Annual Report

Banco BPI 2020

This page was intentionally left blank.

Index

This document is a translation from the Portuguese original "Relatório e Contas Banco BPI 2020". In the event of any inconsistency the Portuguese version shall prevail.

Key performance indicators

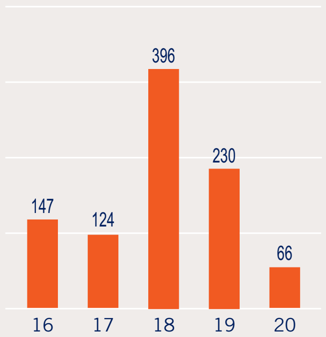
(**Consolidated** amounts in € million (€ M), except where otherwise stated)

	2016	2017	2018	2019	2020
Net profit	313.2	10.2	490.6	327.9	104.8
Activity in Portugal	147.0	123.7	396.3	230.2	66.2
Equity holdings	166.3	(113.5)	94.4	97.6	38.6
Core efficiency ratio[1] in the activity in Portugal	69.3%	64.8%	60.4%	60.2%	58.0%
Recurring ROTE in the activity in Portugal[2]	7.3%	8.3%	8.8%	8.9%	2.7%
Return on tangible equity (ROTE)[2]	13.5%	0.4%	16.3%	10.3%	3.0%
Return on assets (ROA)	1.2%	0.0%	1.6%	1.0%	0.3%
Net profit per share (euros)	0.22	0.01	0.34	0.22	0.06
Weighted average no. of shares (in million)	1 451.0	1 456.2	1 456.8	1 456.9	1 456.9
Total assets (net)	38 285	29 640	31 568	31 812	37 786
Loans to Customers (gross)	23 401	22 223	23 487	24 381	25 695
Deposits and retail bonds	19 724	20 719[3]	22 052	23 015	26 009
Total Customer resources	32 940	32 624[3]	33 195	34 382	36 989
Loan to deposit ratio	110%	99%	100%	100%	93%
NPE ratio[4]	6.6%	5.1%	3.5%	2.5%	1.7%
NPE coverage by impairments and collaterals	110%	117%	127%	124%	140%
Cost of credit risk[5]	0.08%	(0.02%)	(0.18%)	(0.17%)	0.57%
Total past service pension liabilities	1 463	1 601	1 639	1 804	1 907
Coverage ratio of Employee pension liabilities[6]	98%	98%	98%	98%	98%
Shareholders' equity attributable to BPI shareholders[7]	2 440	2 824	3 206	3 161	2 981
Capital ratios[8]					
Common Equity Tier I ratio	11.1%	12.3%	13.8%	13.4%	14.1%
Tier I ratio	11.1%	12.3%	13.8%	14.9%	15.6%
Total capital ratio	11.2%	14.0%	15.5%	16.6%	17.3%
Leverage ratio	7.4%	6.8%	7.3%	8.4%	7.3%
Book value per share (euros)[9]	1.68	1.94	2.20	2.17	2.05
Distribution network (no. units)[10]	736	507	495	477	422
BPI Group Employees (no.)[11]	8 157	4 931	4 888	4 840	4 622

1) Operating expenses (excluding non-recurring) as % of commercial banking gross income.
2) The average equity considered in the calculation of ROTE is deducted from the average balance of AT1 instruments, intangible assets and goodwill of equity holdings.
3) Proforma considering the sale of BPI Gestão de Ativos and BPI GIF.
4) Non-performing exposures (NPE) in accordance with the EBA criteria.
5) Impairment losses and provisions for loans and guarantees, net of loan recoveries previously written off against assets / Average value in the period of the gross loans and guarantees portfolio.
6) The value of the pension funds considered includes contributions transferred to Employees' pension funds at the beginning of the following year (€75.5 million in 2016, €9.0 million in 2017, €5.5 million in 2018, €3.8 million in 2019 and €90.1 million in 2020).
7) Excludes AT1 capital instruments (€275 million in 2019 and 2020).
8) Fully loaded capital ratios, except in 2020 (phasing-in of the impact of IFRS9 implementation: +0.3 p.p.).
9) Accounting shareholders equity, excluding AT1 capital instruments, per share.
10) In 2016 includes BFA's distribution network.
11) Staff (excludes temporary work) of fully consolidated subsidiaries. In 2016, includes BFA staff.

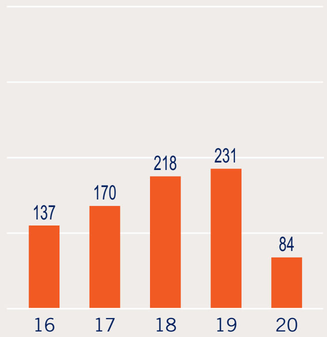
Net profit from the activity in Portugal

€ M



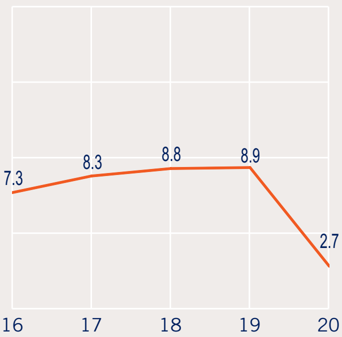
Recurring net profit from the activity in Portugal

€ M



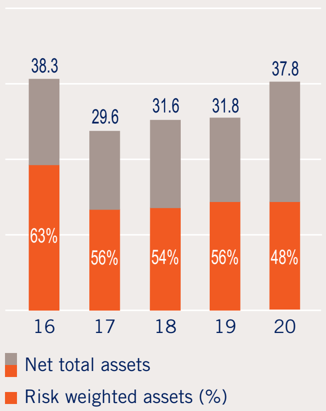
Recurring net profit from the activity in Portugal

%



Net total assets and RWA

€ Bn

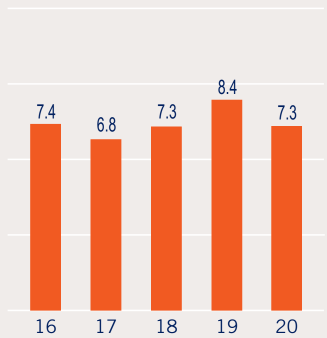


Capital ratios
(consolidated)

%

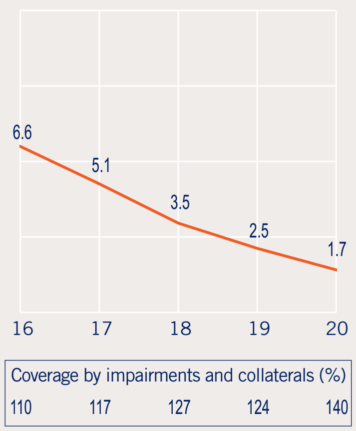
Leverage ratio
(consolidated)

%



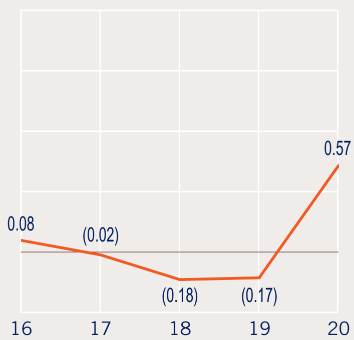
NPE ratio
Consolidated

%

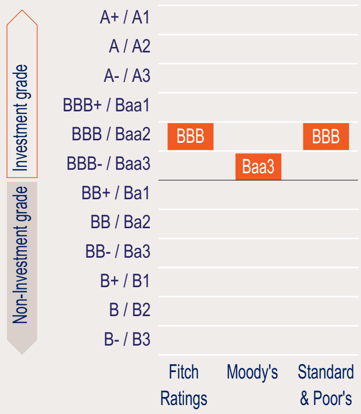


Cost of credit risk net of recoveries (%) (consolidated)

%



BPI Ratings
Long-term ratings (31 Dec. 2020)



Statement of the Chairman of the Board of Directors

STRONG RESPONSES

Chairman of the Board of Directors

Fernando Ulrich

One year ago, I wrote that in 2017-2019 "the Portuguese economy grew more than in any other equal period since the start of the century". I thought at the time that this growth would continue in the following years.

The Covid-19 pandemic brutally interrupted this trend and, instead of growing, in 2020 the Portuguese economy shrank by 7.6 per cent.

This time the crisis has spread to the whole world, albeit with different levels of intensity. The response of Governments and Central Banks was, and continues to be, very strong, which allowed avoiding a catastrophe in terms of employment and GDP growth capacity.

I would like to highlight in particular, due to its future potential, the response of the European Union both on the health front and in supporting economic recovery.

Businesses and banks also reacted quickly and flexibly to the challenges and threats posed by the pandemic.

It was this prompt and remarkable reaction by the authorities, the private sector and the population in general that kept the ability to return to economic growth, once the pandemic was under control, practically unscathed.

In the Portuguese case, despite a 7.6 per cent fall in GDP, unemployment increased "only" from 6.5 to 6.8 per cent.

The catch in this apparently not so grave evolution is the increase in public debt, which in 2020 rose from 250 billion to 270 billion euros and from 117.2% to 133.7% of GDP.

In Germany, the ratio of public debt to GDP is 71.2%.

Thanks to the intervention of the European Central Bank, this evolution had no consequences on interest rates. Much the opposite, at the end of 2020 the Portuguese Public Debt showed negative interest rates in all maturities up to 10 years.

The risk we may have to face going forward, as the health and economic situation returns to normal, is that the concurrent normalisation of monetary and budgetary policies may raise increased difficulties for the most indebted countries. The adjustment can be expected to be gradual and to take into account the different starting positions. However, this is a major risk that banks cannot and should not ignore.

About BPI's activity and collaboration with "la Caixa" Foundation, the message from the Chief Executive Officer, which I fully endorse, is truly enlightening. I must, however, express my own immeasurable appreciation and recognition for the remarkable work carried out by BPI Employees, under the guidance of the Executive Committee led by Pablo Forero, first, and by João Pedro Oliveira e Costa as from June.

A new mandate of BPI's Corporate Bodies for the 2020-22 term of office was initiated in 2020. It was also in 2020 that the Shareholder approved new Articles of Association for the Bank, adapting them to the situation of having a sole Shareholder and adopting the Board of Directors with Audit Committee model, which makes for a leaner structure and enables the supervisory body to monitor the Bank's activity more closely.

Other changes should also be highlighted. In line with the Supervisor's guidelines and international best practices, the Board of Directors – including the Audit Committee – was reduced to 15 members from the 22 who previously sat on the Board of Directors and the Supervisory Board.

In this context, the Executive Committee was reduced from 8 to 5 members and the Board now has 10 non-executive members, of whom 4 are appointed by the Shareholder and 4 are women. The Audit, Risk, and Nomination and Evaluation Committees are composed of a majority of independent members, with all chairmanships being held by independent members, and two of them by women.

The reduction in the number of members of the Board of Directors and Executive Committee meant that some people are no longer part of the team for the new mandate. I would like to express my deepest thanks to all of them for their contribution. António Cabral and Tomás Jervell, two non-executive members of the Board and of some Committees, have always contributed with their active, lucid and rigorous participation, borne out by successful and enriching professional careers.

Rui Guimarães, for several years an outstanding member of the Supervisory Board where he always acted with the utmost rigour, and Ricardo Pinheiro, an excellent professional with a vast experience in auditing, who had already resigned his mandate in May 2020.

A special word for Alfredo Resende, a member of the former Audit and Internal Control Committee who participated in BPI's corporate bodies since the foundation of SPI in October 1981, and was always a staunch supporter of the project launched and led by Artur Santos Silva.

José Pena do Amaral, who turned 65 in November, has been a reference in BPI for more than 35 years on account of his intelligence, vision, character and capacity for human relations inside and outside the Bank. He will continue to collaborate with the Group as Advisor to the Executive Committee and member of the Social Responsibility Committee.

Alexandre Lucena e Vale, who for 25 years has also been a reference in BPI for his character, his knowledge and his exceptional working capacity. He will continue to be one of the main and most respected members of BPI's Senior Management, responsible as until now for the legal function and a permanent guest to the Executive Committee meetings.

Pablo Forero, who chaired the Executive Committee in the first mandate after BPI was taken over by CaixaBank, did an extraordinary job. Everything was new for Pablo Forero: the country, the Bank and the team he inherited. He proved to be a great professional, he successfully led BPI's integration into CaixaBank, and it was his the initiative to propose João Pedro Oliveira e Costa to succeed him at the lead of the Executive Committee. A choice that, in his first months in office, is proving as totally the right choice. João Pedro Oliveira e Costa, aged 55, has worked for BPI for 30 years. With a profound knowledge of banking and finance, he has shown great leadership qualities over the 30 years of our shared path.

I end with a word of confidence in the future.

Belonging to the largest banking and financial group operating in the Iberian Peninsula, with a robust Governance, an extremely strong reputation in all segments of society, and the extraordinary competence and dedication of its Teams, BPI has all the conditions to emerge victorious from the demanding challenges that lie ahead.

Fernando Ulrich

Statement of the Chief Executive Officer

A YEAR NOT TO BE FORGOTTEN

Chief Executive Officer

João Pedro Oliveira e Costa

The year 2020 will forever be marked in our memories by the brutal and unexpected impact of a pandemic that no one really knew what it was or could become, as the facts continue to show, so many months after we recognised its first signs. Therefore, even in a note of this nature, an initial word of respect is due to all those who lost their lives in this way and to those who suffered as a result. A second word, of recognition and gratitude, is due to those who gave all they could to organise society's response to an unknown challenge, with a deserved emphasis on the example of self-sacrifice given by the health professionals.

The same word of recognition goes to our Clients, for their invaluable trust, and to all of BPI's Employees, who gave a great demonstration of professionalism, discipline, team spirit and capacity to adapt, well reflected in the results that at all levels it was possible to achieve under such difficult conditions. Since the first emergency period, in March, about 60% of the Employees, on average, remained in work from home, without any interruption in the service provided, with a level of quality recognised by the most reputable independent evaluations and without losing focus on innovation and increased efficiency. BPI was, in 2020, the first bank to obtain the 'Covid Safe' brand, awarded by the Portuguese Certification Association (APCER), after conducting a specific audit on the pandemic control measures and processes in the central facilities and commercial networks.

Still recovering from the painful effects of an economic and financial crisis that lasted for almost a decade, the Portuguese economy faced in 2020, and will continue to face for much of 2021, the most acute recession of the last 92 years, with a fall in GDP close to 8%. Despite the growing difficulties we have to tackle every day, the resulting social catastrophe has so far been avoided by exceptional response measures, among which stand out the bank moratoria, totalling 46 billion euros, without which we could not even speak today of a "new normal". For BPI, which granted 100 thousand moratoria worth 5.6 billion euros, this was a huge challenge in terms of organisation, logistics and risk management, in a structural context with no historical precedent, with interest rates close to zero or even negative, very low inflation, weak economic growth and permanent pressure on profitability.

The effect of the pandemic is clearly represented in the Bank's recurrent results, which, at 84.3 million euros in Portugal, correspond to a fall of 64%, two thirds of which are explained by the setting of unallocated impairments of 97 million euros, to forestall potential consequences of the health crisis. This decision confirms the prudent risk management conducted by BPI, which closed the year with a NPE ratio of 1.7% and NPE coverage by impairments and collaterals of 140%, one of the best in Portugal and in Europe. Likewise, the Bank's financial strength is also expressed in its comfortable liquidity and capital position, well above the limits established by the regulators, and recognised through the investment grade level assigned by the three main rating agencies. The quality of the results is also confirmed at the business level, with stable gross income and market share gains, driven by the very significant growth of deposits, which rose by 13%, and credit, which increased by 5.4%, in an unequivocal sign of support to the Clients and the economy.

On the other hand, the challenging and unexpected context did not halt the modernisation and innovation momentum of the last two years, which led to accelerated digitisation on all fronts, from processes to distribution and sale channels. An example worth mentioning is the creation of the 'In Touch' omnichannel service exclusively provided through a remote personal account manager. Half of BPI's Clients are now digital Clients, the Bank has the most widely automated network in the country and approximately 350 thousand hours of work were "returned" in 2020 to commercial activity – an unequivocal sign of the priority given to the efficiency of the operation and the preparation for the future.

This priority – and its results – were recognised by Clients and the market alike. Among many other distinctions, BPI was for the first time elected Bank of the Year in Portugal by "The Banker" magazine and was the only Portuguese company to date to be simultaneously awarded the three main prizes in the consumer area: "Five Stars" for best Large Bank, "Consumer Choice", in the same category, and "Trusted Brand" in Banking, for the seventh consecutive time.

On a different and very relevant level – the governance of the Bank – I would like to point out the extinction of the Supervisory Board and the integration of its functions into the Board of Directors, through an Audit Committee, a change which has simplified the structure of the company and reduced the size of its corporate bodies. Through this process, the Board of Directors now has 15 members, five of whom make up the new Executive Committee, which I now have the honour of chairing – an expression of trust on the part of the shareholder that I would like to point out here, and thank, while paying tribute to my predecessor, Pablo Forero, and the excellent legacy I have received from him. I am also very pleased to announce the appointment of the Chairman of BPI's Board of Directors, Fernando Ulrich, to the Board of Directors of the largest Bank in Spain, resulting from the merger of CaixaBank and Bankia.

I have left to the end a question of principle, which very particularly distinguishes the identity of BPI and CaixaBank: the fulfilment of our social responsibility mission, which we develop together and with the support of the "la Caixa" Foundation. In such a difficult year, all the planned programmes and support, totalling 26 million euros, were maintained, and special initiatives for the most vulnerable were launched with other patrons, such as support to the emergency food network, the delivery of new computers to schools, and the distribution of equipment to facilitate communication between sick people and the outside. These initiatives are part of BPI's firm commitment to sustainable development, reflected in its own organisation and in the relationship which it establishes with the economy and society.

It is in the name of this commitment that I hereby express the willingness, availability and enthusiasm of the executive team as it prepared itself to tackle the demanding challenges of this new stage in BPI's life.

João Pedro Oliveira e Costa

Executive Committee of the Board of Directors
Ignacio Alvarez-Rendueles, Francisco Barbeira, João Pedro Oliveira e Costa (CEO), Pedro Barreto, António Farinha Morais.

