020, Bank Millennium's balance sheet value of provisions set aside for FX-indexed mortgages legal risk regarding Bank Millennium's portfolio reached PLN 924 million (Euros 202.62 million) and PLN 36.4 million (Euros 7.98 million) regarding former Euro Bank, S.A.'s portfolio. Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 33 million (Euros 7.24 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 25 million (Euros 5.48 million)

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who judge on the application of the same rules. The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether he wishes to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

CJEU's judgment respects only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

The annulment of Bank Millennium's loan agreements currently subject to those lawsuits can have a cost, before tax, of up to PLN 2.385 million.

2. Events that may impact the provision for legal risk

On 29 January 2021, it was published a set of questions addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, there would be applicable the theory of equity (i.e., does it arise a single claim which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately).

The Supreme Court was also requested for commenting on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract. The date of the Supreme Court meeting, which was scheduled for 25 March 2021, has since been changed to 13 April 2021. Bank Millennium will assess in due time the implications of the potential decisions of the Supreme Court on the level of provisions constituted for the legal risk. Given the Bank's inability to predict the results of that Supreme Court decision, this matter was not considered in the determination of the provision.

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

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

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

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

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

Due to the complexity and uncertainty regarding the final verdict of those lawsuits, as well as the possible implementation of the solution suggested by the Chairman of PFSA still under analysis, as well as the uncertainty of the awaited decisions of the Supreme Court, it is difficult to safely estimate the potential impacts of such outcomes and their influence on the date of publication of the Bank's financial statements.

51. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in 2020

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Bank started on 1 January 2020:

Amendment to IFRS 3: Definition of a business

Corresponds to amendments in the definition of a business and clarifies the identification of the acquisition of a business or an acquired set of activities and assets. The revised definition also clarifies the definition of a business output by focusing on goods and services provided to customers. The changes also add guidance and illustrative examples to help entities assess an acquisition of a business.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform – Phase I

Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 relative to the interest rate benchmark reform (known as 'IBOR reform'), with the purpose of diminishing the potential impact of reference interest rate changes in financial reporting, namely in hedge accounting.

There were no material impacts on the application of these amendments in the Bank's financial statements.

Amendments to IAS 1 and IAS 8: Definition of material

Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

There were no material impacts on the application of these amendments in the Bank's financial statements.

Amendments to references to the conceptual framework in IFRS standards

Corresponds to amendments in several standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32) related to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised definitions of an asset and liability and new guidance on measurement, derecognition, presentation and disclosure.

There were no material impacts on the application of these amendments in the Bank's financial statements.

Amendment to IFRS 16: Covid-19-Related Rent Concessions

This amendment allows lessees, as a practical expedient, to have the option of not considering a rent concession that occurs as a direct consequence of the pandemic COVID-19 as a lease modification. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that would be done under IFRS 16 – Leases if that change did not constitute a lease modification. This amendment does not affect lessors.

There were no material impacts on the application of this amendment in the Bank's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

Amendment to IFRS 4: Extension of the temporary exemption from applying IFRS 9 - Financial instruments (applicable for years beginning on or after 1 January 2021)

This amendment aims to extend the exemption date from applying IFRS 9 – Financial instruments from 1 January 2021 to 1 January 2023, in order to be aligned with the effective date of adoption of IFRS 17 – Insurance contracts.

This amendment, although endorsed by the European Union, was not adopted by the Bank in 2020 as its application is not mandatory yet.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform - Phase II (applicable for years beginning on or after 1 January 2021)

These amendments aim to answer to the effects on financial reporting of replacing the current reference interest rates with alternative reference rates, providing an accounting treatment that allows the phased distribution of changes in the value of financial instruments or lease contracts, mitigating the impact on profit or loss and avoiding consequences in terms of hedge accounting.

These amendments, although endorsed by the European Union, were not adopted by the Bank in 2020 as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Bank:

IFRS 17 – Insurance contracts (applicable for years beginning on or after 1 January 2023)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 – Insurance contracts.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (applicable for years beginning on or after 1 January 2016)

These amendments clarify a conflict between the requirements in IAS 28 and those in IFRS 10, being the aim of its implementation that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This way, these amendments define that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and, on the other hand, a partial gain or loss is recognized when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current – Deferral of effective date (applicable for years beginning on or after 1 January 2023)

On 23 January 2020, the Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment, thus becoming applicable for years beginning on or after 1 January 2023.

Amendment to IFRS 3: Reference to the conceptual framework (applicable for years beginning on or after 1 January 2022)

This amendment aims to update IFRS 3 so that it corresponds to the conceptual framework of 2018, not occurring significant changes in the requirements of this standard.

Amendment to IAS 16: Property, Plant and Equipment – Proceeds before intended use (applicable for years beginning on or after 1 January 2022)

This amendment prohibits an entity from deducting from the cost of a property, plant or equipment any proceeds arising from the sale of items produced while the entity prepares the asset to operate as intended, at the location and necessary conditions. The entity shall recognize any proceeds arising from those sales and the respective costs of production in the income statement.

Amendment to IAS 37: Onerous contracts – Cost of fulfilling a contract (applicable for years beginning on or after 1 January 2022)

This amendment aims to clarify what costs an entity should consider as related to the fulfilling of a contract when assessing whether a contract is onerous. It also specifies that the costs of fulfilling a contract correspond only to the costs directly related to it, which may take the form of incremental costs or of an allocation of other costs directly related to the fulfilling of the contract.

Improvements to international financial reporting standards (cycle 2018-2020) (applicable for years beginning on or after 1 January 2022)

These improvements comprise the clarification of some aspects related to: IFRS 1 – First-time adoption of International Financial Reporting Standards: allows a subsidiary that adopts IFRS for the first time to measure cumulative translation differences based on the amounts presented in the consolidated financial statements of its parent company, according to the transition date of the parent company to IFRS; IFRS 9 – Financial instruments: clarifies that, when assessing the derecognition of a financial liability, an entity should only consider fees paid or received between the entity and the lender, including fees paid or received by one on behalf of the other; IFRS 16 – Leases: amendment to illustrative example 13 presented in the standard, in order to avoid the emergence of doubts regarding the treatment of lease incentives; IAS 41 – Agriculture: removal of the requirement to exclude taxation cash flows when measuring the fair value of a biological asset, thus ensuring consistency with IFRS 13 – Fair value measurement.

52. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Bank adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Bank did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Bank choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, the option not to apply this standard to leases of intangible assets was also used.

Transition

On 1 January 2019, the Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Bank recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right to-use by the lease liability amount.

For contracts in which a sublease is identified, the Bank recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease (Arrendamento Urbano) are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Bank's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Bank identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Bank's financial statements, namely:

- in income statement:

(i) in the net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;

(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and

(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.

- in the balance sheet:

(i) in Other tangible assets, the recognition of right-of-use assets, as referred in note 25. Other tangible assets, balance Right of use; and

(ii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 36. Other liabilities, balance Rents to pay.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Increase / (Decrease) in other sundry liabilities includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Separate statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 9,381,000. IFRS 16's adoption didn't cause an impact in the Bank's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	1,682,922	—	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	—	186,477
Financial assets at amortised cost			
Loans and advances to credit institutions	2,044,730	—	2,044,730
Loans and advances to customers	30,988,338	—	30,988,338
Debt securities	2,641,291	—	2,641,291
Financial assets at fair value through profit or loss			
Financial assets held for trading	695,752	—	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	—	1,589,899
Financial assets designated at fair value through profit or loss	33,034	—	33,034
Financial assets at fair value through other comprehensive income	6,996,892	—	6,996,892
Hedging derivatives	92,891	—	92,891
Investments in associated companies	3,147,973	—	3,147,973
Non-current assets held for sale	1,252,654	—	1,252,654
Other tangible assets	220,171	160,644	380,815
Intangible assets	29,683	—	29,683
Current tax assets	18,375	—	18,375
Deferred tax assets	2,782,536	—	2,782,536
Other assets	946,549	—	946,549
TOTAL ASSETS	55,350,167	160,644	55,510,811
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,372,537	—	8,372,537
Resources from customers	34,217,917	—	34,217,917
Non subordinated debt securities issued	1,198,767	—	1,198,767
Subordinated debt	825,624	—	825,624
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	295,695	—	295,695
Financial liabilities at fair value through profit or loss	3,603,647	—	3,603,647
Hedging derivatives	68,486	—	68,486
Provisions	313,868	—	313,868
Current tax liabilities	1,620	—	1,620
Other liabilities	860,843	160,644	1,021,487
TOTAL LIABILITIES	49,759,004	160,644	49,919,648
EQUITY			
Share capital	4,725,000	—	4,725,000
Share premium	16,471	—	16,471
Other equity instruments	2,922	—	2,922
Legal and statutory reserves	264,608	—	264,608
Reserves and retained earnings	522,895	—	522,895
Net income for the year	59,267	—	59,267
TOTAL EQUITY	5,591,163	—	5,591,163
TOTAL LIABILITIES AND EQUITY	55,350,167	160,644	55,510,811

53. Merger of Banco de Investimento Imobiliário, S.A. with Banco Comercial Português, S.A.

During the month of September 2019, the Board of Directors of Banco Comercial Português, SA and Banco de lnvestimento lmobiliário, SA (BII) approved the merger project of BII, a subsidiary 100% owned by Banco Comercial Português, SA , by incorporation in the latter. The merger process for incorporating BII into BCP was concluded on 30 December 2019, after the signing of the merger deed, with effect from 1 January 2019.

In accordance with Banco de Portugal letter CRI/2020/00001411-G of 02/04/2020, the registration of the merger by incorporation of Banco Investimento Imobiliário SA at Banco Comercial Português, SA was made effective, with effect from from 30 December 2019.

In view of the values presented in the table below regarding the balance sheet of Banco Comercial Português, S.A. after the merger, it was not necessary to carry out a capital increase to comply with regulatory ratios.

Reason and objectives of the merger

The companies Banco Comercial Português, S.A. (BCP) and Banco de Investimento Imobiliário, S.A. (BII) carried out a restructuring and concentration operation that involved the merger through the global transfer of BII's assets to BCP, with the consequent extinction of the merged company, pursuant to paragraph 1 and paragraph a) of paragraph 4 of article 97 and pursuant to article 116, both of the Commercial Companies Code.

BII's activities were integrated with the rest of the Bank's activity, bringing the respective performance models closer together, without this representing an increase in costs for the Bank, since the back-office operations for the domestic distribution network are already integrated in the Bank, in order to benefit from economies of scale.

BCP will continue the activities developed by BII, enhancing this act as an opportunity to develop the business and capture synergies (in costs and income).

The merger aims to make an integrated model prevail, according to which the banking business in Portugal will be developed primarily from BCP, without prejudice to the maintenance of the management model oriented to the different activities grouped into Business Units organically integrated in this Bank.

The Activities of the Incorporated Company and its integration into the Incorporate Company

As a result of the merger, BCP will continue the activities currently carried out by BII.

Until 2006, BII mainly concentrated the Real Estate Leasing and real estate credit business and the Group's real estate development. As of 2006, the business started to be promoted directly by BCP, with BII limiting itself to managing the portfolio it held to date, which it has been doing fully supported by BCP's own structures.

As a result of the merger, BCP will continue the activities currently carried out by BII.

The balance sheets transcribed below correspond to the balance sheets for the year ended 31 December 2018. These include the values of the assets and liabilities to be transferred to BCP:

(Thousands of euros)

	BCP SA (31 December 2018)	BII SA (31 December 2018)	Intragroup balances	Merger reserve	BCP SA after merger (1 January 2019)
ASSETS					
Cash and deposits at Central Banks	1,682,922	—	—	—	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	157,387	(157,387)	—	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	2,044,730	17,260	(1,558,468)	—	503,522
Loans and advances to customers	30,988,338	1,133,353	—	—	32,121,691
Debt securities	2,641,291	—	—	—	2,641,291
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	—	(17,792)	—	677,960
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	1,846	—	—	1,591,745
Financial assets designated at fair value through profit or loss	33,034	—	—	—	33,034
Financial assets at fair value through other comprehensive income	6,996,892	1,818,421	—	—	8,815,313
Hedging derivatives	92,891	—	—	—	92,891
Investments in subsidiaries and associated companies	3,147,973	—	—	(209,531)	2,938,442
Non-current assets held for sale	1,252,654	118,422	—	—	1,371,076
Other tangible assets	220,171	—	—	—	220,171
Intangible assets	29,683	—	—	—	29,683
Current tax assets	18,375	—	—	—	18,375
Deferred tax assets	2,782,536	53,843	—	—	2,836,379
Other assets	946,548	8,241	(27,100)	—	927,689
TOTAL ASSETS	55,350,166	3,308,773	(1,760,747)	(209,531)	56,688,661
LIABILITIES					
Financial liabilities at amortised cost					
Resources from credit institutions	8,372,537	2,916,606	(1,680,845)	—	9,608,298
Resources from customers	34,217,917	1	—	—	34,217,918
Non subordinated debt securities issued	1,198,767	—	—	—	1,198,767
Subordinated debt	825,624	35,010	(35,010)	—	825,624
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	34	(34)	—	295,695
Financial liabilities at fair value through profit or loss	3,603,648	—	—	—	3,603,648
Hedging derivatives	68,486	17,758	(17,758)	—	68,486
Provisions	313,868	17,395	—	—	331,263
Current tax liabilities	1,620	1,349	—	—	2,969
Other liabilities	860,841	23,349	(27,100)	—	857,090
TOTAL LIABILITIES	49,759,003	3,011,502	(1,760,747)	—	51,009,758
EQUITY					
Share capital	4,725,000	17,500	—	(17,500)	4,725,000
Share premium	16,471	—	—	—	16,471
Other equity instruments	2,922	—	—	—	2,922
Legal and statutory reserves	264,608	14,822	—	(14,822)	264,608
Merger reserve	—	—	—	63,901	63,901
Fair value reserves related to the merger (*)	—	—	—	23,839	23,839
Reserves and retained earnings	582,162	264,949	—	(264,949)	582,162
TOTAL EQUITY	5,591,163	297,271	—	(209,531)	5,678,903
TOTAL LIABILITIES AND EQUITY	55,350,166	3,308,773	(1,760,747)	(209,531)	56,688,661

(*) The amount determined corresponds to the fair value reserves of the securities registered with Banco Investimento Imobiliário, S.A. as of 31 December 2018 and of the fair value reserves related to securities transactions prior to 31 December 2018 between the two entities.

54. Impact of COVID-19 Pandemic

Background

The year of 2020 was marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019, leading to the declaration of a pandemic by the World Health Organization on 11 March 2020. The immediate impacts of this pandemic have reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries including Portugal where the state of emergency was declared on March 18, 2020, for the first time since the country's current Constitution was enacted.

The outbreak of COVID-19 forced the majority of the countries to implement restraining measures, including successive renewals of the state of emergency, temporary confinement of large proportions of the populations of the most-affected countries and strong restrictions to the normal economic activity of many companies in almost every sector, to contain the spread of the disease. These measures turned out to be very harmful for the global economy, causing a sudden slowdown in activity.

According to the International Monetary Fund (IMF), the COVID-19 pandemic has likely led to a contraction of the World economy of 3.5% in 2020, in a context of strong restrictions to the normal functioning of the economic activity. Though global, the recessive intensity proved heterogeneous, having affected more the developed economies than the emerging markets. For 2021, the IMF envisions a scenario of strong recovery of the global activity, which is naturally subject to the dissipation of the pandemic.

The extraordinarily negative impact of the pandemic on the global economy led to a generalized and unprecedented economic policy response, both on the monetary and fiscal fronts. With the aim of accelerating the economic recovery the European leaders approved in July an extraordinary package of funds named NextGeneration EU, amounting to 750 billion euros distributed into subsidies and loans, that will be deployed from 2021 to 2023 and that will be financed by the issuance of European debt. In the Euro Area, the ECB launched an emergency public debt purchase program and strengthened other mechanisms of liquidity injection into the financial system, which contributed to keep the Euribor rates in negative values along the whole extension of the curve and also led to a reduction of the government bond yields of the peripheral member-states, including Portugal.

Additionally, in order for credit institutions to preserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID-19, ECB issued a recommendation related to dividend distributions. According to this recommendation, banks should refrain from paying out dividends and from assuming irrevocable commitment to pay out dividends for the financial years 2019 and 2020 and should also abstain from buying-back shares aimed at remunerating shareholders. The deadline for this recommendation, initially scheduled until 1 October 2020, was subsequently extended to at least 1 January 2021. On 15 December 2020, ECB issued a new recommendation stating that, until 30 September 2021, significant credit institutions should exercise extreme caution in the payment of dividends or in the repurchase of shares designed to remunerate shareholders, and should previously debate with the supervision, the acceptable level of distribution.

In the year of 2020, the Portuguese economy recorded an unprecedented contraction of 7.6% stemming from the effects of the pandemic on activity, which turned out particularly pernicious for tourism, private consumption, and to a lesser degree investment. The strong recovery of GDP in the third quarter suffered a sharp slowdown in the last three months of the year due, to a great extent, to the implementation of new health-driven restrictions. Notwithstanding the adverse context and the elevated uncertainty, the economic recovery should proceed in 2021, supported by the expansionism of both the monetary and fiscal policies and by the significant increase of households' savings in the last few quarters. However, the lockdowns imposed from January of the new year should dampen some of the recovery dynamism. According to the latest forecasts of the Bank of Portugal, the growth of GDP in 2021 should be 3.9%. The effort of supporting the household and corporate income by the government led to a substantial deterioration of the fiscal performance and, consequently, of the public debt ratios, an evolution that should improve progressively in tandem with the recovery of economic activity.

Measures to support the economy

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favourable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums

The Portuguese Government, through Decree-Law no. 10-J/2020, of 26 March, introduced a moratorium on credits towards financial institutions with the objective of supporting families and companies in an adverse context of a substantial decline in income caused by the COVID-19 pandemic. This public moratorium establishes exceptional measures to protect the credits of beneficiary entities in the context of the COVID-19 pandemic, allowing the deferral of the fulfilment of responsibilities, when they represent credits assumed by the beneficiary entities towards the Bank, which are not overdue on the date on which the application to the public moratorium is received.

As the economic crisis generated by the COVID-19 pandemic was evolving, in June 2020, the Portuguese Government extended the scope and the deadline of the public moratorium. Thus, Decree-Law No. 26/2020, of 16 June, introduced changes to the public moratorium, regarding the period covered, the timing for accession and the scope of the beneficiaries and the operations covered. With these changes, bank customers began to benefit from an extension of the term of the public moratorium. The moratorium term initially set at six months, until September 30, 2020, has been extended until 31 March 2021. This new term is applicable not only to new moratoriums but to those that were subscribed in periods prior to the extension. Within the scope of these amendments, 30 June 2020 was set as deadline for adhering to the public moratorium.

In the third quarter of this year, Decree-Law no. 78-A/2020, of 29 September, introduced additional amendments to Decree-Law no. 10-J/2020, establishing a further extension of the period of validity of the public moratorium. In this context, bank customers who had adhered to the public moratorium regime until 30 September 2020 will benefit from the support measures provided for in that regime until 30 September 2021. It should be noted, however, that between 31 March 2021 and 30 September 2021, support measures are different depending on whether or not customers operate in sectors especially affected by the pandemic COVID-19. Bank customers operating in sectors particularly affected by the COVID-19 pandemic may continue to benefit from the suspension of capital reimbursement and payment of interest, commissions and other charges, while the remaining customers will only be entitled to benefit from the grace period for repayment of capital during the additional period. In addition, it should be noted that the new deadlines are automatically applicable to the public moratoriums in force, unless customers intend to benefit from the effects of protection measures for a shorter period, in which case they will have to communicate this intention to the Bank with a minimum period of 30 days in advance. The referred Decree-Law no78/A/2020 also includes a new measure applicable only to the moratorium credits granted to entities comprised in one of the sectors of activity specified in the Decree-Law, that corresponds to an additional extension of the term of 12 months , added to the extension arising from the application of the moratorium.

On 2 December 2020, following the impacts of the second wave of the pandemic, the European Banking Authority reactivated bank moratorium, allowing new applications to the moratoriums between 1 January 2021 and 31 March 2021, for a moratorium period of up to nine months from the date of accession. In this sense, Decree-Law No. 107/2020, of 31 December, was published in order to adapt the national legislative framework to the European prudential framework, maintaining the conditions and characteristics of the moratorium regime in force for new accessions, but with the adaptations inherent to the reactivation of the measure, namely, the term of application and the duration of the moratorium.

Based on this framework, the Bank provides credit moratoriums designed to protect, namely, companies, self-employed entrepreneurs and other professionals, private social solidarity institutions, non-profit associations and other entities of the social economy, which fulfil the requirements of the law.

In the case of households, moratoriums covers loans with mortgage guarantee (with multi-purpose, namely mortgage loans, including credit granted for the acquisition of secondary residential property or for rental purposes), as well as the real estate financial leasing and the consumer credit agreements for the purpose of education, including for academic and professional training.

Following the guidance issued by the European Banking Authority on public and private moratoriums applied to credit operations in the context of the COVID-19 pandemic, the Portuguese Banking Association provided for two private moratoriums open to natural persons, residents or non-residents in Portugal , one of which relates to mortgage loans and the other to non-mortgage loans (e.g. personal or automobile). In the case of non-mortgage loans, the moratoriums agreed until 30 June 2020 are granted for a period of 12 months, counting from the date of the agreement. The moratoriums that will be agreed after 30 June 2020 will end on 30 June 2021. In the case of mortgage loans, the moratoriums will last until 31 March 2021.

Measures to support clients

(i) Exemption and commissions reduction

In parallel with the suspension of certain commissions due for the use and carrying out of payment transactions through digital platforms, established by Law No. 7/2020, of 10 April, the Bank created several exemptions or commission reductions benefiting corporate and private customers, mainly those most affected by the pandemic. In this context, the access to integrated solutions with special conditions or reduced prices was extended and facilitated for private customers.

(ii) Other measures implemented by the Bank

In addition to the aforementioned measures, BCP launched a set of additional measures to help families and companies to overcome the economic challenges caused by the COVID-19 pandemic.

Simultaneously with the moratorium on the repayment of principal and interests, BCP suspended, between 1 April and 30 June 2020, spread increases on real estate credit agreements to private customers for non-compliance with contractual bonus conditions, resulting from the constraints associated with the COVID-19 pandemic. Additionally, the digital transformation was accelerated, making it easier and faster to access the Bank and its services.

In order to support the economy, protect employment and strengthen corporate sustainability, BCP under the corporate support program, also offers current-account credit facilities and immediate liquidity, with Factoring and Confirming products, providing even the possibility of access to several credit lines, namely following the protocol signed with European Investment Fund, with European Investment Bank and with Development Financial Institution.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of COVID-19 measures, issued by EBA on 25 March 2020;

- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS9 Financial Instruments in the light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IASB;

- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, issued by EBA on 2 April 2020 (EBA/GL/2020/02) and updated on 25 June 2020 and thereafter on 2 December 2020;

- IFRS 9 in the context of the coronavirus (COVID-19) pandemic, issued on 1 April 2020 by ECB;

- Guidance (EBA/GL/2020/12) amending the EBA guidance (EBA/GL/2018/01) on uniform disclosure (CRR Article 473 A) with respect to the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR "Quick Fix" in response to the COVID-19 pandemic;

- Commission Regulation (EU) 2020/1434 of 9 October 2020 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16 (IFRS 16).

Analysis of the impacts of the COVID-19 pandemic on the determination of risk stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments

Since the time at which it was perceived that the outbreak of the COVID-19 pandemic would have significant impacts globally, the Bank has been directing its attention and the necessary efforts towards addressing the challenges that this threat represents. In this regard, we may highlight the following fronts:

- The holding of discussion and analysis sessions involving several areas of the Bank such as the Executive Commission, the Marketing Division, the Operations Division, the IT Division, the Credit Division, the Rating Division and the Risk Office;
- Identification of the potential impacts on the Bank's risk profile, and possible mitigation measures, in relation to the COVID-19 outbreak;
- Understanding/evaluation of the range of support measures implemented or promoted by entities such as the Portuguese Government, European bodies, Supervisory Authorities, Banking Associations, etc. to minimise the impacts of COVID-19;
- Definition of a strategy to deal with the risks faced by the Institution with the COVID-19 pandemic, in line with the risk appetite of the institution;
- Development of a framework that allows information regarding the scope and effects related to the use of the moratorium and other support measures (such as lines of credit with State Guarantees) to be collected, processed and reported, on a regular basis, to the governance bodies, Supervisory Authorities and market participants in general;
- Review of the principles of the Bank's credit policy for facing the challenges of the COVID-19 pandemic, which are periodically reviewed according to shifts in scenarios.
- Adaptation/updating of prevailing models and procedures used to estimate expected credit losses (ECL) and evaluate situations with a significant rise in credit risk or unlikeliness to pay;

More specifically in terms of the implications for the classification of risk into stages, as provided under IFRS 9, which consists of identifying and classifying customers in situations of increased risk, or indeed default, as well as the determination of impairments, the main procedures implemented by the Bank are those set forth below.

i. Updating of macroeconomic scenarios

With respect to the portfolio of customers subject to collective analysis, at the end of June and at the end of December, updates were made to the macroeconomic assumptions used in the calculation of impairment, in both cases based on three scenarios (Central, Upside and Downside Scenarios) prepared by the Bank's Planning division, which took into account, at each point in time, the most recent forecasts of leading bodies that publish forecasts of macroeconomic variables, such as the Bank of Portugal and European bodies.

These scenarios are used across the Bank for various purposes beyond the calculation of collective impairment.

Taking as a reference point the last update of macroeconomic assumptions conducted in December and taking as a point of comparison the macroeconomic assumptions existing prior to the outbreak of the COVID-19 pandemic, the impact in Portugal on the amount of impairment resulting from the component corresponding to the application of the collective impairment model was around Euros 58 million (applying to the portfolio of Loans and advances to customers, guarantees and other commitments), reflecting the changes in the probability of default.

The tables presented below systematise the updates performed in December 2020 for Portugal of the central scenarios in relation to some of the most critical variables used in the estimation of collective impairment, and their comparison with that considered in December 2019, where it is possible to perceive the significant magnitude of the changes incorporated.

Update of main macroeconomic scenario assumptions (Base Scenario)

	December 2019 Scenario		December 2020 Scenario		Difference	
Variable	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Unemployment rate	6.10 %	6.00 %	7.20 %	8.80 %	1.10 %	2.80 %
Nominal GDP annual evolution	2.80 %	2.80 %	(5.90)%	5.20 %	(8.70)%	2.40 %
Savings Rate	6.20 %	6.30 %	10.10 %	8.70 %	3.90 %	2.40 %
German 10 year Sovereign Debt Yield	(0.69)%	(0.66)%	(0.61)%	(0.55)%	0.08 %	0.11 %

The following tables describe the weightings attributed to the different macroeconomic scenarios considered at the end of 2019 and December 2020, which may be considered conservative:

	Weightings	
Scenario	**December 2019**	**December 2020**
Central	60 %	60 %
Upside	20 %	10 %
Downside	20 %	30 %

With respect to Portugal, in order to draw attention to the impact of a less favourable trend in two variables especially critical for the estimation of collective impairment (GDP growth and unemployment rate), a simulation was performed of an additional worsening of one percentage point in these indicators, which is reflected in the impacts presented in the table shown below, taking as a baseline the collective impairment of the portfolio in Portugal at 31 December 2020, which stood at Euros 510 million:

Variable	**Estimated impact (% variation)**
100 bp GDP growth aggravation	1.9%
100 bp unemployment rate growth aggravation	0.8%

ii. Inclusion of impairment overlays

In an effort to follow the Supervisors' guidelines, namely with respect to the identification and measurement of credit risk against the backdrop of the COVID-19 pandemic, the Bank recorded additional impairment in relation to the prevailing models for the calculation of collective impairment (overlays), which amounted to around Euros 27 million in Portugal.

The approach underlying the calculation of the value of overlays took into consideration several factors considered relevant to an assessment of the potential risk of customer exposures within the exceptional context resulting from the COVID-19 pandemic, including data already observed of the customers and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force for the calculation of impairment, having been adopted different approaches for the calculation of the overlays for corporate and households segments, which also continued to be implemented.

The exercise carried out was translated in terms of impairment value, for calculating the estimated impact arising from the migrations of customers identified as having a higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis, it should be noted that the most significant impact was verified in the corporate segment.

iii. Review of the credit portfolio with respect to most significant exposures

With respect to customers with more significant credit exposures, we should highlight the implementation of a series of extraordinary procedures with the aim of evaluating the potential impacts of the outbreak of the COVID-19 pandemic.

a) Customers with significant exposures - Performing portfolio:

With respect to customers who form part of the individual analysis of impairment group, which consists of customers with greater exposures or with a risk profile considered high, significant effort was made to bring forward the implementation of questionnaires regarding signs of impairment. This process began in the second quarter of 2020, the year ending with a group of customers for whom the questionnaire was brought forward, which amounted to an exposure corresponding to around 20% of the Bank's performing portfolio of companies at 31 December 2020.

Overall, it should likewise be highlighted that, in the period following the outbreak of the COVID-19 pandemic, individual analysis questionnaires were implemented with an exposure value representing around 45% of the Bank's performing portfolio of companies as of 31 December 2020.

The re-evaluation of the portfolio of significant cases sought to identify customers who may have experienced a significant rise in credit risk and/or an increase in the probability of default that could result in a transfer of stage or classification as NPE.

b) Customers with significant exposures - NPE Portfolio:

For this group of customers, in addition to the usual portfolio analysis, special attention was paid to a review of more representative customers, which occurred above all up to the end of the 3rd quarter, with subsequent follow-ups. In this group, the analysis of the following cases was particularly noteworthy:

- Review of impairment for customers of the 20 largest NPE Groups and/or 20 largest NPE customers with going concern approach;
- Review of impairment for NPE customers with gone concern approach and collateral with valuation of over Euros 10 million.

With reference to 31 December 2020, NPE customers subject to more detailed analysis correspond to exposure of around Euros 1.2 billion, corresponding to around 50% of the portfolio of companies classified as NPE by the Bank and 7% of the total Corporate portfolio. The amounts are lower than those of June and September due to the significant drop in NPE.

c) Private Customers:

In relation to private customers, it is important to take into consideration that most of the portfolio corresponds to mortgage lending operations, representing around Euros 17.4 billion. This kind of operation corresponds to 45.1% of the Bank's credit portfolio and 87% of the credit portfolio to private individuals, and is characterised by low levels of delinquency and higher rates of recovery, due to the weight and liquidity of the associated collateral.

The levels of impairment of the portfolio that benefited from a mortgage guarantee at the end of December 2020 corresponded to an average rate of impairment of 0.30% for operations classified under stage 2.

iv. Transverse approach with a view to identifying situations involving more vulnerable corporate customers and respective close monitoring

As with the objective of identifying, evaluating and monitoring the impact in terms of credit risk arising from the COVID-19 pandemic crisis, from a more global and transverse perspective, and one which may allow consistent support during the period in which the effects of the aforementioned pandemic persist, the Bank has developed an approach to Corporate customers, with heavy involvement of the Rating Division, which is reflected in the following methodology:

- Identification of the business sectors deemed to be at greater risk and with a more adverse potential impact in the context of the COVID-19 crisis;
- Definition of stress scenarios adapted to the severity of the impact expected for each business sector;
- Assessment of resilience (measured in terms of the potential deterioration of the respective rating) of the companies belonging to the sectors identified as being more vulnerable;
- Identification of customers who exhibit greater vulnerability, according to the assessment carried out.

Under this process, the Bank assessed practically all the exposure of the sectors deemed to have been impacted most.

This assessment constitutes a highly valuable starting point for selecting the most vulnerable customers, identifying customers who should be subject to closer monitoring and analysis and devising the credit strategy to be followed on a case-by-case basis for each of these customers.

The aforementioned support is given in coordination with the commercial areas, which supports the customers identified, and the credit division, and involves the requesting of monthly or quarterly information with the aim of monitoring, in the most timely manner possible, changes in their economic and financial situation. The conclusions of this analysis are presented to a monitoring committee specifically created for the purpose, on which members of the Executive Committee sit.

This approach allows the early detection of potential default risk, creating the conditions for informed and prompt action by the Bank, specifically adjustment of the credit strategy to be adopted for each customer prior to the end of the period of the moratoriums. The strategy to be determined for each case may involve measures such as those listed below:

- Reducing exposure;
- Reducing unused internal limits;
- Restructuring loans with amortisation plans, anticipating potential future defaults;
- Increasing guarantees;
- Maintenance (without changes);
- Maintenance with the option of granting specific credit operations with a good risk profile (e.g.: commercial credit);
- Partial conversion of financial loans into commercial credit;
- Repricing;
- Transfer to the recovery division.

v. Approach addressed to customers in the Retail segment

In terms of the retail segment, with a view to monitoring and following up the default risk of customers within the context of the COVID-19 pandemic and supporting the determination and implementation of more appropriate solutions to address the potential default of each cluster of customers, the Bank is in the process of developing a series of projects and activities to adapt credit portfolio monitoring and management processes to the new situation on the ground.

These initiatives, which form part of the NPA Reduction Plan, are being developed in an integrated manner under the auspices of a specific Project, with the direct involvement of all relevant internal stakeholders and, despite also involving customers who have benefited from support measures such as recourse to moratoriums, it is not limited to those.

The development of this approach is based on CRM tools, Data Analytics and Decision Models with the goal of boosting efficiency and automatization.

In short, the main initiatives in this domain may be characterised in the following terms:

a) Improvement of credit data marts for all customers with credit exposure, with a view to supporting:

. the production of information on customers (financial/non-financial/behavioural)
. credit decision models
. internal and external reporting

With this support, the goal of the Bank is to systematise information critical to customer evaluation, in particular in the following domains:

. Historical analysis pre-COVID, and in the entire subsequent period
. Analysis of financial flows (inflows and outflows) and recurring flow variations
. Analysis of the variation in financial assets
. Analysis of credit behaviour in OCI (number of entities, recourse to moratoriums, balance history) and their changes
. Analysis of delays in payments and receipts and other risk implications
. Analysis of the impacts of the pandemic from a sectoral perspective

b) Bolstering of the system of early warning signs for the retail segment (private and small business)

c) Segmentation in homogeneous clusters, with a view to prioritising contact and action plans

d) Launch of a process of contacting customers, in particular the completion of questionnaires to gauge their economic and financial situation, inter alia to evaluate the impacts of the pandemic.

e) Development of standard credit solutions adapted to the different standard situations and review of the predefined solutions in effect.

f) Determination of a pre-analysed restructuring option for customers with risk implications.

g) Broadening of the range of solutions on the Banking App.

h) Increase in the capacity to monitor customers in difficulties, involving an increase in the capacity for processing customers and simplification and automation of support processes that allow the Bank to cope with the increase in the number of transactions.

vi. Classification of operations as restructured due to financial difficulties

Specifically, with respect to the classification of customers as restructured due to financial difficulties, under the provisions of the guidelines issued by regulators and supervisory authorities, operations that fell under the state moratorium (Decree-Law 10-J/2020, of 26 March) or the sectoral moratorium (official memorandum adopted within the context of the APB), did not have to be flagged as restructured due to financial difficulties. Even so, the Bank decided to adopt a conservative approach, classifying as restructured due to financial difficulties operations that benefited from the aforementioned moratoriums which, as of 26 March (the date of entry into force of Decree-Law 10-J/2020), had been in default for more than 60 consecutive days after the due dates, and which remained in a situation of default as of 31 March.

With respect to the flagging of restructuring due to financial difficulties for other operations or contractual amendments, the Bank continued to intensify internal procedures with a view to strict classification of new operations or modification of ongoing operations considered carried out due to the customers' financial difficulties.

Taking as a reference the range of operations that fall under the general moratoriums – the state moratorium (Decree-Law 10-J/2020, of 26 March) and the sectoral moratorium (official memorandum adopted within the context of the APB) – and with a view to conveying a perspective on the form in which the impacts already felt from the outbreak of the COVID-19 pandemic have affected the Bank's risk classification in exposures that used these mechanisms of altering the debt service profile, a comparative analysis was carried out of the status of these operations between 29/2/2020 and 31/12/2020 with regard to the classification of Risk Stages under the terms laid down in IFRS 9, mindful of the fact that allocation to Stage 3 corresponds to a classification as NPE (default).

With respect to operations in the private segment, which at the end of 2020 had a moratorium in force, it is found that 87% of the exposure remained at the same stage and the part that was downgraded was smaller than that which saw an improvement (4.7% vs 7.7%), with an insignificant 1.2% of unclassified operations being recorded in February.

In the Corporate segment, the trend is different, with stage stability of 79% of the value of the operations, with a greater weight of cases with downgraded exposure (11.3%) in comparison with situations of improvement (5.8%).

(Thousands of euros)

		Exposure December 2020					
		Households			Corporates		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Exposure 29 February 2020	Stage 1	2,877,986	141,844	6,132	2,163,464	420,538	25,033
	Stage 2	266,504	576,829	40,370	257,782	1,000,176	71,511
	Stage 3	2,989	40,668	45,248	465	9,318	444,745
	n.a	39,320	6,511	743	103,762	7,.631	5,911
	Total	3,186,799	765,852	92,493	2,525,473	1,505,663	547,200

An analysis of the development of IFRS 9 staging with respect to financing operations that fall under the lines adopted under the National Mutual Guarantees System, as guaranteed by the Portuguese State to mitigate the impacts of the COVID-19 pandemic, is not applicable, given that they correspond to new operations and they did not exist as of the end of February. In any case, it is important to mention that, as of the end of December, 76% of the Bank's exposure to this kind of instrument is allocated to stage 1, with the part relating to stage 3 being largely insignificant (0.3%).

Operations subject to legislative and non-legislative moratoriums and new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis

The tables presented below describe the operations that, as of 31 December 2020, were subject to legislative and non-legislative moratoriums, as well as new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis, in Portugal and consolidated.

From the details shown in the aforementioned tables, in terms of the moratoriums, the presentation of the structure of exposure by customer segment, performing/non-performing status, classification in stage 2 (operations with a significant increase in credit risk since initial recognition, but without impairment of credit), the existence of restructuring due to financial difficulties, impairment constituted and the residual term of the moratoriums should be noted.

