



PRESS RELEASE

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Millennium
bcp

25 February 2021

Millennium bcp Earnings release as at 31 December 2020

Profitability

Favourable performance of net income before impairments and provisions, despite the adverse effects of the pandemic

Capital and Liquidity

Comfortably above regulatory requirements

Business performance and Credit quality

Growth of business volumes; leader in COVID-19 credit lines; comfortable coverages levels

COVID-19

Prompt reaction; permanent support to economy and communities

- **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**, totaling 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.

BANCO COMERCIAL PORTUGUÊS, S.A.,
a public company (Sociedade Aberta),
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto, with the
single commercial and tax identification number 501 525 882
and the share capital of EUR 4,725,000,000.00.
LEI: JU1U6SODG9YLT7N8ZV32

INVESTOR RELATIONS

Bernardo Collaço

Phone +351 211 131 084
investors@millenniumbcp.pt
bernardo.collaco@millenniumbcp.pt
lmonteiro@millenniumbcp.pt

MEDIA CONTACTS

Erik T. Burns

Phone +351 211 131 242
Mobile +351 917 265 020
erik.burns@millenniumbcp.pt
cintia.barbas@millenniumbcp.pt



FINANCIAL HIGHLIGHTS (1)

Euro million

	31 Dec. 20	31 Dec. 19	Change 20/19
BALANCE SHEET			
Total assets	85,813	81,643	5.1%
Loans to customers (net)	54,073	52,275	3.4%
Total customer funds	84,492	81,675	3.4%
Balance sheet customer funds	64,764	62,607	3.4%
Deposits and other resources from customers	63,259	60,847	4.0%
Loans to customers (net) / Deposits and other resources from customers (2)	85.5%	85.9%	
Loans to customers (net) / Balance sheet customer funds	83.5%	83.5%	
RESULTS			
Net interest income	1,533.2	1,548.5	-1.0%
Net operating revenues	2,305.6	2,335.0	-1.3%
Operating costs	1,119.3	1,166.1	-4.0%
Operating costs excluding specific items (3)	1,072.9	1,099.8	-2.4%
Loan impairment charges (net of recoveries)	509.9	390.2	30.7%
Other impairment and provisions	331.4	151.4	118.8%
Income taxes	136.6	239.3	-42.9%
Net income	183.0	302.0	-39.4%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.7%	2.9%	
Return on average assets (ROA)	0.2%	0.5%	
Income before tax and non-controlling interests / Average net assets (2)	0.4%	0.8%	
Return on average equity (ROE)	3.1%	5.1%	
Income before tax and non-controlling interests / Average equity (2)	4.9%	8.9%	
Net interest margin	2.0%	2.2%	
Cost to core income (2) (3)	48.0%	48.8%	
Cost to income (2)	48.5%	49.9%	
Cost to income (2) (3)	46.5%	47.1%	
Cost to income (Portugal activity) (2) (3)	46.2%	47.4%	
Staff costs / Net operating revenues (2) (3)	26.3%	26.9%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	91	72	
Non-Performing Exposures / Loans to customers	5.9%	7.7%	
Total impairment (balance sheet) / NPE	62.9%	58.2%	
Restructured loans / Loans to customers	4.7%	5.7%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	230%	216%	
Net Stable Funding Ratio (NSFR)	140%	135%	
CAPITAL (4)			
Common equity tier I phased-in ratio	12.2%	12.2%	
Common equity tier I fully implemented ratio	12.2%	12.2%	
total fully implemented ratio	15.6%	15.6%	
BRANCHES			
Portugal activity	478	505	-5.3%
International activity	902	1,031	-12.5%
EMPLOYEES			
Portugal activity	7,013	7,204	-2.7%
International activity (5)	10,322	11,381	-9.3%

Notes:

(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 published in the consolidated financial statements. 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) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

(3) Excludes specific items: negative impact of 46.5 million euros in 2020, of which 31.6 million euros recognized as staff costs in the activity in Portugal (restructuring costs, compensation costs for temporary salary cuts and income arising from the agreement with a former director of the Bank), and 14.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9.3 million euros as staff costs, 5.0 million euros as other administrative costs and 0.5 million euros as depreciation). In 2019, the impact was also negative, in the amount of 66.4 million euros, of which 40.1 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 26.3 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (0.1 million euros as staff costs, 26.0 million euros as other administrative costs and 0.2 million euros as depreciations). In the profitability and efficiency indicators, the specific items included in the net operating revenues, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary in the amount of 0.2 million euros in 2020 and 0.8 million euros in 2019 are also not considered.

(4) As of 31 December 2020 and 31 December 2019, capital ratios include the positive cumulative net income of each period. Ratios as of 31 December 2020 are estimated and non-audited.

(5) Of which, in Poland: 7,645 employees as at 31 December 2020 (corresponding to 7,493 FTE - Full-time equivalent) and 8,615 employees as at 31 December 2019 (corresponding to 8,464 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN 2020

The year of 2020 was strongly marked by the impacts caused by COVID-19 pandemic, forcing most of the countries to adopt exceptional measures, with a great impact on the lives of people and companies. Millennium bcp showed, since the beginning, an enormous capacity for resilience, defining the priorities that allowed a prompt reaction of the Bank to the evolution of the pandemic, materialized in the permanent support to economy and the communities it serves. The prompt reaction to the challenges and risks of the pandemic, allowed to ensure business continuity in a new and unexpected event. Thus, Millennium bcp adapted business models and processes, in order to continue to support the economy, by intensifying its commercial activity, defending, at the same time, the quality of the balance sheet, liquidity and solvency of the Bank. The Bank remained at the forefront in supporting companies and families, becoming the market leader in the COVID-19 lines and approving more than 100,000 moratoriums applied to families. The adaptation of risk management models to the new context should be emphasized, including predictive models to assess the risk associated to the moratoria regime. The Group will continue to continuously assess the situation, in order to adapt itself to the evolution that the pandemic may assume, always bearing in mind the protection of employees and customers as well as the reinforcement of the social support. In this context, mention should be made of the fortnightly meeting of the crisis management office which, in addition to the executive committee, includes multidisciplinary specialists, with emphasis on medical skills, aiming to incorporate in the procedures of the Bank, the scientific knowledge in the scope of protection and combat to the pandemic.

On 31 May 2019, Bank Millennium, S.A., a subsidiary owned 50.1% by Banco Comercial Português, S.A., has completed the acquisition of 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A. From this date, financial statements of the Group reflect the consolidation of Euro Bank S.A. On the settlement date of the transaction, the acquisition method set out in IFRS 3 - Business Combinations establishes that the acquired assets and the liabilities assumed shall be recognized based on their fair value at the acquisition date. In accordance with IFRS 3, the effective settlement to be completed no later than one year from the control acquisition date has already happened, with no material impact on the financial statements of the Group.

Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

RESULTS

The consolidated **core net income** of Millennium bcp showed a favourable evolution, standing 2.8% above the 1,085.9 million euros posted in 2019, totaling 1,116.5 million euros in 2020, highlighting the particularly adverse context in which this growth took place. The consolidated core net income was boosted by the performance of the activity in Portugal, which showed a growth of 5.9%, from 601.4 million euros in 2019, to 636.6 million euros in 2020, reflecting the expansion of core income, mainly supported on the performance of net interest income, since commissions remained at a similar level to that of the previous year. In this context, it is also relevant to highlight the reduction obtained in operating costs, namely staff costs and other administrative costs. Staff costs reflect, in part, the lower level of restructuring costs, the lower compensation for the temporary salary cuts and the positive impact of the agreement with a former member of the board of directors of the Bank, effects that are considered as specific items. Other administrative costs reflect relevant savings, following the generalized reduction in the activity

during the pandemic, through the postponement or cancellation of several projects and events. Excluding the specific items referred to, in both years, the core net income of the activity in Portugal would have increased 4.2%.