Key corporate events

2020

January

9 BPI ranked for the first time in #1 place in the "Large Banks" category of the "Consumer Choice Awards" and "Five Stars Awards". Both these awards distinguish brands based on surveys to Portuguese consumers.

23 BPI launched 5 Solidarity Awards – BPI "la Caixa" Foundation Awards – to provide financial support to projects that promote the improvement of the quality of life and equal opportunities of people living in a situation of social vulnerability. Over the course of the year, the application deadlines and regulations of these awards were adjusted to allow supporting initiatives targeting the communities most affected by the Covid-19 crisis.

February

3 Disclosure of 2019 results: consolidated net profit reaches €328 million in 2019. The profit from banking activity in Portugal, excluding non recurring items, increases by 6% over the previous year, to €231 million in 2019. BPI's Board of Directors proposes the distribution of a €117 million dividend on the 2019 results.

27 BPI informed the market it had on that date set the the conditions for a €450 million senior non-preferred debt issue. This issue aimed at reinforcing eligible liabilities for compliance with the forthcoming MREL requirement (Minimum Requirement for own funds and Eligible Liabilities). The bond was settled on 6 March and was fully subscribed by CaixaBank, S.A.

March

1 BPI was recognised, for the seventh consecutive year, as the Portuguese Most Trusted Banking Brand, according to the brand trust survey that Reader's Digest has conducted for 20 years in 16 countries. 73.7% of the respondents considered BPI to be the most trustworthy banking brand in Portugal.

11 Moody's upgraded the ratings on BPI and its long-term senior unsecured debt from Ba1 to Baa3. Moody's reaffirmed BPI's long-term deposits rating at Baa1. The Outlook for both deposits and Banco BPI is "Stable".

22 BPI announced a package of measures to support families, companies and society in general in the grip of the crisis generated by the COVID-19 pandemic. BPI was the first Portuguese bank to express its full availability to grant moratoria for all types of loans and to extend their scope to all corporate and individual Clients with no credit issues, at no additional cost.

April

3 Fitch Ratings, following a recent review of its bank rating criteria, upgraded Banco BPI´s long-term senior preferred debt rating from BBB to BBB+ and rated, for the first time, Banco BPI´s long-term deposits, assigning a BBB+ rating. Banco BPI rating was affirmed at BBB. The Outlook on Banco BPI´s rating was revised from "Stable" to "Negative".

14 BPI informed the market that by decision taken on the 27th of March its sole shareholder had approved the Annual Report and the Board of Directors proposal for the distribution of a €116.5 million dividend on the 2019 results.

In view of the exceptional circumstances deriving from the pandemic crisis, Banco BPI and CaixaBank decided to suspend the €116.5 million dividend distribution with respect to 2019.

16 BPI's executive directors decided to forgo bonuses relative to performance in 2020, in view of the crisis situation created by the Covid-19 pandemic. This decision was coordinated with a similar initiative announced by CaixaBank.

May

4 The Chief Executive Officer, Mr. Pablo Forero, informed the Board of Directors of his decision to retire at the end of his current mandate. The Board of Directors appointed Mr. João Pedro Oliveira e Costa, a member of the Executive Committee, to replace Mr. Pablo Forero as Chief Executive Officer, for the 2020-2022 term. The appointment became effective after the necessary approval by the supervision authorities had been obtained.

4 Disclosure of 1st quarter 2020 results: Net profit from the activity in Portugal was €4.4 million (-90% yoy), after €32 million reinforcement of credit impairments in the quarter, to provide for future needs. Consolidated net profit was €6.3 million in the 1st quarter 2020 (-87% yoy).

June

29 BPI's private banking was elected in PMW magazine's Wealth Tech Awards 2020 as the best in Europe in terms of the digitisation of the Customers portfolio management ("Best Private Bank for portfolio management technology – Europe").

July

1 BPI distinguished by Superbrands as "Brand of Excellence". The Bank received this award for the 7th consecutive year, in recognition of the strong reputation of the BPI brand, noted as a reference in socially responsible banking, and for the quality of the services provided to its Clients.

31 Disclosure of 1st half 2020 results: BPI posted a €42.6 million consolidated net profit (-68% yoy), of which €6.5 million correspond to the net profit of the activity in Portugal. This reduction is essentially explained by the €83 million loan impairment charges recognised in the activity in Portugal, which include unallocated impairments resulting from the revision of the macroeconomic scenario in the context of COVID-19.

September

22 BPI was the first Bank in Portugal to obtain APCER's COVID Safe certification. This independent entity certifies that the Bank's COVID-19 measures to protect Employees and Clients follow the health authorities' recommendations and are in line with the law and best practices.

October

19 Fitch Ratings reaffirmed the rating on BPI at BBB, with negative Outlook, and the BBB+ rating assigned to its long-term senior preferred debt and long-term deposits.

20 S&P Global Ratings reaffirmed the ratings on BPI and its long-term senior debt at BBB, with stable Outlook.

November

3 Disclosure of 3rd quarter 2020 results: Net profit in the activity in Portugal of €47.4 million in September 2020 (-69% yoy), of which €40.9 million in Q3 (-38% yoy). Net loan impairments amounted to €100 million from Jan. to Sep. 2020 and include unallocated impairments in the context of COVID-19. Consolidated net profit of €85.5 million (-66% yoy).

30 BPI informed the market on the composition of its corporate bodies for the 2020-2022 term, upon the European Central Bank's authorisation for their members to take office, granted on 27 November 2020.

December

2 In 2020 BPI was for the 1st time elected 'Bank of the Year' in Portugal by British magazine The Banker, of Financial Times Group. This accolade stresses BPI's financial strength and its capacity to respond to the pandemic, supporting its Clients and the community, including the more vulnerable groups.

3 Banco BPI reports that it has been notified by the European Central Bank of the results of its Supervisory Review and Evaluation Process (SREP), which apply to the 2021 financial year. The 2019 SREP Decision, which was applicable to 2020, was not amended and remains in force. As a consequence, the requirements established by the SREP Decision continue to apply, including, in particular, the capital requirements.

15 BPI ranked #1 in the Large Banks category of the Five Stars Awards, for the second consecutive year. Among the banks assessed by consumers, BPI had an overall score of 77.1% (5.4 p.p. up on the previous edition), ranking #1 in the Satisfaction, Intention to Recommend and Brand Confidence criteria.

18 BPI's internal and external action strategy as a response to the Covid-19 pandemic crisis was in the spotlight at the 'Distinguished Crisis Leadership 2020', an international initiative organised by the north-American Global Finance magazine.

22 CaixaBank BPI was the winner in the 'Best Research Content – equities' category in the 2nd edition of Rankia Portugal Awards.

2021

January

14 For the first time, BPI came up in #1 place in the 'Salary Account' category of the Five Stars Award. Among the banks evaluated by consumers, BPI had an overall score of 75.3%, the highest in this category.

February

4 Disclosure of 2020 results: consolidated net profit of €104.8 million, strong commercial growth, great strength, strong support to the economy, and social commitment. In the activity in Portugal the recurring net profit was €84.3 million. In 2020, BPI set up €151 million in net loan impairments, including unallocated impairments of €97 million, which explain the reductions in recurrent net profit in Portugal (-64%) and in consolidated net profit (-68%).

Non-financial statement

The non-financial statement presents detailed information on the evolution, performance, position and impact of BPI's social responsibility activities during 2020, in line with its objectives, business model and strategic lines.

BPI Identity

BPI's identity is marked by a strong financial and business culture. The essential traits of this culture are management independence, organisational flexibility, teamwork, recognition of merit, long-term vision and the ability to anticipate change, active management of risks and safe value creation for the Stakeholders.

Earning a just return from the Bank's business operations through the adoption of best management and service practices constitutes a fundamental goal of the activity. Protecting the interests of our Customers with dedication, loyalty and confidentiality, is one of the core principles of the business ethics and rules of conduct of the Bank's Employees.

Mission	Vision	Values
To contribute to the financial well-being of Customers and to the progress of society	Leading and innovative financial group, with the best Customer service, and a reference in Socially Responsible Banking	Quality Trust Social Commitment

In order to pursue its mission and vision, BPI carries on its activity under the motto **"Creating value with values"**:

- **quality of service** to improve the experience of Customers and respond to their needs at all times in an increasingly agile manner;
- the **trust** built on a daily basis which stems from integrity and accountability, transparent communication, ensuring depositors' security, the protection of Customers' data, high quality service and financial strength;
- **social commitment** to families, companies and society, which has marked BPI's identity since its birth, and was reinforced in 2017 with its integration in the **CaixaBank Group**.

With BPI's entry into the CaixaBank Group, the **"la Caixa" Foundation** decided to extend its activity to Portugal, starting in 2018, in collaboration with BPI, to develop in Portugal a set of initiatives in the social, research and health, culture and science, and education and scholarships areas.

The "la Caixa" Foundation, created over 110 years ago, is the largest foundation in the European Union, and one of the most important in the world in terms of social investment volume. Its mission is to build a better and fairer society, giving more opportunities to those who need them most. In 2020, "la Caixa" Foundation's budget allocation for programmes to be implemented in Portugal amounted to €26 million.

BPI's commitments to Stakeholders

BPI establishes a permanent relationship with its Stakeholders – mainly **Customers, Shareholder, the Community and the Employees** –, before which it undertakes commitments and seeks to be worthy of the trust and reputation it enjoys.

Customers, the first reason for its existence, whom it wishes to serve well, doing more and better with less costs. To Customers, BPI undertakes the commitments to deliver an offer suited to their needs; to ensure responsible sales; to promote the quality of service; to encourage dialogue; to establish accurate, accessible and transparent communication; to safeguard data protection; to strictly comply with the law; and to maintain a relevant presence in Portugal.

Shareholder, which challenges it to achieve the best potential results. BPI seeks to deserve the trust that the Shareholder has placed in it, generating long-term value, delivering an attractive return and maintaining with it a close and transparent relationship.

Society, within which BPI operates, and in a broader sense, the planet we all inhabit. Social balance and solidarity are fundamental values of the Bank. BPI is committed to supporting the more vulnerable groups, to having in place a sound management model for the country's socio-economic development, to respecting and protecting the environment, complying with the legislation in this domain, and to contributing to the Sustainable Development Goals.

Employees, BPI's main asset for achieving social and economic efficiency. BPI undertakes to respect human rights and labour rights; to ensure respect for diversity, equal opportunities and non-discrimination; to promote job stability, the conciliation of professional and family life, and well-being in the working environment; to manage the organisation's talent; to ensure the correct execution and monitoring of all legal obligations; and to encourage dialogue and internal communication, as well as to measure Employees' level of satisfaction.

2020 Materiality

BPI has since 2019 conducted an annual **sustainability materiality survey**, with the assistance of an external consultancy firm, **in order to identify and establish which issues** related to the management and communication of sustainability and corporate responsibility are **relevant to the Bank and to its Stakeholders**.

A total of **27 potentially relevant topics, grouped into three thematic clusters**, were identified on the basis of a process of benchmarking, consultations with the relevant entities and individuals on the domestic scene, and alignment with CaixaBank's materiality survey.

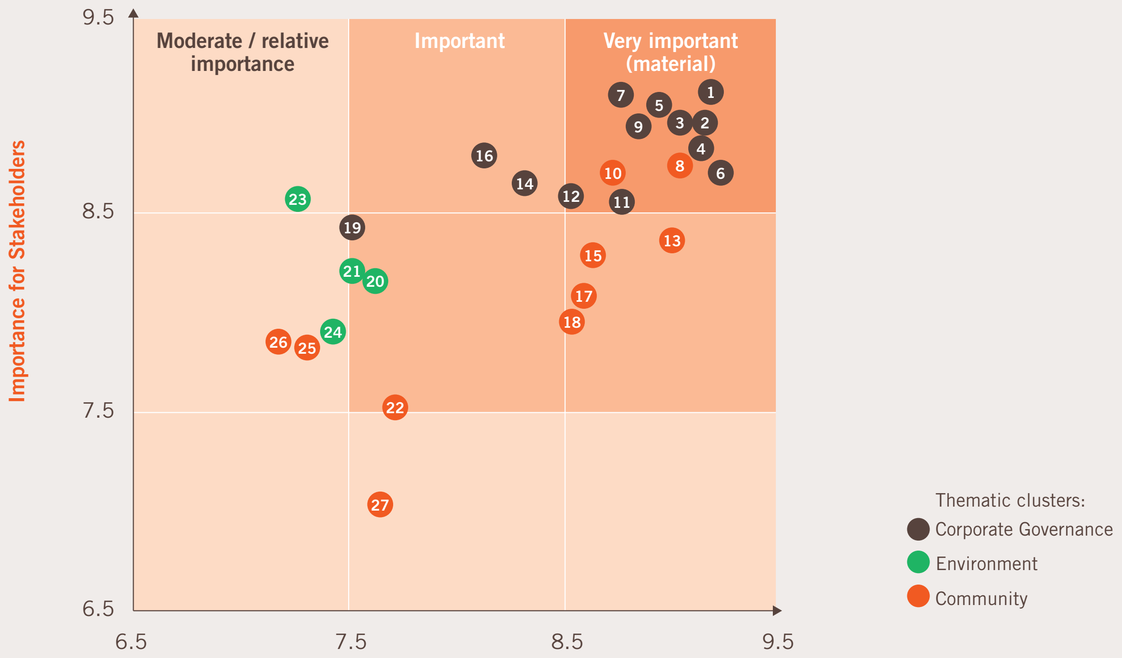
In order to assess the impact on / importance to BPI of the topics to be assessed, a group of strategic elements of the Bank, with management powers (members of the Executive Committee of the Board of Directors and first line managers) was selected, to allow obtaining an internal view on which of the topics reflect the main sustainability concerns, challenges and impacts from the Institution's perspective.

At **Stakeholder** level, the consultations involved representatives of the Shareholder, individual, corporate and institutional Customers, elements of Society from the university, culture and social sector institutions segments, Financial Community entities, the Media, the Employees and members of BPI's Social Responsibility Committee.

The **consultation process with Stakeholders and BPI representatives was carried out by means of a questionnaire** on an online platform owned by the Bank, focusing exclusively on the valuation of the topics. The valuation phase obtained replies from 415 representatives of BPI Stakeholders and 23 representatives of the Bank.

The topics were represented in a **materiality matrix**, grouped into three distinct levels of relevance / priority. The material topics are those considered **very important, with a vote equal to or greater than 8.5** (on a scale of zero to 10), **both for BPI and for the organisation's Stakeholders**.

BPI 2020 MATERIALITY MATRIX



Very important topics (material topics)	1. Cybersecurity and information protection 2. Financial strength and profitability 3. Good corporate governance practices, upright and responsible conduct 4. Prevention of and fight against corruption, fraud and money laundering 5. Accurate, accessible and transparent communication 6. The Bank's Reputation 7. Respect for and protection of human rights 8. Responsible marketing tailored to Customers' needs 9. Active risk management 10. Proximity, expert advice and Customer satisfaction 11. Long-term vision and capacity to anticipate change 12. Sustainability strategy and governance
Important topics	13. Digital transformation and technological innovation in processes, products and services 14. Operational efficiency and business continuity 15. Employee safety, health and well-being 16. Compliance with and adaptation to regulatory changes 17. Attraction and retention of talent and human capital development 18. Support for Society and the well-being of the population, especially people in vulnerable situations – joint initiatives with "la Caixa" Foundation 19. Integration of environmental and social criteria in the contracting of Suppliers 20. Environmental and social awareness-raising 21. Marketing and encouraging the adoption of sustainable investment and financial products and services 22. Diversity, equality and conciliation
Topics of moderate importance	23. Management of ESG (environmental, social and governance factors) and climate risks 24. Management of own resources to minimise environmental impact 25. Solutions for Customers with economic difficulties and/or special needs 26. Financial literacy 27. Corporate volunteering

Committed to establishing **accurate, accessible and transparent communication** with its Stakeholders, BPI provides communication and dialogue channels which are open for diverse purposes according to each one's needs and expectations.

Stakeholders	More relevant topics	Main channels of communication
Customers	▪ Cybersecurity and information protection ▪ Accurate, accessible and transparent communication ▪ Respect for and protection of human rights ▪ Prevention of and fight against corruption, fraud and money laundering ▪ Proximity, expert advice and Customer satisfaction	▪ Specialised distribution networks: Branches, Premier Centres, InTouch Centre, Corporate and Institutional Centres, Real Estate Business Centres, Corporate and Investment Banking Centres. ▪ Homebanking services (BPI Net and BPI Net Empresas), Telephone Banking (BPI Direto) and mobile applications (BPI App) ▪ Mobile Branch ▪ Institutional website ▪ Social networks ▪ Meetings with Customers ▪ Customer events, face-to-face, online or others ▪ Surveys
Shareholder	▪ Financial strength and profitability ▪ Long-term vision and capacity to anticipate change ▪ Respect for and protection of human rights ▪ Accurate, accessible and transparent communication ▪ Operational efficiency and business continuity	▪ Meetings, namely with the corporate bodies ▪ Face-to-face, e-mail or telephone contacts ▪ Management reports ▪ Surveys
Community	▪ Respect for and protection of human rights ▪ Support for Society and the well-being of the population ▪ Prevention of and fight against corruption, fraud and money laundering ▪ Solutions for Customers with economic difficulties and/or special needs ▪ Good corporate governance practices, upright and responsible conduct	▪ Branch networks with nationwide representation ▪ Mobile Branch ▪ Institutional website ▪ Social networks ▪ Meetings open to the Community ▪ Surveys
Employees	▪ The Bank's Reputation ▪ Cybersecurity and information protection ▪ Respect for and protection of human rights ▪ Prevention of and fight against corruption, fraud and money laundering ▪ Financial strength and profitability	▪ Intranet ▪ Surveys, namely to the organisational climate ▪ Internal meetings or meetings with the Shareholder ▪ Performance assessment ▪ Whistleblowing channel

BPI Business Model

BPI, which is wholly owned by CaixaBank, focuses on the **commercial banking business in Portugal**, using its specialised distribution network and digital channels in an integrated manner to offer a broad range of services and financial products to corporate, institutional and individual Customers.