In terms of loans granted under the new systems of public guarantee, a breakdown is presented of exposure by segment, the amount of the associated guarantees and an indication of the part classified as restructuring due to financial difficulties or classified as non-productive.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective accumulated impairment of the loans and advances subject to moratorium, with reference to 31 December 2020, is as follows:

(Thousands of euros)

	Gross carrying amount						
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Total
Loans and advances subject to moratorium	7,983,788	491,415	2,271,516	639,691	503,464	633,158	8,623,479
of which: Households	3,952,651	136,670	765,851	92,492	48,770	87,266	4,045,143
of which: Collateralised by residential immovable property	3,574,234	121,793	687,960	74,625	40,541	70,856	3,648,859
of which: Non-financial corporations	3,956,215	353,395	1,459,449	526,473	433,971	525,166	4,482,688
of which: Small and Medium-sized Enterprises	3,605,874	323,470	1,324,993	501,709	415,758	500,402	4,107,583
of which: Collateralised by commercial immovable property	1,439,642	79,947	648,336	198,606	150,430	198,552	1,638,248

The analysis of the impairment amount of the loans and advances subject to moratorium is as follows:

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	102,119	29,687	83,736	281,433	245,626	280,949	35,276
of which: Households	5,202	908	4,621	6,565	3,597	6,196	5,158
of which: Collateralised by residential immovable property	2,168	483	2,063	1,962	1,256	1,902	3,308
of which: Non-financial corporations	94,608	28,377	76,892	255,237	222,401	255,122	30,118
of which: Small and Medium-sized Enterprises	87,150	26,168	71,252	241,496	212,568	241,381	30,118
of which: Collateralised by commercial immovable property	32,042	3,014	28,207	78,288	63,586	78,287	23,776

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratorium

The analysis of the loans and advances which moratorium was offered and was granted (includes already defaulted moratoriums) is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount	Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	76,249	8,953,040		
Loans and advances subject to moratorium (granted)	75,961	8,921,422	8,190,460	297,943
of which: Households		4,149,444	3,418,482	104,301
of which: Collateralised by residential immovable property		3,731,429	3,351,770	82,570
of which: Non-financial corporations		4,674,796	4,674,796	192,108
of which: Small and Medium-sized Enterprises		4,261,385	4,261,385	153,802
of which: Collateralised by commercial immovable property		1,690,487	1,690,487	52,239

The analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratoria is as follows:

(Thousands of euros)

	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	625,690	81,994	7,915,795	8,623,479
of which: Households	625,690	81,994	3,337,459	4,045,143
of which: Collateralised by residential immovable property	375,700	93	3,273,067	3,648,860
of which: Non-financial corporations	–	–	4,482,688	4,482,688
of which: Small and Medium-sized Enterprises	–	–	4,107,583	4,107,583
of which: Collateralised by commercial immovable property	–	–	1,638,248	1,638,248

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,261,689	18	1,931,615	3,653
of which: Households	14,128		12,514	–
of which: Collateralised by residential immovable property	260		234	–
of which: Non-financial corporations	2,244,898	18	1,916,959	3,653
of which: Small and Medium-sized Enterprises	2,141,546		1,834,277	2,648
of which: Collateralised by commercial immovable property	75,741		62,819	1,501

Use of judgments and estimates in the preparation of financial statements

The preparation of financial statements requires using judgements, preparing estimates and making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the reported amounts of revenue and expenses during the reporting period.

The main judgments and estimates adopted in the context of preparing these financial statements are described in point Z. Accounting estimates and judgments in applying accounting policies, from note 1. Accounting policies.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The financial statements of BCP have been prepared on a going concern basis, as the Executive Committee considers that the Bank has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, cash flows, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the BCP's operations, on its profitability, capital and liquidity.

Contingency plan

To deal with the COVID-19 pandemic, the Bank adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of the activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Bank activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Bank maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts in income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- **Net interest income** - The COVID-19 pandemic produced several types of impacts on the net interest income of the Bank, with different magnitudes and effects depending on its nature. In 2020, net interest income benefited from the interest generated by the credit lines guaranteed by the Portuguese State, even though the average spread for these lines was lower than the average spread of the existing portfolio. In addition, the lower level of repayments associated to the credits covered by the legal framework of moratoria contributed positively to the net interest income of the year.

- **Commissions** – In 2020, commissions related to the banking business, in particular commissions related to transfers and cards, were significantly penalized, 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 in Portugal, embodied in exemptions granted to face the crisis situation that the country is going through. These commissions are mainly related 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. Commissions related to guarantees and credit also decreased from the same period of the previous year. Although the granting of credit commissions within the scope of measures related to COVID-19, have contributed positively to the commissions generated in this period, that contribution is limited, since the commissions generated by these operations are regulated and deferred.

- **Net trading income** – Net trading income, in 2020, was penalized by the negative impact arising from the revaluation of corporate restructuring funds, reflecting a review of the business plans and the evaluations of the assets from the funds by the respective management companies.

- **Other net operating income** - Other net operating income was penalized by the introduction, in 2020, of the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic.

- **Operating cost** - The impacts of COVID-19 pandemic on operating costs were mainly in other administrative costs. Therefore, 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. 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.

- **Impairment for loan losses –** The impacts are quantified in the section "Analysis of the impacts of the COVID-19 pandemic on the determination of Risk Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments".

- **Other impairment and provisions –** The impacts are quantified in the section "Analysis of the impacts of the COVID-19 pandemic on the determination of Risk Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments".

- **Income tax –** The tax impacts recognized in the year 2020 are detailed in note 27. Income tax.

Strategic guidelines and targets

The outbreak of COVID-19 caused a pandemic on a global scale that forced different countries to adopt exceptional measures with great impact on the lives of people and companies. Financial institutions were forced to change the focus of their business objectives to outline an action plan to respond to the crisis. In this context, the Bank reacted quickly and adjusted its priorities, trying to anticipate the impacts of the crisis. The strategic orientation focused on growth has temporarily been superimposed by a model aimed at protecting the quality of the balance sheet, supporting the economy and adapting business processes and models to the current situation.

The Bank has defined five priorities to 2020:

1. Protect Employees and customers
2. Defend the quality of the balance sheet, liquidity and solvency of the Bank
3. Support the economy, families, businesses and institutions
4. Adapt business models and processes to the new normal
5. Strengthen the social support component for the most vulnerable

The answer of financial institutions and of their customers has made it possible to highlight that the crisis was a powerful trends accelerator, with an adaptation of traditional business models and existing processes to a new context entitled as the "new normal", which is primarily based on digital channels. The pandemic accelerated and even forced the use of digital channels by customers who would otherwise continue to use traditional channels for their needs. This evolution has validated the priorities of the 2018-2021 Strategic Plan, which the Bank has continued to implement, although subject to the immediate response to the crisis and adapting the initiatives to the environment emerging from the crisis.

Targets to be achieved after the impacts of the current pandemic

Among the priorities included in the 2018-2021 Strategic Plan, digitization focused on mobile takes a prominent place. The customers of BCP confirmed their positive appreciation of the digital approach of the Bank, reflected in an increasing number of digital customers, but above all in an increasing number of mobile customers. Thus, the targets initially established for the number of digital customers and mobile customers will not be harmed and are expected to even be exceeded. It should be noted, however, that the potential for revenue generated in a post-pandemic context, probably lower, will increase the pressure on financial institutions to capture additional efficiency gains in order to preserve the sustainability of their business models.

Additionally, it is necessary to highlight that, if the current crisis has accelerated the importance of digitalization, both in terms of attracting and retaining customers, and in terms of improving operational efficiency, the same crisis will jeopardize the achievement of the financial goals of the Strategic Plan, namely the profitability, financial efficiency and asset quality, within the initially predicted time horizon, until 2021, and as an inevitable reflection of the pronounced economic recession suffered.

The economic and social impacts of the public health crisis and the measures adopted by governments and authorities, including supervisory authorities, will produce effects that at this stage are still uncertain, but which will materially affect the activity of the Bank.

In this context, the Bank considers that the targets defined under the 2018-2021 Strategic Plan remain valid, reaffirming its commitment to the established goals. However, it considers that some of the defined financial targets will only be attainable after the effects of the current economic crisis are overcome.

Pandemic impacts on financial targets

The evolution of macroeconomic conditions on a global scale caused by the COVID-19 pandemic will have materially relevant impacts on the profitability and future financial position of the Bank. The impacts on bank income already observed in this exercise will persist in the subsequent periods, with greater or lesser intensity, depending on how fast countries will be able to tackle the public health crisis and on the constraints to the economic recovery. With regard to operating costs, in addition to the direct impacts of savings from the suspension or cancellation of several initiatives and the expenses arising from measures to protect employees and customers, the evolution of the pandemic will also affect the implementation of restructuring and capture efficiency gains measures. Profitability will also be influenced by the cost of risk, whose downward trend converging to the target of the Plan was interrupted and will tend to remain at a higher level, according to the evolution of macroeconomic conditions. Likewise, the pace of NPE reduction will be affected by a higher level of inflows associated with more adverse economic conditions, as well as by the constraints resulting from these same conditions in exit strategies.

Capital and liquidity requirements

The crisis of public health caused by COVID-19 has led regulators and supervisors to temporarily reduce capital, liquidity and operational requirements for banks, as described in the following paragraphs, to ensure that they still perform their role in supporting and financing the economy.

In particular, the European Commission, the European Central Bank and EBA issued clarifications on some of the flexibilities already incorporated in Regulation (EU) 575/2013, issuing interpretations and guidelines on the application of the prudential framework in the context of COVID-19.

The capital buffers have been designed with a view to allowing banks to withstand stressed situations and since the European banking sector has built up a significant amount of these buffers, the ECB will allow banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the systemic buffer (O-SII) and suggested the relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks will also be allowed to partially use capital instruments that do not qualify as CET1 capital to meet Pillar 2 Requirements (P2R), bringing forward a measure included in the latest revision of the Capital Requirements Directive (CRD V), that was planned to come into force in January 2021.

In addition, the European Central Bank allows banks, if necessary, to use their liquidity buffers and temporarily operate below the minimum regulatory level of the LCR (100%).

55. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2020, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco ActivoBank, S.A.	Lisbon	101,000,000	EUR	Banking	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	59,538,679	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0

As at 31 December 2020, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Investment funds	Head office	Share capital	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,307,377	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	63.3
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0

(*) Company classified as non-current assets held for sale.

During 2020, the Group settled Fundo Especial de Investimento Imobiliário Fechado Intercapital, Fundo de Investimento Imobiliário Gestão Imobiliária and Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado and sold the participation units that held in Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado.

As at 31 December 2020, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Life reinsurance	49.0

As at 31 December 2020, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	173,380,354	EUR	Banking	19.8
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

During 2020 the Bank sold Projepolska, S.A. and the entity PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E was settled.

56. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Issue of senior preferred debt securities

On 5 February 2021, Banco Comercial Português, S.A. has fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of Euros 500 million, will have a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

The transaction was placed with a very diversified group of European institutional investors.

Declaration of Compliance

Millennium bcp

Administração

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the condensed individual and consolidated balance sheets as at 31 December 2020, (ii) the condensed individual and consolidated income statements for the year ended on 31 December 2020, (iii) the condensed individual and consolidated statement of changes in equity and cash flow statement for the year ended on 31 December 2020, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 31 December 2020, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance to the International Accounting Standards, endorsed by the European Union.

The Bank's condensed individual and consolidated financial statements relative to 31 December 2020 were approved by the Board of Directors on 24 March 2021.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 24 March 2021.

Porto Salvo, 24 March 2021

Nuno Manuel da Silva Amado
(Chairman)

Jorge Magalhães Correia
(Vice-Chairman)

Valter Rui Dias de Barros
(Vice-Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Ana Paula Alcobia Gray
(Member)

Cidália Maria Mota Lopes
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

José Manuel Alves Elias da Costa
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Julia Gu (Xiaoxu Gu)
(Member)

Share Capital 4.725.000.000,00 Euros

BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 6.064.999.986 Euros, matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

Praça D. João, I, 28 - 4000-295 PORTO
Av Prof. Dr Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

Administração

Lingjiang Xu
(Member)

Maria José Henriques Barreto Matos de Campos
(Member)

Miguel de Campos Pereira de Bragança
(Vogal)

Rui Manuel da Silva Teixeira
(Vogal)

Teófilo César Ferreira da Fonseca
(Member)

Wan Sin Long
(Member)

Fernando da Costa Lima
(Member)

Share Capital 4.725.000.000,00 Euros

BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 6 064 999 986 Euros, matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

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Av. Prof Dr Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

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 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 Regiment, 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

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 Apetite 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.

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 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, an 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 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.

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.

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 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 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 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 Mota Lopes	Valter de Barros
Wan Sin Long	Fernando da Costa Lima

OPINION OF THE AUDIT COMMITEE ON THE 2020 DIRECTORS REPORT AND FINANCIAL STATEMENTS

OPINION OF THE AUDIT COMMITEE ON THE
2020 DIRECTORS REPORT AND FINANCIAL STATEMENTS

1. Under the terms of the Law and of the Articles of Association, the Audit Committee appraised the directors report and the financial statements of Banco Comercial Português, S.A. (Bank), regarding the 2020 financial year, prepared by the Executive Committee and the and Legal Certifications of Accounts and Audit Reports, as well as the Additional Report to the Supervisory Body, made by the Bank's External Auditor and Statutory Auditor, Deloitte & Associados - SROC, S.A. (Deloitte), on the individual and consolidated statements of the Bank, issued without reservations or emphasis.

2. This opinion is issued in accordance with and for the purposes of the provisions of article 423-F (1) (g) of the Companies Code and must be read together with the "Annual Report of the Audit Committee" made in accordance with the same legal requirement.

3. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Chief Financial Officer, with those in charge of the competent divisions of the Bank, particularly the Accounting and Consolidation Division, the Tax Advisory Division, the Research, Planning and ALM Division, the Audit Division, the Risk Office and the Compliance Office, as well as with the Company's Secretary and with Deloitte, requesting all the information and clarifications relevant to its functions, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal provisos, including the monitoring of the impact of the current pandemic on the Bank's accounts.

4. The undersigners declare to the best of their knowledge that the financial information analysed was drawn up in compliance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, of the financial situation and of the earnings of the Bank and of the companies consolidated by it, and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank and of the companies consolidated by it, containing a description of the main risks and uncertainties faced by them.

Audit Committee
Banco Comercial Português, S.A. 1/3

5. The Legal Certifications of Accounts and Audit Reports made according to the formats resulting from the EU Regulation nr. 537/2014, dated 16 April and from Law 140/2015, dated 7 September, include the denominated "Audit Relevant Matters" which, concerning the Bank, Deloitte identifies as being:
    a. Loan impairment;
    b. Deferred tax Assets;
    c. Pensions
    d. Non-current assets held for sale;
    e. Resolution Fund;
    f. Bank Millennium - Loans indexed to Swiss francs.

   Apart from the relevant matter identified above, Deloitte followed up other matters that require attention for the risk they involve, namely the performance shown by the Corporate Restructuring Funds (FRE), the proceedings filed by the Competition Authority, the exposure to Mozambique risk, contingencies associated with other legal proceedings in progress in Poland, such as early repayments of consumer credit, the valuation of the stake in Millennium Atlântico and the report of the statutory auditors of the Group's components, as well as the impacts of the pandemic, matters which were, throughout the year, monitored by the Audit Committee upon information provided by the Executive Committee, by the Bank's relevant Divisions and by Deloitte.

6. Considering the result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by Deloitte and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended on 31 December 2020, approved on 24 March 2021 by the Board of Directors, of which the members of the Audit Committee are part.

7. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português S.A. should approve:
    a) The directors report and other documents pertaining to the individual and consolidated financial statements for the financial year ended on 31 December 2020;

b) The proposal made by the Board of Directors for the appropriation of the net profit computed in the 2020 individual balance sheet, amounting to € 50,633,022.23, as follows:

   i) For the reinforcement of legal reserve, € 5,063,302.23;

   ii) The remaining, in the minimum amount of € 45,569,720.00, to Retained Earnings.

Porto Salvo, 24 March 2021

Cidália Mota Lopes

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

Audit Committee
Banco Comercial Português, S.A.

3/3

Summary of the Self-Assessment Report

Banco Comercial Português, S.A.

Summary of the Self-Assessment Report (Group)

This summary is presented in accordance with the requirements of article 60 of Banco de Portugal 3/2020 ('Notice').

The self-Assessment Report (Report) prepared in accordance with the requirements of article 55 of the Notice, in force since 16 July 2020, and Instruction 18/2020 of Banco de Portugal ('Instruction') contains the results of the self-assessment made by Group Banco Comercial Português, S.A. ('Group') concerning the adequacy and efficiency of the internal control system of the financial group to ensure compliance with the requirements defined in article 51 of the Notice, as well as in relation to the coherence between the internal control systems of the subsidiaries and the internal control system of the parent-company, Banco Comercial Português, S.A. ('parent-company' or 'Bank'), with reference to 31 January 2021.

The Report includes a description of the activities specifically developed, ongoing and planned for 2021, intended to ensure the implementation and compliance with the requirements of the Notice and of the Instruction, at the Group's level.

The process for the adoption of the Notice was promoted by the Board of Directors of Group BCP and had an impact on the Group's organization and on its risk management and internal control systems. This process counted with the intervention of multi-disciplinary teams, was led by the internal control functions and was followed-up very closely by the Board of Directors and by the Audit Committee of the Group.

This being a project within the scope of the Group, the Bank, as parent-company, issued the required instructions enabling the entities of the Group to ensure compliance with the requirements of the Notice and of the Instruction and exercised a ongoing monitoring of the activities developed to guarantee the above-mentioned coherence between the internal control and corporate governance systems of the Group.

The work carried out for the adoption of the Notice included the initiatives transcribed hereafter:

— The Board of Directors, through the internal control functions of the Bank, promoted the adoption of the Notice and of the Instruction by the Group's subsidiaries and several meetings were held with the local internal control functions and formal reporting procedures were defined to ensure the availability of the Self-Assessment Reports.

— With the support provided by the external Auditor, the Board of Directors promoted the process for the preparation of a gap-analysis on the adequacy and alignment of the Bank's internal rulings and Group codes versus the requirements of the Notice and its conclusions served as the basis for the identification by the Group, of the required action plans to solve the identified gaps and respective prioritization, proposed actions and corresponding implementation deadlines.

— The Board of Directors promoted the revision of the organizational structure and the adjustments of the responsibilities of each one of the collegiate bodies and of the internal control functions versus the additional responsibilities imposed by the Notice. In that sense, it promoted the revision of its own regulations and also the ones of its several Committees, including the Audit Committee, in order to align the competences and responsibilities defined therein, as well as the decision-making circuits and of communication between the Board of Directors, the Audit Committee, the internal control functions and the Supporting Committees of the Board of Directors, with the requirements of the Notice.

— The definition of a model for the classification of deficiency's risk was made to be transversally applied by the three internal control functions of the Group within the scope of their activities as 2nd and 3rd line of defence of the Internal Control System of the Group, in accordance with the definitions deriving from the application of the Instruction's provisions, notably the adoption of a new method for the classification of deficiencies, categories of risk and deficiencies reporting model.

— The Group's perimeter was also defined, i.e., the entities to be included, or not, in the perimeter of the Group's self-assessment report, as set forth by article 58 (1 e) of the Notice.

— Training actions, internal and external, were also carried out on the impact of the Notice and of the instruction on the internal control system, on the corporate governance model and on the organizational culture, which comprised 96 Employees, of whom 15 members of the management and supervisory bodies, 39 members of senior management and 25 key-functions members. The Compliance Office included in its

2021 Action Plan the carrying out of training sessions for the remaining employees of the Bank, in order to disclose the impact of the Notice on their activities.

The *gap analysis* made by the External Auditor, the results of which were analysed and reported to the Board of Directors and to the Audit Committee of the Bank, was able to identify a number of themes that require intervention and the main gaps were identified concerning the new themes that the Notice regulates and wherein it introduced a in-depth change.

Due to the number of very significant changes that the Notice introduces and as a result of the several initiatives mentioned above, the Group developed an action plan with the purpose of structuring and establish a timeline for all the adjustments necessary to comply with the requirements of the Notice until the reference date of the forthcoming reporting, 30 November 2021. This plan comprises, among other initiatives:

— Revision of the internal regulations of the Group and of its subsidiaries, to ensure the formalisation and alignment of the internal procedures with the requirements defined in the Notice.

— Ensure the formalisation of contracts for the common services provided by the internal control functions.

— Ensure the internal and external availability of all the documents mentioned in the Notice.

— Adjustment of the periodical reports of the internal control functions to the requirements of the Notice.

The Report also contains a description (i) of the organizational structure and of the corporate governance model of the Group, which are in line with the market's best practices on corporate governance issues, including the assignment of responsibilities to the Board of Directors , which is duly detailed in the Corporate Governance Report (ii) of the plan of actions for the provision of training on themes foreseen in the Notice, attended and to be attended by the members of the management and supervisory bodies, by the remaining senior managers and by the key-function holders of the Group's entities and, (iii) the methodology developed to classify the internal control deficiencies.

Within the scope of the Report, a description and characterisation is also made on the deficiencies open on the reference date – 31 January 2021. A set of deficiencies with an impact on the Group's internal control system was identified, all with risk level F2 (Medium) and F1

(Low), except 12, considered to be risk F3 (High), and one considered to be risk F4 (Severe). All deficiencies provide for measures and deadlines for their respective correction.

Individual self-assessment reports of the Bank, as the parent company, and of the subsidiaries included in the report's perimeter, which include the annual self-assessment/independence reports from the heads of the risk management, compliance and internal audit functions, were made in accordance, respectively, with articles 27, 28, and 32, of the Notice. These annual self-assessment reports confirm the independence of each one of the internal control functions.

The Report also includes the assessment of the Group's management and supervisory bodies, in accordance with the provisions of articles 56 and 57 of the Notice, respectively.

Within the scope of the assessment to be made by the Group's supervisory body, the Audit Committee concluded, as a result of the work carried out, of the cumulative evidence collected, pondering the current and potential impacts of the deficiencies that remain open, as identified in the previous paragraphs, and considering the need to develop an additional set of procedures to fully comply with the requirements of the Notice, that the internal control system of the financial group is adequate and efficient and that there is coherence between the internal control systems of the subsidiaries and the one of the parent-company, in all materially relevant aspects, in accordance with the requirements of the Notice.

The Board of Directors also concluded, considering the above-mentioned open deficiencies and the gaps to resolve in order to fully adopt the Notice, that the internal control system of the financial group is efficient versus the requirements defined in the Notice.

Cidália Mota Lopes	Valter de Barros
Wan Sin Long	Fernando da Costa Lima

Comissão de Auditoria
Banco Comercial Português, S.A.

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Banco Comercial Português, S.A.

Summary of the Self-Assessment Report (Individual)

This summary is presented in accordance with the requirements of article 60 of the Notice of Banco de Portugal 3/2020 ('Notice').

The Self-Assessment Report ('Report') prepared in accordance with the provisions of article 55 of the Notice, in force since 16 July 2020 and of Instruction 18/2020 of Banco de Portugal ('Instruction') contains the results of the self-assessment made by Banco Comercial Português, S.A. ('Bank) concerning the adequacy and efficiency of the organizational culture in force, its internal control and corporate governance systems, including the remuneration practices and remaining themes handled at the Notice, with reference to 31 January 2021.

The Report includes a description of the activities specifically developed, ongoing and planned for 2021, intended to ensure the implementation and compliance with the requirements of the Notice and of the Instruction.

The process for the adoption of the provisions of the Notice was developed by the Board of Directors of Group BCP. The activities developed were led by the parent-company and were continuously monitored by it in order to ensure the consistency of the internal control and corporate governance systems of the Group.

The project for the adoption of the Notice had an impact on the Bank's organizational structure and on its risk management and internal control systems. This process counted with the intervention of multi-disciplinary teams, conducted by the internal control functions and was followed-up very closely by the Board of Directors and by the Audit Committee of the Bank.

The work carried out for the adoption of the Notice included the initiatives transcribed hereafter:

— With the support provided by the external Auditor, the Board of Directors promoted the process for the preparation of a gap-analysis on the adequacy and alignment of the Bank's internal rulings versus the requirements of the Notice and its conclusions served as the basis for the identification by the Bank, of the required action plans to solve the identified gaps and respective prioritization, proposed actions and implementation deadlines.

— The Board of Directors promoted the revision of the organizational structure and the adjustments of the responsibilities of each one of the collegiate bodies and of the internal control functions to the additional responsibilities imposed by the Notice. In that sense, it promoted the revision of its own regulations and also the ones of its several Committees, including the Audit Committee, in order to align the competences and responsibilities defined therein, as well as the decision-making circuits and of communication between the Board of Directors, the Audit Committee, the Control Functions and the Supporting Committees of the Board of Directors, with the requirements of the Notice.

— The definition of a model for the classification of risks and deficiencies was made to be transversally applied by the three internal control functions of the Bank, within the scope of their activities as 2nd and 3rd line of defence, of the Internal Control System of the Bank, in accordance with the definitions deriving from the application of the Instruction's provisions, notably the adoption of new methods for the classification of deficiencies, categories of risk and deficiencies reporting model.

— Training actions, internal and external, were also carried out on the impact of the Notice and of the instruction on the internal control system, on the corporate governance model and on the organizational culture, which comprised 94 Employees, of whom 15 members of the management and supervisory bodies, 37 members of senior management and 25 key-functions holders. The Compliance Office included, in its 2021 action plan, the carrying out of training sessions for the remaining employees of the Bank, in order to disclose the impact of the Notice on their activities.

The *gap analysis* made by the External Auditor, the results of which were analysed and reported to the Board of Directors and to the Audit Committee of the Bank was able to identify a number of themes that require intervention, the main gaps being identified regarding the new themes that the Notice regulates and those wherein it introduced an in-depth change.

Due to the number of very significant changes that the Notice introduces and as a result of the several initiatives mentioned above, the Bank developed an action plan with the purpose of structuring and establishing a timeline for all the adjustments necessary to comply with the requirements of the Notice until the reference date of the forthcoming reporting, 30 November 2021. This plan comprises, among other initiatives:

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Banco Comercial Português, S.A.

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— Revision of the internal regulations of the Bank to ensure the due formalisation and alignment of the internal procedures with the requirements defined in the Notice;
— Ensure the formalisation of contracts for the common services provided by the internal control functions;
— Ensure the internal and external availability of all the documents mentioned in the Notice;
— Adjustment of the periodical reports of the internal control functions to the requirements of the Notice.

The Report also contains a description (i) of the organizational structure and of the corporate governance model, which are in line with the market's best practices on corporate governance issues, (ii) of the plan of actions for the provision of training on themes foreseen in the Notice, attended and to be attended by the members of the management and supervisory bodies, by the remaining senior managers and by the key-function holders, and (iii) the methodology developed to classify the internal control deficiencies.

Within the scope of the Report, a description and characterisation is made on the deficiencies open on the reference date – 31 January 2021. A number of deficiencies are open, all with risk level F2 (Medium) and F1 (Low), except 8, one considered to be at risk level F4 (Severe) and 7 considered to be at risk level F3 (High). All deficiencies provide for measures and deadlines for their respective correction.

A part of the preparation of the Report, the annual self-assessment/independence reports of the heads of the risk management, compliance and internal audit functions, were also made in accordance, respectively, with articles 27, 28 and 32, of the Notice, and are included in the Report. In these self-assessment reports, each function describes its composition and main competences and responsibilities, being confirmed the independence of each one of the internal control functions by the respective heads (no incidences were reported). In addition, each report identifies which are the open deficiencies related with each function. There is only one deficiency with risk F4 "severe", identified in the risk management function.

The Report also includes the assessment of the Bank's management and supervisory bodies, in accordance with Articles 56 and 57, of the Notice, respectively.

Within the scope of the assessment performed by the Bank's supervisory body, the Audit Committee concluded, as a result of the work carried out, of the cumulative evidence collected, pondering the current and potential impacts of the deficiencies that remain open, as identified in the previous paragraphs, and considering the need to develop an additional set of procedures to fully comply with the requirements of the Notice, on the adequacy and effectiveness of the internal control system and the organisational culture of the Bank in all materially relevant aspects, in accordance with the requirements of the Notice.

The Board of Directors also concluded, considering the above-mentioned open deficiencies and the gaps to resolve in order to fully adopt the Notice, on the effectiveness of the internal control system of the Bank versus the requirements defined in the Notice.

Cidália Mota Lopes

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

Comissão de Auditoria
Banco Comercial Português, S.A.

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EXTERNAL AUDITORS' REPORT

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2020 (that presents a total of 85,813,421 t.euros and total consolidated equity of 7,386,270 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 183,012 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2020 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Z6, 10, 13, 21, 38, 54 – Credit Risk and 61)	
Accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded by the Group as at 31 December 2020 amount to 2,036,522 t.euros and 103,830 t.euros, respectively. Impairment losses for credit risk represent the best estimate of the Management of the Bank and its subsidiaries of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". The context of the Covid-19 pandemic increased the complexity and uncertainty associated with the estimation of impairment losses for credit risk, as a consequence of the need to incorporate new assumptions and judgments, including with regard to the effects of public and private moratoriums and other support measures such as credit facilities with State Guarantees, identification of situations of significant increase in credit risk and evidence of impairment, and definition of macroeconomic scenarios and probabilities of occurrence. Impairment losses are determined through individual analysis for clients with high exposure and/or risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements.	• Analysis of the relevant control activities implemented by the Group in the process of identification and determination of impairment losses for its loans' portfolio, determined through individual and collective analysis. • Selection of a sample of clients subject to individual analysis of impairment by the Bank and its subsidiaries, which included exposures that presented higher risk-indicative characteristics as well as randomly selected exposures. This sample included clients whose exposures are covered by public and private moratoriums and clients whose activity is included in the sectors considered by the Bank and its subsidiaries to be at greater risk and with more adverse potential impact in the context of the Covid-19 pandemic. • For the selected sample, analysis of the reasonableness of the estimate of impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank and its subsidiaries about the information available regarding the economic and financial situation of the clients, valuation of the collaterals they have provided and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Z6, 10, 13, 21, 38, 54 – Credit Risk and 61)	
The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and estimating the present value of the amount that the Group expects to recover from the loan, which also incorporates assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans. Impairment losses for credit risk determined under collective analysis are based on a complex model, as it incorporates in the calculation of impairment several variables, namely characteristics of operations, classification of credit exposures in stages, including the assessment of the existence of significant increase in credit risk since the initial recognition and evidence of impairment, value of collaterals and risk parameters, such as the probability of default and loss given default, and the definition of macroeconomic scenarios and probabilities of occurrence. As at 31 December 2020, the Group recognized impairments in addition to the collective impairment model (overlays), through an analysis based on Management judgments to identify supplementary situations of significant increase in credit risk and evidence of impairment in the context of the Covid-19 pandemic. Different methodologies, judgements or assumptions used in the impairment analysis and different recovery strategies affect the estimation of the recovery cash flows and their expected timing, and may have a significant impact on the determination of impairment losses for credit risk.	• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) validation on a sample basis the inputs used to calculate the main risk parameters of the model and the value of collaterals considered in the determination of impairment losses for credit risk; (iii) analysis on a sample basis of the calculation of the risk parameters of the model and the classification of credit exposures in stages; (iv) analysis of the main macroeconomic variables considered in the scenarios defined by the Bank; and (v) reperformance on a sample basis of the collective impairment, considering the risk parameters determined by the Bank and its subsidiaries and the stages in which the exposures are classified. • Analysis of the methodology defined by Management to determine impairments in addition to the collective impairment model in the context of the Covid-19 pandemic (overlays), and validation on a sample basis of the inputs used. • For a sample of exposures covered by each type of moratorium, public and private, analysis of the documentation regarding the compliance with the eligibility conditions. • Review of the disclosures included in the consolidated financial statements related to these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Recoverability of deferred tax assets (Notes 1.T, 1.Z3 and 30)	
As at 31 December 2020 the balance of deferred tax assets amounts to 2,633,790 t.euros, of which 2,469,190 t.euros are related to the non-consolidated activity of the Bank. Deferred tax assets related to the non-consolidated activity include a net value of 649,137 t.euros that are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including 147,819 t.euros resulting from tax losses carried forward originated in 2016 and 2020. As a result of the changes introduced in the Corporate Income Tax Code by Law No. 27-A/2020 of July 24 (Supplementary State Budget for 2020), the tax losses from 2016 and 2020 can be used until 2030 and 2032, respectively. In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its taxable income for the period between 2021 and 2033 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profits and its interpretation of the tax legislation. The estimate prepared by the Bank took into account the context of the Covid-19 pandemic, which increases the degree of uncertainty about its realization. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results. Eventual deviations from the estimate of future results or changes in the assumptions used in their determination, as well as changes on tax legislation or its interpretation, may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the methodology and main assumptions considered by the Bank to estimate the evolution of pre-tax profits and taxable results of its non-consolidated activity in the period between 2021 and 2033. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank's Management in the estimation of future taxable profits. • Review of the calculations made by the Bank to support the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Analysis of the consistency of the estimate of pre-tax profits with the budget approved by the Bank's Management. • Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale (Notes 1.G, 1.Z4, 26 and 54 – Credit Risk)	
As at 31 December 2020 the net book value of properties classified as non-current assets held for sale amount to 978,455 t.euros, which are recorded at the lowest between book value and fair value less costs to sell, in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. The valuation of these assets, and consequently the impairment losses, recorded in the Group's accounts as at 31 December 2020 is supported by appraisals carried out by external appraisers, which incorporate several assumptions, namely sale price per square meter, discount rate, property best use, and expectations regarding the development of real estate projects, as applicable, and also considers the historical experience of the Bank in sales of properties, Management' prospects about the evolution of the real estate market and its intentions regarding the commercialization of these assets. The use of different assumptions, in particular as a consequence of the evolution of the real estate market, including possible impacts of the Covid-19 pandemic, or changes in the sales strategy, may have significant impacts on the valuation of these properties and therefore on the determination of impairment losses.	• Analysis of the relevant control activities implemented by the Group in the process of valuing properties classified as non-current assets held for sale. • Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis, for a selected sample of properties, of the reasonableness of the valuation recorded in the consolidated accounts, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, historical experience of the Bank in sales of properties and understanding of the strategy defined by Management for those assets. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Liabilities with retirement pensions (Notes 1.S, 1.Z5 and 50)	
The Group has assumed the responsibility of paying retirement pensions and other associated benefits to its employees and pensioners under the terms defined in collective labour agreements. As at 31 December 2020, the liabilities of the Group for past services with retirement pensions and other associated benefits amount to 3,657,527 t.euros. The referred liabilities were determined by the responsible actuary, using the "Projected Unit Credit" method provided for in IAS 19 – Employee Benefits ("IAS 19"), and considering a set of actuarial assumptions, including the discount rate, growth rates of wages and pensions and mortality tables. Regarding the discount rate, it is determined on the basis of the market rates available on the reference date of the financial statements, for entities bonds considered to be of high quality, denominated in euro and of similar maturity to that of retirement pensions and other associated benefits. Eventual changes in actuarial assumptions may have a significant impact on liabilities for past services related to pensions.	• Analysis of the relevant control activities implemented by the Group in determining the discount rate used in the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2020 sent to ASF. • Reading of the actuarial study with reference to 31 December 2020 and discussion with the responsible actuary on the evolution of responsibilities for past services related to pensions, including the main actuarial assumptions used. • Review of the methodology used in the determination of the liabilities for past services related to pensions and its adequacy in relation to the provisions of IAS 19. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into account: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review, on a sample basis, of the computation of liabilities for past services related to pensions, considering the actuarial assumptions used by the Bank. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.V, 1.Z, 38 and 57)</td></tr>
<tr><td>BCP Group has 50.1% stake in the subsidiary Bank Millennium, S.A. ("Bank Millennium"), which is included in the consolidated financial statements by the full consolidation method. As at 31 December 2020, the consolidated assets also includes a total goodwill of 147,515 t.euros related to Bank Millennium (Note 57).

Bank Millennium has granted in the past mortgage loans indexed to the Swiss Franc ("CHF loans"). As at 31 December 2020, the CHF loans portfolio has a net value of approximately 3,136,000 t.euros.

As described in more detail in Note 57, several lawsuits against Bank Millennium are ongoing in the courts, which include cases in which it is claimed the partial invalidity of the CHF loans contracts, in relation to the indexation clauses, or the total invalidity of the contracts.

To address the legal risk for the CHF loans portfolio, Bank Millennium estimated a provision which amounts to approximately 211,000 t.euros as at 31 December 2020.

The determination of the estimate of the provision to address the legal risk of this loan portfolio requires a significant judgmental component from Management, namely in what regards to the assumptions on the number of lawsuits that will be brought against Bank Millennium, the probabilities associated with different court decisions, and the amount of the potential loss if unfavorable decisions occur in ongoing and potential lawsuits.

These judgments and assumptions are uncertain by nature and may change in the future as a result of the evolution of the court decisions, with a potentially relevant impact on the estimation of the provision of the legal risk of the CHF loans portfolio.</td><td>• Understanding of the process and the relevant control activities implemented by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans.

• Analysis of the methodology used by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans, as well as the reasonableness of the main assumptions assumed by Management and adequacy of the main inputs used, namely: (i) probabilities of occurrence associated with different decisions of the courts for ongoing lawsuits; (ii) estimate of the loss amount associated with each type of decision; and (iii) estimated volume of the new lawsuits and their distribution over time.

• Review of the calculation of the provision for legal contingencies related to CHF loans, taking into account the methodology used and assumptions assumed by Bank Millennium.

• Analysis of the lawsuits brought against Bank Millennium considering the opinions of external lawyers, including obtaining independent confirmations from the external law firms.

• Analysis of the adequacy of the provision for lawsuits brought against Bank Millennium taking into account the available legal documentation, and analysis of the sensitivity of the provision to changes in the main assumptions used by Bank Millennium.

• Review of the information available regarding court judgments associated with CHF loans.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.V, 1.Z, 38 and 57)	
It should be noted that the Judgement of the Court of Justice of the European Union ("CJEU") of 3 October 2019 on case No. C-260/18, relating to a CHF loan involving another Polish financial institution, increased the uncertainty related to the estimation of this provision. In addition, as described in Note 57, in determining the estimate of the provision as at 31 December 2020, the Management has not included the potential effects of the decision of the Polish Supreme Court whose meeting is currently scheduled for 13 April 2021, given the inability to predict the results of this decision, nor the alternative proposal for a "sector" solution currently under analysis, which involves the voluntary possibility of establishing agreements with customers, due to the fact that Bank Millennium and the Group have not taken any decision in this regard. Developments related to these events may also have a significant impact on the legal contingencies associated with the CHF loans portfolio.	• Analysis of the relevant information related to the assumptions used by Bank Millennium until the date of this Statutory Audit Certification. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 56)	
As described in more detail in Note 56, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), the Resolution Fund became holder of 25% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A. In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star, under which the Resolution Fund commits to carry out capital injections at Novo Banco in the event of certain cumulative conditions occur. In October 2017, a framework agreement was established between the Portuguese State and the Resolution Fund, in order to provide the Resolution Fund with financial resources for the fulfillment of the contractual obligations related to the above mentioned sale of 75% of the share capital of Novo Banco. This framework agreement also states that it aims to ensure the stability of the contributory effort that relays on the banking sector. To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. According to the latest available Annual Report of the Resolution Fund, the own resources of the Resolution Fund as at 31 December 2019 were negative.	• Analysis of the public announcements released by the Resolution Fund from 2016 up to the date of our report. • Analysis of the loan agreement signed between the Banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and the Office of the Portuguese Minister of Finance of 28 September 2016 and the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans from the Portuguese State and from the banking syndicate to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to provide the Resolution Fund with the financial resources for the fulfilment of contractual obligations related to the sale of 75% of the share capital of Novo Banco to Lone Star. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Reading of the latest available Annual Report of the Resolution Fund, which refers to the year of 2019. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to this matter.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 56)	
The Bank records the cost with the periodic contributions and with the contribution over the banking sector on an annual basis, as provided in IFRIC 21 - Levies. The financial statements as at 31 December 2020 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established in the renegotiation in March 2017 of the loans obtained by the Resolution Fund to finance the resolution measures, including the extension of the maturity date up to 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

Responsibilities of Management and Supervisory Body for the consolidated financial statements

The Management of the Bank is responsible for:

- the preparation of consolidated financial statements that present true and fairly the consolidated financial position, financial performance and cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the Management report, the corporate governance report and the non-financial statement, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the consolidated financial statements and the verifications provided for in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais") related to corporate governance, as well as the verification that a non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material aspects, the Management report was prepared in accordance with the current applicable law and regulations, the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the number 1 of the referred article.