In the international activity, core net income totaled 479.8 million euros in 2020, slightly below the 484.5 million euros achieved in 2019, affected by the devaluation of the Metical against the euro, which largely penalized the contribution of the operation in Mozambique. On the contrary, core net income of the Polish subsidiary continues to show a trend of growth, benefiting from the integration of Euro Bank S.A. in May 2019.

The consolidated **net income** of Millennium bcp reached 183.0 million euros in 2020, compared to 302.0 million euros posted in the previous year. This evolution was strongly influenced by the impacts resulting from the pandemic caused by COVID-19, which was materialized in large part in the recognition of additional impairments for credit risk, in the revaluation of corporate restructuring funds and in the reduction of income generated by commissions related to banking activity.

At the same time, the performance of net income of the Group was also penalized by the reinforcement of the extraordinary provision booked for foreign exchange mortgage legal risk in the Polish subsidiary which amounted to 151.9 million euros in 2020 (51.9 million euros in 2019). To the evolution of the consolidated net income also contributed the gain of 13.5 million euros, recognized in February of 2019, following the sale of the Planfipsa Group, reflected as discontinued operations.

In the activity in Portugal¹, net income amounted to 134.5 million euros in 2020, standing 7.2% below the 144.8 million euros reached in 2019, being particularly penalized by the reinforcement of impairments and provisions, following the revision of the credit risk parameters of the impairment models, to reflect the new macroeconomic scenario dictated by the risks associated with the pandemic and by the revaluation of corporate restructuring funds, as the value of the underlying assets started to consider the extraordinary circumstances caused by COVID-19.

Additionally, the evolution of net income in the activity in Portugal also reflects the performance of other net operating income, as in 2019 significant gains from the sale of properties had been recognized, which were not repeated in 2020. In addition, we must point out the good performance of equity accounted earnings, net interest income and net trading income, which, despite the negative impact arising from the revaluation of the corporate restructuring funds aforementioned, were above the amount recorded in 2019. Net income of the activity in Portugal also benefited from a lower tax burden compared to the previous year.

In the international activity, net income stood at 48.5 million euros in 2020, which compares to 143.8 million euros recorded in the previous year, with this evolution mainly determined by the performance of the Polish subsidiary, that besides the solid operational performance, was influenced by the reinforcement of impairments and provisions, for legal risk associated with the mortgage loans granted in foreign exchange in the amount of 151.9 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.; 51.9 million euros in 2019), reflecting the negative trends in court decisions and the application of more conservative assumptions in risk assessment. At the same time, the booking of provisions for the increased credit risk arising from the COVID-19 pandemic also contributed to the lower result in the current year. Millennium bim in Mozambique, in turn, also presented a lower result than that achieved in the previous year, reflecting not only the effects of the pandemic COVID-19, but also the devaluation of the Metical against the euro. The contribution of Banco Millennium Atlântico to the consolidated net income also stood below the previous year, penalized by the

¹ Not considering income arising from operations accounted as discontinued operations, amounting to 13.4 million euros recorded in 2019.

impairments, in the total amount of 16.6 million euros, recorded to face the risks associated to the investment of the Group in this participation.

Net interest income stood at 1,533.2 million euros in 2020, slightly below (around 1.0%) the 1,548.5 million euros posted in the previous year. In this evolution, it is important, however, to highlight the increase in the activity in Portugal, despite the fact that it was totally 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 showed a favourable evolution, by increasing 2.1% from 789.2 million euros recorded in 2019, reaching 805.4 million euros in 2020. The reduction in the cost of funding was decisive for this evolution, which benefited to a large extent from the positive impact of the additional funding obtained from the European Central Bank, namely with the participation in the new targeted longer-term refinancing operation (TLTRO III), that the Bank decided to increase to 7,550 million euros at the end of the second quarter of this year and which remuneration, based on a negative interest rate, to incentivize lending to the economy, allowed an additional reduction in the overall funding cost, from the amount recognized in the previous 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, namely, from the continued decline in the remuneration of time deposits, although there was also a decrease in the average balance of that deposits compared to the ones existing in 2019.

Conversely, the performance of net interest income in the activity in Portugal was penalized by the reduction in the income generated by the securities portfolio and by the customers loans portfolio. The lower income generated by the securities portfolio, was mainly due to the performance of the Portuguese public debt portfolio, since the reduction in the portfolio of Portuguese Treasury securities in the last quarter of 2019, due to the disposals made, penalized the net interest income of the current year, with the new securities acquired this year being insufficient to offset the loss of income verified, due to lower implicit yields. In addition, securities disposals already made in 2020 continued to widen the gap between the income generated by the current securities portfolio and the existing portfolio in the previous year. On the other hand, the income generated by the performing loan portfolio was strongly influenced by the persistence of historically low interest rates, despite the increase in the volume of loans, reflecting both the impact of loans granted to companies under the credit lines guaranteed by the Portuguese State, following the pandemic caused by COVID-19, and the promotion of commercial initiatives to support families and companies with sustainable business plans.

At the same time, the high rate of reduction of non-performing exposures, the lower income from the liquidity surplus in credit institutions and the higher costs of subordinated debt issues, influenced by the impact of the issue, in the amount of 450 million euros, placed in the market in September 2019, also influenced on a negative way the performance of net interest income in the activity in Portugal.

In the international activity, net interest income totaled 727.8 million euros in 2020, standing 4.2% below the 759.3 million euros recorded in 2019, mainly influenced by the performance of the subsidiary in Mozambique, strongly affected by the reduction of interest rates and by the devaluation of the Metical against the euro. Conversely, net interest income of the Polish subsidiary, despite having been penalized by the successive cuts in the reference interest rates imposed by the Polish Central Bank and by the devaluation of the Zloty against the euro, was slightly higher than that achieved in the previous year, influenced in part by the impact of the integration of Euro Bank S.A. commercial business in May 2019.

In consolidated terms, net interest margin went from 2.2% in 2019, to 2.0% in 2020, mainly pressed by the context of international activity. Despite the negative interest rates context and the greater weight of products with lower rates in credit production in the special context of the pandemic, mainly influenced by the credit lines with guarantee of the Portuguese State, net interest margin in the activity in Portugal, reflected only a slight decrease compared to 1.7% in the previous year, standing at 1.6% in 2020. Net interest margin in the international activity went from 3.2% in 2019 to 2.9% in 2020, reflecting the impact of the sharp reduction of the reference interest rates in Poland and in Mozambique.

AVERAGE BALANCES

Euro million

	31 Dec. 20		31 Dec. 19	
	Amount	Yield %	Amount	Yield %
Deposits in banks	5,135	0.6	4,033	1.0
Financial assets	17,412	1.1	15,400	1.7
Loans and advances to customers	53,353	2.9	50,674	3.2
INTEREST EARNING ASSETS	75,900	2.3	70,107	2.8
Non-interest earning assets	8,959		9,484	
	84,859		79,590	
Amounts owed to credit institutions	8,167	-0.4	7,086	0.2
Deposits and other resources from customers	62,594	0.3	58,209	0.5
Debt issued	3,083	1.0	3,271	1.2
Subordinated debt	1,449	4.8	1,364	4.4
INTEREST BEARING LIABILITIES	75,293	0.3	69,930	0.6
Non-interest bearing liabilities	2,112		2,089	
Shareholders' equity and non-controlling interests	7,454		7,571	
	84,859		79,590	
Net interest margin		2.0		2.2

Note: Interest related to hedge derivatives was allocated, in December 2020 and 2019, to the respective balance sheet item.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, amounted to 72.5 million euros in 2020 showing a growth of 28.7 million euros from 43.8 million euros posted in the previous year, mainly due to the performance of the activity in Portugal, but also to the growth of the international activity.