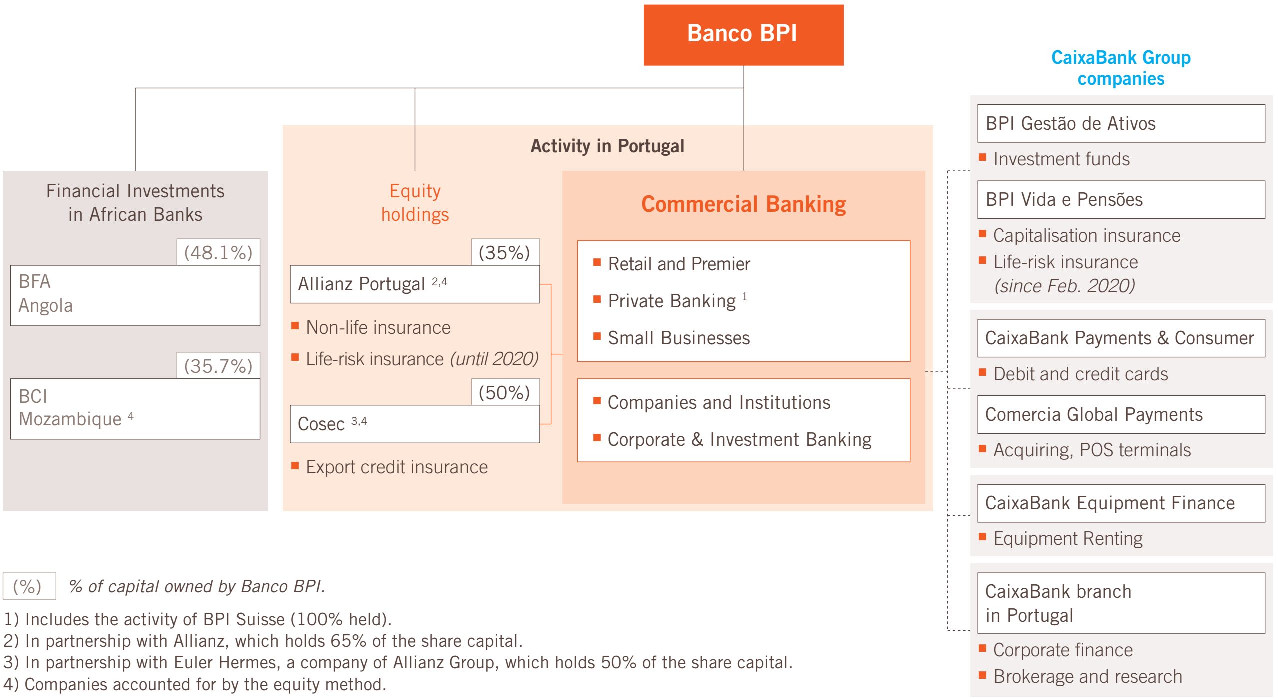
BPI serves **1.9 million Customers** in the domestic market and is the **fifth largest financial institution operating in Portugal by assets** (€37.8 billion). In the eleven months to November 2020, the Bank's market shares increased to 10.7% in Customer loans, 10.6% in Customer deposits, and 13.4% in mutual funds, retirement savings plans (RSPs) and capitalisation insurance.

BPI offers its Customers a range of **investment and savings solutions** – mutual funds, retirement savings plans and capitalisation insurance – mainly provided by BPI Vida e Pensões and BPI Gestão de Ativos (companies sold to CaixaBank Group).

In the **insurance** business area, BPI has a 35% stake in the share capital of Allianz Portugal and a distribution agreement for non-life insurance. The life-risk insurance distribution agreement with Allianz terminated in 2020, and the Bank now distributes the life-risk products of BPI Vida e Pensões (CaixaBank Group). In credit insurance, BPI holds a 50% stake in COSEC. BPI distributes **other products and services centrally sourced from CaixaBank Group:** debit and credit cards from CaixaBank Payments & Consumer, acquiring and POS from Comercia Global Payments, equipment renting from CaixaBank Equipment Finance, and investment banking services from CaixaBank's Branch in Portugal. CaixaBank Payments & Consumer is market leader in Spain.

BPI holds **minority interests** in African banks (48.1% in BFA in Angola, and 35.7% in BCI in Mozambique).

BPI's business model and structure



(%) *% of capital owned by Banco BPI.*

1) Includes the activity of BPI Suisse (100% held).
2) In partnership with Allianz, which holds 65% of the share capital.
3) In partnership with Euler Hermes, a company of Allianz Group, which holds 50% of the share capital.
4) Companies accounted for by the equity method.

The **business model** is based on the provision of a complete range of financial products and services, structured to meet the specific needs of each segment through a specialist, omnichannel and fully integrated distribution network.

The **physical distribution network** comprises 422 business units, namely 360 retail Branches, 1 mobile Branch, 27 Premier Centres, and specialist Branches and units serving corporate and institutional Customers, including 27 Corporate and Institutional Banking Centres, 2 Institutional Banking Centres, 2 Real Estate Business Centres and 3 Corporate and Investment Banking Centres. For individual Customers with a digital profile who prefer to communicate and carry out operations remotely, BPI also has 1 InTouch Centre.

This network articulates with the **virtual channels**, which include homebanking services (BPI Net and BPI Net Empresas), telephone banking (BPI Direct) and mobile applications (BPI Apps), thus ensuring banking services coverage for all Customers.

In the context of the pandemic crisis, the digital channels, the branches' automated service areas, and the commercial networks' operation behind closed doors were **key to ensuring the Customers' continuous access to banking services**, protecting the health and well-being of both Customers and Employees.

BPI endorses the new technologies to improve the Customer experience in the relationship with the Bank, increasing its capacity to analyse and respond to the needs of each Customer and redesigning various processes to provide an increasingly innovative and multichannel offer.

This strategic focus has enabled BPI to attain **prominent positions in the digital channels** among the main Banks in Portugal: in the individual Customers' segment, BPI ranks #1 in "satisfaction with the digital channels ('digital presence' dimension)" and #2 in Internet and Mobile Banking penetration"; in the corporate segment, BPI ranks #1 in "market share of Net and Mobile Banking" and #2 in "satisfaction with the NetBanking service" (sources: BASEF, DATA-E and CSI Banca).

At the end of December BPI reached 711 thousand digital banking regular users, of which 462 thousand through BPI App, which corresponds respectively to 5% and 15% yoy increases.

BPI's business is organised around two main segments: (i) **Individuals and Businesses**, and (ii) **Corporates and Institutions**.

Individuals and Businesses

Individuals, Businesses, Premier and InTouch Banking is responsible for commercial initiatives with individual Customers, entrepreneurs, and small businesses. The Branch network is geared towards mass-market Customers and small businesses. For the Affluent Customers – high net worth Customers or Customers with potential for wealth accumulation – BPI has a network of **Financial Advisors** working at Premier Centres or specific retail Branches, who provide specialised financial advisory services.

In 2020, BPI opened its first InTouch Centre, offering a new commercial approach, where Individual Customers have at their disposal a dedicated Manager with whom they can communicate by telephone or by chat via the BPI App, from anywhere and during extended hours.

BPI Private Banking, made up of a team of experts in Portugal and also comprising a 100% held subsidiary in Switzerland – BPI Suisse – provides discretionary management and financial advice specialist services to high net worth individual Customers.

Its value proposition relies on the continuous innovation of its offer of products and services and the commitment to deliver the best experience from the perspective of the Customer, who can access all kinds of financial solutions – flexible and customised – through the digital platforms and, in particular, the Customer's Financial Advisor, at any time, anywhere.

Corporates and Institutional

Through a specialised network, **Corporate and Institutional Banking** serves companies and institutional Customers, namely Public Sector and state-controlled organisations. The network includes two Real Estate Business Centres, which are designed to offer a more focused support to Customers, developers and builders, involved in large residential real estate projects.

Corporate and Investment Banking manages the relationship with the largest Portuguese corporate groups, insurance companies and subsidiaries of the largest Spanish companies, under an Iberian approach aimed at providing the best level of service.

Distribution network and Customer segmentation

31 December 2020

1.9 Million Customers

422 Commercial units (physical network)

4 622 Employees

Individuals and businesses

PRIVATE BANKING

INDIVIDUALS, BUSINESSES, PREMIER AND INTOUCH BANKING

27 Premier centres

1 InTouch* centre

360 retail branches

1 mobile branch

1 456 ATM

30 thousand PoS

Corporates and institutions

CORPORATE & INVESTMENT BANKING

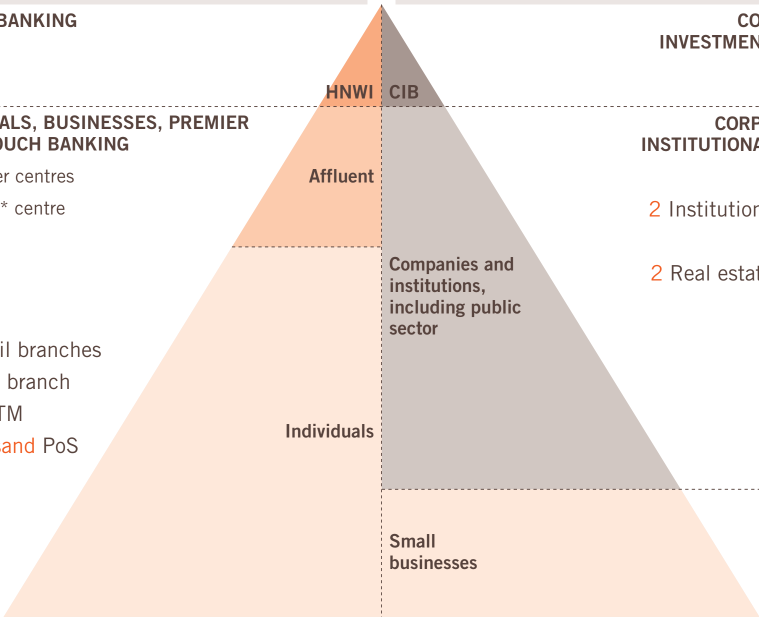
3 centres

CORPORATE AND INSTITUTIONAL BANKING

27 centres

2 Institutional banking centres

2 Real estate business centres



Digital Banking

711 thousand Digital banking regular users

462 thousand BPI App regular users

47% Active digital Customers[1]

HNWI = High Net Worth Individuals; CIB = Corporate and Investment Banking.
* Without in-person servicing at the centre.

1) Active Customers 1st account holders; individuals and companies.

Strategic lines

2019-2021 STRATEGIC PLAN

Even in the current challenging context, BPI, under the motto "Create value with values", has continued to deploy its **2019-2021 Strategic Plan** based on the five priorities defined: sustainable increase in profitability, enhance the Customer experience, develop human capital, boost operating efficiency and consolidate the Bank's reputation.

STRATEGIC PRIORITIES FOR 2019-2021

Sustainable increase in PROFITABILITY	Accelerate transformation of CUSTOMER EXPERIENCE	Develop the Bank's HUMAN RESOURCES	Improve operational and organisational EFFICIENCY	Consolidate the Bank's reputation based on QUALITY OF SERVICE to the Customer and Society
Sustainable increase in profitability through the increase in revenue driven by the growth of loans to corporates and individuals and the sale of financial advisory services, combined with stable recurring expenses and a low cost of credit risk.	With a focus on digital mobility and Customer service, BPI is set on accelerating the Bank's digital transformation process, applying the new technologies to analyse and respond to the needs of each Customer and to provide an increasingly innovative and multi-channel offering.	Prioritising investment in human resources training and development at all levels of the institution, BPI is set on fostering talent management and driving an agile culture that permits to respond to the changing environment in the financial sector.	One of BPI's priorities for 2019-2021 is the simplification, digitisation and centralised management of processes, enabling the commercial teams to be more focused on Customer service and the marketing of and advisory services for financial products.	This strategic line stresses not only the maintenance of the high levels of service quality that characterise the Bank but also BPI's goal of being a reference in the area of social commitment and responsible management.

SUSTAINABLE PROFITABILITY

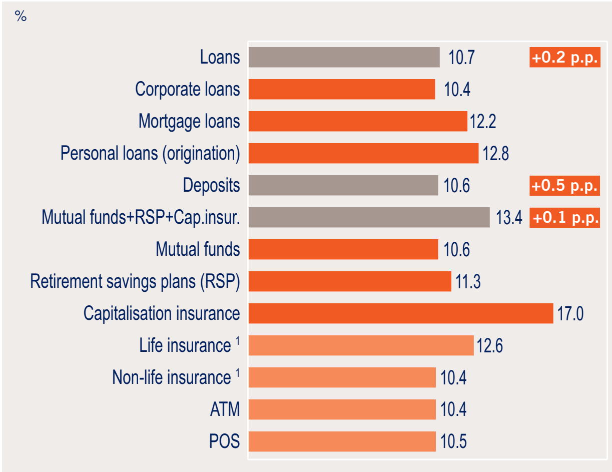
SUSTAINABLE INCREASE IN PROFITABILITY

In 2020, since the onset of the COVID-19 crisis, BPI **adopted a priority focus on supporting households, businesses and society in general**, seeking to mitigate the crisis' economic and social impacts. All the while, BPI's activity showed strong commercial dynamism, the **resilience of core income**, and the Bank maintained a solid solvency position and a low risk profile. BPI continued to **improve its credit quality indicators**, and **strengthened its liquidity position** through a significant expansion of deposits.

BPI's total loan portfolio grew by 5.4% in 2020, while its market share in total loans rose by 0.2 p.p. to 10.7% (November). By segments, loans to companies increased by 5.9%, mortgage loans by 5.5%, and consumer loans and car loans by 4.1%. In terms of market shares, by November, mortgage loans' ytd production reached 15.1%, and the mortgage loan book hit an historical high of 12.2%.

The increase in Customer resources was also expressive, with BPI attracting more than €2.6 billion in 2020 (+7.6%). Customer deposits increased by €3.0 billion (+13.0%) which strengthened the liquidity position and translated into a transformation ratio of deposits into credit of 93%. As to off-balance sheet resources, despite the volatility of the markets and greater demand for lower risk investments, BPI managed to increase its share in mutual funds, retirement saving plans and capitalisation insurance, which reached 13.4% in November.

Market shares



Market shares in Nov. 20 (portfolio), excluding personal loans (Jan.-Nov. 20). In loan market shares, securitisations market is an estimate.

1) Market share in Banking Channel for stand-alone and credit-linked Insurance.

Sources: Sources: APFIPP (Portuguese Association of Investment and Pension Funds and Asset Management Firms), APS (Portuguese Association of Insurers), INE (National Statistics Institute), BPI Gestão de Activos, BPI Vida e Pensões, BPI.

Commercial banking gross income remained stable (-0.3%). Net interest income increased by 3.2%, making up for the reduction in fee and commission income and in the contribution of subsidiaries in the activity in Portugal[1]. Recurring operating expenses contracted by 4.5%, benefiting from the gradual implementation of modernisation and efficiency improvement measures, and from the reduction of some business costs in the context of the pandemic crisis. As a result, the core efficiency ratio[2] improved to 58.0% (-2.2 p.p. yoy).

Recurring net profit from the activity in Portugal amounted to €84.3 million in 2020, a 64% fall that is mainly explained by the setting up of €151 million loan impairments, including €97 million of unallocated impairments related to COVID-19, to provide for future impacts. Recurring return on equity from the activity in Portugal was 2.7% in 2020.

BPI continued to report an improvement in credit quality indicators, which were already the best in Portugal. The NPE (non-performing exposures) ratio decreased by 0.8 p.p., to 1.7% in December 2020, with accumulated impairments on the balance sheet plus collaterals covering NPEs at 140%. As to BPI's capital ratios, at the end of December the CET1 was 14.1%, the T1 was 15.6% and the total capital ratio was 17.3%.

1) Dividends received and results from equity accounted subsidiaries, in the activity in Portugal.
2) Operating expenses (excluding non-recurring) as percentage of commercial banking gross income.

CUSTOMER EXPERIENCE

The year 2020 has reinforced the need to **accelerate the transformation of the Customer experience**, through various drivers. While, on the one hand, the pandemic drives greater demand for and use of **digital channels and solutions**, on the other, the changes in society in recent years and consequent impact on the profile of consumer behaviours in relation to banks have also propelled innovation in the offer of products and services, making them better adjusted and capable of responding to the Customers' needs. To this perspective of conferring long-term value, there adds the permanent obligation to safeguard the security of Customers' data.

ACCELERATING DIGITAL TRANSFORMATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Digital transformation, which remains a strategic priority for BPI, continues to be based on three pillars, in which significant progress was made during the year:

- increase the use made by BPI's Customers of the digital channels;
- improve the Customers' experience through homebanking / mobile banking solutions;
- develop mobility and support solutions for the Commercial Managers.

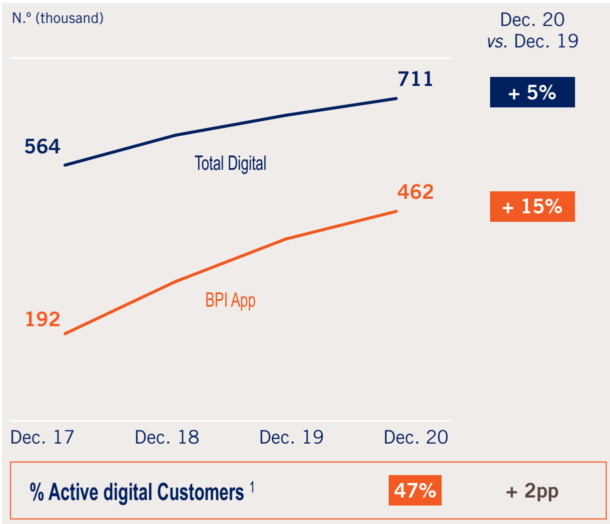
Significant increase in digital channels' users and sales
In 2020, the Bank increased the number of **active digital Customers**, and in particular the number of users of the mobile banking channel.

Year-on-year, the number of digital channel logins increased by 20%, the number of BPI App active users by 15%, and the cumulative number of sales made through the digital channels by 39%.

At the end of the year, the operational transactions carried out through the digital channels and ATMs accounted for 97% of total operations, which shows that Customers heavily rely on these channels in their day-to-day activity, freeing up the Commercial Networks for greater added value commercial activities.