About the non-financial statement provided for in article 508-G of the Portuguese Commercial Code

In compliance with article 451, number 6, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Group included in the Management report the non-financial statement provided for in article 508-G of the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we have prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Institute of Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Group during the execution of the audit.

Lisbon, 24 March 2021

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("Bank"), which comprise the separate balance sheet as at 31 December 2020 (that presents a total of 63,965,493 t.euros and total equity of 5,981,786 t.euros, including a net profit of 50,633 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at 31 December 2020 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.Y4, 10, 13, 19, 35, 48 – Credit Risk and 54)</td></tr>
<tr><td>Accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded by the Bank as at 31 December 2020 amount to 1,472,591 t.euros and 89,678 t.euros, respectively.

Impairment losses for credit risk represent the best estimate of the Management of the Bank of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments".

The context of the Covid-19 pandemic increased the complexity and uncertainty associated with the estimation of impairment losses for credit risk, as a consequence of the need to incorporate new assumptions and judgments, including with regard to the effects of public and private moratoriums and other support measures such as credit facilities with State Guarantee, identification of situations of significant increase in credit risk and evidence of impairment, and definition of macroeconomic scenarios and probabilities of occurrence.

Impairment losses are determined through individual analysis for clients with high exposure and/or risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements.</td><td>• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for its loans' portfolio, determined through individual and collective analysis.

• Selection of a sample of clients subject to individual analysis of impairment by the Bank, which included exposures that presented higher risk-indicative characteristics as well as randomly selected exposures. This sample included clients whose exposures are covered by public and private moratoriums and clients whose activity is included in the sectors considered by the Bank to be at greater risk and with a more adverse potential impact in the context of the Covid-19 pandemic.

• For the selected sample, analysis of the reasonableness of the estimate of impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank about the information available regarding the economic and financial situation of the clients, valuation of the collaterals they have provided and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans.</td></tr>
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<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.Y4, 10, 13, 19, 35, 48 – Credit Risk and 54)</td></tr>
<tr><td>The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and estimating the present value of the amount that the Bank expects to recover from the loan, which also incorporates assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans.

Impairment losses for credit risk determined under collective analysis are based on a complex model, as it incorporates in the calculation of impairment several variables, namely characteristics of operations, classification of credit exposures in stages, including the assessment of the existence of significant increase in credit risk since the initial recognition and evidence of impairment, value of collaterals and risk parameters, such as the probability of default and loss given default, and the definition of macroeconomic scenarios and probabilities of occurrence.

As at 31 December 2020, the Bank recognized impairments in addition to the collective impairment model (overlays), through an analysis based on Management judgments to identify supplementary situations of significant increase in credit risk and evidence of impairment in the context of the Covid-19 pandemic.

Different methodologies, judgements or assumptions used in the impairment analysis and different recovery strategies affect the estimation of the recovery cash flows and their expected timing, and may have a significant impact on the determination of impairment losses for credit risk.</td><td>• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) validation on a sample basis the inputs used to calculate the main risk parameters of the model and the value of collaterals considered in the determination of impairment losses for credit risk; (iii) analysis on a sample basis of the calculation of the risk parameters of the model and the classification of credit exposures in stages; (iv) analysis of the main macroeconomic variables considered in the scenarios defined by the Bank; and (v) reperformance on a sample basis of the collective impairment, considering the risk parameters determined by the Bank and the stages in which the exposures are classified.

• Analysis of the methodology defined by Management to determine impairments in addition to the collective impairment model in the context of the Covid-19 pandemic (overlays), and validation on a sample basis of the inputs used.

• For a sample of exposures covered by each type of moratorium, public and private, analysis of the documentation regarding the compliance with the eligibility conditions.

• Review of the disclosures included in the separate financial statements related to these matters, considering the applicable accounting framework.</td></tr>
</table>

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 1.T, 1.Y1 and 27)</td></tr>
<tr><td>
As at 31 December 2020 the balance of deferred tax assets amounts to 2,469,190 t.euros, of which a net value of 649,137 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including 147,819 t.euros resulting from tax losses carried forward originated in 2016 and 2020.
As a result of the changes introduced in the Corporate Income Tax Code by Law No. 27-A/2020 of July 24 (Supplementary State Budget for 2020), the tax losses from 2016 and 2020 can be used until 2030 and 2032, respectively.
In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.
The Bank prepared an estimate of its taxable income for the period between 2021 and 2033 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profits and its interpretation of the tax legislation. The estimate prepared by the Bank took into account the context of the Covid-19 pandemic, which increases the degree of uncertainty about its realization.
To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results.
Eventual deviations from the estimate of future results or changes in the assumptions used in their determination, as well as changes on tax legislation or its interpretation, may have a material impact on deferred tax assets.
</td><td>

Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets.
Understanding and analysis of the methodology and main assumptions considered by the Bank to estimate the evolution of pre-tax profits and taxable results of its non-consolidated activity in the period between 2021 and 2033.
Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank's Management in the estimation of future taxable profits.
Review of the calculations made by the Bank to support the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.
Analysis of the consistency of the estimate of pre-tax profits with the budget approved by the Bank's Management.
Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.

</td></tr>
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<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.Y2, 1.Y4.2, 5, 21, 24 and 48 – Credit Risk)</td></tr>
<tr><td>As at 31 December 2020 the caption Non-current assets held for sale include 667,257 t.euros of properties held directly by the Bank and 64,901 t.euros of investments in real estate companies which main assets are properties. In addition, the captions Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets at fair value through other comprehensive income include 346,236 t.euros and 34,394 t.euros, respectively, of participating units in real estate investment funds in which the Bank owns the majority of the units, with a provision for other risks and charges in the amount of 56,863 t.euros related to the properties held by those funds.

These assets are recorded in accordance with applicable accounting standards (IFRS 5 for non-current assets held for sale and IFRS 9 for financial assets not held for trading mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income).

The valuation of these assets, and consequently the impairment losses, recorded in the Bank's accounts as at 31 December 2020 is supported by appraisals carried out by external appraisers, which incorporate several assumptions, namely sale price per square meter, discount rate, property best use, and expectations regarding the development of real estate projects, as applicable, and also considers the historical experience of the Bank in sales of properties, Management' prospects about the evolution of the real estate market and its intentions regarding the commercialization of these assets.</td><td>• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units.

• Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence.

• Analysis, for a selected sample of properties, of the reasonableness of the valuation recorded in the separate accounts, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, historical experience of the Bank in sales of properties and understanding of the strategy defined by Management for those assets.

• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.Y2, 1.Y4.2, 5, 21, 24 and 48 – Credit Risk)	
The use of different assumptions, in particular as a consequence of the evolution of the real estate market, including possible impacts of the Covid-19 pandemic, or changes in the sales strategy, may have significant impacts on the valuation of these properties and therefore on the determination of impairment losses.	

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Liabilities with retirement pensions - (Notes 1.S, 1.Y3 and 45)	
The Bank has assumed the responsibility of paying retirement pensions and other associated benefits to its employees and pensioners under the terms defined in collective labour agreements. As at 31 December 2020, the liabilities of the Bank for past services with retirement pensions and other associated benefits amount to 3,657,527 t.euros. The referred liabilities were determined by the responsible actuary, using the "Projected Unit Credit" method provided for in IAS 19 – Employee Benefits ("IAS 19"), and considering a set of actuarial assumptions, including the discount rate, growth rates of wages and pensions and mortality tables. Regarding the discount rate, it is determined on the basis of the market rates available on the reference date of the financial statements, for entities bonds considered to be of high quality, denominated in euro and of similar maturity to that of retirement pensions and other associated benefits. Eventual changes in actuarial assumptions may have a significant impact on liabilities for past services related to pensions.	• Analysis of the relevant control activities implemented by the Bank in determining the discount rate used in the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2020 sent to ASF. • Reading of the actuarial study with reference to 31 December 2020 and discussion with the responsible actuary on the evolution of responsibilities for past services related to pensions, including the main actuarial assumptions used. • Review of the methodology used in the determination of the liabilities for past services related to pensions and its adequacy in relation to the provisions of IAS 19. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into account: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review, on a sample basis, of the computation of liabilities for past services related to pensions, considering the actuarial assumptions used by the Bank. • Review of the disclosures included in the separate financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.F, 1.Y, 23 and 50)</td></tr>
<tr><td>The Bank has a 50.1% stake in the subsidiary Bank Millennium, S.A. ("Bank Millennium"), which is recorded in the separate financial statements at the lowest between the acquisition cost and its recoverable value. As at 31 December 2020 the Bank's assets include an amount of 611,208 t.euros related to the acquisition cost of Bank Millennium (Note 23).

Bank Millennium has granted in the past mortgage loans indexed to the Swiss Franc ("CHF loans"). As at 31 December 2020, the CHF loans portfolio has a net value of approximately 3,136,000 t.euros.

As described in more detail in Note 50, several lawsuits against Bank Millennium are ongoing in the courts, which include cases in which it is claimed the partial invalidity of the CHF loans contracts, in relation to the indexation clauses, or the total invalidity of the contracts.

To address the legal risk for the CHF loans portfolio, Bank Millennium estimated a provision which amounts to approximately 211,000 t.euros as at 31 December 2020.

The determination of the estimate of the provision to address the legal risk of this loan portfolio requires a significant judgmental component from Management, namely in what regards to the assumptions on the number of lawsuits that will be brought against Bank Millennium, the probabilities associated with different court decisions, and the amount of the potential loss if unfavorable decisions occur in ongoing and potential lawsuits.

These judgments and assumptions are uncertain by nature and may change in the future as a result of the evolution of court decisions, with a potentially relevant impact on the estimation of the provision for the legal risk of the CHF loans portfolio.</td><td>• Understanding of the process and relevant control activities implemented by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans.

• Analysis of the methodology used by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans, as well as the reasonableness of the main assumptions assumed by Management and adequacy of the main inputs used, namely: (i) probabilities of occurrence associated with different decisions of the courts for ongoing lawsuits; (ii) estimate of the loss amount associated with each type of decision; and (iii) estimated volume of new lawsuits and their distribution over time.

• Review of the calculation of the provision for legal contingencies related to CHF loans, taking into account the methodology used and assumptions assumed by Bank Millennium.

• Analysis of the lawsuits brought against Bank Millennium considering the opinions of external lawyers, including obtaining independent confirmations from the external law firms.

• Analysis of the adequacy of the provision for lawsuits brought against Bank Millennium taking into account the available legal documentation, and analysis of the sensitivity of the provision to changes in the main assumptions used by Bank Millennium.

• Review of the information available regarding court judgements associated with CHF loans.

• Analysis of the relevant information related to the assumptions used by Bank Millennium up to the date of this Statutory Audit Certification.</td></tr>
</table>

Descrição dos riscos de distorção material mais significativos identificados	**Síntese da resposta dada aos riscos de distorção material mais significativos identificados**
Contingências legais relacionadas com empréstimos indexados ao Franco Suíço concedidos pela subsidiária Bank Millennium, S.A. (Notas 1.F, 1.Y, 23 e 50)	
De referir que o Acórdão do Tribunal de Justiça da União Europeia (TJUE) de 3 de outubro de 2019 sobre o processo n.º C-260/18, relacionado com um empréstimo em CHF que envolve outra instituição financeira Polaca, aumentou a incerteza associada à estimativa desta provisão. Adicionalmente, conforme descrito na Nota 50, na determinação da estimativa da provisão em 31 de dezembro de 2020 o órgão de gestão não refletiu os potenciais efeitos da decisão do Supremo Tribunal de Justiça Polaco cuja reunião está atualmente agendada para 13 de abril de 2021, dada a incapacidade de prever os resultados desta decisão, nem a proposta alternativa de solução "setorial" atualmente em análise, que envolve a possibilidade voluntária de serem efetuados acordos com os clientes, pelo facto do Bank Millennium não ter tomado qualquer decisão a este respeito. Os desenvolvimentos relacionados com estes eventos podem também ter impacto relevante nas contingências legais associadas à carteira de empréstimos em CHF e, consequentemente, no valor recuperável da participação no Bank Millennium.	• Revisão das divulgações incluídas no anexo às demonstrações financeiras individuais relativamente a esta matéria, tendo em consideração o normativo contabilístico aplicável.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
As described in more detail in Note 49, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), the Resolution Fund became holder of 25% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A. In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star, under which the Resolution Fund commits to carry out capital injections at Novo Banco in the event of certain cumulative conditions occur. In October 2017, a framework agreement was established between the Portuguese State and the Resolution Fund, in order to provide the Resolution Fund with financial resources for the fulfillment of the contractual obligations related to the above mentioned sale of 75% of the share capital of Novo Banco. This framework agreement also states that it aims to ensure the stability of the contributory effort that relays on the banking sector. To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. According to the latest available Annual Report of the Resolution Fund, the own resources of the Resolution Fund as at 31 December 2019 were negative.	• Analysis of the public announcements released by the Resolution Fund from 2016 up to the date of our report. • Analysis of the loan agreement signed between the Banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and the Office of the Portuguese Minister of Finance of 28 September 2016 and the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans from the Portuguese State and from the banking syndicate to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to provide the Resolution Fund the financial resources, for the fulfilment of contractual obligations related to the sale of 75% of the share capital of Novo Banco to Lone Star. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Reading of the latest available Annual Report of the Resolution Fund, which refers to the year of 2019. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the separate financial statements related to this matter.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
The Bank records the cost with the periodic contributions and with the contribution over the banking sector on an annual basis, as provided in IFRIC 21 - Levies. The financial statements as at 31 December 2020 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established in the renegotiation in March 2017 of the loans obtained by the Resolution Fund to finance the resolution measures, including the extension of the maturity date up to 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

Other matters

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the non-consolidated level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.Y5, financial investments in subsidiaries and associated entities are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is given in Notes 23 and 55.

Responsibilities of Management and Supervisory Body for the separate financial statements

The Management is responsible for:

- the preparation of separate financial statements that present true and fairly the separate financial position, financial performance and cash flows of the Bank in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Management report, the corporate governance report and the non-financial statement, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system to allow the preparation of separate financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Bank's financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;
- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;
- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the separate financial statements and the verifications provided for in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais") related to corporate governance, as well as the verification that a non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material aspects, the Management report was prepared in accordance with the current applicable law and regulations, and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the number 1 of the referred article.

About the non-financial statement provided for in article 66-B of the Portuguese Commercial Code

In compliance with article 451, number 6 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Bank included in the Management report the non-financial statement provided for in article 66-B of the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020.
- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we have prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Institute of Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Bank during the execution of the audit.

Lisbon, 24 March 2021

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

pwc

Independent Limited Assurance Report

(Free translation from the original in Portuguese)

To the Board of Directors

Introduction

We were engaged by the Board of Directors of Banco Comercial Português, S.A. ("Millennium bcp" or "Company") to perform a limited assurance engagement on the sustainability information identified below in the section "Responsibility of the auditor", included in the Annual Report 2020, in particular in the Chapter "Non-financial information", for the year ended in December 31, 2020, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors to prepare the sustainability information identified below in the section "Responsibility of the auditor", included in the Annual Report 2020, in accordance with the sustainability reporting guidelines "Global Reporting Initiative" ("GRI"), GRI Standards version, and with the instructions and criteria disclosed in the Annual Report 2020, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

Responsibilities of the auditor

Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Our work was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and we have fulfilled other technical standards and recommendations issued by the Institute of Statutory Auditors. These standards require that we plan and perform our work to obtain limited assurance about whether the sustainability information (GRI Standards indicators), included in the Annual Report 2020, in particular in the Chapter "Non-financial information" is free from material misstatement.

Our limited assurance engagement also consisted in carrying out procedures with the objective of obtaining a limited level of assurance as to whether the Company applied, in the sustainability information included in the Annual Report 2020, the GRI Standards guidelines.

For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3°, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
(vi) Comparison of financial and economic data included in the sustainability information with the audited by the external auditor, in the scope of the legal review of Company's financial statements for the year ended in December 31, 2020;
(vii) Verification that the sustainability information included in the Report complies with the requirements of GRI Guidelines, GRI Standards version.

The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality control and independence

We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and of the ethics code of the Institute of Statutory Auditors.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the sustainability information identified above in the section "Responsibility of the auditor", included in the Annual Report 2020, in particular in the Chapter "Non-financial information", for the year ended in December 31, 2020, was not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Report and that Millennium bcp has not applied, in the sustainability information included in the Annual Report 2020, the GRI Standards guidelines.

Restriction on use

This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating the sustainability information in the Annual Report 2020 and should not be used for any other purpose. We will not assume any responsibility to third parties other than Millennium bcp by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report 2020.

March 24, 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Brochado Correia, R.O.C.

(This is a translation, not to be signed)

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Introduction

Banco Comercial Português, S.A., (hereinafter referred to as “Company, Bank, BCP, Millennium bcp”) structured this Corporate Governance Report regarding the financial year of 2020 (hereinafter referred to as “Report”), in compliance with the principles and recommendations of the Corporate Governance Code issued by Instituto Português de Corporate Governance (IPCG) that adopted in 2020, and in compliance with the guidelines set forth in circular from CMVM - “The supervision of the of the Corporate Governance recommendations regime - new rules and procedures for 2019”, of 11 January 2019 - and the Attachment to the CMVM Regulations 4/2013 of August 1 2013.

Were also taken into account, among other, the following rulings: the Legal framework for Credit Institutions and Financial Companies (LFCIFC), the Securities Code (SC) , with the alterations introduced by Law 50/2020 of August 25, the Companies Code, Law 62/2017 of 1 August, Law Nr. 15/2019 of February 12, the Regulation of CMVM 7/2018, the guidelines from the European Banking Authority EBA/GL/2017/11, EBA/GL/2017/12,both from 26 September 2017 and the EBA/GL/2015/22, 27/06/2016, the Regulation /EU) 596/2014 of 16 April 2014, the Implementing Regulation (EU) 2016/523 from the Commission of 10 March 2016 and the Delegated- Regulation (EU) 604/2014 of the Commission of 4/3/2014, amended by the Delegated Regulation 2016/861 of 18 February 2016.

In July 2020, Banco de Portugal issued the Notice 3/2020 with the purpose of handling, in an integrated manner, and further detail the several matters related with organizational culture, corporate governance and internal control. This new Notice establishes a six-month deadline for institutions to adopt its provisions and, therefore, its full adoption will only have an impact on the 2021 financial year. We must, however, underline that the Bank has already complied, in 2020, with several of the procedures imposed by the new notice, namely those deriving from the EBA guidelines, which are now materialised and deepen by Banco de Portugal and, to that purpose, and before the approval of this report, in 2020, BCP will adopt, observing the principle of proportionality and adequacy, the new procedures established by the Portuguese regulator, in terms of its corporate governance model and those new procedures will be part of the 2021 corporate governance report.

of its corporate governance model and the same will be part of the 2021 corporate governance report.

This Report is composed of two parts:

PART I – Items 1 to 92 of Annex I of the CMVM Regulation 4/2013 – regarding information on the shareholding structure, company’s organization and governance, including information regarding the recommendations from the Corporate Governance Code from IPCG which do not have corresponding text in those Regulations.

PART II – Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.

Part I

A. SHAREHOLDING STRUCTURE (Organization and Corporate Governance)

I. Capital Structure

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245-A/1/a).

On the date this Report was made (March 2021) the share capital of the Bank amounted to 4,725,000,000.00 Euros, represented by 15,113,989,952 shares of a single category, nominative, book-entry, without nominal value, fully subscribed and paid up, all admitted to trading in a regulated market (Euronext Lisbon). These shares represent 100% of the share capital, confer identical rights and are fungible between them.

According to the information provided by Interbolsa, as at 31 December 2020, the number of shareholders of Banco Comercial Português totalled 149,299.

The Bank's shareholder structure continued, on 31 December 2020, to be very dispersed, with four shareholders owning more than 2% of the share capital. Of these, only two have a stake above 5%. As a whole, the shareholders with qualifying stakes represented 54.28% of the share capital.

Shareholders with more than 5 million shares represented, on 31 December of 2020, 73.4% of the share capital and voting rights. In terms of geographic distribution, special note should be made of the weight of the shareholders in Portugal, which accounted for 30.5% of the total number of shareholders.

Although pursuant to its articles of association, the Bank has the ability to issue shares with special rights, namely voting or non-voting preferential shares either redeemable with or without premium or not redeemable, it has never done so.

For the issue of this type of shares it is necessary a specific resolution adopted by the Shareholders at a General Meeting of Shareholders by a majority of 2/3 of the votes cast.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b).

There are are no clauses in the articles of association with these features. The shares representing the share capital of the Bank are freely transmissible and there are no limits on the ownership of shares.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a).

The treasury stock (BCP shares) held by entities included in the consolidation perimeter is within the limits established by the Law and Regulations.

As at 31 December 2020, Banco Comercial Português, S.A. held no treasury stock in its own portfolio, and there were no purchases or sales of own shares throughout the period.

However, on that date, were recorded in the item "Treasury Stock" 323.738 shares (on 31 December 2019, 323.738 shares) held by clients which were given as collateral for credit granted by the Bank or by Group BCP. As there is evidence of impairment those shares were deemed as own shares and, complying with the applicable accounting standards, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to Note 46 to the consolidated financial statements, as at 31 December 2020, Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A. held 142,601,002 BCP shares, amounting to Euros 28,891,000 and on 31 December 2019, it held the same number of shares, amounting to Euros 28,891,000.

The shares held by the Bank due to credit recovery process are not considered treasury stock in portfolio, as the respective sale is made in the market and in the short term.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j).

Banco Comercial Português, S.A is not a party to significant agreements, namely agreements that are enforced, altered or terminated in the event of change of control, following a public takeover bid, or change of composition of the governing bodies and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of Directors.

Under its activity, the Bank has negotiated six bilateral contracts with the EIB in the overall amount of close to four hundred and thirty-five million Euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control. None of these contracts harmed the economic interest in the transfer of shares and the free appraisal by the shareholders of the Director's performance.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

Article 26 of the Bank's Articles of Association establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not be counted.

On the date this report was made, there were no shareholders reaching the above-mentioned limit of 30%. The amendment of this statutory provision requires the approval by 2/3 of the votes cast at the General Meeting.

The Bank's Articles of Association do not foresee the periodic review of the statutory rule that establishes the limitation of votes; however under the terms of article 13-C of the Legal Framework for Credit Institutions and Financial Companies, these limits will automatically expire at the end of each five-year period if no resolution is adopted by the General Meeting of Shareholders to expressly maintain them.

The General Meeting of Shareholders held on 9 November 2016, approved by a majority of 96.10% of the votes cast, the maintenance of limits to votes foreseen in articles 25 and 26 of the Articles of Association; therefore the same is valid until 8 November 2021. However, the Bank will submit to the shareholder's appraisal, at the forthcoming General Meeting to be held until the end of May of 2021, the maintenance of limits to votes.

There aren't, on 9 November of 2016 nor on the date this report was approved, shareholders that own, directly or indirectly, 30% of the votes corresponding to the totality of the share capital.

The Bank adopts the rule for the limitation to voting rights, commonly referred to as "statutory ceiling on voting rights", since it deems that this is the best international and national corporate governance practice in terms of statutory restrictions for significant institutions with the size, internal organisation, scope and complexity of activities such as the ones pursued by the Bank.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g).

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/c & d and Article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution.

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2020, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

31 December 2020

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
TOTAL FOR FOSUN GROUP	**4,523,384,503**	**29.93%**	**29.93%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	423,574,988	2.80%	2.80%
TOTAL FOR BLACKROCK	**423,574,988**	**2.80%**	**2.80%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**8,204,929,549**	**54.28%**	**54.28%**

* In accordance with the announcement on November 26, 2020 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

Concerning this item, please see the information conveyed by the 2020 Annual Report, in note 46 of the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned.

Under the terms of article 5 (1) of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation.

The last renewal of this authorization was approved at the General Meeting of Shareholders held on 21 April 2016, when the Bank's share capital amounted to 4,094,235,361.88 Euros, and the General Meeting resolved that 20% of that increase could be made through the placement, without shareholders preference rights, with qualified or institutional investors.

The Bank's share capital was increased twice under this authorization.

The first time on 18 November 2016, in the amount of 174,582,327.32 Euros, an increase reserved to Chiado (Luxembourg) S.à r.l. (Group Fosun), and on 7 February 2017, in the amount of 1,331,920,364.52 euros, in an increase with preference right for shareholders. Therefore, the ceiling for authorization to increase the capital to be resolved by the Board of Directors is established, on the date this report is made, at 2,587,732,670.04 euros.

On 11 November 2018, the shareholders resolved at the General Meeting of Shareholders to reduce the share capital in the amount of 875.738.053,72 Euro, to cover losses, and the share capital stood at 4.725.000.000,00 euros, an amount that remains until today.

The Board of Directors shall submit to the shareholders' decision at the forthcoming General Meeting of Shareholders to be carried out until the end of May of 2021, a proposal for the renewal of the authorisation mentioned above

10. Significant business relations between holders of qualifying stakes and the company

Business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount involved, is always subject to appraisal and deliberation by the Board of Directors, after a prior opinion has been obtained from the Audit Committee, through proposal submitted by the Executive Committee, which is supported by a proposal made by the Credit Commission and an analysis and opinion issued by the Compliance Office in what regards the compliance of the proposals with internal rulings, legal and supervisory requirements and remaining conditions applicable to them, together with an opinion issued by the Risk Office to assess the risks that the operations involve.

During the financial year of 2020, the Audit Committee issued twenty opinions on operations of granting and renewal of credit lines and limits or on other credit operations related to shareholders holders of qualifying stake or related natural or legal persons. All the transactions were carried out under normal market conditions.

During the financial year to which this report relates to, the hiring of supplies and services between Banco Comercial Português and entities qualified as related parties, shareholders holding qualifying stakes and entities related with them was also analysed. The Audit Committee issued five opinions concerning proposals for the engagement of goods and services. These engagements were made in accordance with market conditions for similar operations, within the scope of the core business developed by the Bank and by the counter party and no special treatment was identified. Also, in this case, the Compliance Office, the Internal Audit Division, the Executive Committee, Audit Committee, and the Board of Directors verified compliance with the conditions mentioned above.

The operations carried out in 2020 are better identified in item 90 of this Report.

The Board of Directors, in accordance with its competences, conferred to it by its Regulations, reserved for itself the necessary and sufficient powers for the following acts:

- Approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- Approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them.

The Regulations of the Board of Directors also sets forth, regarding the same entities, the conditions establishing the contracts established with those entities are also subject to a mandatory prior opinion from the Audit Committee. Such contracts must also be submitted for approval by the Board of Directors.

In what regards credit transactions, the Service Order OS0016 sets forth that the Bank is not allowed to grant loans, directly or indirectly, in any form or of any kind (including acting as guarantor) to the members of its management and supervision bodies or to companies or legal persons directly or indirectly controlled by them.

We point out that this limitation does not apply to loans with social features or for social purposes or to loans resulting from staff management policies, as well as to loans granted due to the use of credit cards associated with the current account, under the conditions applicable to other Clients with a similar risk profile. Notwithstanding, these operations, in which the beneficiaries are members of the management and supervisory bodies of the Bank , or entities related with them, must obey to the following rules:

- In credit cards, 100% monthly payment of the amount used;
- Loans resulting from staff management policy must strictly obey the conditions in effect within the scope of that policy;

In accordance with the above-mentioned Service Order, the granting of credit (including the provision of guarantees) to:

- Entities wherein the members of the Bank's management and supervision bodies are managers or have a qualifying holding that does not ensure a controlling position, directly or indirectly;
- Shareholders holding 2% or more of the Bank's share capital and to related entities;

Is subject to the following special procedures:

- Approval by a majority of at least two thirds of the members of the Board of Directors and the members related to the entities involved in the loan application are not allowed to vote;
- The documentation on these operations to be sent by the Credit Division to the Executive Committee to be assessed and afterwards sent to the Board of Directors must contain an opinion issued by the Bank's Compliance Office on the compliance of the proposed operations with the applicable internal regulations, legal and statutory provisos and all other conditions applicable to them and an opinion issued by the Risk Office assessing the operation's inherent risks;
- The documentation regarding each loan application to be sent to the Board of Directors for final appraisal must include a prior favourable opinion issued by the Audit Committee.

Lastly and also in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors and o the supervisory bodies cannot take part in the analysis and in the decision-making process of credit granting operations to companies mentioned in the previous paragraph of which they are managers or wherein they hold stakes and any of these situation requires the approval by, at least, a majority of two thirds of the remaining members of the administration body and a favourable opinion from the Audit Committee.

The operations under appraisal, which are also ruled by Recommendation I.5.1, are approved at a meeting of the Board of Directors by a majority of, at least, two thirds of its members. The Chairwoman of the Audit Committee, qualified as an independent member of the Board of Directors makes a detailed presentation of the operation under appraisal to the Board, underlining the fact that the same has been made aiming at the prevention of conflicts of interest and ensuring that the same is carried out under normal market conditions, issuing a prior and favourable opinion from the Audit Committee and, as a non-executive member of the Board of Directors, also votes the proposal. Hence, the Chairwoman of the Audit Committee takes, this way, cognizance of the resolution adopted by the Board of Directors of which she is a member, together with the remaining members of the Committee and it is considered not justified, for being redundant, any other communication to address to the Audit Committee.

B. GOVERNING BODIES AND COMMITTEES

I. General Meeting of Shareholders

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, (1) of the Bank's Articles of Association, the Board of the General Meeting is composed by a Chairperson and a Vice-Chairperson.

The Chairperson and Vice-Chairperson of the Board of the General Meeting of Shareholders were elected at the General Meeting of Shareholders held on 10 May for a first term-of-office concerning the triennial 2017/2019.

The members of the Board of the General Meeting of Shareholders ended their term-of-office on 31 December 2019 remaining in office until 20 May 2020, the date on which the Annual General Meeting of

Shareholders was held, and in that forum they were reappointed as elected members of the Board of the General Meeting of Banco Comercial Português for the four-year period 2020/2023.

The Board of the General Meeting is composed of:

Chairman:	Pedro Miguel Duarte Rebelo de Sousa (Independent)
Vice-Chairperson:	Octávio Manuel de Castro Castelo Paulo (Independent)

Inherent to the position, the Board of the General Meeting is supported by secretarial services administered by the Company Secretary, Ana Isabel dos Santos de Pina Cabral who was appointed by the Board of Directors on 24 July 2018, performing duties for the three-year period 2018/2021.

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f)

Under the terms of the Bank's Articles of Association, each share corresponds to one vote. Natural or legal persons that own shares which confer to them at least one vote at zero hours of the fifth trading day prior to the date of the General Meeting may participate therein, directly or through a representative.

Voting in writing, by mail or internet is permitted, provided that the vote is received by the penultimate day prior to the date of the General Meeting.

Shareholders who participate in the General Meeting directly or through representation may only exercise their voting rights at the General Meeting.

In 2020 the Bank held its Annual General Meeting of Shareholders using electronic means, and the shareholders who registered for that meeting, as well as the majority of the members of the governing bodies, attended the meeting through a communication platform made available for that purpose. The shareholders who attended by this means voted on the proposals submitted during the meeting itself, also by using electronic means. The entire process of the General Meeting was audited by the Bank's Audit Division.

Due to the pandemic situation, it is expected that the Annual General Meeting, which will approve this Report, to be also be held using electronic means.

Considering the experience acquired, as well as the reliability of the systems implemented in the meantime, the Bank is in position to, in the future, hold General Meetings that will allow the simultaneous participation of shareholders both physically and by electronic means.

On these issues, see items 5, 14 and 48.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1.

On this issue, see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority.

The Bank's Articles of Association require the presence of shareholders holding more than one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a qualified majority of three quarters of the fully paid up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is not intended to adopt mechanisms that will make it difficult for shareholders to make decisions, on the contrary, it is aimed at protecting minorities and guaranteeing that no relevant matter is decided without the effective participation of a representative number of shareholders.

On these issues, see items 5 and 48.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the endorsed governance model

Banco Comercial Português, S.A. has endorsed, since 28 February 2012, a one-tier corporate structure with a Board of Directors which includes an Executive Committee and an Audit Committee. It also has a Remuneration and Welfare Board elected by the General Meeting of Shareholders.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h)

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position, such co-optation must be ratified at the first General Meeting of Shareholders taking place after the co-optation. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists.

In accordance with the Bank's articles of association, a member of the Executive Board of Directors can be elected on its own according to article 392 (1 to 5) of the Companies Code.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

Before submitting to election re re-election by the General Meeting of Shareholders, the candidates to the Board of Directors, including the members of the Audit Committee and of the Executive Committee, the Bank strictly complies with the general provisions set forth in article 30 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and makes an individual and collective assessment of the body, namely on the future composition of the remaining specialized committees of the Board, such as the Committee for Risk Assessment, the Committee for Nominations and Remunerations and the Committee for Corporate Governance, Ethics and Professional Conduct.

In that assessment, the Bank takes into account the qualitative requirements of good repute, professional qualification, independence and accumulation of positions or availability for the exercise of functions in accordance with the provisions of articles 30-D, 31, 31-A and 33 of the LFCIFC, as well as of the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018, the ESMA and EBA/GL/2017/12 guidelines on suitability of the members of administration bodies and key function holders, the Instruction from Banco de Portugal 23/2018 of 5 November and the Delegated Regulation (EU) 604/2014, of 4 March 2014, rectified by the Delegated Regulation (EU) 2016/861 of the Commission of 18 February 2016, for the categories of staff whose professional activities have a significant impact on the Bank's risk profile.

The Succession Plan of the Bank's Board of Directors approved on 30 May by the General Meeting of Shareholders by a majority of 99.71% of votes cast, establishes, pursuant to the rules mentioned previously, the internal policy for the selection and assessment of the suitability of the members of the administration and supervisory bodies, establishing the general principles and requirements regarding the profile of the new members of the Board of Directors and of the Supervisory bodies, namely the identification of the competences, availability for the exercise of the function, training and expertise required of the different members of the Board of Directors, so as to ensure sufficient knowledge for exercising the specific functions, namely in terms of managing material risks.

It is ensured that the non-executive directors who become members of the specialized committees of the Board of Directors, regarding the area of expertise of the respective committee, have sufficient time available, knowledge, skills, independence of mind and sufficient and appropriate experience to enable them to critically evaluate the decisions made by the management bodies. The executive directors must perform their duties on an exclusive basis, and any exception requires the approval of the Board of Directors or the Committee for Nominations and Remunerations, and must have sufficient and appropriate knowledge, skills and experience for the performance of their duties. The individuals indicated to perform the functions of executive members must have, at least, five years of recent practical experience in the banking industry or similar.

1. Individual suitability assessment:

    - To have good repute;
    - To have sufficient knowledge, skills and experience to perform his/her functions;
    - To be able to act with honesty, integrity and independence of mind to effectively assess, monitor and challenge the decisions taken by the management body in its management function and other relevant management decisions;
    - To not be covered by any legal incompatibility related to the role to be performed;
    - To have the availability to dedicate sufficient time to the performance of their functions in the institution;
    - To comply or not with the limitation on the number of management positions.

2. Collective suitability assessment:

Annually and with the help of an external and independent consultant, the Board of Directors carries out its own individual and collective assessment

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I of this Corporate Governance Report. These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member

Under the terms of the Bank's Articles of Association, the Board of Directors is composed of a minimum of fifteen and a maximum of nineteen members, elected for terms of office of four years, who may be re-elected one or more times.

The current Board of Directors of Banco Comercial Português, with a term-of office from 2018 to 2021, is composed of seventeen members, all of them elected by the General Meeting of Shareholders held on 30 May 2018, exception made to one of its members who was co-opted by the Board of Directors on 23 April 2019 and had his co-optation ratified by the General Meeting of Shareholders on 22 May 2019.

The Board has four women, representing 23.52% of the members of the Administration in office. The Chairperson of the Audit Committee, the Bank's supervisory body composed by four members, is a woman. This way, the Bank complies with the gender criteria and requirements regarding the members of the Board of Directors and supervisory body.

The Bank provides the proposals it presents to the elective General Meeting of Shareholders with documents that enable assessing the profile, knowledge, professional experience, namely the curricula of the candidates to members of the corporate bodies and the company maintains all information available for 10 years at the bank's website, in the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores

The composition of the Board of Directors at the end of the financial year this Report refers to, as well as the indication of the quality of its members, executive and non-executive, the date of the first appointment of each of the referred member and the date of end of term-of-office is identified in the table below:

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End (a)	Appointment method	Body and Position	Qualification
Nuno Manuel da Silva Amado	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (b)
	11/05/2015	2015/2017	31/12/2017		Board of Directors - Vice-Chairman - Executive Committee - Chairman	
	28/02/2012	2012/2014	31/12/2014			
Jorge Manuel Baptista Magalhães Correia	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (c)
Valter Rui Dias de Barros	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (c)
Ana Paula Alcobia Gray	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Cidália Maria Mota Lopes	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
	11/05/2015	2015/2017	31/12/2017			
José Manuel Alves Elias da Costa	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Xiao Xu (Julia Gu)	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Lingjiang Xu	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
	09/01/2017	2015/2017	31/12/2017	Co-optation		
Teófilo César Ferreira da Fonseca	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Wan Sin Long	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Fernando da Costa Lima	23/04/2019	2018/2021	31/12/2021	Co-optation	Board of Directors - Member	Independent

Composition of the Board of Directors (Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End (a)	Appointment method	Body and Position	Qualification
Miguel Maya Dias Pinheiro	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Chairman	Executive
	11/05/2015	2015/2017	31/12/2017		Executive Committee - Vice-Chairman	
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	
	11/11/2009	2008/2010	31/12/2010	In replacement		
Miguel de Campos Pereira de Bragança	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Vice-Chairman	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
João Nuno de Oliveira Jorge Palma	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Vice-Chairman	Executive
	09/01/2017	2015/2017	31/12/2017	Co-optation		
José Miguel Bensliman Schorcht da Silva Pessanha	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Member	Executive
	11/05/2015	2015/2017	31/12/2017			
Maria José Henriques Barreto Matos de Campos	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Member	Executive
Rui Manuel da Silva Teixeira	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Member	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	

(a) Although the end of the mandate coincides with the last day of the calendar year, to which it refers, the member shall remain in office until the election of the new composition.
(b) The Director in question exercised the position of executive director in the previous term-of-office (2015/2017). The non independence is established in accordance of Item 91.a.,of the EBA/GL/2017/12 Guidelines of 26 September 2017.
(c) The director in question is connected to a shareholder with a qualifying stake.

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board

The Board of Directors is composed by 17 members, 11 non-executive and 6 executive.

In accordance with the model adopted by the Bank, the Audit Committee, which is composed by 4 non-executive directors, 3 of which independent, is the supervisory body.

The Bank considers appropriate, either the number of non-executive members of the Board of Directors, or the number of those that, amongst them are qualified as independent - 5 out of 11, as per tables of items 17 and 26.