In the activity in Portugal, the increase of 21.8 million euros was mainly due to the greater contribution generated by Millennium Ageas, following the evaluation of the liabilities of local insurance contracts based on assumptions that reflect a greater alignment with those adopted by Ageas Group. The results generated by the participation in Unicre also showed a favorable performance, showing an increase of 2.7 million euros, compared to the amount reached in the previous year. Additionally, this evolution also benefited from income associated with investments that integrate the domestic equity portfolio, in the amount of 3.9 million euros.

In the international activity, equity accounted earnings together with dividends from equity instruments went from 3.3 million euros in 2019, to 10.2 million euros in 2020, due to the higher appropriation of results generated by

Banco Millennium Atlântico, whose result in 2019 had been penalized by the reinforcement of the coverage of risks by impairment and provisions and by the negative effect of the end of the application of IAS 29. On the other hand, in 2020, the results of the Group include, under other impairments and provisions, impairments for investment in the Angolan operation (including goodwill), which means that, in net terms, the total contribution of Banco Millennium Atlântico for consolidated results has evolved from a positive amount of 2.5 million euros in 2019, to a negative amount of 7.2 million euros in 2020.

Net commissions², despite the negative impacts caused by the pandemic associated with COVID-19, remained at a similar level to that in the previous year, both in the activity in Portugal and in the international activity, rising, in consolidated terms, to 702.7 million euros in 2020. It should be noted that the evolution in international activity was determined by the currency devaluation, both of Zloty and Metical against the euro, as the total net commissions in the international activity in local currency evolved favorably compared to the previous year.

In the activity in Portugal, despite the actual context, net commissions only showed a slight drop of 0.3% compared to the amount obtained in 2019, reaching 481.5 million euros in 2020. This evolution was possible thanks to the growth of 16.3 million euros showed by market related commissions, despite it was not sufficient to offset the reduction in commissions related to the banking business, which went from 423.6 million euros at the end of 2019, to 405.7 million euros in 2020, influenced by the aforementioned impacts of the pandemic.

The performance of commissions related to the banking business in the activity in Portugal, as of the second half of March 2020, was penalized not only by the impact of the pandemic caused by COVID-19, but also by the support initiatives adopted by the Bank, embodied in exemptions granted in the context of this particular situation of the country. These impacts are particularly visible in commissions related to cards and transfers, but also in commissions related to credit and guarantees, in this case, with particular emphasis on commissions generated by credit operations for discounting effects and also for the collection of values. Commissions from management and maintenance of accounts, despite the negative impacts of the current context and the various commercial campaigns that involved lower commissions, with the objective of promoting the use of digital and mobile channels by customers, showed a favorable evolution, explained by the strong dynamics of acquiring new customers and by the change in the commercial policy implemented in 2019.

On the other hand, market related commissions, in the activity in Portugal, benefited from the increase in structuring and assembly commissions raised by investment banking activities as well as commissions related to stock exchange operations and asset management, in this case mainly associated with the distribution of investment funds.

In the international activity, despite the negative effect of the devaluation of the Zloty and the Metical against the euro, net commissions were 0.4% above the amount achieved in the previous year, totaling 221.1 million euros in 2020. For this evolution contributed the favorable performance of the subsidiary in Poland, which benefited from the acquisition of Euro Bank S.A., especially with regard to cards and bancassurance commissions, and of the subsidiary in Switzerland, despite the fact that they were practically neutralized by the decrease in the commissions generated by the operation in Mozambique. Commissions related to the banking business, in the international activity, were slightly above the amount reached in 2019, with the increase in commissions of the Polish subsidiary being offset by the decrease observed in the operation in Mozambique. Commissions related to the financial

² In 2020, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts of such items are presented considering these reclassifications with the purpose of ensuring their comparability, with the total amount of net commissions remaining unchanged compared to those published in previous periods.

markets remained in line with the amount reached in the previous year, with the good performance of the Swiss subsidiary, associated with the brokerage activity and the growth of assets under management, being absorbed by the decrease recorded in the Polish and Mozambican subsidiaries.

Net trading income amounted to 152.8 million euros in 2020, showing an increase of 6.6% compared to the 143.3 million euros recorded in the previous year, thanks to the performance of the activity in Portugal. In the international activity, net trading income was in line with the amount posted in 2019.

The activity in Portugal saw a 19.5% increase in net trading income, which went from 51.5 million euros in 2019, to 61.5 million euros in 2020, driven by the gains from foreign exchange operations, namely by income arising from the foreign exchange coverage of the Group's stake in Poland, following the devaluation of the Zloty. In addition, market conditions and the composition of the portfolio of the Group allowed the losses generated by trading activity in 2019, mainly due to the impact of the decrease in interest rates, to not be repeated in 2020, thus contrasting with the income generated in the current year. Costs incurred with the sale of credits in 2020 were slightly lower than those recorded in 2019, also contributing, albeit to a lesser extent, to the favorable evolution of net trading income in the activity in Portugal. Conversely, net trading income in 2020 was penalized by the revaluation of corporate restructuring funds, which for the purpose of evaluating the underlying assets, started to incorporate assumptions consistent with the effects of the pandemic caused by COVID-19. Although to a lesser extent, the gains recognized with Portuguese public debt securities also influenced negatively the evolution of net trading income in the activity in Portugal, that stood 14.0 million euros below the amount achieved in the previous year.

In the international activity, net trading income remained close to the amount reached in 2019, amounting to 91.3 million euros in 2020. This evolution was determined by the devaluation of the Zloty and the Metical against the euro, since net trading income, in local currency, proved to be higher than that 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 is important to underline that its good performance was possible, despite the income in the amount of 10.5 million euros that had been recognized in September 2019 with the revaluation of PSP - Polish Payment Standard shares following the agreement for the entry of Mastercard in the capital of that entity, as in 2020 significant gains with the sale of securities and with the revaluation of VISA shares were recorded.

Other net operating income^{3,4}, which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, stood at a negative amount of 155.5 million euros in 2020, compared to an also negative amount of 104.1 million euros recorded in the previous year. This evolution 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 evolved from a negative amount of 33.6 million euros in 2019 to an also negative amount of 73.0 million euros in 2020. This performance was mainly due to the reduction in results from the sale of non-current assets held for sale, influenced by significant gains from the sale of foreclosed

³ 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 such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. In 2019, the above mentioned reclassifications totaled 3.4 million euros.

⁴ The amount of other net operating income includes costs arising from the acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary and considered as specific items (0.2 million euros in 2020 and 0.8 million euros in 2019).

properties recorded in 2019, that were not repeated in 2020. At the same time, the evolution of other net operating income was also 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, which in the particular case of Millennium BCP amounted to 5.9 million euros. On the other hand, costs incurred with the remaining mandatory contributions, in the activity in Portugal, showed a 3.7% reduction from the 66.6 million euros posted in 2019, totaling 64.2 million euros in the current year.