BPI continues to stand out in the indicators of use of and satisfaction with the digital channels:

Digital banking regular users



1) Active Customers 1st account holders, individuals and companies.

BPI digital channels penetration / market share
- #1 in "Net and Mobile Banking market share"– Companies
- #2 in "Internet and Mobile Banking penetration"– Individual Customers

Satisfaction with BPI digital channels
- #2 in "NetBanking Service" – Companies
- #1 in "Digital Presence" – Individual Customers

Sources: Market surveys – BASEF November 2020, DATA-E 2020 and CSI Banca 1st Wave 2020 (main Banks).

Priority response to the pandemic
COVID-19 accelerated a number of digital transformation initiatives that were already underway or scheduled, such as:

- Optimisation of the **remote subscription process to the homebanking channels** – new subscription processes or issuance of new access credentials, not requiring the Customer (individuals, entrepreneurs and companies) to go to the Branch, with new forms available on the Bank's website and robotisation of information cross checking / validation processes for the secure issuance of credentials;
- **Secure exchange of messages between Account Managers and Customers**, through the Internet and BPI App channels extended to all Customers with an account manager (previously it was only available to Companies or Premier Customers) – besides messaging, this service includes the secure exchange of documents and the remote authorisation of operations to be executed by the Customer account manager. The number of operations carried out through this channel registered a marked increase, and this is now a comprehensive remote service used by all the commercial teams;
- Increase in the range of operations available to **mobile Commercial Managers** – as part of its digital transformation plan for the Commercial Networks, BPI had already distributed smartPCs with access to applications from outside the branch, to its Customer account managers. This process was fasttracked, with the number of available operations increasing in the context of the response to COVID-19;
- Innovative **digital signature** ecosystem for Customers and Employees. It allows signatures / authorisations both face-to-face (physical or digital), and remotely, via the homebanking / App services or signatures with electronic certificate.

Also in the context of COVID-19, it is important to mention the **simple and fast** solution developed for **applications for loan moratoria**, through the BPI Net and BPI Net Empresas **digital channels**.

Reinforcement of innovation and digital transformation initiatives
In addition to the focus on responding to the pandemic situation, other aspects are also worth pointing out, namely the effort to increase both the digital channels' service quality and sales, and the mobility and efficiency of the Commercial Networks:

New digital sales solutions
- Increased production of **Instant Loans** – increase in pre-approved Operations and credit limits, with the possibility to complete unfinished proposals initiated on the digital channels;
- Subscribing to the ***Conta Valor*** account via BPI App and BPI Net;
- Extension of the **Retirement Savings Plans** offer to the home and mobile banking channels;

- Inclusion of the **BPI Car Solutions** on BPI App and BPI Net – permitting to view information on the offer and latest campaigns, and request a personal contact from the Account Manager;
- 100% online subscription of **life and non-life insurance** through the digital channels – contracting, cancellation, reactivation and alteration of policies, insurance consultation, claims reporting and refund requests;
- Launch of the **"My Planning"** solution, for a simple and intuitive simulation of a customised financial plan;
- Broadening of the **offer available for getting to know and contract products through the digital channels**, with the resulting leads and contacts being taken over and completed by the Commercial Networks.

These commercial launches were reinforced by the BPI Family solutions communication campaign (credit, insurance and saving solutions), supported on the BPI App – **"BPI Family. A sua Vida mais Appy"** (BPI Family. Your life more ´APPY`).

Innovation in the relationship with the Customers

- New developments in the **"My Finances"** personal financial management solution at BPI App and BPI Net – renewed image, more intuitive, and new features that help Customers to better manage their daily financial life and achieve their goals;
- Development of **Machine Learning** models, to support the communication with Customers and for customisation and sale solutions.

Reinforcement of digital service

- Adaptation of the BPI App to **payment services** requirements – strong authentication (3DSecure service) required for online card payments;
- Continued investment in **open banking solutions**, with the launch of new API options for enquiries and execution of operations, for third party entities, within the scope of the PSD2 Payment Services Directive;
- Reinforcement of Customers' adherence to **digital documentation**, with consequent reduction in paper correspondence and environmental impact;
- Integration of the **Know Your Customer (KYC)** information collection and maintenance process in BPI App and BPI Net, facilitating the Customer experience and reducing the Commercial Networks' operational workload.

New solutions for companies

- Launch and development of the **BPI iFactoring** solution – online management of factoring agreements through BPI Net Empresas, simplifying collection management and providing support for companies' treasury and cash management;
- Launch of **BPI Drive** – this service allows car dealers to send in car loan applications online with automatic integration in the Bank's systems;
- Integration of **digital signature validation solutions** – through electronic certificate and citizen card.

CYBERSECURITY AND DATA PROTECTION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Cybersecurity is an essential component in the protection of Customers' data and assets and as such is one of BPI's main priorities.

BPI has an **Information Security team** within its Security Division, and invests in the development of its skills and ability to deal with the growing complexity of cybercrime. Cybersecurity is part of the responsibilities of this team, which acts independently from the Bank's other areas.

In the context of CaixaBank Group, the cybersecurity function is globally supervised and carried out by the Corporate Security team, with the collaboration of and control by BPI's security team. This gives BPI increased capacity to hold out against possible cyber-attacks.

The **corporate cybersecurity strategy** is based on a holistic approach, where several layers of security are implemented to effectively protect the bank from existing and emerging threats (access control, encryption of data in transit and at rest, antivirus, prevention of data leakage, etc.).

The cybersecurity ecosystem is subject to continuous monitoring that enables the automated detection and response to occurrences, or through the corporate incident response team (24x7). Cognitive techniques are also used for threat detection.

ISO 27001: 2013 certification is annually renewed for CaixaBank Group's corporate cybersecurity activities. These activities involve the establishment, review and management of controls designed to detect, prevent and neutralise any type of cyber-attack, including governance, cybersecurity and information security management processes.

Accountability programmes are also promoted, through training and awareness actions, sharing of news and simulation of occurrences.

Main Cybersecurity Indicators

	2019	2020
Investment (€ th)	700	850
Employees allocated (no.)	18	16
Outsourcing (%)	0	0
Simulations of attacks on the system (no.)	3	3
Phishing simulations (no.)	12	12
Success rate of phishing simulations	10.64	9.65
BITSIGHT BPI Rating (maximum score 900)		790

Main information security policies and standards
Recognising the importance of security in the treatment of information for the entire Group, Customers, Suppliers and, in general, for all the institutions with which it maintains relations, BPI considered it essential to define the type of treatment to be given to the information it manages, throughout its life cycle, so as to guarantee its confidentiality, integrity and availability.

BPI therefore has in place a **General Information Security Policy** which aims to define the technical and organisational measures required to mitigate the risks related to the security of BPI's information, to ensure that information security decisions are evaluated, to maintain an adequate management of risk and to comply with the regulatory requirements and supervisory expectations.

Data protection
BPI has a **Data Protection Policy** that regulates the general framework for the management of data protection at the Bank, setting out the principles underlying the treatment of Customers and Employees' personal data as well as the corresponding management model.

A separate governance structure has been set up, consisting of:

- The **Privacy Committee**, which is responsible, by delegation of the Executive Committee of the Bank's Board of Directors, for deciding on all matters related to the protection of data of a personal nature;
- The **Data Protection Officer** (DPO), who is responsible, under the terms of the law, for providing advice on and monitoring compliance with the General Data Protection Regulation and other applicable national legislation.

BPI also has a **Privacy Policy** which is designed to inform Customers of the terms and conditions under which the Bank processes their personal data, the rights to which they are entitled and how they can exercise them, while also providing the information under the terms of the General Data Protection Regulation and the national law that executes that regulation.

The **Data Protection Policy** embodies the commitment assumed before the Shareholder, Customers, Suppliers, Supervisory Bodies and Society in general, that BPI complies, within the scope of its activity, with the duties of supervision and control in matters of data protection, establishing the appropriate measures to prevent, or reduce, the risk of practices which violate the regulations in force and, consequently, that due legal control is exercised over Directors, Employees and other related persons.

The policy and its execution reflect not only the applicable EU and national legislation, but also the best practices and guidelines of both the **National Data Protection Commission** and the **European Data Protection Board**. Given the nature of the Bank's activity, the implementation of the policy also seeks to reflect the recommendations of the **Portuguese Banking Association** and the **European Banking Federation** in matters of data protection in banking.

The ultimate goal is to ensure that, in its activity, the Bank guarantees that the processing of the personal data of its Customers and Employees respects their rights and freedoms, adopting, for this purpose, appropriate measures for the prevention, detection and mitigation of existing data protection risks.

In the pursuit of this objective: organisational measures and procedures were developed to put into practice the supervisory, decision-making and execution process of the said measures; all BPI activities which involve the processing of personal data were identified and recorded; a methodology was implemented to assess the impact that the processing of personal data may have on the rights and freedoms of the data subjects (Customers and Employees), by carrying out prior assessments to determine this risk and, where applicable, Data Protection Impact Assessments (DPIA), in accordance with the terms of the Regulation and the applicable national law.

Also noteworthy are the procedures to ensure the exercise of data protection rights by Customers and Employees, as well as the recording and analysis of incidents of data breaches and their reporting, when appropriate, to the National Data Protection Commission and the data subjects.

The Bank has in force a **Regulation on the Violation of Personal Data**, and procedures to ensure that incidents that may constitute a violation of either Customer or Employee data are reported and analysed internally, such procedures being largely managed through a computer application that ensures the management of part of the activities related to data protection.

The Bank provides its Customers and other Stakeholders with the contact details of the Data Protection Officer, including the email address dedicated exclusively to data protection, whereby clarifications or complaints may be conveyed.

HUMAN RESOURCES

DEVELOPING BPI'S HUMAN RESOURCES

At 31 December 2020 BPI had 4 622 Employees, of whom 4 603 in Portugal.

BPI Employees — End-of-period values

			2019	2020	Δ%
Activity in Portugal			4 821	4 603	(5%)
BPI		1	4 821	4 603	(5%)
Branch abroad		2	19	19	0%
Total[1]	[= 1 + 2]	3	**4 840**	**4 622**	**(5%)**

BPI, in alignment with CaixaBank, bases its people management policy on respect for **diversity, equal opportunities and non-discrimination**, steering its conduct by full and rigorous compliance with the law and high standards of ethical values, with particular emphasis on the following:

- Equal opportunities and non-discrimination;
- Respect for people and their dignity;
- Reconciling work with personal life;
- Prevention of occupational hazards.

In its relationship with its Employees and in the relationship among the Employees themselves, any form of individual discrimination incompatible with the dignity of the human being is forbidden, in particular when based on origin, ethnicity, gender, sexual orientation, political opinion and/or religious belief. It is a paramount principle of the Bank to provide equal opportunities for access to work and career progression without any discrimination.

Concurrently, BPI promotes a work environment where each one can collaborate in detecting and reporting these undesirable practices, ensuring non-retaliation and providing an internal channel for this purpose.

In all recruitment, selection and/or career progression processes, any form of discrimination is prohibited, and all intervenients, regardless of their position, must act objectively and for the sole purpose of identifying the individuals best suited to the profile and needs of the function, thereby promoting equal opportunities.

All Employees, especially those who hold leadership or management positions, should promote, at all levels, relationships based on respect for the dignity of all, participation, equity and mutual collaboration, contributing to the creation and maintenance of a good work environment.

ACTIVITY IN PORTUGAL

4 603
EMPLOYEES

57% **WOMEN**

43% **MEN**

16.9
AVERAGE SENIORITY YEARS

99.6%
WITH INDEFINITE CONTRACT

1) Includes fixed-term contracts and excludes temporary work of people with no employment relationship with BPI.

In respect of occupational hazards, BPI considers the safety and health of its Employees at work to be crucial, and it is its primary objective to permanently improve working conditions. In compliance with current laws, the Bank ensures a safe and healthy work environment and the prevention of occupational accidents and diseases.

Increasing Employee training and development
Learning and training at BPI is based on the dynamisation of a formal and informal model, through five academies: business, risks / regulations, digital, personal development and internal trainers, with the **"Campus BPI"** platform as its main tool. In addition to the communities of interest, forums and blogs provided on various topics, over 200 courses were launched in several formats (e-learning / video, webinars, face-to-face, blended learning), of which 100 are listed in a catalogue and available for self-enrolment. The **"CampusBPItube"** platform, also created in 2020, features thousands of training videos and book summaries from the best authors and business schools (Harvard, Columbia, etc.) curated by the "BPI Campus".

Investment in training totalled €1.5 million. In 2020, 4 905 Employees participated in training sessions (face-to-face and online), with the number of training hours per Employee having decreased by 7%: 51 hours, which compares with 58 hours in 2019.

The number of hours in online format remained stable. The training offer was essentially designed for the Employees of the Commercial Networks, who accounted for 64% of the total number of participants, versus 36% of participants from the Central Services.

Regulatory training accounted for 70% of the 2020 training activity, with more than 7 000 hours having been given on topics related to the Prevention of Money Laundering and Terrorist Financing and more than 5 000 hours on topics related to MiFID II, with continued training on MiFID II having been provided to around 3 000 Employees.

Also in the regulatory field, around 2 600 Employees underwent training in the New Insurance Directive.

Interactive videos and face-to-face sessions with a practical component were much used, namely for the training session on "Activation of Commercial Tools", which involved the entire Commercial Network.

The investment in Employee qualification continued to stress training in languages, which already has approximately 400 participants, with a total of 6 700 hours of training.

The "BPI Leader" programme, targeting Senior Management, was pursued, aiming to reinforce an agile culture based on collaborative work, and to consolidate people monitoring and development skills.

4 QUALITY EDUCATION

ACTIVITY IN PORTUGAL

€1.5 M
INVESTMENT IN TRAINING

234 th
TRAINING HOURS

94%
ONLINE TRAINING HOURS

51
TRAINING HOURS PER EMPLOYEE

Main training indicators

	2019	2020
Investment (€ million)	1.8	1.5
Total participants – face-to-face and e-learning (in thousands)	5.0	4.9
Total participations (in thousands)	73.2	68.3
In-class	5.9	3.2
e-learning	67.3	65.1
Total training hours (in thousands)	289	234
Face-to-face	20	15
e-learning	270	219
No. of training hours per Employee	58	51

In 2020, the **internal Trainers' Network** project was created, whose ambition is for BPI Trainers to become a benchmark as facilitators of learning and ambassadors of transformation.

Also created in 2020, the **"BPI Talks"** consist of weekly meetings with the motto "Ideas worth sharing". Under the format of interactive online conferences, they aim at sharing ideas, opinions and the personal and professional experience of the Bank's Employees. Every month, they are attended by an external guest. 21 sessions were held, with the participation of 1 880 Employees. A wide range of topics were covered, namely "Safer use of the Internet", "3 Lines of Defence Model", "Advanced Risk Models", "Diversity and Inclusion", "Effective communication", "Stress Management, Health and Well-being – physiological balance", among others.

Also in this field of learning and training, as a result of the large-scale teleworking situation as of March 2020, several **training actions** were developed on **teleworking topics**. In addition to publications in the blogs and articles from the BPI Campus personal development academy, a "Distance Working" course was launched to share useful information, good practices and recommendations on teleworking. Over the months, articles, documentation and videos were published. A forum was also made available for sharing challenges, best practices and innovative ideas on this topic.

Promoting an agile culture driving motivation and involvement

The **Internal Communication and Culture** area, created in 2019, reinforced in 2020 its objective of developing a culture that fosters Employee motivation and involvement.

Attention should also be drawn to all the work developed during the months of confinement, through a specific communication plan under the motto **#EstamosJuntosBPI** ("WeAreTogetherBPI"), which was distinguished with the Grand Prize of the Portuguese Association of Corporate Communication – Special Edition COVID-19, in the "Internal Campaigns" category, awarded to the company that best communicated internally during that period.

#EstamosJuntosBPI ensured daily contact with the Employees through the internal communication channels, featuring topics such as: weekly status update videos starring members of the Executive Committee of the Board of Directors; message from the CEO; constant recognition for the work done by the Employees; weekly visibility of a teleworking Employee; suggestions for online initiatives; two games for the Employees' children and family; and a song with the participation of more than 50 Employees. Between March and July (one month after the end of the legal lockdown), 77 news items and 30 videos were posted on the Intranet, which had more than 115 thousand and 57 900 views, respectively.

Throughout 2020, a total of 341 news items were posted on the Intranet, which had more than 363 thousand views. The audiovisual format was emphasised, and 141 videos were broadcast, which had more than 196 thousand views.

Furthermore, Several Communication Plans were developed, which kept the focus on **"People" and "Business" themes**, making use of informal, emotional language. As an example, the cycle "Conversation with" was launched in the Corporate Banking area, with a Board member choosing speakers to discuss relevant topics and inviting all his / her subordinates for the discussion.

Measuring the Employees' level of satisfaction
The 2nd edition of the **Organisational Climate Survey**, held in 2020, had a participation rate of 92% (in line with the 2018 figure) and overall Employee satisfaction (favourability index) increased by 9 percentage points, to 67%.

Employer Branding strategy
An Employer Branding strategy was implemented to reinforce BPI's communication as an employer brand, mainly targeting university talent.

In this context, the "Working at BPI" area was created on the public website, to communicate BPI's main advantages as an employer brand, and a strategy of weekly communication was implemented to broadcast these topics on the Bank's social networks.

It is also worth noting the participation in various recruitment events at Universities, as part of the "Cresce Connosco" (Grow with Us) project, namely at the Fórum Carreiras, at the Universidade Católica, and at the Nova SBE Career Fair, in the Carcavelos Campus.

Working on compensation, meritocracy and diversity
The **"Management by Objectives"** process continued to be implemented, to make the remuneration strategy more transparent, fair, adaptable, competitive and consistent with regulatory requirements. Another 180 Employees were added to the 200 Employees (first- and second-line management) whose variable remuneration was made dependent on the achievement of corporate and individual targets. The aim is to gradually extend this process to the entire organisation.

The **Talent Committee** was set up, having as mission to ensure that all appointment processes for management positions and/or the coordination of commercial bodies comply with the principles of meritocracy, diversity and all-inclusiveness. According to the Committee's Rules of procedure, a minimum of three applicants must be identified for each vacancy, so as to comply with the aforementioned guiding principles. In 2020 the Talent Committee's work resulted in 12 appointments.