In article 28 of the Articles of Association, the Bank confirms the norm that the Board of Directors is composed by a minimum of 15 and a maximum of 19 members, elected by the General Meeting of Shareholders, therefore in line with the best domestic and European practices followed by similar companies, because this is the number seen as sufficient and appropriate to the size of the company and the complexity of the inherent risks of its activity, a number that allows it to possess a transparent organisational structure with lines of responsibility that the Bank observes.

All the non-executive members of the Board of Directors were evaluated, with the assistance of external evaluators, by the Committee for Nominations and Remunerations which, for that purpose and besides the regulations mentioned above, took under consideration the Guide for the Assessment of Fit & Proper (May 2018) of the European Central Bank, as well as a group code on the assessment of the suitability and succession planning for the members of the management and supervisory bodies and other holders of Bank's key functions, having considered, apart from the profile of each one of the Directors, the following facts:

- Being an employee of the company over the last three years or a company which is in a controlling or group relationship;
- Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;
- Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a Board Member;
- Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes;
- Being the holder of a qualifying stake or representative of a shareholder with qualifying stake;
- Having been re-elected for more than two, consecutive or not, terms-of-office;
- Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company;
- Exercises or exercised in the last 5 years the position of member of the administration body, in its management function, in an institution included within the scope of the prudential consolidation.

Excluding the executive directors, five members of the Board of Directors, out of eleven members, are independent. In other words, 45% of the non-executive directors are independent, and BCP considers that the proportion of independent directors, versus the total number of directors, is adequate, taking into account the endorsed governance model and the size of the company.

According to CMVM Regulation 4/2013, Annex 1, nr. 18.1, in the recommendation III.4. Of the Governance Code of the IPCG and item 91a. of the guidelines EBA/GL/2017/12, a member of the Board of Directors who is not associated with any specific interest group within the company, or under any circumstances capable of affecting their impartiality of analysing or decision making is considered to be independent.

None of the non-executive directors exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company.

Having been pondered the content of the Recommendations III.2 and III.3.of the IPCG Code, the art. 414 (5) (b), the provisions of article 31- A of the LFCIFC, the European legislation, namely the independence of mind criteria mentioned in the Guide to fit and proper assessments of the members of management bodies of the ECB (May 2018)", and the EBA/GL/2017/12 guidelines of 26 September 2017, applicable since 30 June 2018, the Committee for Nomination and Remunerations considered that the number of non-executive directors qualified independent ensures them the effective capacity to monitor, supervise and assess in a critical, impartial and adequate manner the activity developed by the executive directors.

The Chairman of the Board of Directors exercised the position of executive director in the previous term-of-office (2015/2017), reason why, in accordance with the contents of Item 91.a. of the Guidelines from EBA/GL/2017/12 of 26 September 2017 is qualified as non-independent.

The characteristics and competences of the independent Directors, namely at the level of the functions they perform in the different Committees of the Board of Directors show that, in practice, the respective autonomy is guaranteed and the independent directors, that represent 45% of the non-executive directors, never disclosed the need or even mentioned the advantage in having a coordinator (lead independent director), <u>being considered that these reasons perfectly comply with the principle</u> comply or explain.

On this matter, see the table presented in item 17.

19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, The Supervisory Board and of the Executive Board of Directors

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.

There are no habitual and significant family or business relations between the members of the Board of Directors and of the Executive Committee with shareholders imputed with qualifying stakes above 2% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 2% are legal persons. Under these terms, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 2%. Furthermore, there are also no family relations between the members of the Bank's Board of Directors and Executive Committee and the members of the Boards of Directors of the shareholders with a stake above 2%.

The Bank favoured the interaction between the independence of behaviour of each member and the principle of being independent in the face of conflicts of interest that create obstacles to the ability to perform their duties independently and objectively. For this purpose, the Board of Directors has confirmed in its Regulations that any member of the Board of Directors that accumulates with his office, any management functions in any company that pursues an activity which competes with that of the Bank, or with an entity of Group BCP or in a company in which the Bank holds a significant stake, is prevented from accessing any privileged or sensitive documentation related to the company in question or participate in the debate or deliberate on any content related with that company.

Furthermore, and also in accordance with the Regulations of the Board of Directors, the directors are not allowed to vote or take part in the debate on issues, regarding which there is a direct or indirect conflict of interests with the company, on their own behalf or on behalf of third parties.

The Regulations of the Board of Directors, updated in February 2021, is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2020, a qualifying stake above 2% of the voting rights is imputable are listed in the following table:

PROFESSIONAL OR BUSINESS RELATIONSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BCP WITH SHAREHOLDERS HOLDERS OF A QUALIFIED STAKE OF MORE THAN 2% OF VOTING RIGHTS

Members of the Bank's Board of Directors	Professional or Business Relationship	Shareholders owning more than 2% of Voting Rights
Jorge Manuel Baptista Magalhães Correia	Chairman of the Board of Directors of Luz Saúde, S.A.	Fosun Group
Ana Paula Alcobia Gray		Sonangol Group
Lingjiang Xu	Non-Executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, SA	Fosun Group
Xiao Xu Gu (Júlia Gu)	Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd	Fosun Group
Valter Rui Dias de Barros	Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angolan State)	Sonangol Group

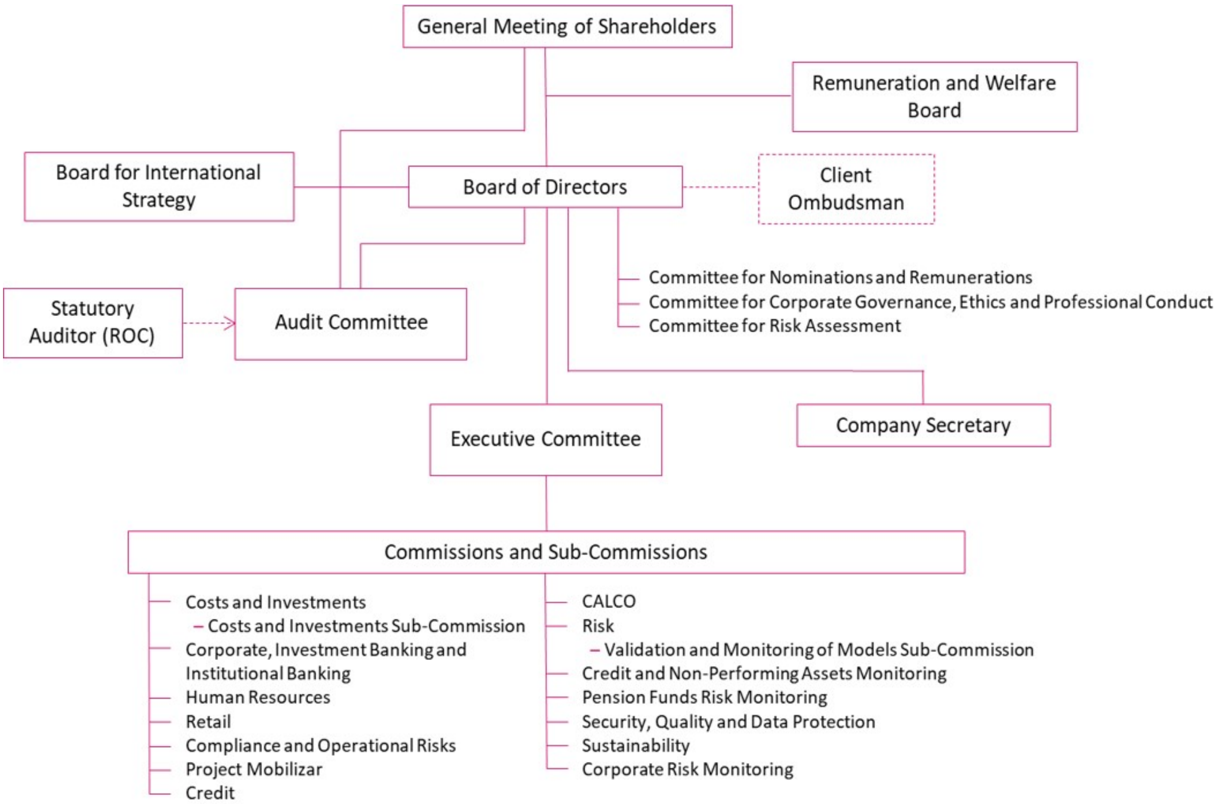
21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

Pursuant to the corporate governance model adopted by the Bank - the one-tier model - the company has a Board of Directors, which includes an Audit Committee, composed solely of non-executive members and an Executive Committee to which the Board of Directors has delegated the Bank's current management, as per the provisions of article 35 of the Articles of Association and articles 5 (2) (a) and 6 (1) of its Regulations.

The Board of Directors has appointed three other specialised committees, whose essential purpose is the permanent monitoring of certain specific or highly complex matters. The Company also has a Remuneration and Welfare Board appointed by the General Meeting of Shareholders.

To advise on daily management issues, the Executive Committee has also appointed different subcommittees that, besides two or more Executive Directors, are permanently composed of various first line Directors who report to them.

The table below represents the Bank's Corporate Governance Model structure during 2020:



Board of Directors

The Board of Directors is the governing body of the Bank vested with the amplest powers of management and representation of the company.

During the performance of their duties, the directors use their competences, qualifications and professional experience to assure, in a permanent and responsible way, a sound, effective, rigorous and prudent management of the Bank, respecting the characteristics of the institution, its size and the complexity of its business activities.

The members of the Board of Directors observe duties of zeal, care and loyalty, reflecting high standards of diligence inherent to a careful and orderly manager, critically analysing the decisions taken in the best interests of the company and also the implemented procedures and policies.

The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the performance of their duties, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by legal provisions or decision of an administrative or judicial authority.

The Board of Directors is the corporate body with competence to define the company's general policies and strategy, being vested with full management and representation powers for both the Bank and the Group, maintaining the ability to have back the powers delegated on the Executive Committee or on any of its other Committees.

The composition of the Board of Directors aimed at ensuring the capacity to enhance dynamics, leadership and control on the digital transformation process part of the strategic plan approved for 2018-2021.

In accordance with the provisions of number 2 of article 7 of the Regulations of the Board of Directors in effect since 31.12.2020, the latter reserved to itself the following competences:

- Select its Chairperson, Vice-Chairpersons and also the Chairperson of the Executive Committee;
- Appoint directors to fill in eventual vacancies;
- Ask the Chairperson of the Board of the General Meeting to call the General Meeting;
- Resolve on the change of head office and share capital increases, under the terms of the law and of the articles of association;
- Approve mergers, demergers and other changes to the company;
- Approve the Annual Reports and Financial Statements and the proposals that the management body is responsible for submitting to the General Meeting, namely the proposal for the appropriation of profits;
- Approve the Bank's annual and longer-term budgets;
- Approve the Strategic Plan for the Bank and for the Group;
- Approve the Market Discipline Report;
- Risk Risk Appetite Framework;
- Approve the ICAAP - Internal Capital Adequacy Assessment Process;
- Approve the ILAAP - Internal Liquidity Adequacy Assessment Process;
- Approve the Recovery Plan;
- Approve Internal Control System Report;
- Approve the Anti-Money Laundering Report;
- Define the general policies and strategic goals for the Bank and for the group and take care of their appropriate implementation;
- Provide bonds and personal or real guarantees on behalf of the company, with the exception of those included in the Bank's current activity;
- Purchase, sell and encumber immovable properties provided that the operation implies a negative impact above 0.5% on the regulatory consolidated own funds;
- Define and resolve on the eventual introduction of changes to the group's corporate structure, namely the opening and closing of establishments when it represents a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the making of the decision;
- Significant increases or reductions in the company's organization whenever these produce an impact above 5% in consolidated assets;
- Resolve, under the terms of the law and of the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, the Company Secretary and respective alternate, who must have the adequate expertise and profile to undertake such functions and to whom the Board of Directors must ensure technical autonomy and all the necessary means to carry out their functions;

- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, a Client Ombudsman, who must necessarily be an individual with a recognized ability, honesty and experience in banking, without employment ties to the Bank and to whom it must ensure all the necessary means to carry out his/her functions freely and independently;
- Appoint, pursuant to a proposal made by the Executive Committee, the investor relations and, after getting the favourable opinions of the Audit Committee, and in the first case, also the Committee for Risk Assessment, the risk officer, the compliance officer and the head of audit division, to whom it must ensure technical autonomy and all the necessary means to carry out their functions;
- Approve and periodically review, after getting the opinion from the Committee for Nominations and Remunerations, the remuneration policy concerning employees which report directly to the Administration, the ones responsible for the assumption of risks and for the control functions and the employees whose total remuneration places them in the same bracket of the three categories mentioned above provided that their respective professional activities have a material impact on the Bank's risk profile.
- Approve the respective internal regulations, as well as the regulations of the Audit Committee, of the Executive Committee and of the other committees it decides to create;
- Approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them;
- Approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank’s share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- Ratify any acts undertaken on its behalf by the Chairperson or by his/her alternate in case of emergency.

The members of the management or supervisory bodies of an institution shall not participate in the appraisal and decision whether or not to grant credit to companies or other legal persons directly or indirectly controlled by them, of which they are managers or in which they hold a qualifying holding. In all these situations the approval by, at least, two thirds of the remaining members of the management body as well as the favourable opinion of the Audit Committee shall be required.

The delegation of powers by the Board of Directors does not exclude the competence of this corporate body to resolve on the same issues, nor does it waive, under legal and regulatory terms, namely the number 5 of the Delegated Regulation (EU) 604/2014 of March 4, revised by the Delegated Regulation (EU) 2016/861 of the Commission, of 18 February 2016, the responsibility of other directors for possible losses caused by acts or omissions occurred due to the exercise of duties received by delegation, in the extent that the members of the management body are ultimately, the ones responsible for the institution, its strategy and activities.

The Board of Directors is also internally organized and implements and sets goals regarding the assumption of risks through the formal approval of the Risk Appetite Statement (RAS)) of the Bank.

The "Risk appetite statement" incorporates a set of key indicators relating to the identified material risks and their acceptable levels of risk (tolerance levels). These levels of tolerance:

- Constitute maximum risk assumption objectives and are, in turn, developed and discharged "in cascade" and in greater detail to the risk limits that are part of the institution's risk policy and materialized in the internal rulings documentation;
- Are composed of two levels: an alert level prior to the maximum admissible value and a level of absolute “failure” which require corrective measures when they are reached.

The Board of Board of Directors monitors and analyses – by means of its Executive Committee, every month, and by means its Committee for Risk Assessment, every two month - the performance shown by the RAS indicators versus the established limits, thus acting in compliance with that performance whenever the indicators in question reach alert or failure levels.

The Board of Directors is also responsible for ensuring that the organizational culture and the governance and internal control systems, including the remuneration practices and policies are appropriate, efficient, sustainable and contribute for a sound and prudent management of the Bank’s activity and also for an environment that values internal control as a key element for the resilience and good performance of the Bank in the long run, and for the remaining themes handled in Notice 3/2020 of Banco de Portugal.

The relevant information is object of analysis by the members of the Bank’s corporate bodies and is disclosed, as a rule and at least 5 days prior to the date of the meeting where those issues will be debated, by means of a digital platform denominated Diligent Board.

The Bank produces, maintains permanently updated and hands out to each one of the members of the Board of Directors, the moment they are appointed or elected, several relevant information, namely the Regulations of the Board of Directors, of the Executive Committee and of the remaining Committees of the Board of Directors, on the organizational structure, the areas of responsibility and main internal rulings that guide the activity that it pursues, namely compliance, communication of irregularities policies and policies regarding the management of claims and performance general principles and regulations guiding the activities performed by the Client Ombudsman. This information is also disclosed, in the Portuguese and English version, on the internal website, at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

The Regulations of the Board of Directors, updated in February 2021, are available on the Bank’s website at the following address:

http://ind.millenniumbcp.pt/pt/Institucional/governacao/

Audit Committee

The Audit Committee is composed of a minimum of three and a maximum of five non-executive members, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairperson.

The members of the Audit Committee, as is the case of all members of the governing bodies, are appointed for terms of office of four years, and may be re-elected.

The Audit Committee was elected at the General Meeting held on 30 May 2018 for the four-year period 2018-2021 and most of its members, including its Chairwoman, are qualified as independent. It has, among other, the competences foreseen in article 423-F of the Companies Code and in its own Regulations.

The Regulations of the Audit Committee, updated in February 2021, are available on the Bank’s website at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

Within the scope of its activities, the mission of the Audit Committee is to observe the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

As the Bank's supervisory body, it is responsible for ensuring compliance with the law and articles of association, in force on 31.12.2020, and it is entrusted with the following duties:

In general terms

- Supervising the Bank’s management;
- Monitor the Group’s management, which is understood as covering all the entities within the consolidation perimeter of the Bank, notwithstanding the powers of the supervisory bodies of the local entities with autonomous legal personality;
- Calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
- Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;

- Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's annual accounts are appraised;
- Monitoring the entire procedure for preparing and disclosing financial information and presenting recommendations or proposals to ensure that such procedure is reliable;
- Overseeing the audit to the individual and consolidated financial statements of the financial year, especially its execution, considering eventual analyses or guidelines issued by the supervision authorities and to verify that the financial statements are compliant with the applicable legal framework;
- Verifying the accuracy of the financial statements;
- Issuing an opinion on the report, financial statements and proposal for the appropriation of profits to be submitted to the Annual General Meeting;
- Assess and follow-up, in a periodical manner, the financial statements and the main prudential indicators, the risk report prepared by the Risk Office, the activity pursued by the Compliance Office, the activity pursued by the Internal Audit, the handling of claims and complaints and the most significant correspondence exchanged with the Supervision Authorities;
- Issuing an opinion on the Bank’s Annual Budget, in a medium and long-term perspective, focusing particularly on the observance of the objectives set out in the Bank’s strategic plan and on the compliance with the capital requirements;
- Drawing up an annual report to inform the Board of Directors of the results of the audit to the financial statements, explaining how the audit contributed to the integrity of the procedure for preparing and disclosing financial information, as well as describing the role the Committee played in that procedure, clearly stating its concurrence with the contents of the legal certification of accounts, when applicable;
- Issuing an opinion on the share capital increases resolved by the Board of Directors;
- Issuing an opinion on the suspension of directors and on the appointment of substitute directors in accordance with the law and the Bank’s articles of association;
- Resolve, in accordance with the decision made by the Board of Directors, on the Group Codes that it is responsible for.

Concerning the Internal Control System

- Supervising the efficiency of the risk management system, of the internal control system and of the internal audit system, in what regards the procedure for preparing and disclosing financial information of the whole consolidation perimeter of the Bank, notwithstanding the competences of the respective bodies of the local entities;
- Issuing a prior opinion on the external entity that aids in the assessment of the adequacy of the internal control system and monitoring its work;
- Issuing an opinion on the work plans and resources allocated to the Internal Audit and Compliance Divisions, and monitor its respective execution, being the recipient of the reports made by these Divisions, especially when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities and/or irregularities;
- Analyse and comment on the periodic reports drawn up by the internal control functions, in particular those related with situations of conflict of interest and reporting irregularities.
- Issue an opinion on the technical and professional adequacy of the candidates for the position of coordinating manager of the Internal Audit Division and Compliance Officer of the Bank;
- Receiving, handling and recording the communications of serious irregularities (whistleblowing) related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies and remaining Portuguese and European legislation in effect, presented by shareholders, Bank employees or other;
- Issue an opinion on the internal service order that regulates the internal reporting of irregularities, to be approved by the Board of Directors;

The Audit Committee of the Board of Directors supervises the application of the Risk Appetite and ensures that the risks effectively taken stay at levels which are compatible with the ones of the RAS and that, if a deviation occurs, the Executive Committee and/or the Board of Directors adopt the necessary corrective measures to mitigate the levels of risk, aiming at the compliance with the RAS.

Monitoring of the External Auditor and the Statutory Auditor

- Propose to the General Meeting of Shareholders, in case of an initial engagement, the appointment of, at least, two statutory auditors and eligible external auditors and issue a duly grounded recommendation as to which one it prefers, in abidance by the applicable Portuguese and European legislation. In case of the re-appointment for a new term-of-office, the Committee may merely issue one duly grounded proposal;
- Issuing an opinion on the remuneration of the Statutory Auditor and of the External Auditor, and ensuring that both have all the conditions to exercise their functions;
- Supervise and evaluate, every year, the independence and performance of the External Auditor and of the Statutory Auditor;
- Approve the tendering of services to the External Auditor for the provision of additional services, while guaranteeing that such services do not jeopardise its independence, in accordance with the domestic and European legislation and regulations;
- Receiving the additional services report drawn up by the External Auditor, in compliance with art. 11 of EU Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014;

Concerning related parties

- Issue an opinion, addressed to the Board of Directors, on any transactions wherein the Bank is a party and involve related parties, including the signing of contracts for the supply of goods and services, credit granting and the remaining activities resulting from the relation established by the Bank with those entities.

Other competences

- Submit a quarterly report to the Board of Directors, in writing, informing on the work carried out by it and on the conclusions it has reached and an annual report of its activities, to be presented to the Chairperson of the Board of Directors, without prejudice to the duty of reporting to it any and all situations the Committee finds and deems to be of high risk;
- Hire experts to assist one or more of its members in the performance of its functions being the respective costs paid by the Bank.

The Audit Committee always holds mandatory regular meetings with the external auditors and statutory auditor at the time of appraisal of the quarterly, half-year and annual financial statements of the Bank. The Audit Committee receives the Reports of the Internal Audit Division, Statutory Auditor and External Auditors. It Holds regular meetings with the Directors responsible for the Bank's Financial, Credit and Risk areas and with the Compliance Officer, the Heads of Internal Audit of the Bank and of the Group and the Coordinating-Managers of the Research, Planning and AML Division and of Asset and Liability Management and of the Accounting Division. It has the power to summon or request clarifications from any Coordinating Manager or Employee of the Bank whom it wishes to hear.

Without prejudice to the hierarchical relationship maintained, respectively, with the Chairperson of the Board of Directors and with the Chief Risk Officer (executive director responsible for risk), the head of the Audit Division and the Compliance Officer report functionally to the Audit Committee on the following matters: activity plans; activity reports; organisation and operation documents of the internal audit and compliance areas; situations detected that involve high risk; supervisory actions and relevant lawsuits; and constraints to the effective execution of the defined legal and regulatory functions, namely with respect to the allocated resources. In turn, the Audit Committee, informs the Chairperson of the Board of Directors of all and any situation detected that it deems might qualify as being of high risk.

In the 2020 financial, during the 2018/2021 term-of-office, the Audit Committee had the following composition:

Chairwoman	Cidália Maria Mota Lopes (Independent)
Members:	Valter Rui Dias de Barros (Non-Independent)
	Wan Sin Long (Independent)
	Fernando Costa Lima (Independent)

Within an universe of four members that compose the Audit Committee, three members (75%) are qualified as independent.

On the date this report was approved, all the members of this Committee were subject to a performance assessment by the Committee for Nominations and Remunerations that, for that specific purpose, was assisted by and external entity.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise activities performed by the latter. All the members of this Committee have appropriate knowledge, competences, and experience to clearly understand and monitor the risk strategy within a framework of governance coherent and compatible with the risk management systems.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report. These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

This Committee received logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the Office Head.

During 2020, the Audit Committee held twenty-two meetings. Due to the pandemic, from 26.03.2020, *inclusive*, onwards, the meetings were held by electronic means and minutes of meeting were made and approved of all meetings held.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

Members of the Audit Comitee	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total attendance
Cidália Maria Mota Lopes	3	0	19	100%
Valter Rui Dias de Barros	3	0	19	100%
Wan Sin Long	2	0	20	100%
Fernando da Costa Lima	3	0	19	100%

Executive Committee

On 24 July 2018, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors (BofD) appointed an Executive Committee (EC) composed of six of its members. The Chairperson of the Executive Committee was indicated by the General Meeting of Shareholders. The BofD established the modus operandi of the EC and delegated to this committee the powers to conduct the Bank's current management. The Executive Committee performs all the Bank's day-to-day management duties that have not been reserved by the Board of Directors.

At the level of internal control and risk management, the hierarchical responsibility for the second lines of defence was attributed to one executive director, which also includes the Boards of Directors of the subsidiary companies operating abroad, this way extending the coordination and scope of the performance of these defence lines to the entire Group.

In accordance with the Regulations of the Executive Committee, in effect on 31.12.2020, the acceptance or exercise of functions, namely advisory functions or functions in executive corporate bodies of companies by any member of its members must obtain the prior favourable opinion of the Committee for Nominations and Remunerations. Any of the members of this Committee performs executive functions in entities outside the Group, as stated in the respective curricula attached to this report.

One must, notwithstanding, point out that, in accordance with article 6 of the same regulations, the exclusivity regime applied to the Bank's executive directors, set forth in article 8 of the Regulations of the Board of Directors, does not apply whenever these members exercise management functions in third companies, pursuant to an indication of the Group or in representation of the Group or if, for such, they have been expressly and reasoned, authorised by the Committee for Nominations and Remunerations.

The Regulations of the Executive Committee, updated in February 2021, are available on the Bank's website at the following address:

http://ind.millenniumbcp.pt/pt/Institucional/governacao/

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each of its members.

As at 31 December 2020, the distribution of these areas of special responsibility was as follows:

EXECUTIVE COMMITTEE

(In absences of Directors responsible for the areas, the respective alternate Directors shall be occasionally appointed by the CEO)

Miguel Maya - CEO	(MM)
CEO's Office	
Communication Division	
Human Resources Division	
Credit Division	
Digital Transformation Office	
Economic Studies, Sustainability and Cryptoassets Division	

MiguelBraganca - VC/CFO	(MB)
Investor Relations Division	
Accounting and Consolidation Division	
Research, Planning and ALM Division	
Management Information Division	
Legal and Litigation Advisory Division	
Tax Advisory Division	
Means of Payment and Acquiring Division	

Rui Manuel Teixeira	(RMT)
Retail Divisions	
Retail Marketing Division	
Quality and Network Support Division	
Wealth Management Division	
Specialized Credit and Real Estate Division	
Specialised Monitoring Division	

Maria José Campos	(MJC)
Specialised Recovery Division	
Retail and Small Amounts Recovery Division	
Direct Banking Division	
Operations Division	
IT Division	
Procurement and Logistics Division	
Information Security Division	
Corporate Direct Banking Division	

Joao Nuno Palma - VC	(JNP)
International, Treasury & Markets Division	
Large Corporates Division	
Investment Banking Coordination Division	
Corporate Business Marketing Division	
Private Banking Division	
Asian Desk	
Institutional Banking Division	
Companies and Corporate Division - North	
Companies and Corporate Division - South	

José Miguel Pessanha	(JMP)
Rating Division	
Office for Regulatory and Supervision Monitoring	
Office for the Validation and Monitoring of Models	
Personal Data Protection Office	
Hierarchical reporting functionally dependent on the Committee for Risk Assessment	
Risk Office	
Hierarchical reporting functionally dependent on the Audit Committee	
Compliance Office	

The non-executive Chairman of the Board of Directors is directly responsible for the Board of Directors Support Office, Company Secretary's Office and the Audit Division and Millennium bcp Foundation.

Within the scope of the competences attributed to him/her, the Chairperson of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote and, in addition to direct accountability for the respective areas of responsibility, has the following duties:

- Coordinating the activities of the Executive Committee, distributing special areas of responsibility among its members, and entrusting one or more with the preparation or follow-up of the issues appraised or decided on by the Executive Committee;
- Assisted by the Director of the special area of responsibility, the Chairman, strives to ensure the correct execution of the resolutions adopted by the Executive Committee;
- Ensures that all the relevant information is provided to the non-executive members of the Board of Directors relative to the activity and resolutions adopted by the Executive Committee;
- Ensures compliance with the limits of delegation of competences, the approved strategy for the Bank and Group, and the duties of collaboration with the Board of Directors and, in particular, with its Chairperson.
- The Regulations of the Executive Committee are available on the Bank's website at the following address:

  https://ind.millenniumbcp.pt/pt/Institucional/governacao/

b) Functioning

22. Existence and local where it may be consulted the regulations, as applicable, of the Board of Directors, the Supervisory Board and of the Executive Board of Directors.

In accordance with the provisions of article 18 of the Bank's Articles of Association and of article 8 of the Notice of Banco de Portugal 3/2020, minutes are always drawn up from the meetings of the several corporate bodies and the same are signed by all participants. These minutes state, apart from the several identification data, the identification of the supporting documents of each one of the items of the agenda, the grounds for each decision taken, including the outcome of the voting and identification of the voting members, and explicit reference to any diverging opinions, a description of eventual recommendations made and the identification of the subjects that require a follow-up at future meetings. As in this statutory provision and in article 8 of Notice 3/2020 of Banco de Portugal, the Regulations of the different specialised Committees of the Board of Board of Directors, including the Executive Committee, confirm the need to draw up minutes of all their meetings. The documentation supporting the deliberations and topics addressed at the meetings of each of the committees should be filed together with the minutes of the respective meeting, for a better understanding of the decisions that were made. When persons who are not members of the Board or of the Committee in question, participate in a meeting of the Board or of a Committee, an extract of the meeting containing his/her respective interventions will be sent to them so that they may give their express agreement to what is stated therein concerning their interventions.

According to the provisions of the Regulations of the Board of Directors and of each one of its specialized committees, in the article concerning "Meetings" the supporting documents of the meetings are sent to the participating directors at least 5 days prior to the scheduled date for each meeting. The Bank keeps available, during the term of office of its members, all the agendas and support material for the meetings, as well as the legislation, internal regulations and other relevant documentation, on an online platform called "Diligent Boards".

The regulations of the Board of Directors, of the Executive Committee, of the Audit Committee and the other Committees of the Board of Directors are available on the internal portal and at the Bank's website at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

All these documents as well as other deemed necessary or appropriate for the exercise of the respective function, may be consulted by the directors at the digital platform supporting the members of the corporate bodies.

23. Number of meeting held and degree of assiduity of each member, as applicable, of the Board of Directors, the Supervisory Board and the Executive Board of Directors, in the meetings held.

During 2020, the Board of Directors met twelve times. Due to the pandemic, from 26.03.2020, inclusive, onwards, the meetings were held by electronic means. The Company Secretary acted as the secretary of the meetings and minutes of all meetings were drawn up and approved.

The attendance records, through presence or representation, of each one of the members of the Board of Directors at meetings is shown in the following table:

Non- Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
Nuno Manuel da Slva Amado	2	0	10	100.00%
Jorge Manuel Baptista Magãlhaes Correia	2	0	10	100.00%
Valter Rui Diasde Barros	2	0	10	100.00%
Ana Paula Alcobia Gray	1	0	10	91.67%
Cidália Maria Mota Lopes	2	0	10	100.00%
Fernando da Costa Lima	2	0	10	100.00%
José Manuel Alves Elias da Costa	2	0	9	91.67%
Julia Gu	1	1	10	100.00%
Lingjiang Xu	1	0	11	100.00%
Teófilo César Ferreira da Fonseca	2	0	10	100.00%
Wan Sin Long	1	0	11	100.00%

Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
Miguel Maya Dias Pinheiro	2	0	10	100.00%
Miguel de Campos Pereira de Bragança	2	0	10	100.00%
João Nuno de Olivera Jorge Palma	2	0	10	100.00%
José Miguel Bensliman Schorcht da Silva Pessanha	2	0	10	100.00%
Maria José Henriques Barreto de Matos de Campos	2	0	10	100.00%
Rui Manuel da Silva Teixeira	2	0	10	100.00%

During the financial year of 2020, the Executive Committee adopted an unanimous resolution in writing and met fifty-four times, being the secretarial services provided by the Company Secretary who timely provided the supporting documents to all EC members. Minutes of meetings were drawn from all the meetings held. The Chairpersons of the Board of Directors, of the Audit Committee and of the Committee for Risk Assessment have access to the agendas and to the minutes of meetings of the Executive Committee, as well as to the meeting's supporting documents, which are remitted to them by the Company Secretary.

In accordance with a resolution adopted by the Executive Committee on 10.03.2020, aiming at segregating the members of the EC for prevention/ prophylactic reasons, the meetings were held through electronic means.

The attendance level of each member of the Executive Committee at meetings held is shown in the following table:

Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
Miguel Maya Dias Pinheiro	10	0	43	98.15%
Miguel de Campos Pereira de Bragança	9	0	45	100.00%
João Nuno de Olivera Jorge Palma	10	0	44	100.00%
José Miguel Bensliman Schorcht da Silva Pessanha	10	0	44	100.00%
Maria José Henriques Barreto de Matos de Campos	10	0	44	100.00%
Rui Manuel da Silva Teixeira	8	0	43	94,44%

The composition, the number of annual meetings of the administration, supervisory bodies and of its committees are available for, at least, ten years on the Bank's website, at the following page:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

24. Details of competent corporate boards undertaking the performance appraisal of executive directors

In accordance with article 115-B (2) (d) the nominations committee is responsible for assessing,at least once a year, the knowledge, competences and the experience of each one of the members of the administration and supervisory bodies as a whole and report to them their findings.

In accordance with the provisions of this legal requirement, the Board of Directors, using the competence vested by article 37 (1) of the Bank's Articles of Association and by article 6 (2) and 7 (2.3 to 2.5) of its own Regulations, has constituted specialised committees, exclusively composed by non-executive members of the Board of Directors, to whom attributed the duty to monitor certain specific matters on a permanent basis.

To this purpose, it created the Committee for Nominations and Remunerations and endowed it with competences to assess if all members of the management and supervision bodies have and ensure the competences and the suitability requirements necessary for the functions exercised or to be exercised.

The Committee for Nominations and Remunerations, within the scope of its competences, acts in accordance with article 30-A (1) and article 115-B (2.d) of the Legal Framework for Credit Institutions and Financial Companies, Instruction of Banco de Portugal nr. 23/2018 dated 05 November 2018 and the European legislation in effect, and also with item 4 of the Draft of the Guide to fit and proper assessments of the members of management bodies of the European Central Bank of May 2018, as well as the recommendations from the European Securities and Markets Authority set forth in the guidelines on the assessment of the suitability of members of the corporate bodies and holders of key functions, EBA/GL/2017/12 of 26 September applicable as of 30 June 2018..

The Committee for Nominations and Remunerations is composed by three non-executive directors (see item 27.b), two of which have been qualified as independent.

The Committee for Nominations and Remunerations, within the scope of evaluation, has the following competences:

- Make, at least every year, recommendations on candidates to members of the Bank's management and supervisory bodies, observing the Fit & Proper Assessment process, evaluating, among other things, the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Resolve on the appointment of members to the corporate bodies in credit institutions and financial companies of the group;
- Make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;
- Evaluate, at least once a year, the performance, knowledge, competences and experience of each one of the members of the administration and supervisory bodies and of those bodies as a whole and report the respective results to those bodies, giving cognizance of the same to the Remunerations and Welfare Board;

The Board of Directors promoted the process of evaluation of the members of the Board of Directors and the Committee for Nominations and remunerations approved, in April 2020, the self-assessment questionnaires which were handed out to all members of the Board of Directors.

In April 2020, the Committee for Nominations and Remunerations approved the Report made by Ernst & Young on the evaluation of the suitability of the management and supervisory bodies, which includes the individual analysis of each member of the Management and supervisory Bodies, based on the requirements of good repute, professional qualification, independence, accumulation of positions and availability, and the collective institutional assessment of said management and supervisory bodies, prepared in full compliance with the requirements of the Questionnaire, attached to the Instruction of Banco de Portugal no. 23/2018.

In May 2020, the Committee for Nominations and Remunerations appraised the qualitative and quantitative assessment process of the members of the Executive Committee and debated the methodology to adopt regarding their own assessment

25. Pre-determined criteria for the evaluation of the manner of appointment, profile, knowledge and performance of the executive directors and senior managers

On 30 May 2018, the General Meeting of Shareholders approved by a majority of 99.71% of the votes cast, the internal policy for the selection and evaluation of the suitability of the members of the management and supervisory bodies, including the “Succession Plan of the Bank” that establishes, among other provisions, the following:

- power to elect the members of corporate bodies;
- selection policy;
- composition of the Board of Directors
- specific and minimum requirements for the exercise of management and supervisory functions;
- specialized committees of the Board of Directors

The Bank has a Group Code-0043 that defines the framework for the assessment of the individual suitability of the individuals appointed to exercise positions in the management bodies and of key-function holders in Banco Comercial Português and for the collective assessment of a given composition of a management body of Banco Comercial Português and other relevant Entities of the Group.

The Succession Plan for the Bank's Board of Directors is available on the Bank’s website at:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/

The Committee for Nominations and Remunerations is strongly convinced that the selection of the members of the corporate bodies is of the exclusive competence of the shareholders as owners of the capital, and should not abdicate from the right to select the individuals that, at each moment, it considers more adequate to manage their assets.

Convicted that there are other values to safeguard beyond the shareholder's interests, the Committee for Nominations and Remunerations evaluates the candidates to members of the corporate bodies and senior managers proposed to it by the shareholders by means of clear and transparent rules, namely those from the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018, the ESMA and EBA Guidelines on suitability of members of the management bodies and key function holders which entered into effect on 30 June 2018, together with the Banco de Portugal Instruction 23/2018 of November 5.

The process for the authorization for the exercise of functions concerning the members of the administration and supervisory bodies of credit institutions, among which is the Bank, remains subject to the supervision from Banco de Portugal and from the European Central Bank and, in that sense, and regarding the members of the administration and supervisory bodies, the effectiveness of the election made at the General Meeting of Shareholders may remain subject to the suspensive condition of obtaining authorization for the exercise of functions.

The curricula of candidates for members of the management and supervisory bodies and other documentation that, according to the law are given to shareholders, are available on the Bank's website, on the page with the following address.

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/2018/Ponto-8b-PT.pdf

The Committee for Nominations and Remunerations is also competent to assess, at least once a year, the suitability, knowledge, competences, experience, the practical and theoretical experience, the professional qualification, independence, incompatibilities and the specific and minimum requirements for the exercise of the position of each one of the members of the administration and supervisory bodies, including the executive directors, assessing also the suitability of the whole administration body and senior managers;

Pursuant to article 3 of its Regulations and being the body responsible for the Bank's nomination policy, the Committee for Nominations and Remunerations actively contributes to compliance with the institutional obligations with respect to the endorsement of suitable policies on individual and collective assessment of the members of the management and supervisory bodies.

With a view to optimising the appropriate performance of its duties, the Committee for Nominations and Remunerations uses external consultants specialised in consulting services in talent areas to assist in the transparent, strict and rigorous process of assessment of suitability and performance of the members of the Board of Directors, including the Executive Committee, in accordance with, namely, the following specific and predefined criteria:

- good repute;
- qualification, theoretical training and practical experience;

- practical and theoretical professional experience, capacity to apply the competences acquired in previous positions;
- availability, diligence in the performance of the respective duties with the necessary commitment of time and attention;
- making of focused decisions;
- independence for the exercise of the position;
- conflicts of interest and independence of mind;
- risk perception and decision-making capacity;
- drive towards institutional growth;
- collective aptitude;
- acting with loyalty and weighing up of the interests of the company and of all its stakeholders;
- strategic vision, independence, transparency and good repute;
- proportionality and evaluation on a case-by-case basis;
- assessment of aptitude and performance on a continuous basis.
- fairness and respect for procedural guarantees;
- interaction with supervision.