In the international activity, other net operating income, including the specific items previously mentioned, went from a negative amount of 70.5 million euros in 2019, to an also negative amount of 82.5 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 recorded was due to lower results from the sale of other assets, largely from gains from the sale of securities in 2019 that did not occur in 2020 and the currency devaluation of the Metical against the euro. The Polish subsidiary, in turn, was affected by the increase in mandatory contributions, which stood 13.7 million euros above the amount determined in the previous year, standing at 100.1 million euros at the end of 2020.

OTHER NET INCOME

Euro million

	2020	2019	Chg. 20/19
DIVIDENDS FROM EQUITY INSTRUMENTS	4.8	0.8	>200%
NET COMMISSIONS	702.7	703.5	-0.1%
Banking commissions	569.0	586.1	-2.9%
Cards and transfers	159.5	172.1	-7.3%
Credit and guarantees	148.0	159.4	-7.1%
Bancassurance	118.3	118.9	-0.5%
Management and maintenance of accounts	131.0	122.6	6.9%
Other commissions	12.1	13.1	-7.3%
Market related commissions	133.6	117.4	13.8%
Securities	73.3	57.8	26.7%
Asset management	60.3	59.5	1.3%
NET TRADING INCOME	152.8	143.3	6.6%
OTHER NET OPERATING INCOME	(155.5)	(104.1)	-49.4%
EQUITY ACCOUNTED EARNINGS	67.7	43.0	57.5%
TOTAL OTHER NET INCOME	772.4	786.5	-1.8%
Other net income / Net operating revenues	33.5%	33.7%	

Operating costs⁵, not considering the effect of specific items⁶, totaled 1,072.9 million euros in 2020, showing a reduction of 2.4% compared to the 1,099.8 million euros observed in the previous year, thanks to the favorable evolution recorded in both the activity in Portugal, supported by the control and reduction of recurrent operating costs, and in the international activity, influenced by the exchange rate devaluation of Zloty and Metical against the euro.

In the activity in Portugal, operating costs, not considering the effect of specific items abovementioned, stood 1.9% below the 630.9 million euros accounted in 2019, totaling 618.7 million euros at the end of the current year. The reduction, in the amount of 12.2 million euros, was mainly due to the savings in other administrative costs and also, although to a lesser extent, to the decrease recorded by staff costs, partially offset by the increase in depreciations.

In the international activity, operating costs, excluding the effect of specific items mentioned above, amounted to 454.2 million euros in 2020, showing a 3.1% decrease from the 468.9 million euros accounted in the previous year. This evolution reflects a lower amount than that recorded in the previous year, both in staff costs and in other administrative costs. Conversely, there was an increase in depreciation for the year compared to 2019. Despite the impact from the consolidation of Euro Bank S.A., the decrease in operating costs in international activity reflects the contribution of both the Polish subsidiary and the subsidiary in Mozambique, in both cases, influenced by the exchange rate devaluation of the respective currencies 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., operating costs of the operation in Poland, incorporate savings in the amount of 37.6 million euros, more than doubling the costs recognized in the period with the integration of the acquired Bank (14.8 million euros).

Despite the adverse context, influenced by the pandemic COVID-19, the reduction obtained in operating costs allowed the cost to core income ratio of the Group, excluding specific items, to stand below the 48.8% recorded in the previous year, settling at 48.0% in 2020.

Staff costs, not considering the effect of specific items (40.9 million euros in 2020 and 40.2 million euros in 2019), showed a favourable evolution in both the activity in Portugal and the international activity, evidencing, in consolidated terms, a drop of 3.5%, from 628.1 million euros recorded in 2019, to 605.8 million euros recognized in 2020.

The favourable performance of staff costs in the activity in Portugal resulted in a 2.0% reduction from the 371.3 million euros posted in 2019, totaling 364.0 million euros in 2020. These amounts do not include the specific items abovementioned, that totaled 31.6 million euros in 2020 and 40.1 million euros in 2019, related, in both years, to restructuring costs and the compensation for temporary salary cuts. In 2020, the specific items also include a positive impact resulting from the agreement signed with a former director of the Bank.

⁵ 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 such items, included in this analysis, are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. In 2019, the abovementioned reclassifications totaled 3.4 million euros.

⁶ Negative impact of 46.5 million euros in 2020, of which 31.6 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 14.8 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (9.3 million euros as staff costs, 5.0 million euros as other administrative costs and 0.5 million euros as depreciation). In 2019, the impact was also negative, in the amount of 66.4 million euros, of which 40.1 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 26.3 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (0.1 million euros as staff costs, 26.0 million euros as other administrative costs and 0.2 million euros as depreciation).

The favorable evolution of staff costs, in the activity in Portugal, was influenced by the reduction of the number of employees, which, in net terms, decreased from 7,204 employees at the end of December 2019, to 7,013 employees as at 31 December 2020, despite the hiring of employees, during last year, mainly with adequate skills to reinforce digital areas.

In the international activity, staff costs totaled 241.8 million euros in 2020, standing 5.8% below the 256.8 million euros recorded in the previous year. The referred amounts do not consider the impact of specific items, fully recognized by the Polish subsidiary, related to costs with the acquisition, merger and integration of Euro Bank S.A., in the amount of 9.3 million euros in 2020 and 0.1 million euros in 2019.

It is worth noting that, despite the impact of the acquisition of Euro Bank S.A. on staff costs, the reduction in the international activity, excluding specific items, was mainly due to the performance of the Polish subsidiary, which benefited from the devaluation of the Zloty against the euro. It should be noted that staff costs recognized by the Polish subsidiary incorporate the effect of the synergies obtained in the merger process of Euro Bank S.A., quantified at 18.9 million euros, largely reflecting, the impact associated with the progressive reduction of the total number of employees which, despite the inclusion, in May 2019, of 2,425 employees from Euro Bank S.A., decreased 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) on 31 December 2020, exceeding the goal initially defined by Bank Millennium of reducing the staff by 260 FTE - full time equivalent.

The total number of employees assigned to international activity decreased 1,059, from 11,381 employees as at 31 December 2019, to 10,322 employees at the end of 2020.

Other administrative costs, not considering the impact of specific items, showed a 4.8% reduction from the 347.1 million euros accounted in 2019, totaling 330.5 million euros in 2020. The already mentioned specific items totaled 5.0 million euros in 2020 and 26.0 million euros in 2019, being fully recognized by the Polish subsidiary following the process of acquisition, merger and integration of Euro Bank S.A.

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

In the activity in Portugal, other administrative costs showed a reduction of 6.5% from 190.6 million euros accounted in 2019, to 178.3 million euros in 2020. This evolution was significantly influenced by the context underlying the COVID-19 pandemic, as certain projects and travels were suspended or postponed, judicial recovery activity was reduced and some advertising campaigns and events were canceled. In addition, the absence of a significant number of employees at the Bank's facilities also contributed to the savings obtained, since they started to perform their functions in teleworking. In this context, the savings obtained from travel, hotel and representation costs and water, energy and fuels are particularly relevant, but also the reductions in items such as other specialized services, advisory services, independent work, advertising, legal expenses and communications, alongside with others with less impact, such as transportation, training costs and consumables. Conversely, there was an increase in outsourcing costs, IT and services provided by SIBS, as well as an increase in costs associated mainly with the purchase of protective material, cleaning services and relocation of facilities.