The **Wengage, Diversity and Inclusion** project was reinforced, aiming to promote several initiatives among the Employees, focused on three pillars:

- gender diversity;
- age diversity;
- skills diversity.

Among the various measures implemented, there stand out: creation of an e-learning course on "Unconscious Bias" available to all Employees; signing of the "Commitment to Inclusion" promoted by the Inclusive Community Forum (ICF), an initiative of Nova SBE; participation in initiatives together with Associação Salvador; and a free half-day bonus to Employees with children under the age of 12, on their birthday.

Key diversity indicators in 2020

Activity in Portugal	Age Bracket					Gender		Total
	< 30	30 to 39	40 to 49	50 to 59	>59	Men	Women	
Employee breakdown by category, age, and gender								
Managers	0%	2%	36%	55%	7%	66%	34%	8%
Middle management	0%	6%	64%	29%	1%	55%	45%	13%
Other Employees	4%	21%	52%	21%	2%	39%	61%	78%
Total	**144**	**815**	**2 401**	**1 151**	**92**	**1 993**	**2 610**	**4 603**
Breakdown of Employees with disability by category, age, and gender								
Managers	0%	0%	44%	33%	22%	33%	67%	8%
Middle management	0%	11%	44%	44%	0%	44%	56%	8%
Other Employees	1%	13%	40%	45%	1%	22%	78%	84%
Total	**1**	**13**	**46**	**49**	**3**	**28**	**84**	**112**

Promoting Employee health and well-being

The health and well-being of the Employees is one of BPI's main focuses of attention, which the pandemic further reinforced.

The confinement measures implemented were in force during the crisis period and until 6 July (in the central services), one month after the period established by the Government. During the lockdown, the operation of more than 86% of the Retail Branches and Premier Centres and of 100% of the Corporate Centres was ensured. With the progressive return to the Bank's premises (started on 6 July), many of the measures to protect the health and safety of the Employees were reinforced.

The Portuguese Certification Association (APCER) certified that the Bank's COVID-19 measures to protect Employees and Customers follow the health authorities' recommendations and are in line with the law and best practices.

These were some of the main measures implemented:

Organisation and teleworking

- Implementation of teleworking which, in the more critical period of confinement, covered about 90% of the Central Services Employees and more than 50% of those in the Commercial Networks;
- Ban on work-related travel to regions where community transmission of the virus was active;
- All work-related travel was reduced to a minimum;
- Emphasis on the use of telecommunication media for meetings, training and events;
- Weakly rotation of the commercial teams;
- Careful planning of safe and gradual return to on-site activity in the workplace.

Hygiene measures

- Work in the Commercial Networks' premises started to be carried out "behind closed doors", with restricted access to the service area.
- Cleaning and disinfection were intensified, and sanitiser and disinfectant dispensers were placed in the common areas;
- Masks and gloves were provided to the Employees and acrylic protection screens were placed in the Customer service posts.

Employee support measures

- For Employees on leave of absence to look after their children, due to the closure of schools, the Bank supplemented the support provided by the State to ensure full pay of salaries and meal allowances.
- Involvement of the workers' committee and trade unions.

3 GOOD HEALTH AND WELL-BEING

Employee Communication and Training

- Reinforcement of internal communication, under the motto #EstamosJuntosBPI;
- Weekly situation report, made by a member of the Executive Committee of the Board of Directors;
- Daily internal communication update on the measures taken by the Bank;
- Production of two Manuals on teleworking, one for all Employees and the other with tips for the Bank's leaders;
- Dynamisation of the Training Platform, with a focus on issues related to productivity, teleworking and well-being;
- "More Movement, More Health" programme, with psychological support, mindfulness and physical activity sessions;
- Production of a manual on "Return to Face-to-face Work";
- Production and broadcasting of a song performed by more than 50 Employees.

All Employees had the opportunity to complete the survey "BPI, in times of Pandemic" which aimed to assess their well-being and identify their needs, as well as to collect suggestions on how to improve Management's response to the challenges posed by the pandemic.

OPERATIONAL AND ORGANISATIONAL EFFICIENCY

IMPROVING OPERATING AND ORGANISATIONAL EFFICIENCY

During 2020 a set of initiatives were implemented with a strong impact on **improving the efficiency of the Commercial Network**. These measures permitted to free around 344 thousand hours of operational / administrative tasks, exceeding the goal of 200 thousand hours by 71.8%.

Considering the initiatives carried out since the start of the **Commercial Efficiency Plan**, a gain of 1 074 thousand hours was obtained.

Automating the Commercial Network

During 2020, the process of reinforcing the Commercial Network's automated machines was continued, with the installation of a Self-Service Cashier and five Cash Points.

In addition to the installation of these machines, several new transaction options were added to the Self-Service Cashiers, while tellers' working hours were reduced in 160 Branches.

The absorption rate of the automated areas reached 85.7% in December 2020, which represents a significant increase from the 74.7% recorded in December 2019.

Centralisation of non-commercial tasks

The **centralisation of non-commercial tasks** in the Middle Office teams, aiming to release time for the networks' commercial activity, was pursued in 2020.

In Corporate Banking, the centralisation process of a set of Middle Office – Operational Support tasks of all the Mid-Cap and Institutional Centres, as well as the monitoring of medium and long-term credit operations in the Middle Office – Credit was concluded; and a work front was started, which will continue in 2021, to centralise a range of tasks of Large Corporate Centres, Institutional Centres and Real Estate Business Centres.

With regard to the Branch Network and Premier Centres, the focus in 2020 was on optimising the processes already centralised.

Improving commercial management tools

Continuing the work already started in 2019, a set of commercial tools in the form of an App – **BPI Go Banking** – went onstream, allowing a more efficient management of the business across all the Networks:

- **Customer Integrated Vision (CIV):** centralisation and aggregation of the most relevant information to monitor and enhance the relationship with the Customers, permitting to identify and build on sale leads.
- **Cockpit:** holds all the relevant information related to commercial performance, allowing to improve the monitoring of objectives and commercial campaigns.
- **Commercial Opportunities Search:** for the management and planning of day-to-day opportunities.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

344 th

HOURS RELEASED FOR COMMERCIAL WORK

“Communication with the Customer” App
Following upon the work initiated in previous years to launch the “Communication with the Customer” App for Individual Customers, the “Communication with the Customer” App for Corporate Customers using BPI Net Empresas was implemented in 2020.

This form of distance communication has proven a valuable instrument in the relationship with Customers during the pandemic, as it allows them (individual Customers and companies) to perform a range of operations with the Bank in a quick, simple and secure manner.

If on the one hand the pandemic situation brought some constraints and delays in the implementation of some developments, on the other it challenged the Bank to accelerate the availability of some solutions that made the relationship with the Customer more efficient.

Account opening in Go Banking
This new App allows you to open an account on the move or at BPI’s premises, in a totally digital manner and with automatic filing of all documentation, in a much easier, intuitive and faster process.

Robotisation
To ensure the identification of opportunities and the development of robots, a **Robotisation Competence Centre** was created at the beginning of the year.

Robotisation aims to improve the efficiency of the Central Services through the automation and improvement of processes. 32 robots were implemented in 2020, which permitted to automate processes related to the approval of Home Loans, the processing of requests for moratoria, the prevention of Card fraud, among others.

Simplification of Processes
The simplification of processes at BPI, in 2020, was greatly driven by the need to quickly adapt the Bank, its processes and its teams to the current context and requirements of COVID-19. This involved devising manners for working with teleworking teams and making use of remote solutions for contacts with Customers, in order to avoid them having to go to the Commercial Network.

In this context, 92 measures to simplify and streamline processes were implemented in the first months of the pandemic, of which 45 will be maintained. These initiatives required rethinking processes viewing their digitisation, eliminating the need for support documents and their physical circulation, reinforcing solutions for sending instructions to Customers via the remote channels, and eliminating rework that led to more rework and circulation of processes.

The initiatives carried out permitted to reduce the printing of three million sheets of paper by the operational teams.

In addition, in order to ensure back-up / follow-on of Corporate Credit Lines, it was also necessary to carry out a complete review of the process, implementing a series of initiatives involving multiple areas of the Bank, which made it possible to respond to a significant volume of loan contracting.

ACKNOWLEDGEMENT AND REPUTATION

Prizes and awards

BPI is the **Bank of the Year 2020 in Portugal**, according to the British magazine The Banker, and was once again bestowed several awards and distinctions, attributed by national and international independent entities.

In the 2021 edition of the **Five Stars Awards**, whose winners have already been announced, BPI won, for the second consecutive year, in the category **"Large Banks"** and, for the first time, in the category **"Salary Account"**.

Bank of the Year 2020 in Portugal

BPI was distinguished by **The Banker** magazine, of the **Financial Times Group**, with the award **"Bank of the Year 2020 in Portugal"**. In addition to the Bank's financial strength, the team of editors and analysts of the British publication highlighted the Bank's capacity to respond to the pandemic, and the support provided to Customers and to Society, including the most vulnerable groups.

Best Private Banking in Portugal

BPI was awarded the prize **"Best Private Banking in Portugal"** by the The Banker and PWM magazines, in the **"Global Private Banking Awards 2020"**. The panel of international experts highlighted the value proposition of BPI's Private Banking, based on the continuous innovation of the offer and the commitment to the best Customer experience. This is the third time that BPI achieves this distinction.

Five Star Prize – Large Banks

Leadership in the **Large Banks** category of the **Five Stars Awards** was achieved by BPI for the second consecutive year. From the five Banks evaluated by consumers, BPI scored the highest global satisfaction – 77.1% (5.4 p.p. more than in the previous edition) – and improved its score in all the criteria considered.

Five Stars Award – Salary Account

BPI conquered, for the first time, the **"Five Stars Award"**, in the category **"Banking – Salary Account"**, with Portuguese consumers attributing a global score of 75.3% to the BPI *Conta Valor* ("Value Account"), where the Bank led in the 'Satisfaction' and 'Intention to Recommend' criteria.

Brand of Excellence

BPI is **"Brand of Excellence"** for the seventh consecutive year, a recognition attributed by **"Superbrands"** to the reputation and spontaneous awareness of the BPI Brand.

Best Private Bank for portfolio management technology in Europe

BPI was elected **"Best Private Bank for Portfolio Management Technology in Europe"** in the **"Wealth Tech Awards 2020"**, where a panel of experts prized the development of the 'BPI Go Banking' technological platform.

Best Agile Leadership

The award for **"Best Agile Leadership"**, at the **"World Agility Forum"**, went to BPI, for all the work developed by its IT team in the pioneering and certified introduction of agile methodologies in the design of processes and solutions.

Best Research Content

The BPI/CaixaBank team received, for the first time, the award for **"Best Research Content"**, in the 2nd edition of the **Rankia Portugal Awards**. Rankia is an independent financial community, with more than 500 thousand registered users.

A+ in the Principles of Responsible Investment for BPI Gestão de Ativos

BPI Gestão de Ativos, from CaixaBank Group, earned the **highest score (A+) in Strategy and Governance**, in the **Principles for Responsible Investment**, as recognition of the entity's firm commitment to incorporate environmental, social and good governance (ESG) criteria in investment decisions.

"COVID Safe" Certification

BPI was the first Bank to obtain the "COVID Safe" brand, awarded by the **Portuguese Certification Association (APCER)**, after an audit to its premises. This certification provides assurance that the Bank complies with the official protection and surveillance measures required to prevent COVID-19 risks of contagion.

APCE Grand Prize – COVID-19 Special Edition

BPI won the **Portuguese Business Communication Association (APCE) Grand Prize – Special Edition COVID-19**, in the category **"Internal Campaigns"**, for its internal communication actions undertaken between March and July 2020, under the motto *#EstamosJuntosBPI*.

Two other accolades were awarded by the **Global Finance** North-American magazine: BPI was elected, for the fourth consecutive time, **"Best Treasury and Cash Management Provider" and received the title of "Distinguished Crisis Leadership 2020"**, for its strategy in response to the pandemic.

Finally, at the beginning of 2021 BPI received the **"CMMI maturity level 3"** international qualification for all projects of high technical complexity in the development of IT applications. BPI is the only financial institution in Portugal with this certification, awarded by the CMMI Institute, a world reference in organisational improvement and optimisation in the development of technological applications.

Communication and Brand Management

BPI's communication is focused on the creation of communication opportunities throughout the year, based on **three fundamental dimensions: commercial communication**, targeting individuals and companies, **sponsorships**, and **Socially Responsible Bank**.

In a challenging year in which BPI's operations were geared towards **meeting the needs of Customers and Society** within the social and economic context of the health crisis, communication was centred on a **message of proximity, confidence and Socially Responsible Bank**.

Reaffirming the commitment assumed in the 2019-21 Strategic Plan – "Create value with values" –, BPI launched an institutional campaign based on a new communication concept – **BPI *#Dá Mais Valor*** –, to show that it stands by the side of families, businesses and society, supporting the recovery of the economy and contributing to a better future.

Throughout 2020, BPI, in collaboration with the "la Caixa" Foundation, deployed an extensive plan of contents, in partnership with the main media groups in Portugal. This plan made it possible to communicate the main joint initiatives of BPI and the "la Caixa" Foundation, described in a separate chapter of this non-financial statement.

Also worth noting was the launch at the beginning of the year, before the confinement, of the multi-media campaign with the claim **"BPI Family. Your life more APPY"**, which promoted the credit, insurance and savings solutions for families – "BPI Family"– available on the BPI App, with the objective of reinforcing the positioning assumed in 2019 of "A Bank in the life of every Family", as well as enhancing the association of the brand with innovation and technology. The "BPI Family" solutions provide answers to the main concerns and projects of Portuguese families: managing daily life (queries, payments, transfers, free MB Way in the BPI App), enjoying life (credit), sleeping peacefully (insurance) and thinking about the future (savings). In October, an online platform – **FamilyExperiences Programme** – of offers and discounts in more than 200 brands, exclusive for Customers holding a BPI *Valor* Account who joined the Bank's digital channels (BPI Net or BPI App), went on stream, consolidating BPI's positioning of "A Bank in the life of every Family".

BPI also launched the **Junior Campaign** to promote savings among the younger, through the *Conta Valor Júnior*, an account providing saving solutions to cushion the tomorrow of the younger.

Support to Portuguese companies' growth features prominently in commercial and business sponsorships communication. Initiatives that promote strategic sectors of the economy, such as agriculture and tourism, entrepreneurship, innovation and internationalisation are widely publicised and supported.

Aiming to strengthen proximity to its Corporate Customers, BPI replaced the "BPI Meetings with Companies", which it had organised in 2018 and 2019, with a **cycle of thematic webinars**. The topics covered included agriculture, tourism, international trade, financing and product solutions. Also of note were the ***"Retomar Portugal"* online conferences**, in association with the TSF/JN media group, where the prospects for economic recovery to mitigate the effects of the pandemic on Portuguese businesses were discussed.

Sponsorship

Under the 4-year agreement entered into in 2018 with the Portuguese Football Federation, BPI is **Official Sponsor of the A Teams** (men and women), the **Under-21 Team**, and the **Main Sponsor of the Women's Premier Football League,** which was named the "BPI League".

The Portuguese Football Federation decided to expand the BPI League from 12 to 20 teams, which permitted to directly support almost twice as many Portuguese players. Football matches, which were suspended during the first months of the pandemic, were gradually resumed, first the BPI League in September and then the national team matches. The UEFA Euro 2020 was postponed to June 2021.

In 2020, the main agriculture trade fairs of which BPI is the Official Bank – **Feira Nacional de Agricultura (FNA)** and **Ovibeja** – were cancelled due to the health crisis. The FNA adopted an online model with the presence of exhibitors and where concerts from previous years were broadcasted. **Agroglobal**, a biennial fair of which BPI is a sponsor, adopted a hybrid model, having organised a range of debates with reduced on-site presence and streaming broadcast. Another strategic segment for BPI is tourism. In 2019 the Bank renewed its sponsorship for the next three years of the **BTL – Lisbon Tourism Fair**, which in 2020 was cancelled.

Awards to support the economy

At a time when businesses in the tourism sector are being affected by the pandemic, the categories competing for the 2nd edition of the **National Tourism Award** have been adjusted to the new challenges ahead. The 9th edition of the **National Agriculture Awards** will also reward candidates with the capacity to respond to the constraints and challenges faced by the sector (announcement of winners in 2021).

BPI and the Expresso newspaper launched in 2020 the 2nd edition of the **National Tourism Awards**, organised under the aegis of the Ministry for the Economy and Digital Transition, with the institutional support of Turismo de Portugal, and with Deloitte as Knowledge Partner. The "Sustainable Tourism" category, chosen with the commitment of national companies to sustainability in mind, rewards: environmental efficiency practices, with an impact on cost reduction, operations' efficiency, and the planet; social responsibility initiatives, with a positive return for the communities; and practices that respond to the challenges of the Sustainable Development Goals with specific relevance in the context of the entities' operations. The winner in this category was the **project for the Certification of the Azores as a Sustainable Tourism Destination**. Regarding the support to the acceleration of national tourism, it is worth noting the signature of a commercial protocol with the **Association of Municipalities along National Road 2** (AMREN2), under which the Network of EN2 Agents benefits from special conditions of access to a line of credit in the overall amount of €100 million. In 2019, AMREN2 won the National Tourism Award 2019, in the "Public Project" category.

BPI and Cofina have presented the 9th edition of the **National Agriculture Award** (PNA), an initiative that aims to distinguish the best companies, practices and projects in the Agriculture and Agroindustry, Forestry and Livestock sectors, organised under the aegis of the Government, with technical support from PwC. One of the PNA categories – **"Sustainable Companies"** – aims to reward the commitment of national companies to sustainability, on the following fronts: production of renewable biological resources and conversion of these resources, their flows and waste, into innovative added value products, such as food for humans and animal feed, bio-based products, and bioenergy; and promotion of innovation in the agri-food sector, in terms of production, transformation and development of new or improved products that contribute to reducing the ecological footprint.

To distinguish and encourage success cases, BPI sponsors the **Entrepreneur XXI Awards** and the **BPI Woman Entrepreneur Award**, both in partnership with CaixaBank, and the **COTEC-BPI SME Innovation Award**, which BPI has sponsored since its creation.