Within the scope of the evaluation process, each one of the members of the Board of Directors filled in a self-assessment questionnaire aiming at assessing the compliance with legal suitability requirements for the exercise of the functions, namely, good repute, knowledge, experience and availability. Based on the collected information and supplemented by a matrix of collective appraisal, pursuant to Annex II of Banco de Portugal Instruction 23/2018, the Committee for Nominations and Remunerations prepares, with the assistance from the advising company Ernst &Young, that ensured the provision of the services to the company with independence, an assessment report for each member of the administration and supervisory bodies and of these bodies as a whole.

The conclusions reached by the assessment regarding the 2020 financial year were submitted by the Committee for Nominations and Remunerations to the Board of Directors for approval.

In addition, the qualifications of the members of the management bodies have been improved through training actions by own initiative of the members or promoted by the Bank, provided by external trainers with a recognized technical expertise. The company provides in the digital platform of support to the members of the Board of Directors, denominated "Diligent Boards" a briefing of the most relevant domestic and EU legislation within the scope of the banking regulation and supervision.

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year.

According to the assessments made, it was found that each executive and non-executive member of the Board of Directors showed willingness and dedicated to the performance of his/her duties the necessary time, proportional to the importance of the matters to be addressed, assessed in the light of the interest that the different issues pose to the company, as well as of the specific tasks entrusted to each member, which are identified in the following tables:

A - Non-Executive Members of the Board of Directors and of the Audit Committee

NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group	Positions in companies outside the BCP Group	Exercise of Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	Chairman of the Board of Curators of Fundaqao Millennium bcp	Member of the Supervisory Board of EDP - Energias de Portugal, S.A.	Member of the Board of Auditors of Fundação Bial	Non-independent (a)	Compliant
	Member for the International Strategy	Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)		Member of the General Board of Universidade de Lisboa		
		Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.		Chairman of the Senior Board of the Alumni Clube ISCTE		

				Member of the Advisory Board of BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português, S.A.		
Jorge Manuel Baptista Magalhães	1st Vice-Chairman of the Board of Directors		Member of the Board of Directors and member of the Corporate Governance Committee of REN - Redes Eléctricas Nacionais, SGPS, S.A.		Not Independent (b)	Compliant
	Chairman of the Remuneration and Welfare Board		Chairman of the Board of Directors of Luz Saúde, S.A.			
			Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.			
			Chairman of the Board of Directors of Longrun, SGPS, S.A.			
Valter Rui Dias de Barros	2nd Vice-Chairman of the Board of Directors		Chairman of the Board of Directors of Recredit - Gestão de Ativos S.A. (Angola)		Not Independent (b)	Compliant
	Member of the Audit Committee					
	Member of the Committee for Corporate Governance, Ethics and Professional Conduct					
Ana Paula Alcobia Gray	Member of the Board of Directors				Not Independent (b)	Compliant
	Member of the Committee for Risk Assessment					
	Member of the Remunerations and Welfare Board					
Cidália Maria Mota Lopes	Member of the Board of Directors		Professor at the Coimbra Business School - ISCAC on tax issues	Member of the Scientific Board of the Portuguese Fiscal Association (AFP)	Independent	Compliant
	Chairwoman of the Audit Committee		Invited Professor at Faculdade Economia - Universidade de Coimbra			
Fernando da Costa Lima	Member of the Board of Directors		Non-Executive Director of Euronext Lisbon		Independent	Compliant
	Member of the Audit Committee		Advisor at Comissão do Mercado de Capitais (CMC) Luanda			
			Visiting Professor at Faculdade de Economia da Universidade do Porto			
José Manuel Alves Elias da Costa	Member of the Board of Directors				Independent	Compliant
	Chairman of the Committee for Nominations and Remunerations					
	Member of the Committee for Corporate Governance, Ethics and Professional Conduct					
	Member of the Committee for Risk Assessment					
Julia Gu	Member of the Board of Directors		Vice-Chairwoman of Group Fosun High Technology (Group) CO., Ltd.		Not Independent (b)	Compliant
			Member of the Executive Board of Directors - Mybank			
			Chairwoman - Zhangxingbao (Network Technology Co., Ltd.)			
	Member of the Board of Directors	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-Executive Member of the Board of Directors of Fidelidade - Companhia de Seguros, SA			

Lingjiang Xu	Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct	Non-Executive Chairman of the Board of Directors of Logrun Portugal, SGPS, S.A.		Not Independent (b)	Compliant
	Member of the Committee for Nominations and Remunerations	Non-Executive Member of the Board of Directors - Luz Saúde, S.A.			
Teófilo César Ferreira da Fonseca	Member of the Board of Directors			Independent	Compliant
	Chairman of the Committee for Risk Assessment	Adviser of the Strategic General-Board of the Chamber of Commerce for Small and Medium-sized companies Portugal-China (as from January 2021)			
	Member of the Committee for Nominations and Remunerations				
Wan Sin Long	Member of the Board of Directors	Chairman of the Executive Board of Directors of Great Win Consultancy Limited	Member of the Trustee Committee of the Wynn Care Foundation	Independent	Compliant
	Member of the Audit Committee				
	Member of the Committee for Risk Assessment				

(a) The Director in question exercised the position of executive director in the previous term-of-office (2015/2017). The non independence is established in accordance of Item 91.a.,of the EBA/GL/2017/12 Guidelines of 26 September 2017.

(b) The director in question is connected to a shareholder with a qualifying stake.

B - Executive Members of the Board of Directors

EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant positions	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	Chairman of the Executive Committee 3rd Vice-Chairman of the Board of Directors Member for the International Strategy Board	Chairman of the Board of Directors of Activobank, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Manager of the company BCP África, SGPS, Lda. Chairman of the Board of Curators of Fundação Millennium bcp	Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.	Member of the Senior Board - Alumni Clube ISCTE Member of the Advisory Board of BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável Member of the Advising Board of INDEG/ISCTE Executive Education	Executive	Compliant
Miguel de Campos Pereira de Bragança	Member of the Board of Directors Vice-Chairman of the Executive Committee	Manager of the company BCP África, SGPS, Lda. Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda. Vice-Chairman of the Board of Directors of Banco Activobank, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-Executive Director of UNICRE - Instituição Financeira de Crédito, S.A., on behalf of Banco Comercial Português, S.A. Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A. Manager of Quinta das Almoínhas Velhas - Imobiliária, Lda.	Member of the Supervisory Board of the AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado	Executive	Compliant
João Nuno de Oliveira Jorge Palma	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banque Privée BCP (Suisse), SA Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.			Executive	Compliant
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Vice-Chairman of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Vice-Chairman of the Board of Directors of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) Chairman of the Audit Committee of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.	Member of the Board of Directors of Banco Millennium Atlântico, S.A. Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.		Executive	Compliant
Maria José Henriques Barreto Matos de Campos	Member of the Board of Directors Member of the Executive Committee	Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE			Executive	Compliant
Rui Manuel da Silva Teixeira	Member of the Board of Directors Member of the Executive Committee	Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A. Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A. Member of the Board of Directors of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) Chairman of the Board of Directors of Interfundos - Soc. Gestora de Organismos de Investimento Coletivo, S.A.	Member of the Remunerations Committee of UNICRE - Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. Member of the Remunerations Committee of SIBS, SGPS, S.A. (Em representação do Banco Comercial Português, S.A.). Member of the Remunerations Committee of SIBS, SGPS, S.A. (Em representação do Banco Comercial Português, S.A.)	Chairman of the Board of the General Meeting of the Associação Porto Business School (PBS), in representation of Banco Comercial Português, S.A.	Executive	Compliant

b) Specialized Committees of the Board of Directors (BoD)

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available.

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, in order to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees exclusively composed by non-executive directors, responsible for monitoring specific matters, which are identified as follows:

a) Committee for Risk Assessment

The Committee for Risk Assessment, established in accordance the provisions of article 115-L of the Legal Framework for Credit Institutions and Financial Companies, is composed of three to five non-executive directors, appointed by the Board of Directors.

In the 2020 financial year, within the scope of the term-of-office 2018/ 2021, the Committee for Risk Assessment was composed as follows:

Chairman:	Teófilo César Ferreira da Fonseca (Independent)
Members:	Ana Paula Alcobia Gray (Non- Independent)
	José Manuel Alves Elias da Costa (Independent)
	Wan Sin Long (Independent)

Within an universe of four members that compose the Committee for Risk Assessment, three members (75%) are qualified as independent.

In accordance with the Bank's articles of association, the Committee for Risk Assessment follows-up and monitors the strategy and the appetite for risk of the company and advises the Board of Directors on strategies and policies regarding the assumption, management and reduction of the risks the Bank is facing or may be subject to.

All the members of this committee have appropriate knowledge, competences and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, appetite for risk and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Within the scope of its activities, the Committee for Risk Assessment must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences set forth in the regulations of the Committee for Risk Assessment, in force since 31.12.2020, the following are highlighted:

- advise the Board of Directors on risk appetite, risk strategy, risk capacity and risk culture, including the Bank's policies for identifying, managing and controlling the risks;
- assist the Board of Directors in the supervision of the execution by the top management of the Bank's risk strategy;
- analyse if the conditions of the main products and services offered to Customers take into consideration the Bank's business model and risk strategy;
- examine if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income;
- monitor the management of material risks to which the Bank is exposed, particularly the large risks, using appropriate indicators and metrics;
- support the Board of Directors in the assessment of the risk strategies of the main subsidiaries abroad;
- assess the impact of changes to the Bank's perimeter on the Bank's risk profile and whether such changes are compatible with the approved risk appetite;
- monitor the effectiveness of policies, methodologies and models used to evaluate assets, especially observing the valuation results of the respective impairment;
- monitor the effectiveness of capital and liquidity contingency plans, as well as the business continuity plan;
- periodically monitor the report on the main risk indicators;
- engaging the provision of services by experts to assist one or several of its members in the exercise of his/her/their functions, taking into account the importance of the issues in question.
- decide on the Group Codes that are within its competence.

In the exercise of its functions, the Committee for Risk Assessment has the specific competences delegated by the Board of Directors, namely:

- monitor and intervene in the process of identification of risks and of development of the risk strategy both in the Bank and in the Group, issuing an opinion to the Board of Directors on its adequacy, notwithstanding the competences of the responsible bodies of the local entities;

- monitor and intervene in the process to review the Group's Risk Appetite Framework, issuing an opinion for the Board of Directors on its adequacy and monitor the evolution of the Risk Appetite Statement;
- follow-up capital (ICAAP) and liquidity (ILAAP) planning processes issuing an opinion for the Board of Directors with the respective conclusions;
- analyse and approve the conclusions of the regular procedures for monitoring ICAAP and ILAAP;
- approve the scenarios proposed for internal stress tests, as well as the respective results;
- monitor and intervene in the process to revise the Recovery Plan, issuing an opinion for the Board of Directors.
- monitor the evolution of the process for preparing and executing the NPEs reduction plan.
- Ensure that the risk management activities are subject to periodical revisions and possess technical independence and that the individual in charge of the risk management function may report directly to the Audit Committee and cannot be dismissed without the prior approval of that Committee;
- giving an opinion on the technical and professional adequacy of the candidate to Risk Officer.
- issuing an opinion on the Bank's Risk Guidelines and on the Compliance Policies Manual or on changes to be introduced therein;

For the exercise of its functions, the Committee for Risk Assessment has access to information on the Bank's risk situation and is entitled to determine the nature, quantity, format, and frequency of the information concerning risks that it should receive. This Committee also implements internal procedures for communication with the Board of Directors and Executive Committee.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors any and all situations the Committee finds and deems to be of high risk.

During 2020, the Committee held seventeen meetings, received the logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the head of this office. Due to the pandemic, from 26.03.2020, inclusive, onwards, the meetings were held by electronic means and minutes of meeting were drawn and approved of all meetings held.

Attendance of the Committee for Risk Assessment meetings by each of its members is shown in the following table:

Members of the Committee for Risk Assessment	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
Teófilo César Ferreira da Fonseca	2	0	15	100,00%
Ana Paula Alcobia Gray	1	0	15	94,12%
José Manue Alves Elias da Costa	2	0	15	100,00%
Wan Sin Long	1	0	16	100,00%

The Regulations of the Committee for Risk Assessment, updated in February 2021, are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Regimento_CNR.pdf

b) Committee for Nominations and Remunerations

The Committee for Nominations and Remunerations, established in accordance the provisions of article 115-B and H of the Legal Framework for Credit Institutions and Financial Companies, is composed of three to five non-executive directors, appointed by the Board of Directors.

The composition of the Committee for Nominations and Remuneration is in accordance with the provisions of the Committee's regulations since all its members are non-executive directors and any member is also a member of the Bank's Audit Committee.

During 2020, the Committee for Nominations and Remunerations was composed as follows:

Chairman:	José Manuel Alves Elias da Costa (Independent)
Members:	Lingjiang Xu (Non Independent)
	Teófilo César Ferreira da Fonseca (Independent)

Within an universe of three members that compose the Committee for Nominations and Remunerations, two members (66.66%) are qualified as independent.

The members of the Committee for Nominations and Remunerations possess collectively, the specific qualification and experience for the exercise of the respective functions, namely suitable professional qualification, and experience in terms of remuneration policies and practices as well as in risk management and remaining internal control functions. We should add that two members of the Committee for Nominations and Remunerations are also members of the Committee for Risk Assessment, so as to guarantee that the committee has the adequate qualifications to ensure an effective alignment between the institution's remuneration structures, the respective risk profile and the own funds base.

Within the scope of its activities, the Committee for Nominations and Remunerations must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences set forth in the regulations of the Committee for Nominations and Remunerations, in force since 31.12.2020, the following are highlighted:

- at least once a year, approve or review the Remuneration Policy of the Members of Corporate Bodies and of the staff and its execution regulations, securing the long-term interests of the shareholders, the investors and other stakeholders, as well as an appropriate management of the risk, the capital and liquidity;
- regarding the members of the corporate bodies, submit the conclusions of the work carried out pursuant to the previous paragraph to the Remunerations and Welfare Board, aiming at the preparation of a joint proposal, which will be addressed to the Annual General Meeting;
- under proposal of the Executive Committee, approve the decisions regarding any type of remuneration of the Heads of Division reporting directly to the Board of Directors and of those responsible for risk taking and for control functions;
- resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them;
- proceed, every year, with the performance evaluation of the Heads of Compliance, Audit and Risk;
- verify the implementation of and the compliance with the remuneration policies and procedures adopted by the competent corporate body;
- receive and assess the results of the Organisational Environment Questionnaires;
- decide on the Group Codes, which are within its competence;
- monitor, every year, the human resources, and staff management policies;

In general, exercise all the competences attributed to the Committee for Nominations and Remunerations under the provisions of the Legal Framework for Credit Institutions and Financial Companies and remaining domestic and EU legislation in force.

The Committee for Nominations and Remunerations is also competent to, on a yearly basis and if, necessary, submit for approval by the Board of Directors a regulation for the execution of the Board of Directors' Succession Plan, describing the concepts that should preside to the selection of members of the management body.

For the correct performance of its functions, the Committee for Nominations and Remunerations, may use all technical means that it deems fit, including resorting to external advisers; all expenses shall be paid by the Bank.

Regarding the competences of the Committee for Nominations and Remunerations to carry out the assessment of the performance of the executive directors, please see the information provided in Item 24.

During 2020, the Committee adopted two unanimous resolutions in writing and net seventeen times. Due to the pandemic, from 26.03.2020, inclusive, onwards, the meetings were held by electronic means and minutes of meeting were drawn and approved of all meetings held. The Committee received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

Attendance of the Committee for Nominations and Remunerations meetings by each of its members is shown in the following table:

Member of the Committee for Nominations and Remunerations	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
José Manuel Alves Elias da Costa	9	0	8	100%
Lingjiang Xu	9	0	8	100%
Teófilo César Ferreira da Fonseca	9	0	8	100%

The Regulations of the Committee for Nominations and Remunerations, updated in February 2021, are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Regimento_CNR.pdf

c) Committee for Corporate Governance, Ethics and Professional Conduct

The Committee for Corporate Governance, Ethics and Professional Conduct is composed of three to five non-executive members, appointed by the Board of Directors.

During 2020, the Committee for Corporate Governance, Ethics and Professional Conduct was composed as follows:

Chairman:	Lingjiang Xu (Non Independent)
Members:	José Manuel Alves Elias da Costa (Independent)
	Valter Rui Dias de Barros (Non- Independent)

Within an universe of three members that compose the Committee for Corporate Governance, Ethics and Professional Conduct , one member (33.33%) is qualified as independent.

All the members of the Committee for Corporate Governance, Ethics and Professional Conduct have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to the present report.

Within the scope of its activities, the Committee for Corporate Governance, Ethics and Professional Conduct must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences set forth in the regulations of the Committee for Corporate Governance, Ethics and Professional Conduct, in force since 31.12.2020, the following are highlighted:

- recommend the adoption by the Board of Directors of policies, compliant with ethical and professional conduct principles, rules and procedures necessary to comply with the provisos of these Regulations and with the applicable legal, regulatory and statutory requirements, as well as with recommendations, standards and best domestic and international practices in corporate governance;
- supporting the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles;
- every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance

practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues;

- Cooperate in the making of the Corporate Governance Annual Report concerning issues for which it is responsible;
- issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible;
- every time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. Proposing, particularly, guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection;
- perform any other competences or responsibilities delegated to the Committee for Corporate Governance, Ethics and Professional Conduct by the Board of Directors;
- decide on the Group Codes that are within its competence.

During 2020, the Committee met three times and, due to the pandemic, one meeting was held through electronic means. Minutes were drawn and approved of all meetings held. It received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

Attendance of the Committee for Corporate Governance, Ethics and Professional Conduct meetings by each of its members is shown in the following table:

Members of the Committee for Corporate Governance, Ethics and Professional Conduct	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
Lingjiang Xu	2	0	1	100%
José Manuel Alves Elias da Costa	2	0	1	100%
Valter Rui Dias de Barros	2	0	1	100%

The Regulations of the Committee for Corporate Governance, Ethics and Professional Conduct are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

28. Composition of the executive Board and/or details of the board delegate/s, where applicable.

The composition of the Bank's Executive Committee is as follows:

Chairman:	Miguel Maya Dias Pinheiro
Vice-Chairmen:	Miguel de Campos Pereira de Bragança
	João Nuno de Oliveira Jorge Palma
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria José Henriques Barreto Matos de Campos
	Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

Audit Committee - On this matter, see the information presented in item 21. - Audit Committee

Executive Committee - On this matter, see the information presented in item 21. - Executive Committee

Committee for Risk Assessment - On this matter, see the information presented in item 27. a).

Committee for Nominations and Remunerations - On this matter, see the information presented in items 24, 25 and 27 b).

Committee for Corporate Governance, Ethics and Professional Conduct - On this matter, see the information presented in item 27. c).

III. SUPERVISION

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision - the Audit Committee

See the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications, as applicable, of the members of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee and other curricula data deemed relevant, being allowed a remittance to an item of the report where that information is already disclosed.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

34. Availability and place where the rules on the functioning of the Board of Auditors, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears.

On this matter, see the information presented in item 21 - Audit Committee.

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these Boards throughout the financial year, and reference to the section of the report where such information already appears

On this matter, see the information presented in item 26.

c) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, Commission Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th EU Company Law Directive), on statutory audits of annual accounts and consolidated accounts, Regulation (EU)

No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Finally, at national level, the commercial legislation, the recommendations and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law nr. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank's Articles of Association explicitly list, among the competences of the Audit Committee, that of supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services.

The Audit Committee, as the Bank's supervisory body and as the Group's controlling entity, has promoted the adoption of rules that assure the independence of the external auditors, and compliance with such rules is assessed and examined on an annual basis, in relation to the Group's various bodies and, at the same time, aimed at avoiding the possible creation of situations of conflicts of interest within the entity providing the Group's legal review of accounts or audit services, creating preventive mechanisms for the approval of additional services and fees.

The Audit Committee is also responsible for supervising the contracting of external auditors or its renewal by the Bank and by Group Banco Comercial Português, and to supervise the provision of the services foreseen in the internal regulations, Group Code – 0022 – Selection and Appointment of Statutory Auditor/SROC and contracting of services other than Auditing.

Through said Regulations that embody the principles presented in the national and international regulations, complying with the requirements of Notice 3/2020 of Banco de Portugal, the Group endorses and systematises a series of rules regarding:

- the classification of the services rendered by the external auditors:
- the definition of the set of services that are not Audit, which the external auditor is not allowed to provide to any entity of the Group;
- definition of the number of services that are not Audit, which may be provided to the Group under specific stipulated circumstances;
- those who intervene in the application of the Group Code mentioned above must take regular training sessions on the responsibilities conferred to them;
- approval by the Audit Committee of engagement of services other than audit to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question and defined limits;
- definition of a number of guidelines for the selection and appointment of the Statutory Auditor / SROC in order to ensure their independence;
- definition of a process for the selection and assessment of the proposals for the appointment of the Statutory Auditor /SROC, that includes several objective assessment criteria, with previously defined weights, the purpose of which is to guide the analysis to be made by the Audit Committee;
- definition of a methodology to assess the Statutory Auditor/SROC, proposed by the Audit Committee;
- provision to the Audit Committee of internal control information on the established principles and guidelines;

The Audit Committee issues an opinion on the work plans and on the resources allocated to the internal control services, including the control on the compliance with the rules the Company has to observe (compliance services and internal audit).

The Audit Committee is also the recipient of the reports made by these services, including matters related with the provision of accounts, identification and resolution of conflicts of interests and detection of potential irregularities.

In line with the guidelines ESMA/70/151/1439 of 05/04/2019, the Policy for the Prevention and Management of Conflicts of Interest (GR0038) is object of an annual review for confirmation of its adequacy to the respective legal and regulatory framework and purpose, without damaging an eventual further revisions when deemed justified.

The Audit Committee also continuously controls and monitors the effectiveness of the ICS (Internal Control System), of the RMS (Risk Management System), as regards the process of preparation and disclosure of financial information, and the Internal Audit and Compliance functions.

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

On this matter, see the information presented in item 21 – Audit Committee and preceding item 37.

IV. STATUTORY AUDITOR (including the Policy for the Selection and Evaluation of External Auditors and of the Statutory Auditor)

The Policy for the Selection and Evaluation of the External Auditors and of the Statutory Auditor is part of the internal service order no. 0022.

This one defines

(i) The criteria concerning the technical and professional competence and experience in the financial sector and the process to select the statutory auditor;

(ii) The methods used by the company to communicate with the statutory auditor;

(iii) The supervisory procedures designed to ensure the independence and the absence of conflicts of interests with the Statutory Auditor;

(iv) Other than auditing services, which cannot be provided by the statutory auditor.

The selection of the Statutory Auditor is based on the criteria and requirements mentioned below which are taken into account by the Audit Committee in the evaluations it carries out, either within the scope of the selection of candidates to present to the General Meeting of Shareholders, or in the subsequent evaluations it makes, at least once a year: and in the situations when it intends to propose the reappointment of the Statutory Auditor.

Thus, apart from the fees proposal, are also considered:

Technical Competence and Quality of the Service Provided

The Statutory Auditor must show that he/she has the sufficient knowledge, qualifications, and experience, namely in the financial sector, to provide a high-quality service, being, namely, relevant, the following criteria and requirements:

- the reputation of the statutory auditor, being considered the way he/she exercises the profession as well as the capacity to make objective decisions, weighted and assertive, adopting behaviours and enjoy public reputation able of giving confidence to the market;
- timely compliance with agreed calendars and deadlines;
- being proactive in the endeavour to, in a timely manner, get information related with business risks or other so as to identify and resolve any issues in due time, adjusting itself rapidly to alterations in risks, studying and presenting credible alternatives for debate;
- provision of quality audit services, at a controlled cost and with reasonable fees regarding any additional services provided.

Resources allocated to the Audit

Regarding the resources allocated to the services provided by the Statutory Auditor to BCP, the following should be evaluated:

- Organization of the respective services;
- the technical competence of the statutory auditor and respective team, as well as the capacity to apply his/her knowledge in order to provide a service of quality within the agreed scope, as well ensure a realistic, technically grounded and independent analysis;

- the adequacy of knowledge versus the size of the Bank, the business risks, the specific systems, and operations inherent to the complexity of the activities pursued by the company.

Communication and Interaction

Concerning the communication and interaction between the bank and the statutory auditor, the first should evidence the capacity and concern in keeping the Ban adequately informed of the developments introduced in the accounting principles and frameworks and in the rules to be observed by the Bank and entities of the Group, including eventual relevant impacts on the activity pursued by the statutory auditor.

Independence, Objectivity and Professional Scepticism

The statutory auditor must be independent and, in the periodical evaluations it is subject to, are taken into consideration, namely, the following requirements:

- integrity and objectivity, as well as an attentive and interrogatory attitude;
- the absence of conflicts of interests;
- independence
- the experience to identify, communicate and adequately solve issues with a technical nature that may arise in the course of the works.

39. Identification of the statutory auditor and its representative partner statutory auditor.

The current effective Statutory Auditor is Deloitte & Associados – SROC, S.A., registered in the OROC under no. 43 and in CMVM with no. 231 represented by its partner Paulo Alexandre de Sá Fernandes, ROC nr. 1456 and alternatively by Jorge Carlos Batalha Duarte Catulo, ROC no. 992.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group.

The company Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016 and re-appointed for the two-year period 2019/2020; therefore it performs functions consecutively for 5 years and ended its second term-of-office on 31 December 2020, remaining in functions until the General Meeting of Shareholders that will proceed with a new election. The Audit Committee shall submit to the shareholders' appraisal and decision at the forthcoming General Meeting of Shareholders to be carried out until the end of May of 2021, a proposal for the reappointment of the Statutory Auditor and of the Auditor.

41. Description of other services rendered by the statutory auditor to the company

On this matter, see the information presented in item 46.

V. EXTERNAL AUDITOR

The Policy for the Selection and Evaluation of External Auditors is detailed in the internal service order no. 0022 already duly approached in Chapter IV.

42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number

The Bank's external auditor and the statutory auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in OROC under nr. 43 and registered in CMVM under nr. 2016/1389, represented permanently by its partner Paulo Alexandre de Sá Fernandes registered in OROC under nr. 1456 and in CMVM under nr. 2016/1066 and alternately by Jorge Carlos Batalha Duarte Catulo, registered in OROC under no. 992 and in CMVM under no.2016/0607.

43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group.

The company Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016 and re-appointed for the two-year period 2019/2020; therefore, it performs functions consecutively for 5 years and is currently in its second term-of-office.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The Bank complies with the rotation rules laid down in Article 17 of Regulation (EU) No. 537/2014 of the European Parliament and Council, of April 16, 2014 and Article 54 of Law No. 140/2015 , of September 7 and, therefore, its External Auditor and the Statutory Auditor will not perform functions for more than three terms and the initial term of office combined with any renewal thereof cannot exceed the maximum duration of ten years.

45. Details of the Body responsible for assessing the external auditor and the regular intervals when said assessment is carried out.

The Audit Committee is, under the terms of the Bank’s Articles of Association, the body responsible for assessing the quality of the services rendered by the external auditor and respective partner Statutory Auditor, under the terms referred to in items 21 - Audit Committee and 37.

This assessment highlights the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner statutory auditor, in particular appraising in particular the conclusions of the audit to the financial statements, on an individual and consolidated basis, analysing the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters and the Limited Review of the half-year interim financial statements. It meets with External Auditor and with the Statutory Auditor on a regular basis and whenever necessary.

The procedures aimed at ensuring the independence of the statutory auditor are defined in the Group Code GR0022 - Selection and Appointment of Statutory Auditor/SROC and contracting of services other than Auditing, which was updated in July 2020, after the publication of Notice 3/2020 of Banco de Portugal.

The Audit Committee is the main interlocutor of the external auditor and of the statutory auditor of the bank, with whom it meets at least every month to carry out a close monitoring of their activity, and also to analyse and debate the respective reports and conclusions therein stated.

The Audit Committee is also responsible for recommending to the General Meeting of Shareholders the appointment of the external auditor and the election of the statutory auditor, or the renewal of their respective terms-of-office, taking into consideration the respective technical ability and remaining conditions for the exercise of those functions.

The Audit Committee annually assesses the quality of the services provided by external auditors, regarding the quality of the service provided as well as of their independence, objectivity and critical requirements demonstrated in the performance of their duties. The Bank officials who maintain relevant contact with the Auditors take part in this evaluation.

See the information presented in item 21; - Audit Committee

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment. Apart from the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by the External Auditor include also the payment of the following services:

- Tax Advisory Services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- Services other than legal review of accounts, namely: (i) Reliability assurance services, (ii) Tax advisory services and (iii) Services other than legal review - provided within the scope of services other than legal review, which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee.

With regard to the approval of the engagement of these services and indication of the reasons for their engagement, the bank maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP Group Deloitte & Associados, SROC, S.A. (hereinafter referred to as "External Auditors") complies with the rules on independence defined by the Group, including those established by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (Statute of the OROC).

To safeguard the independence of the External Auditors, and the national and international good practices and standards, the Audit Committee approved a series of regulatory principles, as described below:

- The External Auditor and the companies or legal persons belonging to the same network (“Network") cannot render to the Bank or to the Group the services that may be considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of External Auditor could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditor without jeopardising its independence. These services are validated by the Group's Compliance Office and subject to approval or ratification, depending on the amount of the fees, of the Audit Committee;
- the provision of services which are not discriminated in the above-mentioned number of services is object of specific approval by the Audit Committee prior to the signing of the contract in question. For that purpose, the proposals to be submitted to the appraisal of the Audit Committee must contain an opinion from the Compliance Officer of BCP, as set forth by the Group Code GR0022 and a duly grounded decision recommendation.

On this matter, see the information presented in item 38.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The amount of the annual remuneration paid in 2020 by the Company and/or legal persons in controlling or group relations, to the external auditor (Deloitte) and other natural or legal persons belonging to the same network, detailed with their respective percentages, is reflected in the following table:

REMUNERATION PAID TO DELOITTE BETWEEN 1 JANUARY AND 31 December 2020

1) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2020	Euros					%			
Companies in Portugal	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Banco Comercial Portugues, S.A.	2,187,305	909,287		24,000	3,120,592	70.1%	29.1%		0.8%
Banco ActivoBank, S.A.	30,030	22,508			52,538	57.2%	42.8%		
Millennium BCP - Frestacao Servicos, ACE	29,029				29,029	100.0%			
Millennium bcp Imobiliaria, S.A.	21,021				21,021	100.0%			
Interfundos-Soc. Gestora de Organismos de Invest. Coletivo, S. A (1)	16,016	9,750			25,766	62.2%	37.8%		
BCP Capital Soc. Capital Risco	7,508	3,750			11,258	66.7%	33.3%		
Mllennium BCP Particpacoes Financeiras, SGPS, Soc. Unpessoal	6,507				6,507	100.0%			
BCP Africa, SGPS, Lda. (formerly BII Internacional, SGPS, Lda)	15,015				15,015	100.0%			
Mllennium bcp - Servicos de Comercio Electronico, S.A.	2,503				2,503	100.0%			
Magellan 2 e 3	19,500				19,500	100.0%			
Millennium Fundo de Capitalização, FCR	12,012				12,012	100.0%			
Total	**2,346,446**	**945,295**		**24,000**	**3,315,741**	**70.8%**	**28.5%**		**0.7%**

(1) corporate name until 27/02/2020: Interfundos – Gestão de Fundos de Investimento Imobiliário, S..A.

2) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2020	Euros					%			
Companies Abroad	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Bank Millennium, S.A. (Poland)	448,761	87,112			535,873	83.7%	16.3%		
Millennium BIM, S.A. (Mozambique)		71,000		100,699	171,699		41.4%		58.6%
Banque Privee BCP (Suisse), S.A.		15,000			15,000		100.0%		
Millennium BCP Bank & Trust (Cayman Islands)	18,018	3,000			21,018	85.7%	14.3%		
BCP Finance Bank, Ltd. (Cayman Islands)	10,511	1,500			12,011	87.5%	12.5%		
BCP Finance Company (Cayman Islands)	6,006	1,500			7,506	80.0%	20.0%		
BCP Investment, B.V. (Netherlands)	15,000				15,000	100.0%			
BCP International B.V. (Netherlands)	17,000				17,000	100.0%			
Magellan 3 (Ireland)	18,500		3,750		22,250	83.1%		16.9%	
Total	**533,796**	**179,112**	**3,750**	**100,699**	**817,358**	**65.3%**	**21.9%**	**0.5%**	**12.3%**

SUMMARY OF THE REMUNERATION PAID TO DELOITTE IN PORTUGAL AND ABROAD BETWEEN 1 JANUARY AND 31 December 2020

	Portugal	%	Abroad	%	Total	%
Legal review of accounts	2,346,446		533,796		2,880,242	
Reliability assurance services	945,295		179,112		1,124,407	
1. Total for Audit Services	**3,291,741**	**89.2%**	**712,908**	**87.2%**	**4,004,649**	**96.9%**
Tax Advisory Services	0		3,750		3,750	
Services Other than Legal Review of Accounts	24,000		100,699		124,699	
2. Total for Other Services	**24,000**	**10.8%**	**104,449**	**12.8%**	**128,449**	**3.1%**
	3,315,741	**100%**	**817,358**	**100%**	**4,133,099**	**100%**

[1] For purposes of this information, "network" shall mean article 2, paragraph p) of the Legal Framework for the Supervision of Audit, approved by Law nr. 148/2015, of 9 September.

C. INTERNAL ORGANISATION

I. Articles of Association

48. The rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum, above the legal one, of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

Regarding the resolution quorum, the Articles of Association, article 25, only diverge from the law with respect to resolutions on the merger, demerger and transformation of the Company, which require approval by three quarters of the votes cast, and dissolution of the Company where a majority corresponding to three quarters of the paid-up share capital is required.

The Bank and the shareholders that approved the articles of association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, the shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

Also regarding the deliberative quorum, the Bank and the shareholders that approved the articles of association in force, that determined structuring issues such as the merger, demerger or transformation of the company should not, for the sake of the shareholding stability and transparency in the decision-making process, such not be adopted at first call without achieving a broad consensus among the shareholders.

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company and prevention of conflicts of interest.

The Bank upholds a culture of responsibility and compliance, preventing conflicts of interest and recognising the importance of an appropriate framework and processing of the communication of irregularities. For this purpose, BCP implements suitable means for receiving, treating and filing communications of irregularities allegedly committed by members of governing bodies and employees of the Bank and companies included in the BCP Group.

The policy of communication of irregularities is regulated in an internal service order OS0131 - Communication and reporting of irregularities and this one is currently being updated in accordance with the Notice from Banco de Portugal 3/2020 and is available at the Bank's website:

http://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Reg_Comunicacao_Irreg/

In accordance with the policy for the communication and reporting of irregularities of the bank, are considered irregularities the acts and omissions, intentional or negligent, related with the management, accounting organization and the internal supervision of the Bank, which are able of , seriously:

- Breach the law, regulations and other rules in force;
- Endanger the assets of clients, shareholders and of the Bank;
- Damage the BCP's reputation.

The Bank implements the appropriate means for the reception, handling and archive of the communications of irregularities allegedly committed by members of the corporate bodies or by employees of the companies part of Group Banco Comercial Português or any other person within the scope of the provision of services to any of the companies part of Group Banco Comercial Português.

For that purpose the Bank observes, on an ongoing basis, the principles and requirements set forth in article 116-AA of the Legal Framework for Credit Institution and Financial Companies, in article 305-F of the Securities Code, in article 35 of the Notice of Banco de Portugal 3/2020, and in section 13 of the guidelines issued by EBA, ion internal governance (EBA/GL/2017/11) of 26 September 2017.

Hence, and in accordance with the Regulations OSO131, the persons entitled to communicate irregularities are:

- the employees, agents, commissioners or any other person that renders services, either permanently or occasionally, to the Bank or to any entity of the Group, (ii) shareholders and (iii) any other person;
- the shareholders;
- any other individuals.

The Employees have the duty to report to the Audit Committee any irregularity occurred that they are aware of , in particular, those who manage people or exercise functions in the areas of the three defence lines of the bank, internal audit, risk management or compliance.

The communication of the irregularity may, as an option, be made anonymously, or not, being addressed to the Audit Committee of BCP, and the same must be made in writing through the channels made available for that purpose, namely the website or through any other written mean of communication , addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-256 Porto Salvo, or to the e-mail address: comunicar.irregularidade@millenniumbcp.pt.

The Audit Committee is responsible for managing the communication of irregularities system and for assuring the confidentiality of the communications, being supported by the Board of Director's Support Office.

Once a communication is received, the Audit Committee shall undertake all efforts deemed necessary to assess if there are sufficient grounds to open an investigation and may establish a prior contact with the author of the communication, if known. In case the author of the communication so required, or whenever possible, the Audit Committee shall immediately communicate to him/her that the information has been received, within 7 days, at most, counting from the date the communication was received, except when the same is made anonymously. If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank. Once the investigation is over, the Audit Committee shall make a report for the internal transmission of its conclusions so that the appropriate diligences may be adopted to correct the irregularity and sanction it, if need be. It must also report it to external entities whenever so is justified by the specific situation.

The communications received, as well as the reports thereto connected are mandatorily kept for a minimum period of five years in paper or in a durable format enabling their full and unaltered reproduction, pursuant to the provisions in article 120 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The confidentiality of the communications will be ensured and the same cannot be used as grounds for any disciplinary, civil or criminal proceedings, or the adoption of discriminating practices, which are forbidden by law.

During 2020, the inbox received 17 (seventeen) messages addressed to the Audit Committee but not all were included within the scope of participation of irregularities. However, they were all investigated and handled.

The Bank makes and presents to Banco de Portugal an annual report describing the specific, independent and autonomous means used to receive, investigate and file the participations of serious irregularities related with its administration, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies and in the Regulations (EU) 575/2013, of 26 June.

The Bank also sets forth the principle of participation of irregularities in its Code of Conduct and in its Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, which are available on its website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Bank's Code of Conduct establishes the fundamental principles and rules to be observed in the exercise of the activity developed by the entities that form Group Banco Comercial Português and the principles underlying the conduct, good practices and observance of the institutional values by the universe of people that form the Group.

In its Code of Conduct and in the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, the Bank aims at regulating a behaviour of excellence by the members of the corporate bodies, of employees and of the service providers of Group Banco Comercial Português, establishing therein behavioural rules targeted at the consolidation of a brand of reference and prestige that its intends to preserve and perfect.

The Bank and its employees guide their actions on principles of respect for people's rights, of preservation of social and environmental sustainability, and of culture and institutional values, committing themselves to behave in an upstanding and honest manner in all relations they establish among themselves, with customers, or any other person or entity with whom they relate.

The Code of Conduct and the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, also set forth the main rules concerning values, behaviour standards and corporate responsibility to be observed by all companies part of Group BCP and describe the measures aiming at preventing discriminating behaviours and harassment at work, which are better detailed in a specific document denominated Code of Conduct related with Equality, Harassment and Non-Discrimination, currently in effect.

The awareness of the Code of Conduct and of the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination by all their recipients is insured by the internal means of communication, by their permanent publication in a prominent location at the bank's internal communication system, via intranet, and by regular e-learning training sessions addressed to all their recipients.