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

In the international activity, other administrative costs, excluding the impact of the specific items above mentioned, totaled 152.2 million euros in 2020, standing 2.8% below the 156.5 million euros recorded in the previous year. This evolution was determined by the contribution of the subsidiary in Mozambique, based on the devaluation of the Metical against euro, since in local currency these costs remained in line with the amount calculated in the previous year. In the Polish subsidiary, excluding specific items, other administrative costs were higher than those recorded in the previous year, reflecting the impact of the acquisition of Euro Bank S.A., since the costs of the new entity only started to be considered as of May 2019. On the other way, the ongoing restructuring measures allowed to obtain a set of synergies, materialized in savings, in the amount of 14.4 million euros in 2020, which include savings related to IT, marketing and advertising, advisory and the rents of the closed branches, since the total number of branches evolved from the 830 branches existing as at 31 of December 2019, to 702 branches at the end of 2020.

Depreciations, excluding the specific items recognized by the Polish subsidiary in the scope of the acquisition of Euro Bank S.A. (0.5 million euros in 2020 and 0.2 million euros in 2019), totaled 136.6 million euros in 2020, increasing 9.7% from 124.6 million euros recorded in the previous year. This evolution was due to the performance of both the activity in Portugal and the international activity, which showed increases of 10.8% and 8.3% respectively, compared to 2019, in both cases mostly justified by the increase in investment in software and computer equipment.

In the activity in Portugal, depreciations amounted to 76.4 million euros in 2020, above the 68.9 million euros recorded in 2019, reflecting the investment made during last years and the commitment of the Bank to technological innovation and the ongoing digital transformation, providing the Bank with the necessary capacity to face the challenges imposed by the impact of the pandemic associated with COVID-19.

In the international activity, depreciations, excluding the specific items above mentioned, totaled 60.3 million euros in 2020, compared to 55.7 million euros recognized in 2019, with this evolution mainly due to the performance of the Polish subsidiary, influenced by the impact arising from the acquisition of Euro Bank S.A. However, the ongoing restructuring measures have already made it possible to achieve synergies in the amount of 4.4 million euros.

OPERATING COSTS

	2020	2019	Chg. 20/19
	Euro million		
Staff costs	605.8	628.1	-3.5%
Other administrative costs	330.5	347.1	-4.8%
Depreciations	136.6	124.6	9.7%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	1,072.9	1,099.8	-2.4%
OPERATING COSTS	1,119.3	1,166.1	-4.0%
Of which (1):			
Portugal activity	618.7	630.9	-1.9%
Foreign activity	454.2	468.9	-3.1%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) stood at 509.9 million euros in 2020, showing an higher amount than the 390.2 million euros recognized in the previous year. The actual context of economic crisis caused by the

COVID-19 pandemic, strongly influenced the evolution of loans impairment, in both the activity in Portugal and the international activity, since the associated risks led to the reinforcement of the impairment to the credit portfolio.

In the activity in Portugal, impairment for loan losses (net of recoveries) reached 354.0 million euros in 2020, 26.8% above the amount recognized in 2019 (279.2 million euros). This evolution largely reflects the booking of additional impairments to cope with the increased risks implicit in the actual adverse context. As at June 2020 the credit risk parameters of the impairment models were reviewed to reflect the new macroeconomic scenario dictated by the risks associated with the COVID-19 pandemic, being updated at the end of the year in order to align some of the macroeconomic variables with the forecasts of the Banco de Portugal. Within the scope of the individual analysis of credit customers, extraordinary impairments were also booked, in order to anticipate the expected impacts of the pandemic. This extraordinary reinforcement of impairment charges (net of recoveries) interrupted the downward trend shown until the beginning of 2020 and the progressive improvement in the quality of the portfolio in the previous periods.

At the same time, impairments recognized at the end of the year to cover the non-performing exposures allowed a better alignment of the Bank's financial position with the prudential regulations in force and with the expectations of supervision over the need to reduce these exposures in the balance sheet of the institutions.

In the international activity, impairment charges (net of recoveries) increased, from 111.0 million euros in 2019, to 155.8 million euros in 2020, reflecting the additional reinforcement, to face the increased credit risk, following the actual context of economic crisis. The Polish subsidiary was primarily responsible for the performance of the international activity, strongly conditioned by the booking of the aforementioned impairments, also reflecting the negative impact caused by the new parameters resulting from the revision of default definition. The evolution observed was also influenced by the impairment that had been booked in June 2019 to face the implicit risks in the acquired loan portfolio, resulting from the consolidation of Euro Bank S.A. In the subsidiary in Mozambique, impairment charges were also higher than those recorded in 2019, partly due to the recognition of impairments for credit risks associated to the COVID-19 pandemic.

The cost of risk (net) of the Group stood at 91 basis points in 2020, with the evolution from 72 basis points in 2019 being influenced by the extraordinary reinforcement of loan impairments associated with 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) went from 76 basis points in 2019 to 92 basis points in 2020. In the international activity, the cost of risk (net) evolved from 63 basis points to 90 basis points in the same period, mainly due to the performance of the Polish subsidiary and the operation in Mozambique.

Other impairments and provisions totaled 331.4 million euros in 2020, compared to 151.4 million euros recognized in the previous year, reflecting higher level of provisioning in the activity in Portugal, but above all in the international activity.

In the activity in Portugal, other impairment and provisions went from 91.9 million euros in 2019, to 118.8 million euros in 2020, reflecting essentially the reinforcement of impairment to other risks and charges, but also to other financial assets, in this particular case to debt instruments and guarantees and other commitments, both influenced by the revision of credit risk parameters. On the other side, the lower level of provisioning required for non-current assets held for sale contributed favorably to the performance of other impairment and provisions.

In the international activity, other impairment and provisions stood at 212.6 million euros, showing an increase of 153.0 million euros from 59.6 million euros recognized in 2019. This increase was essentially due to the activity of the Polish subsidiary, mainly induced by the reinforcement of the extraordinary provision in the amount of 160.1 million euros (51.9 million euros in 2019), booked for foreign exchange mortgage legal risk, reflecting the negative trends in court decisions and the more conservative assumptions applied in risk assessment. At the same time, additional charges, in the amount of 31.8 million euros (7.4 million euros in 2019), to cover the return of commissions to customers who early repaid their consumer credit operations, following a decision taken by the Court of Justice of the European Union, also affected the performance of other impairment and provisions in the Polish subsidiary. In 2020, the impact of the aforementioned provisions was partially offset by the recognition of income, in the amount of 18.9 million euros (reflected in other net operating income), corresponding to the amount receivable from Société Générale, following the contract of acquisition of Euro Bank S.A. In 2020, other impairments and provisions also include impairments in the amount of 16.6 million euros recorded for the investment in the participation in Banco Millennium Atlântico (including goodwill), to cover the risks inherent to the context in which Angolan operation develops its activity.

Income tax (current and deferred) amounted to 136.6 million euros in 2020, which compares to 239.3 million euros obtained in the previous year.

The recognized taxes include, in 2020, current tax of 113.3 million euros (100.9 million euros in 2019) and deferred tax of 23.3 million euros (138.4 million euros in 2019).

The increase in the current tax expense in 2020 results from higher mandatory contributions to the banking sector and additional provisions for liabilities and charges, non-deductible for tax purposes. The deferred tax expense in 2019 resulted essentially from the write-off of deferred tax assets related to tax losses due to the maintenance of the low interest rates regime and actuarial losses from pension fund.

BALANCE SHEET

Total assets of the consolidate balance sheet of Millennium bcp stood at 85,813 million euros as at 31 December 2020, showing a 5.1% increase from the 81,643 million euros posted at the end of the previous year. This growth was driven by the performance of the activity in Portugal, partially offset by the reduction of total assets in the international activity.