The 4th edition of the **Entrepreneur XXI Awards** (already in its 14th edition in Spain) identifies, recognises and monitors the Portuguese companies with less than three years of age, that prove more innovative and with greater growth potential. The aim is to give a boost to companies that have already taken their first steps, allowing them to accelerate their process of growth and global expansion. The 34 companies awarded cash prizes and/or international monitoring programmes, worth more than €500 thousand, will be announced in 2021.

In 2020, the 16th edition of the **COTEC-BPI SME Innovation Award** was won by BERD, a company in the construction and engineering sector that is an inspiring example of excellence within the Portuguese business community, for its innovation management practices with an impact on growth and profitability.

The **BPI Woman Entrepreneur Awards** was born out of CaixaBank's collaboration with the International Women's Entrepreneurial Challenge (IWEC) Foundation, to distinguish the professional career and business leadership of women in Portugal. The award was won by Isabel Furtado, CEO of TMG (Têxtil Manuel Gonçalves) Automotive.

Social Networks

BPI has **four institutional profiles on social networks – Facebook, LinkedIN, Twitter, Instagram and Youtube – and an additional one on Facebook – the BPI Solidarity page** – totally dedicated to the Socially Responsible Bank. On its profiles on these networks, BPI broadcasts corporate events, economic surveys and financial information, institutional and product campaigns, sponsorships – namely *'Banco das Seleções'* (Teams Bank), sustainability and innovation initiatives, and initiatives – in collaboration with the "la Caixa" Foundation or launched by the Bank itself – in areas of intervention such as social, research and health, culture and science, or education and scholarships.

In 2020, BPI's social networks broadcast **initiatives and meetings of partner entities** which, due to the pandemic crisis, had to be adapted to digital. This was a year of growing **prominence of stories linked to the values and purpose of the BPI Brand**, told by Employees and Customers.

In 2020 **the share of the Bank's followers in the social networks increased by 3.9% relative to its Portuguese peers** (average for all networks). Also considering the average for all networks, BPI registered an **increase in indicators such as number of followers (+32.5%), impressions (+56.1%) and posts (+8.7%)**.

Advertising investment

In 2020, the financial sector remained the **11th largest advertising investor from all business sectors**, with a share of investment of 3%, reflecting a 13% yoy reduction in the amount invested, by the reckoning of Mediamonitor.

BPI accounted for a 10% share of the financial sector's total investment, having advanced to 2nd position in the ranking, driven by a 127% yoy increase in investment, according to Mediamonitor.

BPI is a member of the Advertising Self-Regulation Association, and undertakes to advertise and publicise its products and services in an ethical and responsible manner.

The strength of BPI's brand and reputation

Consolidating its reputation, one of the main intangible assets of an organisation, is one of the priorities inscribed in BPI's 2019-2021 Strategic Plan.

According to a survey by Onstrategy, a consultancy firm certified in the valuation of intangible assets that analyses the strength and provides a financial valuation of Portuguese brands, the BPI Brand is the **8th most valuable Portuguese brand**, worth €451 million, which represents an increase of 5.4% compared to 2019, when BPI ranked in 9th position.

According to OnStrategy, the BPI brand scored an **excellent awareness** level and the **highest reputation and social responsibility rates** since the survey is conducted in Portugal. The BPI brand ranked in 2nd position in the financial sector in the reputation and social responsibility indices.

The **reputational risk management structure**, created in 2019 and designed according to the "three lines of defence model", involves, among others, assessing the reputation perceived by the different Stakeholders, promoting improvement actions and issuing alerts on events susceptible of affecting the Bank's reputation. The BPI Group's Risk Catalogue includes reputational risk.

This risk is **monitored** using internal and external indicators from various sources of Stakeholder expectations and perception analysis. The indicators are weighted according to their strategic importance and are grouped by reputation value, permitting to obtain a **Global Reputation Index**. This metric permits to monitor, every six months and annually, the different Stakeholders' perception of the institution, and to define tolerance ranges in accordance with the Bank's risk appetite, thus enabling a more effective management of reputation.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Socially Responsible Bank

INTRODUCTION

BPI sees its activity as a **Socially Responsible Bank** as the set of the Institution's duties and obligations towards the Community in which it is integrated and the specific interest groups that depend on its activity. In this area, BPI acts in collaboration with the "la Caixa" Foundation and CaixaBank.

The ambition to be a reference as a Socially Responsible Bank is reflected in the **social responsibility policy adopted** by BPI, which highlights the purpose of developing an efficient and responsible business model, with a strong commitment to society.

Through its **social responsibility policy**, BPI acts upon the following guidelines as the path for achieving this goal:

- **acting with integrity, responsibility and sustainability;**
- **economic efficiency;**
- adopting a **long-term perspective in the decision-making process**; and
- **permanent innovation**, with the objective of contributing to the sustainable development of the communities where it develops its activity.

BPI's commitment to the community is deployed at **three levels of intervention**:

Governance	Society	Environment
To **ensure the Bank's transparency, independence and good management,** through the definition of action standards that guarantee a rigorous social conduct.	To contribute to the **progress and well-being of the community**, especially of its most vulnerable groups, in collaboration with the "la Caixa" Foundation.	To **manage business, projects, products and services with respect for and protection of the environment**, through business practices that stress the rational, efficient and sustained use of resources.

BPI's conduct as a Socially Responsible Bank is defined and coordinated by **the Social Responsibility Committee**, a specialised body of the Board of Directors having as mission to support and advise the Board on all matters related to the social responsibility policy.

The Social Responsibility Committee is chaired by Artur Santos Silva, Honorary Chairman of BPI and Curator of the "la Caixa" Foundation, and has as members José Pena do Amaral, member of BPI's Executive Committee (until 29 November 2020), Rafael Chueca, Corporate Manager of the "la Caixa" Foundation António Barreto, advisor to the "la Caixa" Foundation, and Isabel Jonet, Chairman of the Portuguese Association of Food Banks Against Hunger and ENTRAJUDA.

RESPONSE TO THE COVID-19 PANDEMIC

Due to the COVID-19 pandemic, 2020 was an atypical year. In this adverse context, BPI implemented several initiatives to ensure the Customers' continued access to banking services and launched a package of extraordinary measures to support families, companies and society.

The "la Caixa" Foundation maintained all its programmes and support planned for 2020, having, in collaboration with BPI and in response to the health and social emergency, launched **new initiatives to support the more vulnerable**.

Support measures for Families and Companies

- **Moratoria on loans** to individuals (mortgage, personal and car loans) and to companies. BPI approved 78 thousand requests for moratoria on loans to individuals and companies, amounting to a total of €5 620 million;
- Processing **of state-guaranteed credit lines of support to companies and the social sector** set up in the context of COVID-19. BPI received around 8.4 thousand applications corresponding to €722 million in loans contracted by BPI and loans approved or under review by the Mutual Guarantee Societies (SGM). The Bank also created a simplified credit line permitting, at the request of the Customer and subject to the Bank's approval, to advance the part of the loans not guaranteed by the State;
- Besides the COVID-19 credit lines, BPI continued to promote and contract operations under its regular offering. At the end of 2020, the amount of BPI Corporate Credit Lines, available for immediate use was €2.9 billion;
- All credit lines already contracted by 30 September 2020 were maintained, with no change in interest rates;
- Specifically addressed to trades, BPI suppressed the minimum commission on transactions carried out in POS, and **exempted merchants** that kept their establishments closed due to the pandemic **from paying POS commissions and monthly fees**;
- For individual Customers whose salaries were affected, BPI **maintained unchanged the conditions of their basic service packages** (*Conta Valor*) as well as the bonus spread on mortgage loans;
- BPI offered **two free quarters** (until 30 September) in **new subscriptions to the basic package of services** (*Conta Valor*, *Conta Premier* and *Conta Commerce*), which include all the services needed to make transactions from home (including cards, payments and free transfers through the digital channels);
- For Customers without the basic package of services, following the publication of *Law 7 / 2020* of 10 April, BPI **suspended the charge of commissions for the use and execution of payment operations** (transfers) made through its digital channels (BPI Net, BPI App and BPI Online) or card-based payment apps (MB Way App);
- BPI **approved the early credit of pensions**, interest free (0% rate) and free of commissions, to all Pensioners that have their pension domiciled in a BPI account;
- **BPI also devised more flexible ways for Individual Customers to subscribe to the homebanking / digital channels** (BPI Net and BPI App). In addition, it broadened the services available as well as the range of operations that can be carried out remotely;
- The Bank promoted the **use of automated areas** for operations carried out at the Branch, having in place more than 150 self-service machines across the country, which allow Customers to perform a very wide number of current operations by automated means, including the deposit of cheques or cash, balance inquiries, requesting cheques, and changing banknotes for coins;
- Under a partnership with Allianz, BPI made available to all Customers a **medical advice phone line available 24 hours a day**.

Initiatives with social impact, launched jointly with "la Caixa" Foundation

- Partnership with RTP TV channel and mobilisation of society for a campaign that raised a total of €1.7 million in donations to support the **Food Emergency Network**, jointly developed by ENTRAJUDA and the Portuguese Federation of Food Banks. BPI and the "la Caixa" Foundation donated €500 000;

- Donation of **one thousand new and complete items of computer equipment**, including all accessories and user licenses, to support digital and distance learning by socially vulnerable young people and children in several regions of the country, thus contributing to the national effort to universalise digital schooling. The equipment was delivered to more than one hundred schools. The Ministry of Education, the Porto City Council, Teach for Portugal, EPIS – Empresários pela Inclusão Social and ENTRAJUDA were the partners that coordinated the distribution of the equipment to primary and secondary schools;

- Extension of the deadline for application to and adaptation of the **BPI "la Caixa" Awards** to support new assistance initiatives for those most affected by the pandemic crisis. These consist of a total of five awards, with an overall budget allocation of €3.75 million.

- In coordination with the Health Ministry and TEAK Capital, donation of **526 tablets** to hospital palliative care units and units of the National Network for Continuous Integrated Care all over the country, including the Autonomous Regions, to facilitate communication between patients and their families.

- Launch by the "la Caixa" Foundation of the **CaixaImpulse COVID-19 Express Competition**, with an allocation of €1.8 million to support COVID-19 related innovation projects. From a total of 6 Iberian winners, two were Portuguese: a project to produce a **Portuguese lung ventilator** developed at CEiiA-Centro de Engenharia e Desenvolvimento de Produto (Engineering and Product Development Centre) and the development of a translational vaccine against COVID-19 by the Faculty of Pharmacy of the Lisbon University.

A LONG-TERM VISION

The transition to a **more sustainable, resource-efficient, circular, and carbon-neutral economy by 2050** (as set forth in the European Green Deal), **aligned with the Sustainable Development Goals**, is essential to ensure the perpetual competitiveness of economic systems over the long run.

Financial institutions have a pivotal role in the pursuit of this vision, insofar as they have the power to influence the integration of **ESG (Environmental, Social, and Governance) criteria in businesses and investments**. The adoption of these criteria is crucial to achieve this long-term vision, by redirecting capital flows to investments in activities that do not jeopardise environmental sustainability and the society that depends on it.

The financial system is currently undergoing a period of transformation. With the introduction of **new regulatory requirements in sustainability matters**, driven by the **European Union's Action Plan: Financing Sustainable Growth** and the **European Green Deal**, financial institutions are encouraged to step up the adoption of ESG criteria in their business strategies and offering of products and services, as well as in the disclosure and transparency of the results of this integration.

Moving along this regulatory trend, the profile of consumers and investors is also changing. In recent years, the **ESG profile of companies has been under growing** scrutiny, as an increasingly important decision criterion for these Stakeholders, who favour organisations whose purpose is aligned with the agenda for sustainability and sustained value creation shared with Stakeholders and society in general.

GOVERNANCE

Within the Governance framework, organisational responsibilities and standards of action are defined to ensure **strict social conduct** and **guarantee responsible marketing tailored to Customers' needs**.

In 2020, BPI continued the work of reviewing its governance and conduct policies, in alignment with the CaixaBank Group and with the sector's best practices, to reflect the Bank's commitment to its Customers, Employees, Suppliers and Society in general.

At the same time BPI has developed internal procedures and Employee training sessions intended to guarantee the correct implementation of the policies and the Code of Business Conduct and Ethics.

Code of Business Conduct and Ethics

The **Code of Business Conduct and Ethics**, aligned with CaixaBank's corporate code, stresses the ethical values and principles that govern the conduct and should regulate the activity of all Employees and members of the corporate bodies, by setting basic principles of conduct.

Compliance with the law, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility are the core principles of conduct at BPI.

Human Rights Policy

Respect for **human rights** has always been an integral and fundamental part of the values and principles that govern the development of BPI's business activity.

BPI prohibits any discrimination, harassment, abuse or inappropriate treatment based on gender, race, colour, nationality, creed, religion, political opinion, affiliation, age, sexual orientation, marital status, disability, disadvantage or other situations protected by Law, whether in relation to Employees, Investors, Shareholder, Customers, potential Customers, Suppliers or to any other person.

Through this policy, BPI expresses its commitment to human rights in accordance with the highest international standards:

- United Nations International Charter of Human Rights, which comprises the following:
  - Universal Declaration of Human Rights;
  - International Covenant on Political and Civil Rights;
  - International Pact of Economic, Social and Cultural Rights;
- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and the eight conventions it has established.

Social Responsibility Policy

In its **Social Responsibility Policy**, which has been publicly disclosed, BPI stresses its purpose of developing an efficient and responsible business model, with a strong social commitment.

Anti-corruption Policy

The **Anti-corruption Policy**, which complements the Code of Business Conduct and Ethics, demonstrates BPI's repudiation for any practice against the law or the ethics and business principles of BPI, on the part of Employees, members of the corporate bodies or any other person representing the Bank.

Additionally, this policy details examples of prohibited conduct, practices and activities in order to prevent situations that could be considered as corruption, extortion, bribery, influence peddling and facilitation payments.

Reporting of Irregularities (whistleblowing)

The Code of Business Conduct and Ethics provides for the existence of a **confidential whistleblowing channel** to report possible violations of BPI's principles and duties of conduct by the Employees, the members of the Corporate Bodies, Customers, Suppliers, or other Stakeholders.

This channel acts independently, guaranteeing the whistleblower's confidentiality, anonymity and protection.

Compliance Policy

BPI has approved a **Compliance Policy** aligned with CaixaBank's corporate policy, which focuses on principles of business ethics, a corporate culture of respect for the law and the monitoring of the effectiveness of controls over the risk of non-compliance with obligations.

This policy, applicable to all Employees and members of the management bodies of all the entities which make up BPI, also highlights the basic principles that govern the activity of the Compliance function, such as autonomy, independence, authority, sufficient human, IT and technical resources, competence and suitability, access to information, a risk-based approach and permanence in the institution.

Criminal Compliance Corporate Policy

This Policy aims to create and implement a Bank-wide **prevention programme that reduces the risk of crimes** being committed.

General Policy concerning Conflicts of Interest and Conflicts of Interest Policy Regarding the Securities Market

Conflicts of interest, either real or potential, are inherent to the services provided by BPI, both in the banking business and in financial intermediation.

Consequently, BPI has in place two policies that deal with these matters:

- one policy of a general nature, which defines **the general framework and treatment of potential situations of conflict of interest** and the manner in which they should be prevented and managed (if the occurrence of conflicts of interest is effectively identified); and
- a second policy, specific to **BPI's financial intermediation activity** and aligned to the Markets in Financial Instruments Directive (MiFID II), which reinforced the requirements with regard to investor protection and transparency *vis-à-vis* all market agents.

Internal Code of Conduct on Securities Markets

BPI has in effect an **Internal Code of Conduct** to ensure that its conduct (as a credit institution, issuer of securities and provider of financial services) and that of the members of its corporate bodies and Employees, is compliant with the rules of conduct contained in Regulation (EU) 596 / 2014 of the European Parliament and of the Council, of 16 April, on market abuse ("MAR"), and respective standards and implementing rules, thus promoting **market transparency and the protection of the legitimate interests of investors.**

The Code's provisions apply to all BPI's Employees, stressing the obligation of refraining from disclosure and improper use of privileged information obtained in the course of their duties.

To ensure proper compliance with this obligation, the code establishes measures that aim to ensure that the confidentiality and integrity of the information remains intact, through the separation of areas and the inscription in lists of people with access to privileged information. Some specific obligations only fall on certain Employees, due to the nature and importance of their functions.

Policy on the Prevention of Money Laundering and Terrorist Financing and Policy for Managing Sanctions and Restrictive Measures

BPI has revised its **Policy on the Prevention of Money Laundering and Terrorist Financing** as well as its **Policy for the Management of Sanctions and Restrictive Measures** in light of the legislation, regulations, guidelines and recommendations in force in this domain, at both national and international level, as a means of preventing the Bank's involvement in illicit operations and ensuring its participation in the fight against economic and financial crime and organised crime.

These two policies reflect BPI's commitment to implementing internal mechanisms that mitigate financial crime as an universal and global phenomenon.

It should be emphasised that BPI acts in close collaboration with the official entities and with the supervisors in matters of prevention of money laundering and the financing of terrorism, and whenever the circumstances so require.

Product Governance Policy

The **BPI Group's Product Governance Policy** establishes the principles for the creation, development and marketing of Products, as well as for the follow-up and monitoring of their life cycle and the definition of procedures for changing existing products.

The Product governance structure includes the Business and Marketing Committee, the Product Validation Committee, the Risk Policy Committee, the Product Officer, the Data Protection Officer (DPO) and the Product Monitoring Unit. After receiving information from all the areas involved, the Product Officer prepares a final version of the Product Dossier (with the characteristics, commercialisation, marketing and simulation tests) to submit for final approval.

In 2020, the Product Validation Committee analysed a total of 54 products / services, of which 90% received suggestions for improvement and were approved in subsequent meetings.

Policy on Handling Complaints and Claims

In 2020, the Policy on Handling Complaints and Claims was implemented. This Policy defines the concepts for classification of the processes received, typified as "Complaint", "Claim" and "Dissatisfaction".