The Bank's Audit Division, in its actions to supervise the Bank's functioning, guarantees the identification of irregular situations and issues recommendations to remedy the same.

The code of Conduct of Group BCP, states mandatorily that, the members of the management and supervisory bodies, as well as the employees, should avoid any situation that may give rise to conflicts of interest within the scope of their functions, so that they may act with full independence of mind, impartiality and exemption and that the members of the management and supervisory bodies cannot intervene in the appraisal and approval of operations, professional status of employees and procedures for the acquisition of goods and services in which there is a risk of conflicts of interest.

The Bank also disposes of a Group Code (GR0038) that defines the principles and the main processes adopted to identify and manage conflicts of interest that occur within the Group.

The Group Code above-mentioned implements in the Bank and in Group BCP, namely, the guidelines issued by the European Banking Authority (EBA/GL/2017/11), on internal governance, identifies the control procedure to enable an efficient and prudent management of situations of conflict of interests at an institutional or personal level, including the segregation of functions, the information barriers and the specific process of transactions with the so called "related parties", in order to simultaneously defend and protect the interests of all stakeholders and the interests of the Bank and of the Group.

The Group Code also formalizes the governance principles applicable within the scope of the provision of services and investment activities and ancillary services identified, respectively, in articles 290 and 291 of the Securities Code and formalizes the governance principles applicable internally, within the scope of the policy for the management of conflicts of interests.

The Compliance Office is responsible for the development of the approaches and methods that allow for the identification of real or potential conflicts of interest, in compliance with the Conflicts of Interest Policy. The Compliance Office, at least one a year, develops a global analysis to identify and assess the materiality of the situations of conflict of interests at an institutional levels and reports to the Executive Committee and to the Audit Committee the respective conclusions, identifying the measures required to correct the identified situations.

The Group Code on the prevention and management of conflicts of interests is available on the Bank's website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/Politicas-de-Compliance.aspx

In addition, the Regulations of the Board of Directors in its article 14 (4) determines, in the event that some of its members considers as being prevented from voting due any incompatibility or conflict of interests, that he/she has the duty to previously inform the Chairperson of that impediment and dictate for the minutes of meeting a statement regarding such situation.

III. Internal control and risk management

50. Individuals, boards, or committees responsible for the internal audit and/or implementation of the internal control systems.

The Group's internal control is based upon a risk management system that identifies, evaluates, follows-up and controls the risks the Group and the bank are exposed to. The same is based on an information system and an efficient communication and on an effective monitoring process enabling to ensure the adequacy and efficiency of the internal control system.

Within that context, Banco Comercial Português, in accordance with the objectives defined in Notice 3/2020 of Banco de Portugal, has specific areas to manage compliance and internal audit risks - the Risk Office, the Compliance Office and the Audit Division.

The coordinating-managers of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system, through which the objectives outlined in Banco de Portugal Notice 3/2020 are achieved, namely:

- the efficiency of the performance and of the activity, ensuring that the established strategies, policies, processes systems and procedures are appropriate, duly updated, correctly applied and effectively observed;
- The identification, assessment, follow-up and control of risks which may influence the Group's strategy and goals;
- The achievement of the objectives established in the strategic planning, based on the efficient conduct of the operations, efficient use of the Group's resources and the safeguarding of its assets;
- The appropriate identification, assessment, monitoring and control of the risks to which the Group is or may become exposed in the future;
- The existence of complete, pertinent, reliable and timely financial and non-financial information;
- The adoption of sound accounting procedures;
- Compliance with the legislation, regulation and guidelines that are applicable to the Group's activity, issued by the competent authorities, as well as the compliance with the internal rules, as well as with the professional and ethical regulations and practices, and with the conduct and customer relations rules.

The Internal control system covers the entire Group, including the responsibilities and functions of the management and supervisory bodies, all of its activity segments, structural units, namely the internal control functions, outsourced activities and the product distribution channels.

In addition, the Executive Committee set up a Compliance and Operational Risks Commission. The competences concerning the internal control system of this specialized commission are, among other:

- Monitoring the making of the Internal Control Report as well as the evolution and resolution of the deficiencies identified within the scope of the assessment on the functioning of the Internal Control System;
- analyse and decide on proposals for improving and alter the processes (reinforcement of the internal control environment.

The divisions that are part of the internal control system have the technical and human resources that match the Bank's size and the degree of complexity and significance of the risks inherent to the several business and business support activities.

These Divisions are dimensioned to operate within the scope of an extensive volume of regulation - both external and internal - arising from regulations aimed at demarcating the banking activity within the limits of prudence, safety and control set by regulators and by the Bank's management body. Thus, when allocating resources to the mentioned areas, the Bank adopts the principle of proportionality, matching the mobilised resources to the size and granularity of the risks and other constraints of its activities, for the sake of effectiveness, business sustainability and scrupulous compliance with the established rules.

The number of employees placed in each one of the 3 areas specifically involved in the functions under analysis and whose functions are executed in accordance with the highest standards of independence, objectivity, impartiality, integrity, and professional competence, reached, on 31/12/2020, to:

- Risk Office: 67

- Compliance Office: 60
- Audit Division: 49

A) Risk Office

The primary function of the Risk Office is to support the Executive Committee in the development and implementation of risk management and internal control processes, so that the Bank may achieve an overall view of all risks to which its activity is exposed to or may be exposed to in the future, as described in greater detail in the chapter on Risk Management of the Management Report 2020.

The Risk Office is a crucial area of the second line of defence of the internal control system of Group BCP, assuming functions of supervision, making and implementing risk management policies and procedures, establishing, for example, limits to the assumption of risks and improving the respective appropriate execution and observance.

The head of the Risk Office is appointed by the Board of Directors after obtaining the opinions from the Committee for Nominations and Remunerations, from the Committee for Risk Assessment and from the Audit Committee, being its suitability for the exercise of the functions subject to an assessment and prior authorisation, prior to his/her entrance into functions, by the competent supervisory authority.

In the performance of his/her functions, the Risk Officer reports hierarchically to the Executive Committee and functionally to the Committee for Risk Assessment.

Within the scope of functional reporting, the Risk Officer regularly reports to the Executive Committee, to the Audit Committee and to the Board of Directors management information on the main risks faced by the Bank and by the Group.

The Risk Officer has direct access to the Chairpersons of the Board of Directors and of the Committee for Risk Assessment and Audit Committee.

The Committee for Risk Assessment and the Audit Committee issue an opinion of the annual work plan of the Risk Office, being also the recipient of the current status reports on the their making as well as on the performance shown by the resources allocated to the risk management function.

Risk Officer: Luís Miguel Manso Correia dos Santos

B) Compliance Office

The main mission of the Compliance Office is to develop the implementation of internal and external ruling that rule the Group's activity and watch out for their respective compliance by all the institutions of the Group, as well as of the relevant contractual commitments and ethical values of the organization, ensuring the existence of an internal control culture in order to to mitigate the risk of such institutions being sanctioned or imputed significant losses, in terms of both reputation and assets.

The Compliance Office, included in the Group's organizational structure, which is based on the "3 lines of defence model", carries out typical functions of the 2nd line of defence being responsible for the compliance function, observing the responsibilities defined by the Notice 3/2020 of Banco de Portugal.

To the Compliance Office pertains, in particular:

- exercising the functions attributed to it by the Portuguese law or by another source of law;
- exercising the functions attributed to it by the Bank's corporate bodies.

In the exercise of the above-mentioned competences, the performance of the Compliance Office is based on a risk approach at the level of business, customers and transactions.

The Compliance Officer informs the Chairperson of the Board of Directors is also informed, within the maximum period of two business days, of any failure reputed to be of high risk.

The regulations issued by the Compliance Office, within the scope of the competences attributed to it by law or other source of law, are mandatory, except if a decision to the contrary is made by the internal decision bodies competent for that purpose and through the written authorization from two Directors, being one of them the one responsible for the area involved. Are excluded from this scope, the regulations regarding the duties of abstention, refusal and communication foreseen in Law 83/2017, of 18 August, that cannot be reversed.

While exercising the respective functions and within its powers, the Compliance Office is empowered to suspend any and all transactions or processes it deems to be against the rules in effect.

The Compliance Office is responsible for communicating to the administration body of all situations of non-compliance detected in the exercise of its functions that may cause the institution to undertake an administrative offence or any other illicit action and incur in significant asset or reputation losses It also makes and sends to the Board of Directors, at least every six months, a report identifying the situations of non-compliance that occurred and the recommendations and rulings issued to correct the identified compliance issues or deficiencies.

The Compliance Office shall actively intervene in the employee training policy, namely by providing training sessions on compliance to the entire Group, by maintaining a high level of intelligence on compliance-related matters, namely on anti-money laundering and counter terrorism financing - AML/CTF issues and by fostering a culture of internal control within the Group.

In order to guarantee the adequacy and independence of the compliance function, Banco Comercial Português, S.A.:

- Creates the compliance function and provides it with the necessary and sufficient responsibility and autonomy;
- Appoints, through its Board of Directors and following a proposal made by the Executive Committee and after getting a favourable prior opinion from the Committee for Nominations and Remunerations and from the Audit Committee, an individual responsible for the function, providing him/her with all the necessary powers for the performance of his/her functions in an independent manner, particularly regarding access to relevant information.

The Head of the Compliance Office (Compliance Officer):

- Is appointed by the Board of Directors after obtaining the opinions from the Committee for Nominations and Remunerations and from the Audit Committee, being his/her suitability for the exercise of the functions subject to an assessment and prior authorisation, before his/her entrance into functions, by the competent supervisory authority and reports to the Executive Committee, namely to the director responsible for the Compliance Office, reporting functionally to Audit Committee;
- Is responsible for the compliance with the rules on the prevention of money laundering and terrorism financing and may appoint a specific individual in charge of a direct monitoring of the operations and transactions related with this theme (AML Officer), who reports directly to him/her;
- Is also responsible for the follow-up and monitoring of the Compliance activities and policies at the Group's level;
- Does not have any responsibility whatsoever, functional or hierarchical, in the business areas;
- While performing his/her functions, the Compliance Officer sends to the management body (Executive Committee) and to the supervisory body (Audit Committee (every quarter, reports on his/her activity, describing the deficiencies identified and reporting of situations of non-compliance. With the same periodicity, he/she sends to the Chairperson of the Board of Directors and every six months to the Board of Directors, a report on the main compliance risks at the level of the Bank and of the Group.

The Audit Committee issues an opinion on the work plan carried out by the Compliance Office, and this Committee is also the recipient of a report on the works carried out by the compliance function, among which one may highlight those related with financial statements, conflicts of interests and detection of irregularities.

Compliance Officer: Pedro Manuel Francisco da Silva Dias

C) Audit Division

The Audit Division (AUD) is a component of the internal control system of Banco Comercial Português and its main mission is to ensure before the Bank's Stakeholders - particularly to the Audit Committee and the Board of Directors - the effectiveness and adequacy of the organizational culture, of the risk management process, the internal control system and of the governance models used by the Bank and by the Group.

The exercise of the internal audit function is permanent and independent, and the function is performed through the adoption of internationally recognised and accepted internal audit principles, namely those defined by the Institute of Internal Auditors, being translated in the issue of recommendations focused on the strengthening of internal control and on the accomplishment of the Bank's strategic interests, ensuring that:

- The risks are duly identified and managed, and the implemented controls are correct and proportional to the materiality of the risks;
- The methods used to assess the capital and liquidity positions of the Bank are adequate and enable assessing their adequacy versus the degree of exposure to risk;
- The Bank's different governing bodies interact in an adequate and efficient and effective manner;
- The operations are recorded correctly, and the operational, financial and managerial information is appropriate, material, rigorous, reliable and provided in due time;
- The safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them are duly ensured;
- The Employees perform their duties in conformity with the internal policies, rules and procedures and with the legislation and other applicable regulations;
- The goods and services required for the Bank's activity are acquired economically, used efficiently and adequately protected;
- The programmes, plans and objectives defined by the management in the Annual Budget and in the Strategic Plan are followed;
- The legal and regulatory matters of significant impact on the organisation are recognised, clearly understood, and duly approached and integrated in the Bank's operative processes.

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal Notice 3/2020, ensuring the compliance of the functions of the internal control system, guaranteeing the existence of the following:

- An adequate control environment;
- A solid risk management system;
- An efficient information and communication system;
- An effective monitoring process.

The head of the Audit Division is appointed by the Board of Directors after obtaining the opinions from the Committee for Nominations and Remunerations and from the Audit Committee, reporting hierarchically to the Chairperson of the Board of Directors and functionally to the Audit Committee, being his/her suitability for the exercise of the functions subject to an assessment and prior authorisation, prior to his/her entrance into functions, by the competent supervisory authority. The head of the AUD reports hierarchically to the Chairperson of the Board of Directors and functionally to the Audit Committee. The Committee for Nominations and Remunerations is responsible for deciding on the remuneration conditions of the head of the AUD.

The Strategic Plan and the Annual Activities Plan of the Audit Division as well as eventual alteration proposals are approved by the Board of Directors and by the Audit Committee, after obtaining the prior opinion from the Executive Committee.

The Audit Committee presents regularly to the Executive Committee, to the Board of Directors and to its Chairperson, reports on the monitoring of the activity developed, in accordance with the periodicity defined at each moment, with information on the execution of the Activities Plan, main deficiencies detected and respective recommendations and status of the recommendations not yet implemented, as well as on the activities developed by the internal audit teams of the subsidiary companies abroad.

In addition and, at least once a year, the report on the follow-up of the activity, must include: (i) a global evaluation of the adequacy and efficiency of the Bank's organizational culture as a whole and of its governance and internal control systems, including of the numerous components of both systems; and (ii) a global assessment of the performance of the management and supervisory bodies and of its supporting commissions, on the matters mentioned above; the Board of Directors must, in due, time issue an opinion on the same, after obtaining the opinion from Audit Committee and from the Executive Committee.

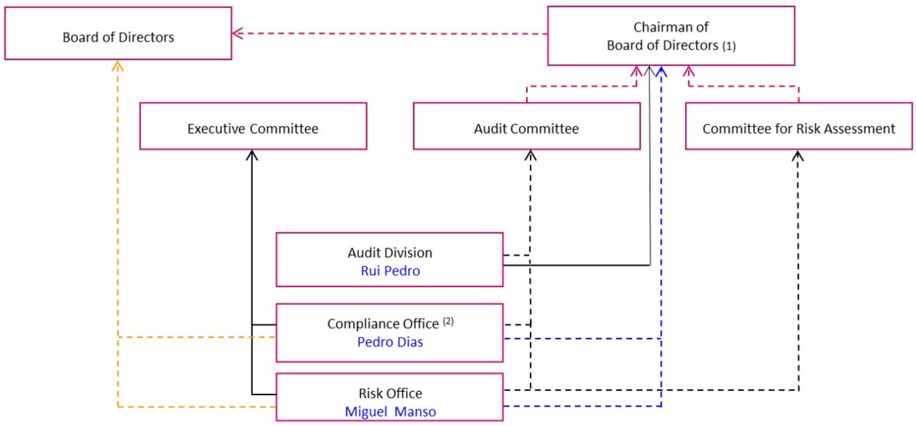
In addition, the Audit Division informs the Chairperson of the Board of Directors, the Chairperson of the Audit Committee and the Chairperson of the Executive Committee on themes under their responsibility that present material relevance for the accomplishment of the mission of those bodies, namely on any high-risk deficiency identified.

The Audit Division must also maintain and manage the Group's deficiencies database to ensure the conveyance , in due time, of complete, reliable information, updated in accordance with the guidelines in effect.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

Currently the hierarchical and/or functional dependence of the Audit Division, Compliance Office and Risk Office in relation to other corporate bodies or committees is presented in the table below:



(1) Director responsible - Nuno Amado: Div. Audit Div; José Miguel Pessanha: Compliance Office and Risk Office
(2) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Commission for Corporate Governance, Ethics and Professional Conduct.

hierarchical report
functional report
functional report of the COFF (quarterly) and ROFF (monthly)
semi-annual functional report
exceptional functional report

52. Other functional areas responsible for risk control.

Alongside the control areas which constitute the risks management system - the Risk Office and the Compliance Office (as defined in Section III of Chapter IV of Notice 3/2020 of Banco de Portugal) - and the area with duties of assessment of the adequacy and efficacy of the internal control system - the Audit Division (as per Section V of Chapter IV of the Notice 3/3030 of Banco de Portugal) - there is an information and communication system which supports decision-making and control processes, both at an internal and external level, for which the Accounting and Consolidation Division and the Research, Planning and Assets and Liabilities Management Division are responsible, which ensures the existence of substantive, current, timely and reliable information, enabling an overall and encompassing view of the financial situation, development of activity, compliance with the defined strategy and objectives, identification of the institution's risk profile, and performance and prospects of evolution of the markets.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, in accordance with the determinations and policies issued by the Executive Committee.

Hence, the Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Research, Planning and Assets and Liabilities Management Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at a Group level - both of accounting nature and relative to support to the management and risk monitoring and control - which should cover, namely:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the Executive Committee, as well as the dates when the reporting is required;
- The identification and control of the intra-Group operations;
- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.

Still within the scope of the risks control environment, one must mention the role performed by several specialized offices which are first line structures directly reporting to the administration:

- The Office for the Validation and Monitoring of Models,which is the structure responsible for the monitoring and validation of the internal models for the assessment of risks and metrics used by the Bank and by the entities part of the Group in Portugal, functionally independent from the areas responsible for the internal models (model owners and developers) and from the Audit division, the mission of which is to ensure the quality and suitability of the risk management framework at the level of internal models, metrics and completeness of the records thereto related.
- Regulatory and Supervisory Monitoring Office whose mission is to assist the Executive Committee in issues deriving from the evolution shown by the regulatory framework and the practice of supervision and promote the coordination and / or participation, in articulation with other Divisions of the Bank, in transversal projects and / or with external entities, promoting the dissemination of knowledge and the involvement of the competent areas of the Bank, in order to achieve a specialized follow-up of the information and of interactions established with authorities, definition of a positioning and compliance with information duties towards supervisory and regulatory entities;
- The Personal Data Protection Office, whose head is the Data Protection Officer of the Bank who has the mission of controlling the conformity of policies and procedures of the Bank with the ones from the Legal Framework of Data Protection and other data protection requirements from the EU or from EU Member-States, including awareness and training of employees involved in personal data processing operations;
- The Credit Division, a division responsible for performing the functions of risk assessment and control, pursuant to its main competences: (i) appraise and issue opinions or decisions on credit proposals submitted by the Bank’s business areas, as well as credit restructuring proposals submitted by the Bank's recovery areas, pursuant to the competences defined in internal regulations;; (ii) monitor and follow-up of the loan portfolio of Customers managed in the commercial areas, anticipating possible situations of default and promoting restructuring solutions whenever necessary and applicable; (iii) start up and/or participate in Bank-wide projects aimed at the improvement of credit and operating risk in the underlying internal processes/procedures, including opinions on products or services with credit risk; and (iv) develop, monitor, adjust or implement algorithms and automatic procedures to support the credit decision, detection of fraud, prevention of default, efficiency in collection and recovery;
- The Rating Division participates in the control of risks associated to loans, where its primary responsibility is the attribution of risk levels to Companies which are Bank Customers, assuring that they are appropriately assessed on an ongoing basis. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely Small, Mid e Large Corporate,Real Estate promotion, Project Finance, State-owned companies and Funds. At the same time, the Rating Division systematically analyses the evolution of risk levels in order to assess the adequacy of the rating models used and identify matters for their fine-tuning.

53. Details and description of the major risks (economic, financial and legal) to which the company is exposed in pursuing its business activity.

On this issue, see the information provided in the Annual Report 2020, in the chapter on Risk Management.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, see the information provided in the Annual Report 2020, in the chapter on Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors acquires adequate knowledge of the types of risks to which the institution is exposed and of the processes used to identify, assess, monitor and control these risks, as well as the legal obligations and duties to which the institution is subject, being responsible for ensuring that the Bank has effective internal control systems and promotes the development and maintenance of an appropriate and effective risk management system.

Hence, the administration body of Banco Comercial Português, namely through its Executive Committee (and respective specialised commissions), Audit Committee and Committee for Risk Assessment:

- Defines and reviews the overall and specific objectives with respect to risk profile or level of tolerance to risk and relative to the decision levels of the functional areas where these decisions are applicable;
- Approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;
- Verifies the compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the institution's activity, so as to enable the detection and correction of any failures;
- Ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
- Issues opinions on the reports prepared by the Risk Management and Compliance areas, namely, on the recommendations for the adoption of corrective measures;
- Ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The Board of Directors is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting.

Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

Regarding the Internal Control Report stipulated in Banco de Portugal's Notice 5/2008, in CMVM's Regulation 3/2008, and in article 245-A (1) (m) of the Securities Code, the responsibilities of the Board of Directors, through its Audit Committee - and of the Statutory Auditor are:

- On an individual basis: issue of a detailed opinion substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/ adequacy of the Internal Control System, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of individual financial information (Financial Reporting);
- On a consolidated basis: issue of an opinion by the Group's parent company, substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/adequacy of the Control System, which should include a reflection on the coherence of the internal control systems of the branches/subsidiaries, including those abroad and off-shore establishments, where this opinion may be based on the respective opinions prepared for the effect by the supervisory bodies of each branch/subsidiary, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of consolidated financial information (Financial Reporting).

These Reports were issued in 2020, with reference to May 2020.

On 15 July 2020, Banco de Portugal published the Notice 3/2020, that revoked the Notice 5/2008, on the adequacy and efficiency of the organisational culture and of the governance and internal control systems, which foresees the issue of an Annual Self-Assessment Report on these matters, which was, for the first time, delivered by the Bank to Banco de Portugal in February 2021, with reference to 31 January 2021. During the last quarter of 2020, the Bank made an initiatives plan, with the purpose of aligning the organisation and internal practices with Notice 3/2020 and comply with its reporting duties, as defined in Instruction 18/2020, that details the procedures to observe in the notice concerning the content of the Self-Assessment Reports.

IV. Investor Support

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details.

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world – Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of three employees who ensure the relation with the market.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- monitoring the update of the evolution of the shareholder structure;
- representation of the Bank in conferences and other types of events targeting investors of debt or shares;
- collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2020, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the CMVM (Portuguese stock market regulator) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2020 the Bank made more than 500 communications to the market, of which 50 regarding privileged information, participated in several events and attended 10 conferences (9 of which were virtual) and 5 roadshows (4 of which virtual), where it presented institutional papers and held one-to-one meetings with investors and meetings with more than 240 investors, figures that reveal the interest of investors in the Bank.

In order to deepen its relations with its shareholder base, the Bank maintained a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relationship with the Rating Agencies consisted, in 2020, in the holding of the following meetings:

- Annual meetings with S&P (27 March), with the DBRS (22 May), with Fitch Ratings (9 July) and with Moody's (10 September);
- 12 conference calls with the 4 above mentioned agencies that attribute rating to BCP, to debate the earnings disclosed every three months by BCP;
- 26 meetings with the above-mentioned rating agencies debated themes related with the impact of COVID-19 on BCP, the impact of the measures to support the economy announced by the Government on the Bank's activity, the quality of the assets and of capital, as well as other themes,

namely those related with the the clarification of announcements of privileged information and other materially relevant information;

- Meetings to revise the Credit Opinions, Press Releases and Rating Reports issued by the Rating Agencies in the course of the year.

All the information of relevant institutional nature disclosed to the public is available on the Bank's website, in Portuguese and English, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

d) Investor Relations Division contact information

Phone: + 351 21 113 10 84

Fax: + 351 21 113 69 82

Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0B, 2740-256 Porto Salvo, Portugal

e-mail: investors@millenniumbcp.pt

The company's website: www.millenniumbcp.pt

57. Market Liaison Officer

The Bank's representative for market relations is Bernardo Roquette de Aragão de Portugal Collaço.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

During 2020, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. These requests were all handled and replied to, mostly within two business days. By the end of 2020, there were no outstanding requests for information relative to previous years.

V. Website

59. Address(es)

The Bank's website address is as follows: www.millenniumbcp.pt

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available.

The above information is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details.

The information on the identity of the members of the governing bodies is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx

The information on the identity of the representative for market relations, the Investor Relations Division, respective duties and contact details are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements.

The information on the financial statements relative to each financial year, semester and quarter of the last ten years (pursuant to article 245.1 of the Securities Code) is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). The publication is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.

Whenever a General Meeting is convoked and on the date of the respective call notice, it is created in the website (www.millenniumbcp.pt), a temporary page to support the General Meeting of Shareholders containing all the preparatory information and supporting information for the General Meeting, together with an inbox - pmag@millenniumbcp.pt, to receive the shareholder's correspondence , namely a letter stating the intetion to participate in the meeting and proxy letters.

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

The historical records, including the call notice, the share capital represented, the proposals submitted and results of the voting, relative to the last ten years are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

The Bank also discloses in the above-mentioned address and keeps it for 10 years, the historical records with the deliberations taken at the company's general meetings, the share capital represented and the results of the voting.

D. REMUNERATIONS

I. Competence for determination

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (CRP), pursuant to sub paragraphs a) and b) of article 14 of the Bank's Articles of Association and under the competence delegated, for the four-year period of 2018/2021, by the General Meeting, is the competent body to determine the remuneration of the governing bodies, including the members of the Executive Committee and the terms of the supplementary pensions due to retirement, old age or invalidity of executive directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations is also competent to submit, to the Bank's General Meeting, a statement on the remuneration policy for the Bank's governing bodies.

The Remunerations and Welfare Board is also competent to, in accordance with the provisions of its Regulations, in effect since 31.12.2020, analyse the regulations for the execution of the remuneration policy of the members of the corporate bodies which is sent, every year, by the Committee for Nominations and Remunerations and to execute a regular monitoring of the compliance with the Regulations of the Policy for the Remuneration of the members of the corporate bodies, informing the Board of Directors of its conclusions.

The Board of Directors, pursuant to article 7 (2.1.r) of its Regulations and as established in article 115-C (5) of the RGICSF, has exclusive competence to approve and review the Bank's remuneration policies and practices. In this duty, it is assisted by the Committee for Nominations and Remunerations which formulates, and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

Addressed to the Remuneration and Welfare Board (RWB) and the Committee for Nominations and Remunerations (CNR), KPMG conducted an independent and specific audit, carried out in abidance by the International Standard on Related Services and by Art. 8 (4) of the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012, on the remunerations that, during 2020, were paid to members of the different governing bodies and Coordinating Managers that report directly to the Board of Directors and to the Executive Committee.

In the Factual Conclusions Report issued pursuant to the validation of the remunerations established and received in 2020 by the holders of Bank's corporate offices and Coordinating Managers, KPMG concluded that the data reported to the RWB, CNR and Audit Committee was accurate and compliant and suited to the resolutions adopted by the corporate bodies with powers to do so.

II. Remuneration and Welfare Board

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor

The remunerations commission, mentioned by article 399 of the Companies Code is elected by the General Meeting, adopts the denomination of Remunerations and Welfare Board being composed by three to five members.

Within the scope of its activities, the Remunerations and Welfare Board must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

The Remuneration and Welfare Board was elected at the General Meeting of Shareholders held on 30 May 2018, with the exception of Mr. Nuno Almeida Alves who was elected on 22 May 2019, to exercise functions in the four-year period 2018/2021. The Board has, currently, the following composition:

Chairman:	Jorge Manuel Baptista Magalhães Correia
Members:	Ana Paula Alcobia Gray
	Nuno Maria Pestana de Almeida Alves

During 2020, the Committee met two times and, due to the pandemic, one meeting was held through electronic means. Minutes were drawn and approved of all meetings held. It received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

Attendance of the Remuneration and Welfare Board meetings by each of its members is shown in the following table:

Members of the Remuneration and Welfare Board	Attendance in Person	Attendance by Representation	Attendance by Electronic means	Total Attendance
Jorge Manuel Baptista Magalhães Correia	1	0	1	100%
Ana Paula Alcobia Gray	1	0	1	100%
Nuno Maria Pestana de Almeida Alves	1	0	1	100%

The Regulations of the Remuneration and Welfare Board are available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CRP_BCP.pdf

Traditionally, the members of the Remunerations and Welfare Board and the members of the Committee for Nominations and Remunerations attend the General Meetings of Shareholders held by the Bank. At the General Meeting held on 20 May 2020, held through electronic means, attended, in person, at the Bank's premises, the Chairperson of the Remunerations and Welfare Board, Mr. Jorge Magalhães Correia. The remaining members attended remotely, as well as all the members of the Committee for Nominations and Remunerations.

All the members of the Remuneration and Welfare Board exercising functions are independent regarding the executive members of the administration body., The Remunerations and Welfare Board, aiming at developing its competences in line with best international practices on remuneration issues, being able, in accordance with its Regulations, to use all the technical means it deems appropriate, including the use of external advisers paid by the Bank, contracted Mercer Portugal, an independent company and a leading worldwide company in human resources, for the provision of specialised technical advisory services, namely concerning the welfare regime of the directors exercising functions under an exclusive regime.

As neither this consultant nor any of its senior staff have privileged relations with the Board of Directors or any of its members, it is deemed that its engagement for the provision of the service cannot whatsoever affect the independence of this consultant in relation to the Bank or its Board of Directors.

In 2020, the Bank paid the amount of 50.000,00 euros to the member, Nuno Maria Pestana de Almeida, an amount established by the General Meeting held on 22 May 2019, when he was elected.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The members of the Remunerations and Welfare Board exercised, in the past, top positions in banking and financial companies or large listed companies, a fact that gives them professional experience, knowledge and the adequate profile in what concerns the remunerations policy, as may be seen in the respective curricula, namely in Annex II.

III. Structure of remunerations

69. Description of the remuneration policy for the management and supervisory bodies

The Remuneration and Welfare Board, after hearing the Committee for Nominations and Remunerations, submitted to the General Meeting of 20 May 2020, with a binding character, the Remuneration Policy of the members of the management and supervisory bodies, including the Executive Committee, which was approved by 95.20% of the votes cast, being the meeting attended by shareholders or their representatives holding 61.31% of the share capital. The most relevant aspects are transcribed below.

An updated Policy, due alterations introduced by Law 50/2020 and by Notice 3/2020 of Banco de Portugal, will be submitted to the Annual General Meeting to be held on 20 May 2021.

"1. Basic Principles

The Remuneration Policy of the Members of Management and Supervision Bodies (MMSB) of Banco Comercial Português S.A. is based on a set of principles aiming to ensure:

a) A governance model able of promoting the alignment of the interests of all stakeholders, namely in what concerns the sustainability of short, medium- and long-term earnings and a prudent management of risk;

b) a competitive fixed remuneration enabling to attract and retain competent professionals and a variable remuneration intended to stimulate individual and collective performance, as well as reward the results achieved, in line with the current and future bank's risk appetite;

c) the attribution of benefits, namely in what concerns the retirement complement, aligned with market practices;

d) the compliance with the applicable regulations and guidelines in terms of procedures and remuneration policy;

e) Behaviours and commercial practices in line with the interests and needs of the Group's Customers.

For that purpose, it pertains to the Committee for Nominations and Remunerations (CNR), the definition and annual revision of the principles defining the remuneration policy of the MMSB and submit such policy, for approval, at the General Meeting of Shareholders of the Bank.

It is the responsibility of the Committee for Risk Assessment (CRA) to examine if the incentives established in the Bank's policy for the remuneration of MMSB take into consideration the risk, capital, liquidity and expectations concerning income at any given time.

Whenever the CNR does not have, at least, a member of the Committee for Risk Assessment in its composition, the latter must indicate a representative to participate in the meetings of the CNR having the remuneration issue in the Agenda.

For the making of the proposal on the Remuneration Policy and supervision of its implementation, the CNR must consult the RWB and get contributions and support from different areas of the BCP, especially from the following ones:

a) The Risk area, an area which should be involved to ensure that limits are not exceeded in terms of risk, total equity, and liquidity of the institution, contributing for the definition of the measures for implementing the variable remuneration based on risk, namely ex ante and ex post measures and verify if the variable remuneration structure is in line with the Group's risk profile and culture;

b) The Human Resources Division, which should contribute to the preparation and evaluation of the Policy for the Remuneration of Employees, namely regarding the structure and levels of remuneration and estimation of the amounts of AVR to attribute, taking into account strategic and budgetary goals, employee profile, retention strategies and market conditions;

c) The Compliance area, which must analyse in what extent the principles and practices of the Remuneration Policy may affect the Group BCP's capacity to comply with legislation, regulations, rulings, internal requirements and the respect for the company's culture, reporting to the RWB and to CNR any anomalous situation which may prove able of jeopardizing or compromise that compliance;

d) The Internal Audit Division, which must develop annual independent mechanisms for the validation / revision of the design of the Remuneration Policy and for its implementation, calculation and respective effects.

In the independent analysis for the implementation of the Remuneration Policy, the CNR, with the support from the Internal Audit, will verify the implementation and compliance with the remuneration policies and procedures adopted and will communicate its conclusions to the RWB.

While making the proposal for the Remuneration Policy, the RWB must also follow clear and transparent procedures, which are documented; the documents regarding the making of the proposal and making of decisions must be kept by means of minutes of meetings, reports and other relevant documents.

The CNR may hire independent and qualified experts and external consultants for support, to assist one or more of its members in the performance of its functions and that contribute and support the performance of its duties.

It is considered essential that the fixed remuneration represents a sufficiently high portion of the total remuneration to ensure the adequate balance between the fixed and variable components of the total remuneration.

The variable remuneration is in line with the strategy defined for the Bank and with the Bank's objectives, values, and long-term interests. This way, the Bank guarantees a sustainable performance, adjusted to its risk profile.

In accordance with these principles, the attribution of a variable remuneration is linked with the performance and on the sustainable growth of the Bank's income and adequacy of its capital ratios, as well as on the market conditions and on the possible risks, able of affecting the business. This way, the Bank is able to guarantee a model that is financially sustainable and does not jeopardizes the institution, its depositors, employees, shareholders and remaining stakeholders.

The remuneration earned by the Director responsible for Risk and Compliance translates the need to guarantee a greater independence versus the Bank's performance; therefore the Bank must privilege qualitative indicators as well as quantitative indicators related with the compliance with the behavioural and prudential rules in the calculation of the variable remuneration.

Are also foreseen reduction (malus) and reversion (clawback) mechanisms, in the whole or only in a portion of the variable remuneration in order to be able to comply with the legal and regulatory requirements and also observe the recommendations and guidelines issued by the competent entities. The ability to totally or partially reduce (malus) the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as to, partially or totally retain the payment of a variable remuneration, the payment of which is an acquired right, (claw-back), is limited to extremely significant events, duly identified and wherein the individuals involved had a direct participation.

The application of the claw-back mechanism must be supplementary to the reduction (malus) mechanism, i.e. in case of occurrence of an extremely significant event, the application of the reduction mechanism (malus) shall be a priority and only when the latter is deemed used up and insufficient or other criteria for the application of this mechanism are in effect, resulting from the applicable legal framework and EBA guidelines, should one consider using this mechanism.

Article 1

(Object)

This Policy establishes the rules for the attribution of the annual fixed remuneration, of the annual variable remuneration, long term variable remuneration and other benefits able of being attributed to the members of the corporate bodies of the Company, including the Retirement Regimea.

Article 2

(Definitions)

The following expressions and acronyms, when capitalized, shall have the following meaning:

i) BCP, Bank or Company – Banco Comercial Português, S.A.

ii) CEO – Chairperson of the Executive Committee

iii) CNR – Committe for Nominations and Remunerations

iv) CRO – Chief Risk Officer

v) RWB – The Remuneration and Welfare Board

vi) Autonomous Document – Document stating, in the first part, the specific amounts of the remuneration of the different members of the corporate bodies approved by the RWB, and in the second part, the calculation formulas, indicators or indexes to use in the calculations, being the latter approved by means of a joint resolution issued by CNR and RWB.

vii) Group or Group BCP – includes the Company and all the companies in a control or group relationship with the Company, Millenniumbcp Prestação de Serviços ACE, Fundação Millenniumbcp and Clube Millenniumbcp

viii) AVR Evaluation Period –period of time from 1 January to 31 December, respectively of 2019, 2020, 2021 and 2021.

ix) LTVR Evaluation Period - period of time from 1 January 2018 until 31 December 2021.

x) AVR Attribution Price - corresponds to the average of closing prices of the shares of the Company recorded during the two months prior to the beginning of each AVR evaluation period.

xi) LTVR Attribution Price - corresponds to the average of closing prices of the shares of the Company recorded during the two months prior to the beginning of each LTVR evaluation period.

xii) PSI20 – Portuguese stock index – PSI20 Index composed of the companies chosen at each moment by the competent bodies of Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

xiii) Retirement supplement – the Retirement Supplement regime due to old age or disability to be paid by the company, foreseen in article 17 of the Company's articles of association.

xiv) AFR - annual fixed remuneration.

xv) AVR - annual variable remuneration.

xvi) Target AVR – Annual variable remuneration corresponding to 100% compliance with the quantitative and qualitative objectives mentioned in the applicable annexes.

xvii) LTVR - long-term variable remuneration.

xviii) Target LTVR - Long-term variable remuneration corresponding to 100% compliance with the objectives mentioned in the applicable annexes.

xix) Stoxx Europe 600 Banks Index (SX7P) – Index of shares composed by large European Banks.

xx) TSR – total shareholder return , estimated by means of the following equation the data of which are obtained through an independent and recognized market information platform (ex: Bloomberg or Reuters): [(Average of the closing prices of the shares for the two months prior to the end of the evaluation period – Average of the closing prices of the shares for the two months prior to the beginning of the evaluation period) + Dividends per share paid to the shareholders in that period] / Average of the closing prices of the shares for the two months prior to the beginning of the evaluation period, adjusting stock prices to reflect the effects of share capital increases, incorporation of reserves or similar transactions. The dividends to consider are those that, in relation to the date of approval, have been more recently approved.

xxi) Member - Member of the Executive Committee.

xxii) VC - Vice-Chairperson of the Executive Committee.

Chapter I

Members of the Company's Corporate Bodies

Article 3

(Annual Fixed Remuneration, Variable Remuneration and Benefits)

1. The establishment of the remunerations and benefits of the Members of the Corporate Bodies is made by the RWB and, since they are defined for the term-of-office may, for situations recognized as exceptional, be revised by the RWB in the course of the same.

2. The members of the Executive Committee and the non-executive Directors exercising functions under an exclusive regime, are also entitled to the benefits foreseen in article 12.

Chapter II

Members of the Board of the General Meeting

Article 4

(Annual Fixed Remuneration)

1. The members of the Board of the General Meeting of the Company are entitled to an annual fixed remuneration established by the RWB, paid in four quarterly payments and to corporate bodies health insurances subscribed by the bank and at each moment in effect.

2. The remuneration set forth in 1. at any given moment is mentioned in the Autonomous Document.

Chapter III

Non-Executive Members of the Board of Directors

Article 5

(Annual Fixed Remuneration)

1. The non-executive members of the Board of Directors of the Company are entitled to an annual fixed remuneration divided into 12 monthly payments and to the health insurance subscribed by the Bank at each moment for its Employees and Executive Directors.

2. The remuneration set forth in 1. at any given moment is mentioned in the Autonomous Document.

3. The RWB may, pursuant to a request made by the Director, resolve not to attribute remuneration to non-executive member(s) of the Board of Directors who is/are related with shareholders holders of a qualified stake.