In the activity in Portugal, total assets increased 11.0% from the 55,134 million euros recorded in 31 December 2019, reaching 61,212 million euros in the same date of the current year. This evolution was mainly due to the increases in securities portfolio, with the reinforcement of eligible assets, namely Portuguese, Spanish and Italian public debt portfolio and loans to customers portfolio (net of impairment). The most significant reduction, despite with a lesser magnitude, resulted from the decrease in non-current assets held for sale, namely in the portfolio of real estate properties received as payment.

The evolution of total assets in the international activity, from 26,510 million euros as at 31 December 2019, to 24,601 million euros at the end of 2020, was determined by the contribution of the Polish subsidiary, strongly influenced by the devaluation of Zloty against the euro, since total assets in local currency stood at a similar level to the previous year.

Consolidated **loans to customers (gross)** of Millennium bcp, as defined in the glossary, showed a 2.6% growth, from the 54,724 million euros achieved in 31 December 2019, standing at 56,146 million euros at the end of the current year, with this performance being boosted by the favourable performance of the activity in Portugal.

The good performance of the activity in Portugal during 2020, was reflected in a balance of 38,473 million euros of loans to customers (gross) at the end of the year, 4.8% above the 36,715 million euros posted in the end of December of the previous year. This growth reflects in a large way the credit granted under the credit lines launched by the Government to face the impacts caused by the pandemic associated to COVID-19, reflecting the reinforcement of the presence of the Bank in the market segment of SMEs and companies. At the same time, it is important to mention the reduction of 883 million euros in NPE, resulting from the success of the divestment strategy in this type of assets, carried out by the Bank in recent years and that was more than offset by the growth of 2,641 million euros recorded by the performing loan portfolio.

In the international activity, loans to customers (gross) totaled 17,673 million euros as at 31 December 2020, standing 1.9% below the 18,009 million euros recorded at the end of 2019. This evolution reflects both the contribution of the Polish subsidiary and the Mozambican operation, both penalized by the devaluation of the respective currencies against the euro. In the particular case of the Polish subsidiary, the loans portfolio expressed in Zlotys was higher than in the previous year.

The structure of the consolidated customer loan portfolio (gross) maintained a balanced level of diversification, with loans to individuals and loans to companies representing, respectively 57.4% and 42.6% of the total portfolio as at 31 December 2020 (58.3% and 41.7% at the same date of 2019).

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Dec. 20	31 Dec. 19	Chg. 20/19
INDIVIDUALS	32,250	31,910	1.1%
Mortgage	26,461	25,894	2.2%
Personal loans	5,789	6,016	-3.8%
COMPANIES	23,896	22,814	4.7%
Services	8,280	8,578	-3.5%
Commerce	4,031	3,487	15.6%
Construction	1,796	1,702	5.5%
Others	9,789	9,047	8.2%
TOTAL	56,146	54,724	2.6%
Of which:			
Portugal activity	38,473	36,715	4.8%
International activity	17,673	18,009	-1.9%

The **quality of the credit portfolio** continues to be one of the priorities of the Group, materialized through the various initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years, keeping the focus on selectivity and monitoring of the credit risk control processes.

The improvement in the quality of the loan portfolio is supported by the favorable evolution of the respective indicators, namely the NPE ratio as a percentage of the total loan portfolio, which declined from 7.7% as at 31

December 2019, to 5.9% at the end 2020, highlighting the performance of the domestic loan portfolio, whose NPE ratio showed a reduction from 8.8% to 6.1% in the same period.

At the same time, it should also be noted the increase in the coverage by impairments in the activity in Portugal, namely the reinforcement in the coverage of NPL by more than 90 days, from 111.2% at the end of December 2019, to 118.6% as at 31 December 2020, and the reinforcement in the coverage of NPE, which stood at 63.0% at the end of 2020, compared to 57.8% at the same date of the previous year.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Dec. 20	31 Dec. 19	Chg. 20/19	31 Dec. 20	31 Dec. 19	Chg. 20/19
STOCK (M€)						
Loans to customers (gross)	56,146	54,724	2.6%	38,473	36,715	4.8%
Overdue loans > 90 days	1,297	1,486	-12.7%	918	1,088	-15.6%
Overdue loans	1,420	1,605	-11.5%	933	1,117	-16.5%
Restructured loans	2,661	3,097	-14.1%	2,174	2,529	-14.0%
Non-performing loans (NPL) > 90 days	1,766	2,260	-21.8%	1,255	1,688	-25.7%
Non-performing exposures (NPE)	3,295	4,206	-21.7%	2,363	3,246	-27.2%
Loans impairment (Balance sheet)	2,073	2,449	-15.4%	1,488	1,877	-20.7%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.3%	2.7%		2.4%	3.0%	
Overdue loans / Loans to customers (gross)	2.5%	2.9%		2.4%	3.0%	
Restructured loans / Loans to customers (gross)	4.7%	5.7%		5.7%	6.9%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	3.1%	4.1%		3.3%	4.6%	
Non-performing exposures (NPE) / Loans to customers (gross)	5.9%	7.7%		6.1%	8.8%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	159.8%	164.8%		162.0%	172.5%	
Coverage of overdue loans	146.0%	152.6%		159.6%	168.1%	
Coverage of Non-performing loans (NPL) > 90 days	117.4%	108.4%		118.6%	111.2%	
Coverage of Non-performing exposures (NPE)	62.9%	58.2%		63.0%	57.8%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	4.0%	5.3%		4.2%	6.1%	

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

Total customer funds amounted to 84,492 million euros as at 31 December 2020, standing 3.4% above the 81,675 million euros recorded at the end of the previous year.

The increase of total customer funds was mainly due to the performance of deposits and other resources from customers which increased from 60,847 million euros in 31 December 2019, to 63,259 million euros at the end of the current year, boosted by the growth of 3,816 million euros recorded in the activity in Portugal, despite the fact that it was offset by the reduction showed by deposits and other resources from customers in the international activity. In addition, the evolution of total customer funds compared to the previous year also benefited from the performance of off-balance sheet customer funds, which, on consolidated terms, increased 659 million years, from 19,069 million euros at the end of 2019, to 19,728 million euros as at 31 December 2020, resulting above all from the performance of the activity in Portugal.

In the activity in Portugal, total customer funds amounted to 60,987 million euros as at 31 December 2020, showing an increase of 7.4% from 56,767 million euros recorded at the end of the previous year. This growth, in the amount of 4,220 million euros was determined by the performance of deposits and other resources from customers, which grew from 39,405 million euros in 31 December 2019, to 43,221 million euros at the end of 2020, reaffirming the maintenance of the weight of customer deposits in the assets financing structure. Total customer funds in the activity in Portugal, also benefited, albeit modestly, from the increase of off-balance sheet customer funds which amounted to 16,329 million euros, compared to 15,751 million euros posted at the end of the previous year, with the growth of assets placed with customers together with assets under management being partially absorbed by the reduction in insurance products (savings and investment).

In the international activity, total customer funds went from 24,909 million euros in 31 December 2019, to 23,505 million euros as at 31 December 2020, induced by the performance of balance sheet customer funds, namely by the reduction of 1,404 million euros in deposits and other resources from customers. The Polish subsidiary was the main responsible for this evolution, penalized by the devaluation of the Zloty against the euro, since deposits in local currency remained in line with the amount reached in the previous year. Off-balance sheet customer funds in the international activity did not change materially compared to the amounts existing in December 2019.

On a consolidated basis, balance sheet customer funds represented 77% of total customer funds either at 31 December 2020 or at the end of the previous year, while the weight of deposits and other resources from customers in total customer funds increased from 74% to 75% in the same period.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 85% on 31 December 2020, that compares to 86% at the end of the previous year. As at 31 December 2020, the same ratio, considering on-balance sheet customers' funds, stood at 83% as at the end of 2019.