2020 Processes

	Received	Handled	% Handled, agreeing with the Customer
Dissatisfaction	3 967	4 844	14%
Complaint / Claim	5 181	5 220	22%
Total	**9 148**	**10 064**	**18%**

Products and services targeted at Customers' specific needs

BPI designs its offer of products and services to meet the specific needs of its Customers, and markets it in a transparent and responsible manner.

Accordingly, the sales teams' attention and action model has evolved around the **assessment of Customers' needs and the presentation of the most appropriate offer to suit these needs**, progressively replacing the traditional approach based on the presentation of proposals for the subscription of products and services.

In order to implement this approach, Customer information was reviewed and is currently presented to reflect their essential needs. It is based on this **Integrated Customer Vision** that the commercial units then explore the relationship and sales opportunities, placing the Customer at the centre of the relationship.

BPI regularly conducts **market surveys and studies** to gain a better understanding of its Customers' profile and to outline actions aimed at improving service quality. In 2020, BPI came up in #1 position among its main competitors in the global assessment of the Mystery Customer survey, conducted by Metriang.

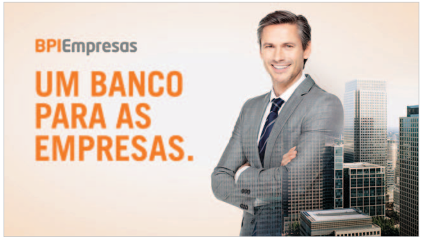
A Bank in the life of every Family

To meet the needs of **individuals and families**, BPI organises its activity around what it calls the **Customer Experience**, which, among others, involves the following:

Daily life	Enjoying life	Sleeping peacefully	Thinking about the future
Solutions that make day-to-day management easier for the whole Family	Solutions that make it easier to develop personal and professional projects	Protection and security solutions that provide peace of mind in the face of the unforeseen	Investment and retirement solutions to plan for the future and make financial assets profitable
▪ *Conta Valor*, at a single monthly price and providing the essential products and services, namely, account, debit and credit cards, transfers, and access to FamilyExperiences (platform of offers and discounts on more than 200 brands) ▪ Home loans, of various types ▪ Easy remote contact with the Account Manager (new platform)	▪ Personal loans, in particular to finance health, training, construction works or renewable energy expenses, and Car Loan ▪ Instant loan offering extended to all Customers; and pre-approved facility, now available to more Customers ▪ Renting available through exclusive campaigns or product catalogue	▪ Complete offer of life insurance (BPI Vida e Pensões) and non-life insurance: home, car, health (Allianz) ▪ Alarm solutions (partnership with Securitas Direct) ▪ Possibility to take up insurance and to report claims through BPI App and BPI Net	▪ Complete offer for diversification, savings or retirement ▪ Advised sale consolidated service (Branches) and investment advisory service (BPI Premier Centres) ▪ For Premier Customer, "My Planning" service available on BPI Net and BPI App

BPI, a Bank for Businesses

BPI has been, since its inception, a **Bank for Businesses**, and it continues to contribute to the sustained growth of companies, ensuring the **specialisation of its offer, the launch of new lines and services, and investment in digital**.



To this end, the Bank develops a wide **range of products and services** such as: solutions for efficient cash management; short, medium and long-term financing; products enabling fast and easy management of import and export operations; products to hedge a selection of risks and activities.

To address the needs of Customers with specific requirements, BPI has defined **Agriculture** and **Tourism** as strategic segments, and has set up structuring, offering, risk analysis and business promotion dedicated teams for these sectors. In addition, the Bank annually promotes the best that is being done in these business areas through the National Tourism Award and the National Agriculture Award (as described in the chapter "Brand Communication and Management").

To support the **Real Estate and Urban Rehabilitation segments**, BPI provides specialised monitoring to the setting up of structured finance operations and to the placement of the BPI/IFRRU Credit Line, an instrument aimed at financing rehabilitation projects on national territory. To support **international activity**, BPI promotes solutions for the quick and easy management of import and export operations, as well as several COSEC insurance solutions which allow the hedging of credit risk and benefit from State Guarantee. BPI has Trade Finance experts and provides in-company sessions at Customer premises, where they are informed in detail about the products and services that are better suited to their needs.

Cash management	Financing	Risk hedging
Solutions that ensure efficient cash management	Full offer of short, medium and long-term financing, tailored to the needs of each company	Solutions designed to mitigate a range of risks, allowing companies to develop their business with the assurance of greater security
▪ Payments, transfers and collections ▪ Point of Sale Terminals ▪ Cash-Pooling ▪ BPI Confirming ▪ Factoring ▪ BPI Tesouraria já (cash now) ▪ BPI IVA JÁ (VAT now)	**Medium and long-term investment** ▪ Fixed-term Loans ▪ Credit Lines under protocols, with Mutual Guarantee ▪ Lines under protocols with EIF and EIB[1] **Specialised credit** ▪ Real estate leasing ▪ Equipment leasing **Bank guarantees** ▪ Financial and non-financial guarantees	**Credit risk** ▪ COSEC Solutions **Market risk** ▪ Interest rate risk ▪ Exchange rate risk **Other risks** ▪ Allianz Corporate Insurance ▪ BPI Vida insurance

1) In March 2020 BPI was one of the four banks that signed a guarantee agreement with the European Investment Fund (EIF). BPI has exclusive rights to distribute in Portugal the BPI/EIB Energy Efficiency Line, granted by the European Investment Bank (EIB).

Financial Literacy

For the financial inclusion of the Portuguese, BPI promotes regular literacy sessions for different audiences which, in 2020, were provided through digital media.

In the context of the COVID-19 crisis, **multimedia contents were produced on the available moratoria**, explaining their features, access conditions and effects, and these were broadcast on the social networks and BPI websites.

A contents project was also developed, in partnership with Global Media and Público newspaper, to consolidate the reputation of BPI regarding its **savings and investment offer**, with the following objectives:

- helping Portuguese families to learn how best to save;
- approaching savings in a simple, intuitive and clear manner, demystifying some day-to-day issues;
- focusing on the diversification of savings, and calling attention to the "My Planning" philosophy, as far as possible aligning the contents to BPI's offer and simulators.

With the objective of fostering financial literacy amongst children and their parents, BPI developed and published **multimedia contents on the importance of "Saving for the Future"**, an initiative carried out in October, the 'month of savings', and broadcast through the social networks and BPI websites.

SOCIETY

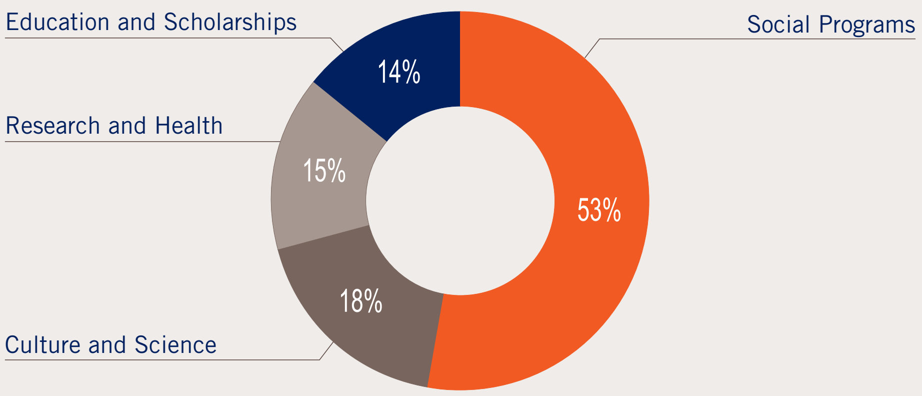
17 PARTNERSHIPS FOR THE GOALS

It has always been part of **BPI's identity** to contribute to the **progress and well-being of the community where it operates**, by **supporting social and cultural projects** promoted by institutions of recognised merit. Following BPI's integration into the CaixaBank Group and the extension of **"la Caixa" Foundation's** activities to Portugal, the scope of BPI's operations in these areas increased substantially.

Committed to the present and future of people and the **progress of the territories where it has major financial holdings**, the "la Caixa" Foundation develops its work in the following four thematic areas: **social programmes; research and health; culture and science; and education and scholarships**.

In 2020, the "la Caixa" Foundation executed a €26 million budget in Portugal. The aid provided through the **joint intervention of BPI and the "la Caixa" Foundation reached €28.9 million**, which is **33%** more than in 2019.

28.9 M.€ joint investment of "la Caixa" Foundation and BPI in 2020



BPI and the "la Caixa" Foundation's intervention is carried out under the following **four drivers**:

- Extension or adaptation of **"la Caixa" Foundation's own programmes** to the Portuguese reality;
- **BPI "la Caixa" Foundation Awards** to support projects by social entities that promote the improvement in the quality of life of people in situations of social vulnerability;
- **Outreach support** to projects selected by BPI (Social Responsibility Committee and Decentralised Social Initiative);
- Programmes in response to the **country's specific challenges**.

This report presents the main initiatives developed by the two entities, or by BPI alone, grouped into thematic areas: **social programmes; research and health; culture and science; and education and scholarships**.

SOCIAL PROGRAMMES

The main initiatives on the social front are described below.

BPI ”la Caixa” Foundation Awards

In 28 editions, the **BPI ”la Caixa” Foundation Awards have directly benefited around 152 thousand people** in situations of social vulnerability, supporting 639 projects implemented by private non-profit institutions, with approximately €19 million.

In their **2021 edition**, the awards will be increased by €250 thousand, to a **global allocation of €4 million**. The aim is to expand the number of social projects supported, in a year of increased vulnerability due to a pandemic that is proving hard to beat.

Over the last decade, these awards have been part of the **change and empowerment of the social sector and are today an essential pillar of support to social institutions, promoting equality and improving the quality of life of the most vulnerable people**, from north to south of mainland Portugal and in the Islands. Launched by BPI in 2010, in 2019, following BPI’s integration into the CaixaBank Group, these awards became a joint initiative with the ”la Caixa” Foundation, with its financial allocation being reinforced.

Since 2010 (28 editions)	In 2020
€19 million	€3.75 million
639 projects supported	131 projects supported
152 000 beneficiaries	26 322 beneficiaries
7 811 applications	677 applications

Under the motto **“Helping those who help”**, there are five BPI ”la Caixa” Foundation Awards, in the overall amount of €3.75 million, accessible by call to tender. It should be noted that in April 2020 the application deadlines were extended, and the **awards were adapted to allow supporting new initiatives to assist those most affected by the pandemic crisis**.

The awards differ among them by the s**egment they target** and their **scope of action**.

Children and teenagers

To support projects capable of facilitating their overall development and health, as well viewing the reinforcement of parental skills.

Since 2019 (2nd edition)	In 2020
€1.5 million	€0.75 million
55 projects supported	31 projects supported
9 807 beneficiaries	5 676 beneficiaries

Young people and adults

To support projects promoting transition or reintegration into working life and addressing their basic needs.

Since 2016 (5th edition)	In 2020
€3.68 million	€0.75 million
105 projects supported	28 projects supported
27 049 beneficiaries	3 603 beneficiaries

People over 65 years old

To support projects that promote active and healthy ageing at home.

Since 2013 (8th edition)	In 2020
€5.25 million	€0.75 million
218 projects supported	24 projects supported
58 465 beneficiaries	3 359 beneficiaries

People with disabilities

To support projects that promote improved quality of life, occupation and autonomy.

Since 2010 (11th edition)	In 2020
€6.88 million	€0.75 million
219 projects supported	28 projects supported
42 909 beneficiaries	1 396 beneficiaries

Rural populations

To support social action projects in rural areas to address ageing, disability, poverty and social exclusion, and promote labour integration, interculturality and social cohesion.

Since 2019 (2nd edition)	In 2020
€1.5 million	€0.75 million
42 projects supported	20 projects supported
14 662 beneficiaries	12 288 beneficiaries

In 2020, the projects distinguished by the various awards contain various **social responses**, which are now even more pressing given the deterioration of the economic and social context caused by the pandemic crisis.

During these 11 years, the **scope of the BPI "la Caixa" Foundation Awards** was not limited to financing the social projects of the awarded entities, as the following initiatives show:

- The creation of a **team of volunteers** to assess the projects, an innovative and still differentiating initiative with **more than 70 volunteers, including BPI Employees (in active service or retired)**, who visited and met with the promoters of the highest scoring applications, getting to know their beneficiaries, problems and solutions, the partners and the fabric of the local social network, giving a face and a voice to the applications at the moment of decision. Currently, around 50 such visits are made in each edition of the Award, making up a total of more than 1 000 visits all across the country, from north to south of mainland Portugal and in the Islands;
- The **widening of the influence to the entire social sector system** in Portugal: beyond direct beneficiaries, projects, award-winning entities, the society in general, taking into account that indirect beneficiaries, companies and local government institutions are also part of society. This programme was also a forerunner of similar social responsibility initiatives that have multiplied in recent years;
- The **Awards publicity campaign, based on real success stories**, which inspire and give hope to so many people and institutions, to "help those who help" to build a better future;
- The **job creation and capacity building** for the Employees of the awarded institutions. It should be emphasised that, in 2020, around half of the total amount of the five awards went towards human resources, covering the hiring of 294 new Employees;
- Collaboration in leveraging EU funds for *Portugal Inovação Social* initiatives. In 2020, BPI and "la Caixa" Foundation saw five applications from projects awarded by the BPI "la Caixa" Foundation Awards 2019 approved by *Portugal Inovação Social*, **obtaining an additional investment of more than €500 thousand to leverage the impact of their projects**, to which was added the support to three more applications to develop social projects. In total, the eight projects represent an overall investment of around two million euros, positioning **BPI and the "la Caixa" Foundation as one of the largest social investors in this programme**, with an investment of around €670 thousand, which includes support in 2019 for two more projects.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

Humaniza Programme

The ***Humaniza* Programme** of the "la Caixa" Foundation supports various initiatives that ensure integral support to people with advanced illnesses and their families, as well as initiatives for the improvement of palliative care. These include the **Programme for Integral Support of People with Advanced Illness**, which in 2020 celebrated its 11th anniversary in Spain, and in 2018 was launched in Portugal by the "la Caixa" Foundation, seeking to complement the action of public entities in the field of palliative care. The engine of the programme are the **Psychosocial Support Teams** (EAPS), made up of professionals with training and experience to offer psychosocial and spiritual support to people who are at the end of their lives, as well as their relatives.

In a year of health crisis, the **Psychosocial Support Teams**, set up in 2018 and distributed across Portuguese hospitals in various regions of the country, had an added challenge due to the inpatients' inability to receive visits and to say goodbye to their relatives, at the end of their lives. The donation of tablets, in coordination with the Ministry of Health and TEAK Capital, for use by these and other in-hospital palliative care and long-term care teams across the country, facilitated contact between patients and their families, seeking to mitigate the suffering caused by distance.

Humaniza 2020

10 Psychosocial support teams
3 967 patients
4 985 family members
526 tablets donated

Another important initiative was the **tender for the selection of five home-based Palliative Care teams** launched in December 2020 by the "la Caixa" Foundation, in collaboration with the Ministry of Health.

Incorpora Programme

Through the ***Incorpora* Programme**, the "la Caixa" Foundation promotes access to employment for the most vulnerable people (young people not studying or working, unemployed people over 45, ex-prisoners, ex-drug addicts, victims of domestic violence and people with disabilities), in collaboration with social entities.

The Incorpora methodology facilitates the bridge between social entities specialised in labour insertion – selected by tender – and companies, identifying their employment needs and referring to them the job seekers who best fit the vacancies.

The Programme was launched in 2018, in collaboration with the Institute of Employment and Vocational Training, and **in 2020 the network was extended to most districts in mainland Portugal**.

Incorpora 2020

1 333 integrations
508 hiring companies
44 social entities

Proinfância Programme

Launched in Portugal in 2020 – and implemented 13 years ago in Spain – the ***Proinfância* Programme of the "la Caixa" Foundation supports children and young people aged between 0 and 18 years in situations of poverty or social exclusion so that they can have the same opportunities as other children**. The objective of the programme is to break the circle of poverty, which is transmitted from parents to children, and to promote new forms of support focused on social and educational development through a set of resources that the selected social institutions resort to according to the work methodology established by the Programme.

The programme was launched in Porto and Lisbon, in partnership with the respective City Councils, and will be implemented through social institutions selected by tender. In Porto, Proinfância will be implemented in Campanhã, Lordelo de Ouro and Ramalde and, in Lisbon, in Marvila, Santa Clara and Penha de França, with plans to support 50 families in situations of poverty and social vulnerability in each of these parishes (pilot projects).

Promove Programme

The ***Promove* Programme** of BPI and the "la Caixa" Foundation aims to support innovative initiatives in strategic areas for the development of inland and border regions in Portugal.

In the 2020 edition, **in addition to the tender to support innovative pilot projects and the ideas competition aimed at higher education students, a new line of support for mobilising R&D projects was opened, in partnership with the Foundation for Science and Technology (FCT)**, which aims to promote research, technological development and innovation up to proof of concept, in strategic areas for sustainable development. The joint budget for 2020 amounted to €2.4 million, and the winners will be known in 2021.

Launched in 2018, in two editions the *Promove* Programme has already awarded 13 innovative pilot projects, with strategic interest for the development of the areas where they are located and replicable in other regions of the country, and seven ideas from higher education students.

Decentralised Social Initiative

In 2020, BPI and the "la Caixa" Foundation launched the **Decentralised Social Initiative** after the success of the pilot project in the previous year.

The Decentralised Social Initiative is aimed at **supporting projects of local scope, of private or public non-profit institutions, which are BPI Customers, through the Commercial Networks** – Individual, Corporate and Institutional Customers.

With this initiative, BPI and the "la Caixa" Foundation intend to promote the involvement with the local social community through the Commercial Networks, maximise the repercussion and local impact of its activities in Portugal, and optimise the capillarity of the transmission of the "la Caixa" Foundation's resources to Portuguese society.

The priority of the social projects to be supported must be to promote improved quality of life and equal opportunities for people in situations of social vulnerability, in the following segments or areas of intervention: children, adolescents and young people in situations of social vulnerability, people over 65 years of age, people with disabilities, labour insertion, health, permanent illness or disability and interculturality and social cohesion.