Chapter IV

Executive Members of the Board of Directors

Article 6

(Annual Fixed Remuneration)

1. The members of the Executive Committee are entitled to a annual fixed remuneration paid in 14 monthly instalments, described in the Autonomous Document.

2. The retirement pension supplement due to old age and disability mentioned in article 13 does not have a discretionary nature; therefore, it is a fixed remuneration.

Article 7

(Variable Remuneration)

1. The members of the Executive Committee may also earn a variable remuneration composed by a component attributed by the RWB by reference to the financial year to which it concerns (AVR) and by a long-term component (LTVR) attributed by reference to the entire term-of-office.

2.The attribution and establishment of the AVR and of the LTVR pertains to the RWB and depends on the favourable opinion issued by the CNR, on the compliance with the rules herein established and on the compliance with the remaining requirements of the Autonomous Document.

3. The variable remuneration, both the annual and long-term components, may not be attributed under exceptional conditions, namely if, after an opinion issued by the Audit Committee, the Committee for Risk Assessment, it is found that:

i) there is not a strong base of own funds;

ii) its attribution could unduly limit the Company's ability to strengthen its own capital; or

iii) the attribution of the same does not observe the applicable legislation, regulations and guidelines.

4. The addition of the components of the annual and pluri-annual variable remuneration of the several directors due in each year, cannot exceed, in its whole, 2the amount set forth in the Bank's articles of Association.

5.The attribution of the variable remuneration is subject to the positive performance of own funds under a prudential perspective (value of capital for purposes of the estimation of the CET1 of the Group), and may, by decision made by the RWB after listening to the CNR and the Committee for Risk Assessment, not be considered extraordinary operations that, for their size and/or impact, affect the capital.

6. No guaranteed variable remuneration shall be granted, except when hiring a new executive director and only in the first year of activity and it will only be granted by the RWB if, pursuant to an opinion from the Audit Committee and the Committee for Risk Assessment, the institution has a solid and strong capital base.

7. Only for purposes of estimating the attributable variable remuneration, the amounts corresponding to the pension supplementary regimes are not considered AFR.

8.The variable component of the remuneration is associated with the performance. Therefore, its total value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that can, in each year and in compliance with the conditions established in this document and with the law, exceed twice the AFR.

9. The AVR will be paid 50% in cash and 50% in BCP shares in the deferred portion and in the non-deferred portion.

10. Except if expressly requested by the beneficiary Director, the number of shares to deliver in compliance with the provisions of the previous paragraph will be the one corresponding to the amount to pay in shares, net of income tax.

11. Each beneficiary cannot, in any case whatsoever, receive a variable remuneration that, after the number of share is converted (evaluated at the attribution price) reach a total exceeding 200% the respective AFR, either in an year when there is only AVR or in years when there are AVR and LTVR.

12. Whenever the variable remuneration, calculated in accordance with the previous number, exceeds the component of the value of the AFR, the amount exceeding the AFR shall only be due in the extent that the same is inferior to 200% of the respective AFR and can only be paid after being approved by the General Meeting of Shareholders (in accordance with the provisions of article 115-F of the Legal Framework for Credit Institutions and Financial Companies), pursuant a proposal made by the RWB, after listening to the CNR, the Committee for Risk Assessment, the Risk Officer and the Compliance Officer.

13. The definition of the quantitative indicators is made by the CNR, after listening to the Committee for Risk Assessment and is made based on the Bank's strategic goals, being also considered as a integral component of the process for the definition of the key-risk indicators so as to ensure an alignment of the risk profile of the executive members of the board of directors with the level of risk able of being tolerated by the Bank.

14. The variable remuneration of the CRO privileges qualitative and quantitative indicators related with the compliance with the prudential and behavioural rules, as well as the performance shown by the Bank's risk profile.

15. As foreseen in no. 15 of article 115-E of the Legal Framework for Credit Institutions and Financial Companies, no relevant hedging mechanisms may be used with the purpose of attenuating the effects of alignment with the risk inherent to the types of remuneration, and no variable remuneration can be paid by means of special purpose vehicles or other methods with an equivalent effect.

Article 8

(Annual Variable Remuneration)

1. The AVR considers the following values (without damaging the provisions of article 7 (10 and 11):

i) Target AVR – 42% of the respective total AFR (corresponding to 60% of the addition of the Target AVR with the Target LTVR);

ii) Maximum AVR attributable - 63% of the respective AFR.

2. The CNR, after listening to the RWB, the Committee for Risk Assessment and the Audit Committee may - through a duly grounded written document to be recorded in a minutes of meeting - apply an adjustment factor of the percentages provided for in the preceding paragraph, with a minimum of - 25% and a maximum of +25%, namely to cover possible risks, current and future ones, cost of own funds and of liquidity required by the BCP Group, as well as to translate exceptional performances by the Bank.

3. When the adjustment factor implies a positive or negative variation equal or greater than 12.5%t, that is, 50%, of the one indicated in no. 2 above, it will have to be justified in writing.

4. The computation of the AVR amount is based on the results of the performance evaluation throughout the AVR Evaluation Period in question and results from the sum of two autonomous and independent components:

i) 80% of the amount is based on the evaluation of the level of compliance with the quantitative objectives (corporate KPIs);

ii) 20% of the amount is based on the evaluation of performance of each director regarding the qualitative objectives.

5. The corporate KPIs are established, each year, by the CNR, after listening to the RWB, based on the Business Plan or Budget for the respective period, previously approved by the Board of Directors, which will be part of the Autonomous Document.

6. The KPIs mentioned in the preceding paragraph should be in line with the goals of the activity plan and take into account the risk appetite defined by the Bank and the capital and liquidity plans, being defined KPIs for the global performance of the Bank and differentiated KPIs for each director, adjusted to his/her areas of responsibility.

7. The values of the corporate KPIs defined for each year will be mentioned in the Autonomous Document.

8. The calculation of the amounts of the AVR shall be made by the Bank's Division in charge of Planning and Management Control and shall be audited by the Internal Audit Division and, pursuant to a resolution adopted by the RWB, those estimations may be validated by an external independent entity.

9. The attribution of the AVR depends on the performance recorded for each corporate KPI, being calculated as follows (without damaging the provisions of article 7 (10 and 11):

i) If the performance recorded falls under 80% of the established KPI, no AVR shall be attributed for that quantitative objective;

ii) If the performance recorded is between 80% and 90% of the KPI established, shall be attributed the amount placed in the interval 70% and 80% of the target AVR of that objective as per the Autonomous Document;

iii) If the performance recorded is between 90% and 110%, the KPI established, shall be attributed the amount placed in the interval 80% and 120% of the target AVR of that objective, as per the Autonomous Document;

iv) If the performance recorded is between 110% and 150%, the KPI established, shall be attributed the amount placed in the interval 120% and 150% of the AVR target of that objective, as per the Autonomous Document;

v) If the performance recorded attains 150% of the objective or more, shall be attributed the amount corresponding to 150% of the AVR ta target of that objective, as per the Autonomous Document.

10. The attribution of the AVR corresponds to the performance regarding the corporate KPIs of BCP, defined for each director, as mentioned in the Autonomous Document and is dependent on the verification of a weighted average equal to or greater than 80% of KPIs defined concerning the Bank's global performance.

11. The AVR attributed to each executive member due to the corporate KPIs, results from the following equation: percentage of the target AVR based on the performance in accordance with the provisos of number 8 x 80%.

12.The qualitative evaluation of the members of the Executive Committee will pertain to the CNR, after listening to the non-executive Chairperson and Vice-Chairpersons of the Board of Directors and the Chairperson of the Executive Committee, who will only issue an opinion concerning the remaining members of the Executive Committee.

13. The annual weighted evaluation of the qualitative objectives will be able of being measured and estimated in accordance with a table/questionnaire approved by the CNR, after listening to the RWB, the Compliance Officer and the person in charge of Human Resources.

14. The global performance of the qualitative objectives is a result of the weighted average of the objectives mentioned in the Autonomous Document (rounded to the unit), with the weight mentioned in number 3 ii) of this article and in accordance with the following parameters:

i) If the global performance recorded is lower than level 2 ("Somewhat Lower than Expected"), no excess regarding the AVR will be estimated, as such;

ii) If the performance recorded is between level 2 ("Lower than Expected") and level 3 ("Meets the Expectations"), shall be attributed the amount placed in the interval 60% and 100% of the target AVR for that objective, as per the Autonomous Document;

iii) If the performance recorded is between level 3 ("Meets the Expectations") and level 4 ("Above Expectations"), shall be attributed the amount placed in the interval 100% and 130% of the target AVR for that objective, as per the Autonomous Document;

15. The non-deferred component of the AVR is paid in the month following the date of approval of the Earnings by the Annual General Meeting of Shareholders ("AVR Payment Date").

16. Without damaging the provisions of article 7 (10 and 11), the AVR shall be deferred in 40% throughout a five-year period being paid a fifth each year, on the AVR Payment Date, being the payment made 50% in cash and 50% in Company shares in the deferred component and in the non-deferred part. If the AVR equals or exceeds two thirds of the AFR of each member, 60% of that amount must be paid in a deferred manner.

17. The number of shares to attribute to each executive director results from the quotient between the value of the AVR, estimated after the assessment of the performance and the "Price of attribution of the AVR".

18. The shares of the Company attributed as AVR, in accordance with 16 above, are subject to a retention policy for a period of one year commencing on the AVR Payment Date; therefore, the executive director will not be able to sell them, except for the provisos of the following number, during the 12 months following their delivery.

19. The executive director may sell or encumber the shares in the amount necessary to cover the totality of taxes and contributions to pay due to the attribution of the shares. As an alternative, the director will be able to choose the "sell-to-cover" regime, through which the number of shares that will be delivered to him/her will already be deducted from the number of shares which must be sold in order to pay taxes and contributions corresponding to the total value of the shares attributed.

20. If the member of the Executive Committee is not elected for a new term-of-office, the unavailability regime foreseen in article 17 above will continue to be in effect.

21. If the member of the Executive Committee leaves office, for any reason other than removal with just cause, after the end of the evaluation period but before the payment of the AVR, the AVR corresponding to that evaluation period will be paid in full, corresponding to that evaluation period, in compliance with the deferment periods and composition (cash or shares).

22. The payment of the AVR corresponding to the evaluation period during which the termination of functions of the member of the Executive Committee occurs, shall not be due, except in situations of termination of functions by agreement, retirement, death, disability or any other cause for the cessation of the term of office due to a cause not imputable to the Executive Director, namely the alteration of the control of the Company, among other, following a takeover bid or other fact outside the Executive's Director will, in which case there will be a proposal for a *pro rata temporis* attribution of AVR, after a resolution adopted by the RWB after listening to the CNR - being that the maximum amount of the indemnity must take into account the average of the AVR of the last 3 years or of a lesser number of years in case the director was in office for a period of time inferior to 3 years.

23. In case a new non-executive director initiate his/her functions in the middle of the term, he/she will be entitled to a "po-rata temporis" of the AVR and of the LTVR.

Article 9

(Long-Term Variable Remuneration)

1. The long-term variable remuneration (LTVR) is exclusively paid by means of the attribution of shares of the Company taking into consideration the following benchmark values ("Target") and maximum limits (without damaging the provisions of article 7 (10 and 11):

i) Target LTVR – 28% of the respective total AFR (corresponding to 40% of the addition of the Target AVR with the Target LTVR);;

ii) Maximum value of LTVR – 42% of the respective AFR of the LTVR evaluation period.

2. The CNR, after listening to the RWB, the Committee for Risk Assessment and the Audit Committee may apply an adjustment factor of the percentages provided for in the preceding paragraph, with a minimum of -25% and a maximum of +25%, namely to cover possible risks, current and future ones, cost of own funds and of liquidity required by the BCP Group, as well as to translate exceptional performances by the Bank.

3. When the adjustment factor implies a positive or negative variation equal or greater than 12.5%t, that is, 50%, of the one indicated in no. 2 above, it will have to be justified in writing.

4. The estimation of the number of shares corresponding to the LTVR to attribute is based on the results of the performance evaluation made during the LTVR evaluation period, being assessed in accordance with the Autonomous Document.

5. The attribution of LTVR regarding the performance foreseen in the previous paragraph depends on the degree of compliance with the objectives as of 31 December 2021 set forth in the Autonomous Document.

6. The performance evaluation components are of a quantitative nature and are established by the CNR, after listening to the RWB, being described in the Autonomous Document.

7. . In case there is an operation altering the perimeter of BCP with relevant impact and the Board of Directors approves the alteration of the objectives of the Strategic Plan, the evaluation components must be revised accordingly by the CNR, after getting the opinion from the RWB.

8. The LTVR should be paid in the month following the date of approval of the financial statements by the General Meeting of Shareholders ("LTVR Payment Date"), by attributing shares of the Company in accordance with the terms and conditions foreseen in the Policy.

9. Without damaging the provisions of article 7 (10 and 11), the LTVR shall be deferred in 40% throughout a 3-year period and paid on the LTVR Payment Date, a third each year. If the LTVR, in relation to each member, is equal or above two thirds of the AFRs due in the LTVR evaluation period, the amount deferred will correspond to 60%.

10. The number of shares to attribute to each executive director results from the quotient between the value of the LTVR, estimated after the assessment of the performance and the Price of attribution of the LTVR.

11. The payment of the LTVR requires the full exercise of the term-of-office for which the executive director was appointed, except in situations of termination of functions by agreement, retirement, death, disability or any other cause for an early cessation of the term of office due to a cause not imputable to the Executive Director, namely the alteration of the control of the Company, among other, following a takeover bid, in which case there will be a pro rata temporis attribution of LTRV, after a resolution adopted by the RWB, after listening to the CNR, at the end of the Plan's term.

12. If the member of the Executive Committee leaves office, for any reason other than removal with just cause, after the end of the evaluation period but before the payment of the LTVR, the same will be paid in full, corresponding to that evaluation period, in compliance with the deferment periods and composition (cash or shares) foreseen in the applicable regulations.

13. The shares of the Company attributed as LTVR are subject to a retention policy for a period of one year commencing from the date the LTVR is paid so that during the 12 months following their delivery, the director is unable to sell them, except in the cases mentioned in the following number.

14. The executive director may sell or encumber the shares in the amount necessary to cover the totality of taxes and contributions to pay due to the attribution of the shares. As an alternative, the director will be able to choose the "sell-to-cover" regime, through which the number of shares that will be delivered to him/her will already be deducted from the number of shares which must be sold in order to pay taxes and contributions corresponding to the total value of the shares attributed.

15. If the member of the Executive Committee is not elected for a new term-of-office, the unavailability regime foreseen in article 13 above will continue to be in effect.

16. Notwithstanding the provisions of article 9, the computation of the final amount of the LTVR will consider the amount of the AVR and the limitations foreseen in article 7 (10 and 11).

Article 10

(Termination of functions before the end of the term-of-office)

1. The Director who terminates functions before the end of the term-of office for reasons other than due to renunciation or dismissal with just cause, will be entitled to a compensation to be estimated by the CNR and resolved by the RWB, after listening to the Committee for Risk Assessment.

2. The compensation to attribute in compliance with the provisions of the previous paragraph cannot be qualified as a fixed remuneration and its payment must be subject to the signing of a non-competition

commitment for a period of time corresponding to the end of the term-of-office under way on the date of the removal.

3. The amounts to be attributed in compliance with the provisions of number one cannot exceed the global fixed remuneration that would be due until the end of the term-of-office plus, in the case of non-executive directors, of an amount corresponding to the average of the AVR attributed to him/her during the years he/she was in office in the term-of-office when he/she ceased to exercise functions.

Article 11

(Malus and clawback clauses)

1. The entire variable remuneration, regardless of the establishment, or not, of acquired rights, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director participated in or was responsible for a performance that resulted into significant losses for the Group or ceased to comply with the suitability and good repute criteria until the date of the last payment of the variable remuneration in the case of the reduction mechanism and up to 3 years after payment of the deferred remuneration in the case of the reversion mechanism.

2. The ability to totally or partially reduce (malus) the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as the refund of variable remuneration, paid or whose payment already constitutes an acquired right, (claw-back), is limited to significant events, duly identified and wherein the individuals involved had, with malicious intent or gross negligence, an active participation.

3. The reduction or reversion of the variable remuneration should always be related with the performance or the risk and should respond to the effective results of risks or alterations in the continuing risks faced by the Group, the Bank or by the areas of the responsibility of the executive director in question and should not be based on the amount of dividends paid or on the shares price performance.

4. The application of the claw-back mechanism must be supplementary to the reduction (malus) mechanism, i.e. in case of occurrence of a significant event, the application of the reduction mechanism (malus) shall be a priority and only when the latter is deemed used up, is insufficient, or while it is assessed if the Director significantly contributed for the negative financial performance of the Group and also in case of fraud or offences with malicious intent or serious negligence which caused significant losses, should one consider using the reversion mechanism (claw-back).

5. In any circumstance and concerning the application of malus or claw-back mechanisms, the guidelines from EBA (European Banking Authority) that are in effect at the time will always have to be observed and complied with.

6. The occurrence of the situations described in this article is supervised by the CNR and the application of those mechanisms shall be made after a consultation made to the RWB, the Committee for Risk Assessment, the Audit Committee and the Chairperson of the Board of Directors.

Article 12

(Benefits)

The members of the Executive Committee and the non-executive directors exercising functions under an exclusive regime, are entitled to the following benefits:

i. Health insurance, credit card and mobile phone, in line with what is attributed to the remaining bank employees.

ii. Retirement Supplement.

Article 13

(Supplemental retirement pension for disability and old age)

1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a Retirement Supplement formed by capitalization insurance contracts of which each director will be the beneficiary.

3. Pursuant to an agreement established with each director, the capitalization insurance contract may be replaced by contributions to pension funds with a defined contribution.

4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, shall be established on a yearly basis by RWB, after listening to the CNR's opinion.

5. The Bank's annual contribution for the plan set forth in the previous paragraph is equal to the value, before applying any income tax deductions for individuals, corresponding to 20% of the annual gross fixed remuneration defined at any given time by the RWB.

6. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

7. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the social security regime applicable to him/her.

8. At the time of the retirement, the beneficiary may choose to redeem the capital if and to the extent that the contract underlying the alternative chosen by him/her, so allows.

9. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law.

Article 14

(Pension discretionary benefits)

It is not envisaged the attribution of pension discretionary benefits, based on the Bank's performance or on the individual performance or on any other factors with a discretionary nature. However, the General Meeting of Shareholders may approve the attribution of an extraordinary contribution in accordance with article 13 (6) above.

Article 15

(Remuneration earned due to the performance of other functions related with BCP)

1. Considering that the remuneration of the executive members of the Board of Directors, as well as the one of the non-executive directors exercising functions under an exclusive regime is intended to directly compensate the activities they carry out directly at the Bank or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each member of the Board of Directors exercising functions under an exclusive regime will be deducted from their respective AFR.

2. It is the obligation and responsibility of each member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above.

Article 16

(Insurances)

1. The Directors must subscribe to a director bond in abidance by article 396 of the Companies Code.

2. In addition, the Bank subscribes to a Directors & Officers insurance policy following market practices.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

On this issue, see item 69. - articles 7 and 8.

71. Reference, where applicable, to there being a variable remuneration component and information on any potential impact of the performance appraisal on this component.

On this issue, see item 69. - articles 7 to 9.

72. The deferred payment of the remuneration's variable component and specify the relevant deferral period.

On this issue, please see item 69. - article 8 (16).

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

On this issue, please see item 69. - article 8.(8 to 14 and 17 to 19).

74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price.

During the financial year to which this report relates to, the Bank did not attribute a variable remuneration on options to the executive members of the Board of Directors.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

The remuneration conditions of the employees are described in items 69. and 77. - A and B. Apart from the health insurance, under a regime identical to the totality of the Bank's Employees, of which all directors benefit from, and the right of the executive directors or those under an exclusive regime to use car and phone, the Bank's directors do not receive other non-financial benefits.

Some directors with employment ties to the Bank have been granted mortgage loans prior to the respective election, under the conditions foreseen in the Work Collective Agreement of Group BCP, as mentioned in note 51 to the consolidated financial statements, that also identify the limits and conditions of the respective private credit cards.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis.

The arrangement for retirement due to old age or invalidity of members of the Executive Committee is defined in article 17 of the Articles of Association and in the document approved at the General Meeting held on 21 April 2016, transcribed below.

"1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a Retirement Supplement formed by capitalization insurance contracts of which each director will be the beneficiary.

3. Pursuant to an agreement established with each director, the capitalization insurance contract may be replaced by contributions to pension funds with a defined contribution.

4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, is established on a yearly basis by the Remunerations and Welfare Board, after obtaining the opinion from the Committee for Nominations and Remunerations.

5. The Bank's annual contribution for the plan set forth in the previous paragraph is equal to the value, before applying any income tax deductions for individuals, corresponding to 20% of the annual gross fixed remuneration defined at any given time by the Remunerations and Welfare Board.

6. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

7. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the social security regime applicable to him/her.

8. At the time of the retirement, the beneficiary may choose to redeem the capital if and to the extent that the contract underlying the alternative chosen by him/her, so allows.

9. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law."

The attribution of pension discretionary benefits based on the Bank's performance or on the individual performance or on any other factors with a discretionary nature is not envisaged. However, the General Meeting of Shareholders may approve the attribution of an extraordinary contribution.

The costs with the retirement supplements paid the the 2020 financial year are described in the following table:

Chairman and Executive Members of the Board of Directors	Position	Retirement Supplement (€)	Income tax withheld from Retirement Supplement (€)	Amount transferred to the Pension Fund (€)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	138,000.00	62,232.00	75,768.00
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	129,999.96	58,366.00	71,633.96
Miguel de Campos Pereira de Braganca	Vice-Chairman of the Executive Committee	103,999.98	44,926.00	59,073.98
Joao Nuno de Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	103,999.98	45,962.00	58,037.98
Rui Manuel da Silva Teixeira	Member of the Executive Committee	91,000.00	41,036.00	49,964.00
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	91,000.00	41,036.00	49,964.00
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	91,000.00	18,200.00	72,800.00
	Total	**748,999.92**	**311,758.00**	**437,241.92**

The Retirement Regulations of the Executive Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

IV. Disclosure of remunerations

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same, as well as quantitative information on the remuneration paid to the different categories of employees, foreseen in article 115-C (2) of the Legal Framework for Credit Institutions and Financial Companies

In the financial year of 2020, the amount of the fixed remuneration paid as a whole and individually to members of the company's board of directors (executive and non-executive) is shown in the following table:

A - Annual Fixed Remuneration

		Annual Fixed Remuneratio				
		A	B	A + B		
Non-Executive Members of the Board of Directors	**Position**	**Paid Directly by BCP (€)**	**Paid Through Other Companies (a) (€)**	**Remuneration of the Corporate Bodies set BCP (€)**	**Income tax withheld (€)**	**Note:**
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	656,283.96	33,716.04	690,000.00	295,989.00	
Jorge Manuel Baptista Miagalhaes Correia	Vice-Chairman of the Board of Directors	110,000.04	0.00	110,000.04	43,224.00	
Ana Paula Alcobia Gray	Member of the Board of Directors	125,000.04	0.00	125,000.04	42,240.00	
Jose Manuel Alves Elias da Costa	Member of the Board of Directors	139,763.84	0.00	139,763.84	48,725.00	Resumed his duties, which were suspended, from 15/01/2020
Julia Gu	Member of the Board of Directors	0.00	0.00	0.00	0.00	No longer receiving remunerations, at her request, as of May 2018
Lingjiang Xu	Member of the Board of Directors	125,000.04	0.00	125,000.04	50,364.00	
Teofilo Cesar Ferreira da Fonseca	Member of the Board of Directors	155,000.04	0.00	155,000.04	63,384.00	
	Sub-total	**1,311,047.96**	**33,716.04**	**1,344,764.00**	**543,926.00**	
Members of the Audit Committee						
Cidália Maria Mota Lopes	Chairwoman of the Audit Committee	155,000.04	0.00	155,000.04	63,384.00	
Fernando da Costa Lima	Member of the Audit Committee	125,000.04	0.00	125,000.04	50,364.00	
Valter Rui Dias de Barros	Member of the Audit Committee	135,000.00	0.00	135,000.00	33,744.00	
Wan Sin Long	Member of the Audit Committee	150,000.00	0.00	150,000.00	37,500.00	
	Sub-total	**565,000.08**	**0.00**	**565,000.08**	**184,992.00**	
Members of the Executive Committee						
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	621,778.37	28,221.61	649,999.98	279,174.00	
Miguel de Campos Pereira de Braganca	Vice-Chairman of the Executive Committee	474,194.30	45,805.74	520,000.04	204,844.00	
João Nuno Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	520,000.04	0.00	520,000.04	229,841.00	
Rui Manuel da Silva Teixeira	Member of the Executive Committee	455,000.00	0.00	455,000.00	205,208.00	
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	421,281.72	33,718.28	455,000.00	190,000.00	
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	455,000.00	0.00	455,000.00	91,000.00	
	Sub-total	**2,947,254.43**	**107,745.63**	**3,055,000.06**	**1,200,067.00**	
	Total values of BCP's Corporate Bodies	**4,823,302.47**	**141,461.67**	**4,964,764.14**	**1,928,985.00**	

(a) - the amounts indicated are net amounts, as laid down in the Regulations for the Execution of the Remuneration Policy of the members of Management and Supervision Bodies.

In the 2020 financial year, the amount of variable remuneration attributed to the executive members of the Board of Directors (Executive Committee) of the Bank is shown in the following table:

B - Annual Variable Remuneration

		Annual Variable Remuneration (AVR)						
		AVR attributed in 2020			AVR (deferred) attributed in 2019			
Executive Members of the Board of Directors (Executive Committee)	Position	Amount Attributed [(a)] (€)	Payment made in Cash (€)	Payment made in Shares (€)	Payment made in Cash (€)	No. Shares[(b)] made available (quantity)	Payment made in Shares[(c)] (€)	Income tax withheld of the AVR (Cash + Shares) (€)
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	260.000,00	0,00	0,00	18.851,00	73.236	8.414,82	12.242,00
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	205.000,00	0,00	0,00	17.072,59	66.327	7.620,98	10.667,00
João Nuno Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	205.000,00	0,00	0,00	17.072,59	66.327	7.620,97	10.914,00
Rui Manuel da Silva Teixeira	Member of the Executive Committee	185.000,00	0,00	0,00	15.075,67	58.569	6.729,57	9.834,00
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	192.000,00	0,00	0,00	15.075,67	58.569	6.729,57	9.834,00
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	185.000,00	0,00	0,00	6.281,50	24.404	2.804,02	1.817,00
	Total	**1.232.000,00**	**0,00**	**0,00**	**89.429,02**	**347.432**	**39.919,93**	**55.308,00**

(a) The RWB approved that the portion of the AVR attributed that should be paid in 2020, be deferred for payment in the year in which the payment of dividends to shareholders is resumed, and that the portions that, by nature, would be deferred, be paid in the year in which they are due, provided that the payment of dividends to shareholders has been resumed in the meantime.

(b) Average closing price from 1 November 2017 to 31 December 2017 of BCP shares: € 0.2574.

(c) Closing price of BCP shares on 23-06-2020: € 0.1149.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

Considering the provisions in the remuneration policy for members of the Board of Directors transcribed above in item 69, which establish that the net value of the remunerations earned annually by each Executive Director, on account of duties performed in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, please see the table above of item 77-A which quantifies these deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

During the financial year to which this Report refers, no indemnity was paid or owed to former directors relative to their termination of office during the year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

Due to the governance model adopted by the Bank, the supervisory body - the Audit Committee - is part of the Board of Directors.

Please see the table of item 77. A - Annual Fixed Remuneration.

82. Details of the remuneration in the reference year of the chairperson of the general meeting of shareholders and to other employees, as per the requirements of article 47 of the Notice of Banco de Portugal 3/2020

A) Remuneration of the elected members of the Board of the General Meeting

The Remuneration and Welfare Board took into consideration, for the term of office that began in May 2020, the market practices concerning the major listed companies based in Portugal and similar in size to BCP, having established the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 Euros and the one of the Vice-Chairperson at 27,600 euros.

B) Quantitative information concerning the remuneration paid by the Bank to the different categories of employees foreseen in article 115-C (2) of the Legal Framework for Credit Institutions and Financial Companies

i) Responsible for the assumption of risks (19 employees)

In 2020, the amount of the remuneration paid by the Bank to those responsible for the assumption of risks, is stated in the following table:

KFH - People responsible for risk taking

Remunerations		(Euros)
Fixed Remuneration		1,941,144.04
Annual Variable monetary Remuneration		56,042.50
Annual Variable Remuneration in shares		34,172.19
	Sub-total	2,031,358.73
Mandatory Social Expenses		
Social Security		447,089.04
SAMS / Médis		32,630.41
Supplementary Pension Plan		1,283.80
	Sub-total	481,003.25
Remuneration Costs + Mandatory Social Expenses		2,512,361.98

ii) Responsible for control functions (12 employees)

In 2020, the amount of the remuneration paid by the Bank to those responsible for the control functions, is stated in the following table:

KFH - People responsible for Control functions

Remunerations		(Euros)
Fixed Remuneration		1,079,450.67
Annual Variable monetary Remuneration		44,841.00
Annual Variable Remuneration in shares		18,346.56
	Sub-total	1,142,638.23
Mandatory Social Expenses		
Social Security		245,280.06
SAMS / Médis		21,700.56
Supplementary Pension Plan		0.00
	Sub-total	266,980.62
Remuneration Costs + Mandatory Social Expenses		1,409,618.85

iii) Senior management, composed of first line managers who were not included in the previous paragraphs (43 employees)

In 2020, the amount of the remuneration paid by the Bank to the first line employees, not included in the categories indicated in i. and ii., is stated in the following table:

KFH - Top Management, composed of the first line managers who have not been integrated in the previous items		
Remunerations		Euros
Fixed Remuneration		5,942,540.76
Annual Variable monetary Remuneration		267,884.49
Annual Variable Remuneration in shares		194,186.39
	Sub-total	6,404,611.64
Mandatory Social Expenses		
Social Security		1,446,635.12
SAMS / Médis		78,008.93
Supplementary Pension Plan		11,923.33
	Sub-total	1,536,567.38
Remuneration Costs + Mandatory Social Expenses		7,941,179.02

iv) Employees whose total remuneration places them in the same remuneration bracket that is foreseen for the members of the management and supervisory bodies or of any of the categories indicated in i) to iii) above and whose professional activities have a material impact on the Bank's risk profile

There aren't employees in this category.

C) Remuneration policy of the employees and subsidiary companies operating in Portugal

The remuneration policy of the Employees and subsidiary companies operating in Portugal was approved by the Board of Directors on 26 March 2020 and appears in the Group Code GR0042 - Framework of the Remuneration Policies and is available at the Bank's website, with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/Politicas-de-Remuneracao/

V. Agreements with remunerative implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.

This issue is ruled by the provisos of article 403 (5) of the Companies Code. herein transcribed: "If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected."

Similar to the provision above, the article 10 of the Policy for the Remuneration of the Management and Supervisory Bodies, states that the Director who terminates functions before the end of the term-of office for reasons other than due to renunciation or dismissal with just cause, will be entitled to a compensation to be estimated by the Committee for Nominations and Remunerations and resolved by the Remunerations and Welfare Board, after listening to the Committee for Risk Assessment.. The compensation due for a removal from office without a just cause cannot be quantified as a fixed remuneration and its payment must be subject to the subscription of a non-competition commitment for a period of time corresponding to the end of the term-of-office underway on the date of the removal.

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause

On these issues, see items 71 and 72.

84. Reference to the existence and description, with indication of the amounts involved, of agreements between the company and members of the management board and directors, in observance of number 3 of article 248-B of the Securities Code, which establish compensation in the case of resignation, dismissal without fair grounds or termination of the work relation following a change in the control of the company (article 245-A/1/l))

There are no agreements between the Company and members of the management board, directors, pursuant to number 3 of article 248-B of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law and by article 10 of the Policy for the Remuneration of the Management and Supervisory Bodies.

VI. Plans for the attribution of shares or stock options

85. to 88.

There are no plans with these features; hence, this chapter VI does not apply to the Bank.

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

The members of the governing bodies as well as the holders of qualifying stakes and entities related to them are identified and marked with special alerts in the Bank's customer databases and computer records.

The internal rules on granting credit foresees specific procedures for the progression of the proposals regarding these entities, in particular, their approval by the Board of Directors and the issue of a prior opinion of the Audit Committee pursuant to an opinion issued by the Compliance Office and by the Risk Office relative to the compliance of the proposed transactions with the internal rules, legal and regulatory provisions, and all other applicable conditions, namely risk-related ones.

Proposals relative to this particular group are submitted to the Audit Committee by the Executive Committee, which, in turn, receives the proposals from the Credit Commission.

This commission's functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation ('Credit Granting, Monitoring and Recovery'). Moreover, this commission also issues advisory opinions on credit proposals from Group subsidiary companies abroad.

The Credit Commission is composed of the totality of the members of the Executive Committee and may function with a minimum of three directors and one of them should be responsible for the proponent area. Apart from these, the Risk Officer, the Compliance Officer, the Heads of the proponent areas, the 'Level 3' credit managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas are also part of the Credit Commission. The Heads of the following Divisions are also members of this commission: Credit; Specialised Monitoring; Legal Advisory and Litigation; Investment Banking; Specialised and Real Estate Business; Rating and Specialised Recovery.

The Director responsible for Risk, the Risk Officer, the Compliance Officer and the Head of Internal Audit are not entitled to vote but have the right to veto.

The Board of Director, in accordance with its competences, conferred to it by its Regulations, reserved for itself the necessary and sufficient powers for the following acts:

- Approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets or services; (iii) no special advantage is given to the party to the agreement in question;
- Approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them.

In what regards credit transactions, the Service Order OS0016 sets forth that the Bank is not allowed to grant loans, directly or indirectly, in any form or of any kind (including acting as guarantor) to the members of its management and supervision bodies or to companies or legal persons directly or indirectly controlled by them.

In accordance with the above-mentioned Service Order, the granting of any type of credit (including the provision of guarantees) to:

- entities wherein the members of the Bank's management and supervision bodies are managers or have a qualifying holding that does not ensure a controlling position, directly or indirectly;
- shareholders holding more than 2% of the Bank's share capital and to related entities;

Is subject to the following special procedures:

- Approval by a majority of at least two thirds of the members of the Board of Directors and the members related to the entities involved in the operation are not allowed to vote;
- The documentation on these operations to be sent by the Credit Division to the Executive Committee to be assessed and afterwards sent to the Board of Directors must contain opinions issued by the Bank's Compliance Office and Risk Office on the compliance of the proposed operations with the applicable internal regulations, legal and statutory provisos and all other conditions applicable to them and an opinion issued by the Risk Office assessing the operation's inherent risks;
- The documentation regarding each loan application to be sent to the Board of Directors for final appraisal must include a prior favourable opinion issued by the Audit Committee.

The operations involving related parties are approved at a Meeting of the Board of Director by a majority of, at least, two thirds of the members.

All the members of the Audit Committee are part of the Board of Directors and, as such, participate at the Meeting and in the adoption of the resolution. Therefore, this Committee takes cognizance in loco of the decision made by the Board of Directors, not being justified, for being redundant, any other communication to the Audit Committee.

When an operation with a related party is being debated, the Chairwoman of the Audit Committee, qualified as independent member of the Board of Director, or in her absence a member appointed for that purpose, informs the Board with detail on the contents of the prior opinion issued by the Audit Committee.

Lastly and also in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors and o the supervisory bodies cannot take part in the analysis and in the decision-making process of credit granting operations to companies mentioned in the previous paragraph of which they are managers or wherein they hold stakes and any of these situation requires the approval by, at least, a majority of two thirds of the remaining members of the administration body and a favourable opinion from the Audit Committee.

90. Details of transactions that were subject to control in the referred year.

In 2020, twenty opinions on credit operations, including reviews and extension of limits and 5 on other contracting of products or services with entities related with members of the management and supervisory bodies and shareholders with stakes greater than 2% of the Banks' share capital and entities related to them.were subject to control by the Audit Committee and approval by the Board of Directors.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.

Any business to be conducted between the Company and owners of qualifying holdings or entities which are in any relationship with them, are the object of appraisal and exclusive deliberation by the Board of Directors, supported by analyses and technical opinions issued by the Audit Committee, which in turn take into account approvals given by the Credit Division, in the case of credit operations, or by the Procurement Division and/or other areas involved in the contract, in the case of contracts for the supply of products and services. All the operations, regardless of the respective amount and pursuant to the requirements of Item 10, require a prior opinion from the Compliance Office on the compliance of the proposed operations with the applicable internal regulations, legal and statutory provisos and all other conditions applicable to them and an opinion issued by the Risk Office assessing the operation's inherent risks.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, see the information provided in the Annual Report for 2020, in appraisal 51 of the Notes to the Consolidated Financial Statements.

Part II

Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.