TOTAL CUSTOMER FUNDS

Euro million

	31 Dec. 20	31 Dec. 19	Chg. 20/19
BALANCE SHEET CUSTOMER FUNDS	64,764	62,607	3.4%
Deposits and other resources from customers	63,259	60,847	4.0%
Debt securities	1,505	1,760	-14.5%
OFF-BALANCE SHEET CUSTOMER FUNDS	19,728	19,069	3.5%
Assets under management	6,135	5,745	6.8%
Assets placed with customers	5,416	4,312	25.6%
Insurance products (savings and investment)	8,177	9,011	-9.3%
TOTAL	84,492	81,675	3.4%
Of which:			
Portugal activity	60,987	56,767	7.4%
International activity	23,505	24,909	-5.6%

The **securities portfolio** of the Group, as defined in the glossary, amounted to 18,226 million euros as at 31 December 2020, showing a growth of 16.3% from 15,671 million euros recorded at the end of 2019, increasing its weight in total assets from 19.2% to 21.2% in the same period.

The performance of the securities portfolio of the group was mainly due to the reinforcement of the portfolios of the activity in Portugal, that went from 9,482 million euros as at 31 December 2019, to 13,324 million euros at the end of 2020, boosted by the increase in the Portuguese, Spanish and Italian sovereign debt portfolio. On the contrary the securities portfolio of the international activity was lower than at the end of 2019, mainly due to the reduction in the Polish sovereign debt portfolio.

LIQUIDITY MANAGEMENT

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.

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 31 December 2020 to stand at 140% (135% as at 31 December 2019).

The emergence of the pandemic associated with COVID-19, 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 measures 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.

Accordingly, still in April, BCP S.A. borrowed an additional 1.5 billion euros 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 euros related to the Targeted long-term refinancing operation II ("T LTRO II") to 5.5 billion euros. In June, on the due date of the T LTRO II and the MROs referred to above, the Bank took over 7.6 billion euros in T LTRO III. After these operations, net financing from the ECB increased to a maximum of 4.9 billion euros in September 2020, decreasing until the end of the year to 3.3 billion euros, 3.0 billion euros more than in 2019. 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 euros in 2020 (of which 750 million euros 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 debt) and in liquidity deposited with the Banco de Portugal (increase of 638 million euros, to 4.3 billion euros).

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 euros 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 euros (after haircuts), 5.4 billion euros more than in December 2019. In the same period, the liquidity buffer with the ECB increased by 2.4 billion euros, to 19.2 billion euros.

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.

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 1,000,000,000 euros 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.

CAPITAL

The estimated CET1 ratio as at 31 December 2020 stood at 12.2% phased-in and fully implemented, in line with the recorded in the same period of 2019 and above the minimum ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2020 (CET1 8.828%, T1 10.750% and Total 13.313%).

The organic generation of capital overcame the negative impacts of the increase on risk weighted assets and pension fund, maintaining the CET1 ratio at the same levels as in 2019, in line with the bank's medium-term objectives.

SOLVENCY RATIOS

Euro million

	31 Dec. 20	31 Dec. 19
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,651	5,496
Tier 1	6,187	6,000
Total Capital	7,213	7,028
Risk weighted assets	46,322	44,972
Solvency ratios		
CET1	12.2%	12.2%
Tier 1	13.4%	13.3%
Total capital	15.6%	15.6%
PHASED-IN		
CET1	12.2%	12.2%

Note: The capital ratios of December 2020 and December 2019 include the positive accumulated net income. The capital ratios of December 2020 are estimated and non-audited.

SIGNIFICANT 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 context of the actual COVID-19 pandemic situation, Millennium bcp carried out some initiatives to support the economy and the community:

- Launch of solutions for individuals and companies promoted by the Portuguese Government and APB;
- 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;
- Millennium 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 for free 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. 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. 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**, completion, exclusively through electronic means, with 61.31% of the share capital represented, of the Annual General Meeting of Shareholders of BCP, S.A., with the following resolutions being worth mentioning:

- Approval of the management report, the individual and consolidated annual report, balance sheet and 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 outbreak.

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 is unchanged. The capital requirements to be observed as from 1 January 2021 result 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 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 (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**, issue of senior preferred debt, in the amount of 500 million euros, with 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.

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 (Base5 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 PCGUJA 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 "Polityka" 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

MACROECONOMIC 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 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. 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.

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 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 in the first quarter of the new year should take away 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 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 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.