The Bank assesses the compliance and justifies the non-compliance with the recommendations and sub-recommendations of the Corporate Governance Code from IPCG in the following table:

EVALUATION OF THE COMPLIANCE WITH THE RECOMMENDATIONS AND SUB-RECOMMENDATIONS FROM THE CORPORATE GOVERNANCE CODE FROM IPCG

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
I.1.1.(1) I.1.1.(2) I.1.1.(3)	I.1.1. The company must establish mechanisms to ensure, in an adequate and strict manner, the production, handling and timely disclosure of information addressed to its corporate bodies, shareholders, investors and remaining stakeholders, to the financial analysts and to the market in general.	Items: 21- Board of Directors, 55 to 65 and Recommendations: I.3.1. and I.3.2.	Compliant
I.2.1.(1) I.2.1.(2)	I.2.1. The companies should establish criteria and requirements concerning the profile of the new members of corporate bodies, that match the function to perform, being that, beyond individual attributes (such as competence, independence, integrity, availability and experience), those profiles must consider diversity requirements, particularly gender, able of contributing for a better performance of the body and for achieving balance in the respective composition.	Items:16, 17, 19, 24, 26, 33 and 36 and Recommendation: V.4.1.	Compliant
I.2.2.(1) I.2.2.(2) I.2.2.(3) I.2.2.(4) I.2.2.(5) I.2.2.(6)	I.2.2. The management and supervisory bodies and its internal commissions must have internal regulations - namely on the exercise of the respective attributions, chairmanship, frequency of the meetings, functioning and duties of its members, fully disclosed on the website of the company, and minutes should be drawn from their meetings.	Items: 20 to 23, 27, 34, 61 and 67	Compliant
I.2.3.(1) I.2.3.(2) I.2.3.(3)	I.2.3. The composition, the number of annual meetings of the management, supervisory bodies and of its internal commissions should be disclosed through the company's website.	Items: 21, 23, 27 and 67	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
I.2.4.	I.2.4. The company must adopt a policy for the communication of irregularities (*whistleblowing*), able of ensuring the proper means to communicate and process the same, safeguarding the confidential nature of the information conveyed and of the informant, whenever such is requested.	Item: 49	Compliant
I.3.1.	I.3.1. The articles of association or other equivalent methods adopted by the company must set up mechanisms to ensure that, within the boundaries of the applicable legislation, it is permanently ensured to the members of the management and supervisory bodies, the access to all information and employees of the company to assess the performance, the standing and development prospects of the company, including, namely, the minutes of meetings, the documents supporting the decisions made, the call notices and the filing of the documents relating to the meetings of the executive management body, without damaging the access to any other documents or to people to whom explanations may be requested.	Items: 21, 23,26 and Recommendation: I.1.1.	Compliant
I.3.2.	I.3.2. Each body and committee of the company must ensure, in a timely and adequate manner, the flow of information, from the respective call notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.	Items: 21, 22 and 27	Compliant
I.4.1.	I.4.1. By an internal regulation or equivalent mean, the members of corporate bodies and committees are bound to inform, in a timely manner, their respective body or committee of the facts that may constitute or give cause to a conflict between their interests and the company's interest.	Items: 10, 20 to 22, 27, 49, 89 to 91	Compliant
I.4.2.	I.4.2. Procedures must be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without harming the duty of providing the information and clarifications that the body or commission or the respective members may eventually ask.	Item: 20	Compliant
I.5.1.	I.5.1. The management body must disclose, in the corporate governance report or by other mean available to the public, the internal procedure to verify transactions with related parties.	Items 10, 37, 89 to 91	Compliant
I.5.2.(1) I.5.2.(2)	I.5.2. The management body must communicate the results of the internal procedure to verify transactions with related parties to the supervisory body.	Items:10, 89 to 91	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
II.1.(1)	II.1. The company must not establish an excessively high number of share required to confer the right to one vote and must explain in the corporate governance report its option whenever the same implies a deviation to the principle that to one share shall correspond one vote.	Items: 5, 12, 14 and 48	Compliant
II.1.(2)		Not applicable	
II.2.	II.2. Companies should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Items: 5, 12, 14, 48	Non-compliant but explained
II.3.	II.3. The company must implement the appropriate means for the participation of the shareholders at the general meeting by electronic means, under terms proportionate to their size.	Item: 12	Compliant
II.4.	II.4. The company must also implement adequate resources for the exercise of the right to use the remote vote, including by mail and by electronic means.	Item: 12 (first part)	Non-compliant but explained
II.5.(1) II.5.(2)	II.5. The articles of association of the company which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Items: 5 and 13	Non-compliant but explained
II.6.(1) II.6.(2)	II.6. Defensive measures should not be adopted if they imply payments or the assumption of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the free transferability of shares and the free appraisal by the shareholders of the performance of members of the management body.	Item: 4	Compliant
III.1.	III.1. Without damaging the legal functions of the chairperson of the board of directors, if this one is not independent, the independent directors should appoint from amongst them a a coordinator to, namely: (i) act, whenever necessary, as the interlocutor with the chairperson of the board of directors and with the remaining directors; (ii) make efforts so that they dispose of the necessary means and conditions to be able to perform their functions; and (iii) coordinate them in the assessment of the performance by the management body as foreseen i recommendation V.1.1.	Item: 18	Non-compliant but explained

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
III.2.(1) III.2.(2) III.2.(3)	III.2. The number of non-executive members of the management body, as well as the number of members of the supervisory body and the number of members of the commission for financial matters must match the size of the company and the complexity of the risks inherent to its activity and enough to efficiently ensure the functions entrusted to them and this value judgement must be described in the governance report.	Items:18 and 21 Item 21 - Audit Committee (Not applicable)	Compliant
III.3.	III.3. In any case, the number of non-executive directors must exceed that of executive directors.	Item: 18	Compliant
III.4.	III.4. Each company must include a number not inferior to one third, but always plural, of non-executive directors complying with the independence requirements. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to: i. Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company; ii. Being an employee of the company over the last three years or a company which is in a controlling or group relationship; iii. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person; iv. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a director; V. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes; vi. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.	Item: 18	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
III.5.	III.5. The provisions of paragraph (i) of recommendation III.4 shall not preclude the qualification of a new director as independent if, between the termination of his duties in any company body and his new designation, at least three years have elapsed (cooling-off period).	Item: 18	Not applicable
III.6.(1) III.6.(2)	III.6. In compliance with the powers conferred upon it by law, the supervisory body should, in particular, monitor, assess and give opinion on the strategic guidelines and risk policy prior to their approval by the management body.	Item: 21 - Audit Committee, 27 a) and 37	Compliant
III.7.(1) III.7.(2) III.7.(3)	III.7. The companies must set up specialized internal commissions to deal, separately or cumulatively, with the matters on corporate governance and assessment of performance. In case the remunerations commission foreseen by article 399 of the Companies Code has been set up and such is not forbidden by law, this recommendation may be complied with through the attribution to this commission of competences on said matters.	Items: 22, 24, 27 and 29	Compliant
IV.1.(1) IV.1.(2)	IV.1. The management body must approve, through an internal regulation or an equivalent mean, the performance regime of the executive directors and their exercise of executive functions in entities outside the group.	Item: 21 - Executive Committee and 26-B	Compliant
IV.2.(1) IV.2.(2) IV.2.(3)	IV.2. The management body should assure that the company acts in accordance with its objectives, and should not delegate its competence, namely, with respect to: i) definition of the strategy and general policies of the company; ii) organization and coordination of the entrepreneurial structure; iii) issues which should be considered strategic due to their amount, risk or special features.	Item: 21 - Board of Directors	Compliant
IV.3.(1) IV.3.(2)	IV.3. In the annual report, the management body explains in what terms the strategy and the major policies defined seek to ensure the long-term success of the company and which are the main contributions thar result for the community in general	Item: 21 - Board of Directors and Audit Committee and 27 a) Committee for Risk Assessment and Annual Report - Business Model, Strategy, Risk and Outlook and non-financial information, etc.	Compliant
V.1.1.(1) V.1.1.(2) V.1.1.(3)	V.1.1. The management body must assess every year its performance as well as the performance of its commissions and of delegated directors taking into account the compliance with the company's strategic plan and with the budget, the management of risks, the internal functioning of the management body and the contribution given by each member for that purpose as well as the relations established between the company's bodies and commissions.	Items: 24 and 25	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
V.2.1	V.2.1. The company must set up a remunerations commission, the composition of which ensures its independence versus management. It may be a remunerations commission appointed in accordance with article 399 of the Companies Code.	Items: 66 and 67	Compliant
V.2.2	V.2.2. The setting up of the remunerations should be a responsibility of the remunerations commission or of the general meeting, pursuant to a proposal made by that commission.	Items: 66 and 67	Compliant
V.2.3.(1) V.2.3.(2)	V.2.3. For each mandate, the remuneration commission or the general meeting, pursuant to a proposal made by that commission, must also approve the maximum amount of all the compensations to be paid to a member of any body or commission of the company due to the respective termination of functions and that situation and respective amounts must be disclosed by means of the governance report or the remunerations report.	Items: 66, 69, 76, 80, 83 and 84	Compliant
V.2.4.	V.2.4. In order to be able to provide information or explanations to the shareholders, the chairperson or, in his/her impediment, other member of the remunerations commission must attend the annual general meeting of shareholders and in any other of the respective agenda includes an item related with remuneration of the members of the company's bodies and commissions or if such attendance is required by shareholders.	Items: 66 and 67	Compliant
V.2.5.	V.2.5. Within the budgetary limitations of the company, the remuneration commission must be able to freely decide the engagement by the company of the advising services that are required or convenient for the exercise of its functions.	Items: 25, 27-b) and 67	Compliant
V.2.6.	V.2.6. The remunerations commission must guarantee that these services are provided with independence and that the respective service providers will not be engaged for the provision of any other services whatsoever to the company itself or to others that are in a controlling or group relationship, without its express authorisation	Items: 25, 27-b) and 67	Compliant
V.2.7.	V.2.7. Bearing in mind the alignment of interests between the company and executive directors, a portion of their remuneration should be of a variable nature to reflect the sustained performance of the company and does not encourage excessive risk-taking.	Items: 69, 71 and 73	Compliant
V.2.8.(1) V.2.8.(2)	V.2.8. A significant portion of the variable component must be partially deferred in time for a period not inferior to three years, associating it to the confirmation of the performance sustainability, in accordance with the terms defined by the company by means of a regulation.	Items: 69 and 72	Compliant
V.2.9	V.2.9. When the variable remuneration comprehends the attribution of options or other instruments that are directly or indirectly dependent on the value of the shares, the beginning of the exercise period must be deferred for a period of time not inferior to three years.	Item: 85	Not applicable

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
V.2.10.	V.2.10. The remuneration of the non-executive members of the management body should not include any component whose value depends on the performance or value of the company.	Item: 69	Compliant
V.3.1.	V.3.1. The company should, under such terms as it deems appropriate, but in a manner that can be demonstrated, promote that proposals for the election of members of corporate bodies are accompanied by a justification on the suitability of the profile, expertise and curriculum to the function of each candidate.	Items: 17, 24 and 25	Compliant
V.3.2.	V.3.2. Unless the size of the company does not justify it, the function of follow-up and support to the appointment of senior managers must be attributed to a nominations commission	Item: 27-b)	Compliant
V.3.3.	V.3.3. This commission includes a majority of independent non-executive members.	Items: 17 and 27-b)	Compliant
V.3.4.	V.3.4. The nominations commission must make available its terms of reference and must induce, in the extent of its competences, transparent selection processes that include effective mechanisms for the identification of potential candidates and that those presenting the greatest merit, are better suited for the demands of the function are selection to be included in the proposal. It must also promote, within the organization, an adequate diversity, including of gender.	Items: 17, 24 and 25	Compliant
VI.1.(1) VI.1.(2)	VI.1. The management body must debate and approve the strategic plan and the risk policy of the company, including the definition of risk levels deemed acceptable.	Items: 21- Board of Directors, 27-a), 53 and 54	Compliant
VI.2.(1) VI.2.(2) VI.2.(3)	VI.2. The supervisory body must set out its internal organization by implementing periodical control mechanisms and procedures aiming at ensuring that the risks effectively incurred by the company are consistent with the objectives established by the management body	Items: 21 - Audit Committee, and 50 to 54	Compliant
VI.3.(1) VI.3.(2)	VI.3. The internal control system, comprising the risk management function, compliance and internal audit, should be structured in terms that match the size of the company and the complexity of the risks inherent to its activity and the supervisory body must assess it, within the scope of its competence to supervise the effectiveness of this system and propose the required adjustments.	Items: 50 to 54	Compliant
VI.4.	VI.4. The supervisory body must issue an opinion on the work plans and on the resources allocated to the services of the internal control system, including the risk management functions, compliance and internal audit and may propose the adjustments deemed necessary.	Items: 21 - Audit Committee, 50 to 55	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Index for Items of Part I of the Report	Compliance
VI.5.	VI.5. The supervisory body must be the recipient of the reports made by the internal control services, including the risk management functions, compliance and internal audit at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.	Items: 21 - Audit Committee, 50-a) and 55	Compliant
VI.6.(1) VI.6.(2) VI.6.(3)	VI.6. Based on its risk policy, the company must establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity; (ii) the probability of their occurrence and their impact; (iii) the instruments and measures to be adopted with for the purpose of their mitigation; (iv) monitoring procedures for their follow-up.	Item: 54	Compliant
VI.7.(1) VI.7.(2)	VI.7. The company must establish supervision procedures, periodical assessment and of adjustment of the internal control system, including an annual assessment of the degree of internal compliance and the performance of that system, as well as the projections to change the previously defined risk framework.	Items: 21 - Board of Directors and 54	Compliant
VII.1.1.	VII.1.1. The internal regulations of the supervisory body must impose that it supervises the adequacy of the process for the preparation and disclosure of financial information by the management body, including the adequacy of the accounting policies, of estimations, of judgements, of relevant disclosures and their consistent application in the different financial years, in a duly documented and communicated way.	Items: 21 - Audit Committee, 37 and 55	Compliant
VII.2.1.	VII.2.1. Through an internal regulation, the supervisory body must define, in accordance with the applicable legal requirements, the supervision procedures aimed at ensuring the independence of the statutory auditor.	Items: 21 - Audit Committee, IV. Statutory Auditor and 45	Compliant
VII.2.2.(1) VII.2.2.(2)	VII.2.2. The supervisory body should be the main item of contact of the external auditor and the first receiver of the respective reports, being entrusted, in particular, with proposing the respective remuneration and ensuring that the company provides the appropriate conditions for the provision of the audit services.	Items: 21-Audit Committee, 37, Title IV- Statutory Auditor and 45	Compliant
VII.2.3.	VII.2.3. The supervisory body should evaluate annually the work, independence and suitability for the performance of duties carried out by the statutory auditor and propose, to the competent body, the auditor's dismissal or the termination of the work contract whenever there is just cause for that.	Items: 21 - Audit Committee, 37 and 45	Compliant

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, please see table 26 of this Report)

Non-Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/)

Nuno Manuel da Silva Amado

Personal Data

- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank

- Chairperson of the Board of Directors
- Member for the International Strategy Board

Direct Responsibilities

- Board of Directors' Support Office
- Company Secretary's Office
- Audit Division
- Fundação Millennium bcp

Positions held in the Group

- Vice-Chairman of BIM - Banco Internacional de Moçambique, S.A.
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Curators of Fundação Millennium bcp

Positions outside the Group

- Member of the Supervisory Board of EDP – Energias de Portugal, S.A.
- Member of the Board of Auditors of Fundação Bial
- Member of the Advising Board of Universidade de Lisboa
- Chairman of the Senior Board of the Alumni Clube ISCTE

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional experience in the last 10 years relevant to the position

- From August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal
- From August 2006 to January 2012 – General-Manager and Member of the Management Committee of Banco Santander Central Hispano
- From 2006 to January 2012 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Santander Totta, S.A.
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, SGPS, S.A.

- From 28 February 2012 to 30 May 2018 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- From March 27, 2015 until June 16, 2018 - Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.
- From 4 April 2016 to 27 March 2019 - Effective member of the Plenary, of the Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- On 30 May 2018 elected Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Other

- On November 9, 2018 - Presented with Order of Infante D. Henrique - Grand Cross of Merit

Jorge Manuel Baptista Magalhães Correia

Personal Data

- Date of Birth: 05 November 1957
- Nationality: Portuguese

Positions held at the Bank

- 1st Vice-Chairman of the Board of Directors
- Chairman of the Remuneration and Welfare Board

Positions held outside the Group

- Member of the Board of Directors and member of the Corporate Governance Committee of REN – Redes Elétricas Nacionais, SGPS, S.A.
- Chairman of the Board of Directors of Luz Saúde, S.A.
- Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- Chairman of the Board of Directors of Longrun, SGPS, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School
- Participation in multiple relevant professional training actions throughout the career in Portugal and abroad, namely with certification in "Enforcement Training Program 1994" da U.S. Securities and Exchange Commission (SEC), Washington, DC

Professional Experience in the Last Ten Years Relevant to the Position

- Since 1983 – Lawyer – Member of the Portuguese Lawyers Association I
- From May 2014 to August 2011 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From January 2008 to May 2014 - Chairman of the Board of Directors of Companhia de Seguros Fidelidade - Mundial, S.A.
- From April 2011 to January 2016 - Chairman of the Board of Directors of Universal Seguros, S.A. (Angola)
- From October 2011 to March 2013 - Chairman of the Boards of Directors of HPP – Hospitais Privados de Portugal, S.A.
- From October 2011 to May 2013 - Vice-Chairman of the Board of Directors of Caixa Seguros e Saúde SGPS, S.A.
- From May 2014 to March 2017 - Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Companhia de Seguros Fidelidade, S.A.

- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Fidelidade Assistência Auto, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Multicare - Seguros de Saúde, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property International, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property Europe, S.A.
- From March 2017 to June 2020 - Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.
- On 30 May 2018 elected 1st Vice-Chairman of the Board of Directors and Chairman of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021.

Ana Paula Alcobia Gray

Personal Data

- Date of Birth: 16 March 1962
- Nationality: Portuguese / South- African

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Member of the Remunerations and Welfare Board

Academic and Specialised Qualifications

- Masters Degree in Business Management (MBA) from University of Witwatersrand
- Chartered Accountant (South Africa) - registered in the Ordem dos Revisores Oficiais de Contas (South African Chartered Accountants Association).
- Honours (post graduate) in Commerce from University of South Africa
- Honours (post graduate) In Accounting Science from University of South Africa
- Bachelor of Commerce from the University of South Africa

Professional Experience in the Last Ten Years Relevant to the Position

- From November 1996 to September 2015 – Group BAI (Lisbon, Portugal and Luanda, Angola) where she performed the functions of non-executive Vice-Chairwoman and executive director at the Group's banks.
- On 30 May 2018, elected Member of the Board of Directors and Member of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021

José Manuel Alves Elias da Costa

Personal Data

- Date of Birth: 13 October 1952
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Nominations and Remunerations
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Risk Assessment

Academic and Specialised Qualifications

- Licentiate Degree in Finance by Instituto Superior de Economia de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2002 to May 2016 - Member of the Executive Committee - Banco Santander Totta
- From May 2017 to August 2018 - Advisor - Banque de Dakar (BDK), Senegal
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Xiaoxu Gu (Julia Gu)

Personal Data

- Date of Birth: 05 September 1970
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors

Positions held outside the Group

- Since 2011 - Executive Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd.
- Since June 2015 - Non-Executive Member of the Board of Directors - Mybank
- Since January 2016 – Non-executive Chairwoman - Zhangxingbao (network Technology Co., Ltd)

Academic and Specialised Qualifications

- Masters in Business Management - East China Normal University
- Bachelor’s Degree in Transportation Management - University Tongji (former Shanghai Tiedao University)

Professional Experience in the Last Ten Years Relevant to the Position

- From March 2010 to October 2011 - Non-Executive Director of Allinfinance (Allinpay's Subsidiary) and General Manager of Marketing Services Department of All in Pay Network Services Co., Ltd.
- From 2015 to 15 May 2018 – Chairwoman of the Board of Directors - Great China Finance Leasing (Shanghai) Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Shanghai Hongkou Guangxin Microcredit Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Guangzhou Fosun-Yuntong Microcredit Co., Ltd (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 –Member of the Board of Directors – Zhejiang Zheshang International Financial Asset Exchange Co., Ltd.
- From 2015 to 08 June 2018 – Chairwoman of the Board of Directors - Shanghai Xinglian Commercial Factoring Co., Ltd.
- From 2015 to July 2018 - Member of the Board of Directors - Zhejiang Mybank Co., Ltd.
- From 2015 to 28 July 2018 – Member of the Board of Directors - Minsheng E-Comerce Co., Ltd.
- From 2015 to 28 July 2018 – Chairwoman of the Board of Directors - Shanghai Fosunling Asset Management Co., Ltd. (Subsidiary of Zhangxingbao)
- From 2016 to 28 July 2018 – Chairwoman of the Board of Directors - SUM Payment Services Co., Ltd
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Lingjiang Xu

Personal Data

- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Nominations and Remunerations

Positions held in the Group

- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions held outside the Group

- Non-Executive member of the Board of Directors of Fidelidade - Companhia de Seguros, SA
- Non-Executive Chairman of the Board of Directors of Longrun Portugal, SGPS, S.A.
- Non-executive member of the Board of Directors - Luz Saúde, S.A.

Academic and Specialised Qualifications

- Bachelor’s Degree in German Language of the Foreign Studies University, Beijing, China
- Master’s Degree in World Economy - Nan kai University, Tianjin, China
- Master in Finance – London Business School, London

Professional Experience in the Last Ten Years Relevant to the Position

- From September 2011 to March 2012 - Director of Vermilion Partner LLP (London)
- From March 2012 to December 2013 - Partner to RH Regent Investment Management Co Ltd (Shanghai;)
- From February 2015 to February 2017 - Non-Executive Director of Luz Saúde, S.A.
- From May 2015 to February 2017 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Assistência - Companhia de Seguros, S.A.
- From September 2015 to February 2017 - Non-Executive Director of the Board of Directors of Multicare - Seguros de Saúde, S.A.
- From October 2016 to March 2017 - Non-Executive Director of the company Chiado (Luxembourg), S.à.r.l.
- On 9 January 2017 he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the current triennial (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Teófilo César Ferreira da Fonseca

Personal Data

- Date of Birth: 03 October 1966
- Nationality: Portuguese and Angolan

Positions held at the Bank

- Member of the Board of Directors
- Chairperson of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Positions held outside the Bank

- Adviser of the Strategic General-Board of the Chamber of Commerce for Small and Medium-sized companies Portugal-China (As from January 2021)

Academic and Specialised Qualifications

- Attendance of the Intensive Management General Program (50 hours), from the Porto Business School
- Licentiate Degree in Financial Management - ISAG-Instituto Superior de Administração e Gestão, Porto
- Post-graduate degree in International Business; Porto Business School
- Master's degree in Regional Economic in Integration and European Policies; Porto; Universidade Católica do Porto
- Post-Graduate degree in Management Audit; Lisbon; INDEG/ISCTE, Lisbon
- Bachelor's Degree in SME Management – ISVOUGA, Santa Maria da Feira

Professional Experience in the Last Ten Years Relevant to the Position

- From October 2010 to October 2014 - Advisor of the Executive Committee (Chief of Transformation Officer) - Banco Caixa Geral Totta Angola
- From November 2014 to November 2017 - Deputy Manager - International Division of Group CGD
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Members of the Board of Directors (Members of the Audit Committee)

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/)

Cidália Maria Mota Lopes

Personal Data

- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairwoman of the Audit Committee

Positions held outside the Group

- Professor at the Coimbra Business School – ISCAC on tax issues
- Invited Professor at Faculdade Direito – Universidade de Coimbra
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)

Academic and Specialised Qualifications

- Doctorate in Management from the Faculty of Economics of the University of Coimbra
- Master's Degree in European Economics from the School of Economics of the University of Coimbra
- Licentiate Degree in Economics from the School of Economics of the University of Coimbra.
- Graduated degree in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra.
- Program for Non-Executive Directors from Instituto Português de Corporate Governance

Professional Experience in the Last Ten Years Relevant to the Position

- 2000 to 2020 – Trainer at the Portuguese Chartered Accountants Association (OCC)
- From 1999 to 2020 - Published books and articles on tax issues, namely: Intangíveis – perspetiva contabilística e fiscal (2020) (co autora) Editora Almedina.; A Fiscalidade das Sociedades Insolventes (2015) (co-autora), 1ª edição e (2017), 2.ª edição, Editora Almedina; Fiscalidade – Outros Olhares (2013) (coordenação); Quanto custa pagar impostos em Portugal? Os custos da tributação do rendimento (2008), Editora Almedina; A Fiscalidade das Pequenas e Médias Empresas – Estudo comparativo na União Europeia (1999), Editora Vida Económica
- From 2010 to 2014 - Director of Coimbra Business School - Escola de Negócios de Coimbra
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A.
- On 30 May 2018 elected Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A. And in 22 May 2019, elected Chairwoman of the Audit Committee for the term of office 2018/2021

Other

- 2009/2010 - Received the Award Professor Doutor António de Sousa Franco, granted by the Portuguese Chartered Accountants Association (OCC), due to her paper: "Quanto custa pagar impostos em Portugal? – Os custos de cumprimento da tributação do rendimento" (How much does it cost to pay taxes in Portugal?)

Fernando da Costa Lima

Personal Data

- Date of Birth: 19 December 1956
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

Positions held outside the Group

- Non-Executive Director of Euronext Lisbon
- Advisor at Comissão do Mercado de Capitais (CMC) Luanda, Angola
- Visiting Professor at Faculdade de Economia da Universidade do Porto

Academic and Specialised Qualifications

- Licentiate Degree in Economics, from the Faculty of Economics of the University of Porto
- Master in Business Administration from Universidade Nova de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From 2006 to 2017 – Central-Manager - Banco Português de Investimento S.A.

- From 2009 to 2017 - Responsible for Coordinating the Investment Banking Area at Banco de Fomento de Angola
- From 2012 to 2017 – Non-Executive Director of Banco Português de Investimento, S.A.
- From 2018 to 31 December 2019 - Non-Executive Director of Netinvoice, S.A.
- On 23 April 2019 was co-opted as Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021 (initiated functions on 06.12.2019)

Valter Rui Dias de Barros

Personal Data

- Date of Birth: 19 September 1963
- Nationality: Angolan

Positions held at the Bank

- 2nd Vice-Chairman of the Board of Directors
- Member of the Audit Committee
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions held outside the Group

- Since November 2019 - Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angola)

Academic and Specialised Qualifications

- Corporate Senior Management Programme - AESE and IESE, Luanda (Angola)
- Licentiate Degree in Electronic Engineering and Computing from the Faculty of Engineering of University of Porto
- Licentiate degree in Mathematics Applied to Computer Science - Faculdade de Ciências da Universidade do Porto

Professional Experience in the Last Ten Years Relevant to the Position

- From 1998 to 2011 - Professor at School of Economics and Management of Universidade Católica de Angola, Luanda (Angola)
- From December 2006 to December 2016 – Executive Director of Banco de Desenvolvimento de Angola, Luanda (Angola)
- From 2011 to 2012 - Professor in the Human Behaviour Area of the Organizations - ASM-Angola School of Management, Luanda (Angola)
- Since June 2017 to March 2018 - Advisor of the Minister of Finance - Ministry of Finance, Luanda (Angola)
- From June 2018 to November 2019 - Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado (IGAPE), Angola
- On 30 May 2018 elected 2nd Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Wan Sin Long

Personal Data:

- Date of Birth: 20 May 1965
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

- Member of the Committee for Risk Assessment

Positions held outside the Group

- Since March 2018 – Chairman of the Executive Board of Directors of Great Win Consultancy Limited
- Member of the Trustee Committee of Wynn Care Foundation

Academic and Specialised Qualifications:

- Master in Economics with specialization in International Finance - Graduate School of People's Bank of China, currently called PBC School of Finance - Tsinghua University
- Bachelor's Degree in Economics with specialisation in Banking and Public Finance - Anhui Institute of Finance and Trade, currently named University of Finance and Economy of Anhui

Professional Experience

- From September 2004 to August 2016 - Executive Director of the Board of Directors and member of the Advising Board of the Monetary Authority of Macau (AMCM), Macau Motor and Maritime Fund, Deposits Guarantee Fund of Macau, Advising Board for the Management of the Fiscal Reserve of the Special Administrative Region of Macao (in the last two, since 2012)
- From July 2012 to July 2015 - Member of the Specialised Committee for the Implementation of the New Basel Agreement in the Chinese Banking Sector of China Banking Regulatory Commission
- From March 2017 to September 2018 – Chairman and CEO of Great Win Consultancy Limited and Vice-Chairman of Ultra Resource Technology Limited
- From March 2017 to 22 September 2018 - Chairperson & CEO of Great Win Investment Limited
- From March 2017 to September 30, 2018 - Chairperson & CEO of G&W Limited
- From July 2017 to 24 October 2019 – Chairman (non-executive) of the Board of Directors of Great Win Investment (Hengqin) Limited
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Executive Members of the Board of Directors

(Detailed curricula are available at the Bank’s website, on the page with the following address: http://www.millenniumbcp/institucional/governação/)

Miguel Maya Dias Pinheiro

Personal Data

- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank

- Chairman of the Executive Committee
- 3rd Vice-Chairman of the Board of Directors
- Member for the International Strategy Board

Direct Responsibilities

- CEO’s Office
- Communication Division
- Human Resources Division
- Credit Division
- Digital Transformation Office
- Economic Research, Sustainability and Cryptoassets Division

Positions held in the Group

- Chairman of the Board of Directors of Banco Activobank, S.A.
- Manager of the company BCP África, SGPS, Lda.
- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Vice-Chairman of the Board of Curators of Fundação Millennium bcp.

Positions held outside the Group

- Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Member of the Senior Board of the Alumni Clube ISCTE
- Member of the Advising Board of INDEG/ISCTE Executive Education
- Member of the Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) - AESE
- Advanced Management Programme - INSEAD
- Corporate Governance Programme

Professional Experience in the Last Ten Years Relevant to the Position

- From 03 November 2009 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 11 November 2009 to 18 April 2011 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From December 2009 to May 2011 - Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From March to June 2012- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From March 2015 to March 2018 - Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique
- From 23 April 2012 to 28 April 2016 - Chairman of the Board of Directors of Banco Millennium Angola, S.A.
- From 15 June 2012 to 16 June 2015 - Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.
- From May 2013 to May 2018 - Chairman of the Remunerations Commission of Seguradora Internacional de Moçambique
- From 11 May 2015 to 30 May 2018 - member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office
- From May 2015 to May 2018 - Chairman of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A.
- From January to May 2018- Member of the Restructuring Committee of PNCB – Plataforma de Negociação Integrada de Créditos Bancários, ACE
- From 12 May 2015 to 30 October 2018 - Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco S.A.

- From 2 August 2012 to 14 October 2019 - Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA
- On 30 May 2018 was elected 3rd Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Miguel de Campos Pereira de Bragança

Personal Data

- Date of Birth: 25 June 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Legal and Litigation Advisory Division
- Means of Payment and Acquiring Division
- Bank Millennium (Poland)
- Banco Activobank, S.A.

Positions held in the Group

- Vice-Chairman of the Board of Directors of Banco Activobank, S.A.
- Manager of the company BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.

Positions held outside the Group

- Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.
- Non-Executive Director of UNICRE – Instituição Financeira de Crédito, S.A., on behalf of Banco Comercial Português, S.A.
- Manager of Quinta das Almoínhas Velhas – Imobiliária, Lda.
- Vice-Chairman of the General Board of AEM- Associação de Empresas Emitentes de Valores Cotados em Mercado

Academic and Specialised Qualifications

- Licentiate Degree in Business Administration from Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA Programme. Henry Ford II Award, attributed to the students with the highest final grade point average

Professional Experience in the Last Ten Years Relevant to the Position

- From 2008 to February 2012 – Director responsible for the Finance, Accounting and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta SGPS, S.A.
- From 3 September 2010 to 11 February 2012 - Non-executive director of UNICRE – Instituição Financeira de Crédito, S.A.

- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 30 May 2018 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 26 June 2012 to 30 December 2019 - Member of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From 13 February 2013 to 21 February 2020 - Member of the Board of Fundação Casa de Bragança
- On 30 May 2018 elected Member of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

João Nuno de Oliveira Jorge Palma

Personal Data

- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- International, Treasury & Markets Division
- Large Corporates Division
- Investment Banking Coordination Division
- Corporate and Business Marketing Divisions
- Private Banking Division
- Asian Desk
- Institutional Banking Division
- Companies and Corporate Division - North
- Companies and Corporate Division - South
- Banque Privée BCP (Suisse)
- Millennium bcp Bank & Trust

Positions held in the Group

- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL).
- Postgraduate studies in Business - PDE-VII Programa de Direcção de Empresas (Companies Management Programme) from AESE Business School in collaboration with lESE - Instituto de Estudos Superiores de Empresa of the University of Navarra (PADE) - AESE.

Professional Experience in the Last Ten Years Relevant to the Position

- From March 2010 to December 2011 - Member of the Executive Board of Directors of (Chief Financial Officer), of Ren – Redes Energéticas Nacionais, SGPS, S.A.
- From January 2012 to July 2013 - Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013 - Non- executive Chairman of the Board of Directors of Caixa Imobiliário, S.A.

- From January 2012 to July 2013 - Non- executive Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 - Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 - Non-executive Member of the Board of Directors of PT - Portugal Telecom, S.A.
- From April 2012 to November 2016 - Non-executive Member of the Board of Directors of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From September 2013 to August 2016 - Non- executive Chairman of the Board of Directors of Banco Caixa Geral, S.A., Spain
- From January 2014 to August 2016 - Non-Executive Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Multicare – Seguros de Saúde, S.A
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 - Non-Executive Member of the Board of Directors of Parcaixa, S.A.
- From November 2014 to August 2016 - 1st Non-Executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (later renamed Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 - Non-Executive Member of the Board of Directors of Partang, S.A.
- From December 2014 to August 2016 - Non- executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil S.A.
- On 9 January 2017 he was co-opted by the Board of Directors to exercise the functions of Member of the Board of Directors and Vice-Chairman of the Executive Committee until the end of the term-of office (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021
- From July 2018 to February 2020 - Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique S.A

José Miguel Bensliman Schorcht da Silva Pessanha

Personal Data

- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Risk Office
- Compliance Office
- Rating Division

- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Personal Data Protection Office
- Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.

Positions held in the Group

- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas – Sociedade Gestora de Fundos de Pensões, S.A., (formerly denominated Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.)
- Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.

Positions held outside the Group

- Member of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.

Academic and Specialised Qualifications

- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Master's Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 - Master's Degree in Economics from Université Catholique de Louvain (Belgium)
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- Received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional Experience in the Last Ten Years Relevant to the Position

- From 2003 to 2015 - Group Risk Officer of Millennium BCP
- 2014 – Lecturer of the chair "Banking in a Global Context" at Universidade Católica Portuguesa
- On 11 May 2015 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2015/2017
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Maria José Henriques Barreto Matos de Campos

Personal Data

- Date of Birth: 21 August 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Specialised Recovery Division
- Retail and Small Amounts Recovery Division
- Direct Banking Division
- Operations Division
- IT and Technology Division
- Procurement and Logistics Division
- Information Security Division
- Direct Banking Division Companies
- Millenniumbcp Prestação de Serviços, ACE

Positions held in the Group

- Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering and Telecommunications from Universidade de Aveiro

Professional Experience in the Last Ten Years Relevant to the Position

- From November 2001 to July 2011 - Head of IT of Bank Millennium S.A. , (Poland)
- From July 2006 to July 2011 - Director in charge for IT Europe of Millennium BCP
- From July 2011 to April 2018 - Member of the Board of Directors of Bank Millennium, S.A. (Poland).
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Rui Manuel da Silva Teixeira

Personal Data

- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Retail Divisions
- Retail Marketing Division
- Segments and Network Support Division
- Wealth Management Division
- Specialized Credit and Real Estate Division
- Specialised Monitoring Division
- Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Positions held in the Group

- Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A.
- Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A.
- Member of the Board of Directors of Ageas – Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.)

- Chairman of the Board of Directors of Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Positions held outside the Group

- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of SIBS, SGPS, S.A. (Em representação do Banco Comercial Português, S.A.)
- Chairman of the Board of the General Meeting of the Associação Porto Business School, in representation of Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering from the Faculty of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2010 to April 2011 – Head of the Marketing Division, Member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 19 April 2011 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 21 January 2012 to 19 October 2017 - Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- From 2012 to 2018 Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 19 December 2012 to 18 May 2015 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 25 January 2013 to 20 July 2017 - Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and of the Executive Committee
- From 26 May 2015 to 31 December 2018 - Chairman of the Supervisory Board of Banco ActivoBank, S.A.
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: : http://www.millenniumbcp/institucional/governação/

Jorge Manuel Baptista Magalhães Correia

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Ana Paula Alcobia Gray

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Nuno Maria Pestana de Almeida Alves

Personal Data

- 61 years

Academic and Specialised Qualifications

- Licentiate degree in Naval Architecture and Maritime Engineering (1980)
- Master in Business Management by the University of Michigan (1985)

Professional Experience in the Last Ten Years Relevant to the Position

- From 2006 to April 2018 – Chief Financial Officer da EDP (Energias de Portugal)
- From 2006 to April 2018 - Member of the Board of Directors of the main subsidiary companies of EDP, EDPR (Renováveis), EDP Brasil and EDP Espanha

ANNEX III

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: : http://www.millenniumbcp/institucional/governação/

Pedro Miguel Duarte Rebelo de Sousa

Position Held at the Bank

- Chairman of the Board of the General Meeting (term of office: 2020/2023)

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Law of Universidade Clássica de Lisboa
- Post-graduate degree in Commercial and Corporate Law - Universidade Pontifícia Católica, Brasil
- Master's degree in Companies Management, from Fundação Getúlio Vargas – Business Administration School, São Paulo, Brazil

Management and Supervision positions held in other companies

- Non-Executive members of the Board of Directors of Cimpor – Cimentos de Portugal, SGPS, S.A.

Other Relevant Positions

- Founder and senior partner of Sociedade Rebelo de Sousa & Advogados (SRS)
- Member of the Sub-Committee for Latin America of the Atlantic Council, Washington DC
- Chairman of the Board of the General Meeting of Grémio Literário
- Chairman of the Board of the General Meeting of A. Santo, SGPS (Group Santo)
- Chairman of Círculo Eça de Queiroz – an institution serving the public interest
- Chairman of the Portuguese Institute of Corporate Governance
- Member of the Remunerations Commission of Novabase S.A.
- Director of the Câmara de Comércio Portugal-Holanda
- Chairman of the Board of the General Meeting of Sumolis Group Refrigor
- Chairman of the General Meeting of CTT
- Chairman of the General Meeting of COSEC
- Chairman of the Board of the General Meeting of several Institutions and Associations

Professional Experience in the Last Ten Years Relevant to the Position

- From 1985 to 2017 – Curator of the Câmara de Comércio Portuguesa, São Paulo, Brasil
- From 2004 to 2006 - Chairman of the Board of the General Meeting of PT Internacional
- From 2005 to 2006 - Chairman of the Board of the General Meeting of Galp, S.A.
- From 2005 to 2011- Chairman of the Supervisory Board of Banif Investimento, S.A
- From 2007 to 2012 – Director of the Portuguese Chamber of Commerce & Industry
- From 2009 to 2013 – Chairman of the Supervisory Board of Banco Caixa Geral Brasil. S.A.
- From 2011 to 2013 – Non-executive Director, Chairman of the Evaluation and Strategy Committee and member of the Board of Auditors of Caixa Geral de Depósitos, S.A.
- From 2012 to 2018 - Non-Executive member of the Board of Directors of Cimpor – Cimentos de Portugal, SGPS, S.A.

- From 2017 to 2019 - Chairman of the Board of the General Meeting of Banco Comercial Português, S.A.

Octávio Manuel de Castro Castelo Paulo

Position Held at the Bank

- Vice-Chairman of the Board of the General Meeting (term of office: 2020/2023)

Academic and Specialised Qualifications

- Licentiate Degree in Law from Universidade Lusíada de Lisboa

Management and Supervision positions held in other companies

- Independent non-executive Director of Standard Bank de Angola, currently exercising the position of Chairman of the Audit and Risk Commissions

Other Relevant Positions

- Partner of the law firm Rebelo de Sousa & Advogados (SRS), responsible for the Division of M&A, Corporate and Commercial, a division that also includes the practice area of TMT (Telecommunications, Media and Technology)
- Chairman of the Board of the General Meeting of several Portuguese and Angolan companies being also part of the Board of Auditors of several companies
- Advisory services to companies for capital markets operations and in mergers and acquisitions

Professional Experience in the Last Ten Years Relevant to the Position

- Member of the Lawyers Association of Portugal since 1988 and of the Lawyers Association of Angola since 2010
- From 2009 to 2011 - Chairman of the Portuguese Institute of Corporate Governance
- Member of ICC - International Chamber of Commerce
- Coordinated operations for the privatization of state-owned companies, to be listed in the Stock Exchanges of Lisbon, London and New York
- Advisory services to companies, open to public investment, or not, in Corporate Governance issues
- Chairman of the Audit Board of several companies
- Author and co-author of several works in the areas of Corporate Law and of Telecommunications Law
- From 2017 to 2019 - Vice-Chairman of the Board of the General Meeting of Banco Comercial Português, S.A.

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Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
Euros 4.725.000.000.00

Registered at the
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt

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