In Mozambique, the global economic recession, the military instability in the northern and central regions of the country, and the occurrence of natural disasters have hurt GDP, which the IMF estimated to have contracted by 0.5% in 2020. 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.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Dec. 20	Dec. 19	Change 20/19	Dec. 20	Dec. 19	Change 20/19	Dec. 20	Dec. 19	Change 20/19
INCOME STATEMENT									
Net interest income	1,533.2	1,548.5	-1.0%	805.4	789.2	2.1%	727.8	759.3	-4.2%
Dividends from equity instruments	4.8	0.8	>200%	3.9	-	>200%	0.8	0.8	3.4%
Net fees and commission income	702.7	703.5	-0.1%	481.5	483.2	-0.3%	221.1	220.3	0.4%
Net trading income	152.8	143.3	6.6%	61.5	51.5	19.5%	91.3	91.8	-0.6%
Other net operating income	(155.5)	(104.1)	-49.4%	(73.0)	(33.6)	-117.3%	(82.5)	(70.5)	-17.0%
Equity accounted earnings	67.7	43.0	57.5%	58.3	40.5	44.0%	9.4	2.5	>200%
Net operating revenues	2,305.6	2,335.0	-1.3%	1,337.7	1,330.7	0.5%	967.9	1,004.3	-3.6%
Staff costs	646.7	668.2	-3.2%	395.6	411.4	-3.8%	251.1	256.8	-2.2%
Other administrative costs	335.5	373.1	-10.1%	178.3	190.6	-6.5%	157.2	182.5	-13.9%
Depreciation	137.1	124.8	9.9%	76.4	68.9	10.8%	60.8	55.8	8.8%
Operating costs	1,119.3	1,166.1	-4.0%	650.3	670.9	-3.1%	469.1	495.2	-5.3%
Operating costs excluding specific items	1,072.9	1,099.8	-2.4%	618.7	630.9	-1.9%	454.2	468.9	-3.1%
Profit before impairment and provisions	1,186.2	1,168.9	1.5%	687.4	659.8	4.2%	498.8	509.1	-2.0%
Loans impairment (net of recoveries)	509.9	390.2	30.7%	354.0	279.2	26.8%	155.8	111.0	40.5%
Other impairment and provisions	331.4	151.4	118.8%	118.8	91.9	29.3%	212.6	59.6	>200%
Profit before income tax	345.0	627.3	-45.0%	214.6	288.7	-25.7%	130.4	338.6	-61.5%
Income tax	136.6	239.3	-42.9%	80.3	144.2	-44.3%	56.4	95.1	-40.7%
Current	113.3	100.9	12.3%	12.5	(7.2)	>200%	100.8	108.1	-6.7%
Deferred	23.3	138.4	-83.1%	67.8	151.4	-55.2%	(44.5)	(13.0)	<-200%
Income after income tax from continuing operations	208.4	388.0	-46.3%	134.3	144.5	-7.0%	74.0	243.5	-69.6%
Income arising from discontinued operations	-	13.4	-100.0%	-	-	-	-	-	-
Non-controlling interests	25.4	99.4	-74.5%	(0.1)	(0.4)	61.9%	25.5	99.8	-74.4%
Net income	183.0	302.0	-39.4%	134.5	144.8	-7.2%	48.5	143.8	-66.2%
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	85,813	81,643	5.1%	61,212	55,134	11.0%	24,601	26,510	-7.2%
Total customer funds	84,492	81,675	3.4%	60,987	56,767	7.4%	23,505	24,909	-5.6%
Balance sheet customer funds	64,764	62,607	3.4%	44,658	41,016	8.9%	20,106	21,591	-6.9%
Deposits and other resources from customers	63,259	60,847	4.0%	43,221	39,405	9.7%	20,038	21,442	-6.5%
Debt securities	1,505	1,760	-14.5%	1,437	1,611	-10.8%	68	148	-54.4%
Off-balance sheet customer funds	19,728	19,069	3.5%	16,329	15,751	3.7%	3,399	3,318	2.5%
Assets under management	6,135	5,745	6.8%	3,711	3,393	9.4%	2,424	2,352	3.1%
Assets placed with customers	5,416	4,312	25.6%	4,878	3,828	27.4%	538	484	11.2%
Insurance products (savings and investment)	8,177	9,011	-9.3%	7,740	8,529	-9.2%	437	482	-9.3%
Loans to customers (gross)	56,146	54,724	2.6%	38,473	36,715	4.8%	17,673	18,009	-1.9%
Individuals	32,250	31,910	1.1%	19,528	19,399	0.7%	12,722	12,511	1.7%
Mortgage	26,461	25,894	2.2%	17,462	17,281	1.0%	8,999	8,612	4.5%
Personal Loans	5,789	6,016	-3.8%	2,065	2,118	-2.5%	3,723	3,898	-4.5%
Companies	23,896	22,814	4.7%	18,945	17,316	9.4%	4,951	5,499	-10.0%
CREDIT QUALITY									
Total overdue loans	1,420	1,605	-11.5%	933	1,117	-16.5%	488	488	0.0%
Overdue loans by more than 90 days	1,297	1,486	-12.7%	918	1,088	-15.6%	379	398	-4.7%
Overdue loans by more than 90 days / Loans to customers	2.3%	2.7%		2.4%	3.0%		2.1%	2.2%	
Total impairment (balance sheet)	2,073	2,449	-15.4%	1,488	1,877	-20.7%	585	572	2.3%
Total impairment (balance sheet) / Loans to customers	3.7%	4.5%		3.9%	5.1%		3.3%	3.2%	
Total impairment (balance sheet) / Overdue loans by more than 90 days	159.8%	164.8%		162.0%	172.5%		154.4%	143.9%	
Non-Performing Exposures	3,295	4,206	-21.7%	2,363	3,246	-27.2%	932	960	-2.9%
Non-Performing Exposures / Loans to customers	5.9%	7.7%		6.1%	8.8%		5.3%	5.3%	
Restructured loans	2,661	3,097	-14.1%	2,174	2,529	-14.0%	487	568	-14.2%
Restructured loans / Loans to customers	4.7%	5.7%		5.7%	6.9%		2.8%	3.2%	
Cost of risk (net of recoveries, in b.p.)	91	72		92	76		90	63	
Total impairment (balance sheet) / NPE	62.9%	58.2%		63.0%	57.8%		62.8%	59.6%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of 13.4 million euros in 2019.

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 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
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 has not been audited and 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 abovementioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information 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
Loans to customers (net) (1)	54,073	52,275
Balance sheet customer funds (2)	<u>64,764</u>	<u>62,607</u>
(1) / (2)	83.5%	83.5%

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
Net income (1)	183	302
Non-controlling interests (2)	25	99
Average total assets (3)	84,859	79,590
	[(1) + (2), annualised] / (3)	0.2%
		0.5%

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
Net income (1)	183	302
Average equity (2)	5,840	5,970
	[(1), annualised] / (2)	3.1%
		5.1%

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
Operating costs (1)	1,119	1,166
of which: specific items (2)	46	66
Net operating revenues (3)*	2,306	2,336
	[[1] - (2)] / (3)	46.5%
		47.1%

* Excludes the specific items, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary in the amount of 0.2 million euros in 2020 and 0.8 million euros in 2019.

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 (net of reversals and recoveries of credit and interest) recognized in the period and the stock of loans to customers at the end of that period.

Euro million

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

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
Non-Performing Exposures (1)	3,295	4,206
Loans to customers (gross) (2)	<u>56,146</u>	<u>54,724</u>
(1) / (2)	5.9%	7.7%

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
Non-Performing Exposures (1)	3,295	4,206
Loans impairments (balance sheet) (2)	<u>2,073</u>	<u>2,449</u>
(2) / (1)	62.9%	58.2%

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP
Loans to customers

Euro million

	31 Dec. 20	31 Dec. 19
Loans to customers at amortised cost (accounting Balance Sheet)	52,121	49,848
Debt instruments at amortised cost associated to credit operations	1,598	2,075
Balance sheet amount of loans to customers at fair value through profit or loss	354	352
Loan to customers (net) considering management criteria	54,073	52,275
Balance sheet impairment related to loans to customers at amortised cost	2,037	2,417
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	11	12
Fair value adjustments related to loans to customers at fair value through profit or loss	26	20
Loan to customers (gross) considering management criteria	56,146	54,724

Loans impairment (P&L)

Euro million

	2020	2019
Impairment of financial assets at amortised cost (accounting P&L) (1)	513	390
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	-1
Impairment of financial assets at amortised cost not associated with credit operations (3)	4	1
Loans impairment considering management criteria (1)-(2)-(3)	510	390

Balance sheet customer funds

Euro million

	31 Dec. 20	31 Dec. 19
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	1,599	3,201
Debt securities at fair value through profit or loss and certificates (2)	1,341	1,481
Customer deposits at fair value through profit or loss considering management criteria (3) = (1) - (2)	259	1,720
Resources from customers at amortised cost (accounting Balance sheet) (4)	63,001	59,127
Deposits and other resources from customers considering management criteria (5) = (3) + (4)	63,259	60,847
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	1,389	1,595
Debt securities at fair value through profit or loss and certificates (7)	1,341	1,481
Non subordinated debt securities placed with institucional customers (8)	1,225	1,316
Debt securities placed with customers considering management criteria (9) = (6) - (7) - (8)	1,505	1,760
Balance sheet customer funds considering management criteria (10) = (5) + (9)	64,764	62,607

Securities portfolio

Euro million

	31 Dec. 20	31 Dec. 19
Debt instruments at amortised cost (accounting Balance sheet) (1)	6,235	3,186
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,598	2,075
Debt instruments at amortised cost considering management criteria (3) = (1) - (2)	4,637	1,111
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	1,315	1,406
Balance sheet amount of loans to customers at fair value through profit or loss (5)	354	352
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6) = (4) - (5)	961	1,053
Financial assets held for trading (accounting Balance sheet) (7)	1,031	878
of which: trading derivatives (8)	544	620
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	0	31
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	12,140	13,217
Securities portfolio considering management criteria (12) = (3) + (6) + (7) - (8) + (9) + (10)	18,226	15,671

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 and from financial assets held for trading.

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 and results from derecognition of financial assets measured at fair value through other comprehensive income.

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 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 and at amortised cost not associated with credit operations), 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 and assets with repurchase agreement.

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.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards (“IFRS”) of the BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, as the currently existing version.

The information in this presentation is for information purposes only and should be read in conjunction with all other information made public by the BCP Group.

The figures presented do not constitute any form of commitment by BCP in regard to future earnings.

The figures of 2020 were not audited.