Decentralised Social Initiative

70 723 direct beneficiaries
113 projects
€636 thousand

Due to the context experienced in 2020, many of the projects aimed to provide a response to the emergency situation caused by the COVID-19 pandemic. Therefore, the **initial allocation of the "la Caixa" Foundation for 2020**, of €400 thousand, **was increased to a total of €636 thousand**, in order to meet actual demand.

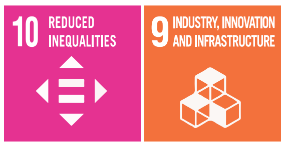
In 2021, the "la Caixa" Foundation's budget allocation for the Decentralised Social Initiative is €1 million.

Sundry local support

With regard to the **outreach activities** promoted by the "la Caixa" Foundation together with BPI, we highlight the support, totalling more than €1 million, provided to 45 **projects in the social, research and health, culture and science, and education areas**, with strong social impact, selected by BPI's Social Responsibility Committee.

Social Equity Initiative

In **social research**, the "la Caixa" Foundation, BPI and Nova School of Business & Economics (Nova SBE) created the **Social Equity Initiative**, a partnership that aims to support the development of the social sector in Portugal under a long-term vision, tracing a portrait of this sector and developing research and capacity-building programmes to support social organisations.



With an investment of €2.2 million over three years, the initiative aims to implement nine social transformation projects, including the launch of an annual report on the country's social balance, an aggregated database on the social sector, the use of data science to address social problems and capacity building and acceleration of the management model of social organisations.

Social Research Call

The **Social Research Call** of the "la Caixa" Foundation's Social Observatory is a new initiative to support excellence in social research projects that generate robust quantitative evidence and knowledge on current and emerging social challenges in Portugal, through an original and innovative approach. The call is aimed at researchers who can demonstrate an independent scientific track record and recent scientific production, and foresees an allocation by the "la Caixa" Foundation of €1.5 million for all the selected projects.

The selected projects are financed on a matching funds basis, with the Foundation for Science and Technology (FCT) matching the contribution of the "la Caixa" Foundation for the two winning projects in Portugal.

Finally, it should be noted that the "la Caixa" Foundation has launched two 'lightning calls' for COVID-19 social research, which together supported a total of eight papers on the social impact of the pandemic in Portugal.

Global Platform for Syrian Students

Another initiative worthy of note is the collaboration of the "la Caixa" Foundation and BPI with the **Global Platform for Syrian Students** (GP4SYS), under the Rapid Response Mechanism for Higher Education in Emergencies. 50 two-year grants ensure the continuation of studies and cover the maintenance and accommodation costs of Syrian students who were forced to leave their country. In 2020 an increase in the amount and extension of the period was approved to address the effects of the pandemic on the scholarship grantees' academic studies.

ODSlocal Platform

With the support of the "la Caixa" Foundation and BPI, the Institute of Social Sciences of the University of Lisbon launched in November 2020 the **ODSlocal platform**, which aims to monitor the progress made by Municipalities towards achieving the Local Sustainable Development Goals (SDGs), through progress indicators built from information from national databases and the Municipalities themselves.

This platform also aims to map the innovative and sustainable practices that both municipalities and civil society and companies are implementing, and measure their impact.

BPI Christmas Action

The BPI commercial network once again hosted the solidarity initiative **"Help a child to smile"**, through which the Bank's Customers and Employees were able to offer a Christmas present to children assisted by about 300 charitable institutions from all the districts of Portugal and the autonomous regions.

In 2020, taking into account the constraints imposed by the fight against the coronavirus, BPI also gave Customers the possibility to contribute through the digital and mobile channels, BPI Net and BPI App.

This initiative took place for the 9th consecutive year and BPI also contributed with a total donation of around €60 000, to be distributed among all the charities supported.

Rehabilitation of the Beira Central Hospital in Mozambique

In 2020, BPI contributed €100 000 towards the acquisition and installation of **neonatology equipment at Beira Central Hospital in Mozambique**, which had been affected by the destruction caused by Cyclone Idai in 2019.

The sum was applied by Health4Moz, a Portuguese non-governmental organisation for development (NGDO) that works primarily in the field of promoting child and family health in Mozambique. The proposal submitted by Health4Moz NGDO, validated by the Portuguese and Mozambican authorities, namely by Camões, IP, allowed supporting the reconstruction and functional rehabilitation of Beira Central Hospital, which serves a population of 9 million Mozambicans.

BPI is one of the main shareholders of Banco Comercial e de Investimentos (BCI), the largest financial entity in Mozambique.

CooperantesCaixa Programme

The **CooperantesCaixa** international corporate volunteering programme had its 2nd edition this year, this time with the participation of five BPI Employees. The cooperation project once again supported institutions in Mozambique, this time two, in virtual format, as a result of the constraints imposed by the pandemic.

RESEARCH AND HEALTH

In the research and health area, reference should be made to the **Health Research** and **CaixaImpulse Calls**.

In 2020, under the scope of the Call for Proposals in Health Research of the "la Caixa" Foundation, 6 projects were supported. These were coordinated by Portuguese research centres, with the collaboration of the Foundation for Science and Technology (FCT) which, under the protocol signed, matched the investment that "la Caixa" Foundation allocates to selected research projects in Portugal, for a total amount of €4.3 million. The aim of this call for proposals is to provide **support for projects from research centres in Spain and Portugal** in the areas of neurodegenerative, oncological, cardiovascular and infectious diseases and enabling technologies in these thematic areas.

Health Research 2020 (FLC and FCT)

6 projects selected in Portugal

€4.3 million

Within the **CaixaImpulse Programme**, which aims to promote the transformation of scientific knowledge in the field of life sciences and health – developed in research centres, universities and hospitals – into products and companies that generate value for society, it is worth noting the launch of the **COVID-19 CaixaImpulse Express Call for Proposals**, with an allocation of €1.8 million to support COVID-19 related innovation projects. The **Faculty of Pharmacy of the Lisbon University** and **CEiiA – Centre of Engineering and Product Development**, in Matosinhos, were the Portuguese entities selected, from a total of six projects. The extraordinary call was added to the annual calls **CaixaImpulse Validate**, which supports projects in their initial phase – the projects selected were submitted by I3S – Institute for Research and Innovation in Health from the University of Porto, and the International Iberian Nanotechnology Laboratory – INL –, and **CaixaImpulse Consolidate**, aimed at projects in closer-to-market introduction development stages – the project selected was submitted by the International Iberian Nanotechnology Laboratory.

CaixaImpulse 2020 (Validate, Consolidate and Express)

5 projects selected in Portugal

€1.1 million in Portugal

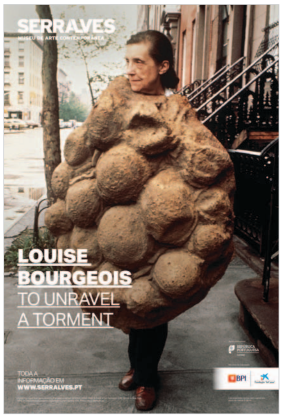
From 2021 onwards, there are plans to extend the collaboration protocol with the Foundation for Science and Technology (FCT) to match the contribution of "la Caixa" Foundation to the CaixaImpulse call (matching funding).

CULTURE AND SCIENCE

Under the commitment to bring **art and culture** closer to society, the following main support and patronage actions stand out in 2020:

- Three **major institutional collaborations: Serralves Foundation, Casa da Música** and **Calouste Gulbenkian Foundation** (Gulbenkian Music Seasons);
- Nine **Museums**: Serralves Contemporary Art Museum, National Museum of Ancient Art (temporary exhibitions), Natural History and Science Museum of the University of Porto, Elvas Contemporary Art Museum, Caramulo Museum, Casa da Arquitetura, Casa de São Roque, Lugar do Desenho and Science Museum of Coimbra University;
- Three **orchestras**: Orquestra XXI, Orquestra de Jazz de Matosinhos and Orquestra Sem Fronteiras;
- Five **theatres**: Teatro Nacional S. João (Porto), Teatro Nacional D. Maria II (Lisbon), Teatro Micaelense (Azores), Teatro Viriato (Viseu) and Teatro Circo (Braga);

Among the exhibitions on show in 2020, there stand out **“Learning in the Garden of Freedom”** by Yoko Ono and **“Unravelling a Torment”** by Louise Bourgeois, at the Serralves Museum, and the **“Warriors and Martyrs”** show at the National Museum of Ancient Art.



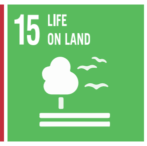
Also of note are the seven itinerancies of photography exhibitions included in the Art in the Street Programme of the ”la Caixa” Foundation – **“Land of Dreams”**, by **Cristina García Rodero**, and **“Genesis”**, by **Sebastião Salgado**, – two school concerts – **“The Landscape Collector”** and **“Finish the Soup”** –, and the digital participatory concert ***#EuCantoAleluia***, with 18 Portuguese participants selected in a call for applications.

A relevant initiative launched in 2020 was the **PARTIS & Art for Change** call for applications, undertaken together with the Calouste Gulbenkian Foundation, which distinguished, in a total of 16, the best and most innovative projects of social inclusion through artistic practice (visual, performing or audiovisual arts) by supporting consistent, informed and sustained proposals, based on partnerships and subject to evaluation.

Although cultural institutions suspended their activities for a few months, they quickly adapted to the new reality and broadcast **concerts and virtual tours** of exhibitions through the social networks.

In the area of **culture and science**, the following two initiatives should also be highlighted:

- **Creactivity** itinerant workshop
- Exhibition **“The Forest. Much more than wood”**.



Creactivity is a travelling workshop created by the EduCaixa Programme of the ”la Caixa” Foundation to awaken children’s ingenuity, dexterity and creativity, in which science is learnt through everyday items and trial-and-error. This mobile space has already toured 120 locations throughout the country, including the Azores and Madeira.

The exhibition **“The Forest. Much more than wood” of the ”la Caixa” Foundation**, donated to the Serralves Foundation, is hosted in a permanent space of this foundation, after having toured, in 2018 and 2019, eight cities in the country, drawing attention to the importance of preserving forests and ecosystems and promoting their sustainable management.

EDUCATION AND SCHOLARSHIPS

As to the intervention in the area of education and scholarships, the following two programmes should be highlighted:

The "la Caixa" Foundation Scholarship Programme, which every year attributes scholarships for the **pursuance of more advanced studies**, has been extended to Portugal, where in 2020 it **granted 9 post-doctoral scholarships and 11 doctoral scholarships to researchers of excellence**, with an average amount per scholarship of €300 000 and €120 000, respectively.

Education for entrepreneurship is another of the priorities of the "la Caixa" Foundation, which in 2019 extended to Portugal the **Young Entrepreneurs Programme** and the **EduCaixa Entrepreneurs Challenge**. These are educational programmes to support teachers in the development of entrepreneurial skills in students aged 14 to 18. The purpose of the **2020 Entrepreneurs Challenge** is to reward projects developed under the Young Entrepreneurs Programme which come up with high-impact solutions. In 2020, 93 schools participated in this initiative, 17 of which presented a total of 75 projects. From these, 2 projects were shortlisted to participate in the 2020 Entrepreneurs Challenge, and one received an award.

ENVIRONMENT

BPI considers it essential to support the transition to a low-carbon economy that promotes sustainable development and is socially inclusive. Accordingly, it has been adopting policies leading to a **rational, efficient and sustained use of resources and developing a range of products and services which factor in environmental criteria**.

The **environment** is therefore BPI's third and last line of action as a Socially Responsible Bank. Of the most significant initiatives in this domain, the following stand out in 2020:

- **BPI's Declaration on Climate Change and Environmental Risk Management Policy**;
- **Offer of products and services with environmental criteria, notably the first issue of ESG (Environmental, Social and Governance) Bonds in Portugal,** in the amount of €50 million, fully organised, structured and subscribed by BPI, in articulation with CaixaBank's Sustainable Finance team;
- Implementation of an **Environmental Management System and development of a platform to monitor environmental indicators**, as a decision-making support tool to improve the environmental performance of the Central Buildings and the Commercial Network, an initiative that recognises the impact of their activities and enables the identification of actions permitting to improve the bank's environmental footprint;
- Signature of the **Lisbon European Green Capital 2020 Commitment – Lisbon 2030 Climate Action**, embracing the objectives defined by the Lisbon City Council under the Sustainable Energy and Climate Action Plan.

In this context, BPI's participation in various **Working Groups** also stands out:

- **Reflection Group for Sustainable Finance**, promoted by the Ministry of the Environment and Energy Transition, following the signing of the Letter of Commitment for Sustainable Finance in Portugal, in 2019;
- **Sustainable Finance Working Group**, organised by the Portuguese Banking Association;
- **Sustainable Finance Working Group** of BCSD Portugal, Business Council for Sustainable Development.

Declaration on Climate Change

Under its Declaration on **Climate Change**, BPI commits to:

- Support viable projects compatible with a low carbon economy and solutions to tackle climate change;
- Manage the risks arising from climate change;
- Minimise the carbon footprint;
- Collaborate with organisations dedicated to advancing environmental issues.

This commitment to the environment stems from the desire to take a proactive role in sustainable development, as also reflected in the Code of Business Conduct and Ethics and the Social Responsibility Policy.

Environmental Risk Management Policy

The **Environmental Risk Management Policy** establishes the overall principles on which all actions involving environmental and climate risks should be based, which are reflected in the approval process of Customer onboarding and financing operations.

Through this policy, the Bank has declared its willingness not to assume credit risk with companies or projects that violate human rights, resort to child labour, do not have health and safety policies to protect their workers, or have significant impacts on biodiversity, water, soil or air.

Besides these exclusions of a general nature, the policy also established a set of sector-specific exclusions for activities with a special impact on environmental risk, establishing a set of requirements, which, if not met, will prevent BPI from assuming credit risk.

The industry sectors to which the specific exclusions apply are the following:

- Energy production;
- Mining industry;
- Infrastructures;
- Agriculture, fisheries, livestock and forestry.

Environmental Risk Management area

BPI's Credit Risk Division includes an **Environmental Risk Management Area**, responsible for the execution of the internal environmental management plan, in terms of credit risk assumption. The objective is to minimise, mitigate and remedy potentially negative impacts on the environment deriving from the Bank's loans to companies.

This area is responsible for **promoting the integration of environmental risk analysis in BPI as part of credit risk assumption and monitoring**, by classifying companies in terms of environmental and climate change criteria, and seeking to ensure that Customers comply with the policy in force, following the model in turn defined at corporate level by CaixaBank Group.

This analysis is performed by means of a questionnaire to assess and classify Customers and transactions, as part of the credit approval process. This analysis model, which should be progressively expanded, was integrated in accordance with the materiality criteria defined in the referred policy, for both transactions and Customers.

In 2020, 120 analyses were performed to Customers and 7 to financing transactions of specific projects.

It should also be noted that, although it has not directly subscribed the Equator Principles Protocol, as a subsidiary of CaixaBank, which in turn joined this protocol in 2007, BPI applies additional validation procedures in the assessment of ESG (environmental, social and governance) risks for operations falling within the Protocol's scope.

Currently, environmental risk is considered as level two of reputational risk in BPI's Risk Catalogue. The evolution of environmental and climate risk management must be aligned with the priorities defined by CaixaBank Group and with the expectations of supervisors based, namely, on the European Banking Authority (EBA) guidelines on the incorporation of ESG criteria in credit granting decision and monitoring; and, subsequently, on the analysis of deviations from the European Central Bank (ECB) guidelines on the integration by financial institutions of climate and environmental risks in business strategy, governance, risk management and respective disclosures.

The approach to environmental risks will also need to be assessed by BPI in the context of compliance with the EU Taxonomy Regulation [Regulation (EU) 2020 / 852[1]], on the establishment of a framework to facilitate sustainable investment.

Environmental Management System

BPI is implementing the ISO 14001 standard on the implementation of an **Environmental Management System**, in its Central Buildings, with a view to promoting the continuous improvement of its environmental performance, using whenever possible the best available techniques in its operational processes to make its activity more eco-efficient.

Two Central Buildings will be certified already in 2021 – the Casal Ribeiro Building in Lisbon, and the Boavista I Building in Porto –, to be followed by the Saudade Building, also in Porto and, in 2023, the Monumental Building in Lisbon, thus completing the certification of the Bank's main buildings.

The **Environmental Management Principles** inherent to BPI's Environmental Management System will be formally adopted and disclosed in 2021, becoming available to its Stakeholders through the different internal and external communication channels.

BPI's commitment to the implementation of the Environmental Management System implies the integration of objectives and the execution of its 2020-2022 **Environmental Management Plan**, which will contribute towards BPI becoming a reference in a more socially sustainable financial market, by promoting:

- The implementation and certification of the Environmental Management System in the Central Buildings;
- The commitment to carbon neutrality, and a reflection on the risks and opportunities that climate change poses to its activity;
- Environmental awareness among its Value Chain and its Employees;
- The reduction in water and energy consumption in all its facilities, as well as in waste production by its offices, namely arising from the life cycle of products and services;
- The promotion and differentiation of more sustainable financial solutions.

1) Concerning the framework for facilitating sustainable investment, with the requirements of the climate-related objectives entering into force in 2022, and the requirements related to the remaining environmental objectives (protection of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems) in 2023.

Environmental Information Map

BPI developed internally, and on its own initiative, a **dynamic platform for the management, disclosure, monitoring and follow-up of environmental indicators**, which covers the Central Buildings and the Branch Network and is accessible to all Employees.

This platform aims to contribute to the reduction of the environmental footprint.

On the analytical side, it shows budgeted and actual consumption values for the various indicators. It is possible to track this information by month, division and area, obtaining for each the consumptions and associated costs.

This platform, which in the future will cover more environmental indicators, is a crucial tool to assess the effectiveness of the Environmental Management System, as it enables:

- Analysis of indicators and their trends;
- Evaluation of the efficiency of internal processes, measures and good environmental practices;
- Reduction of unnecessary costs and setting of investment priorities;
- Compliance with established management objectives and plans.

This tool is a **transparent communication mechanism and an agent of change**, encouraging a more sustainable conduct by Employees and their families, and also influencing other Stakeholders, namely Suppliers, Partners, Customers, Shareholder, and others that are intrinsic to BPI's Value Chain.

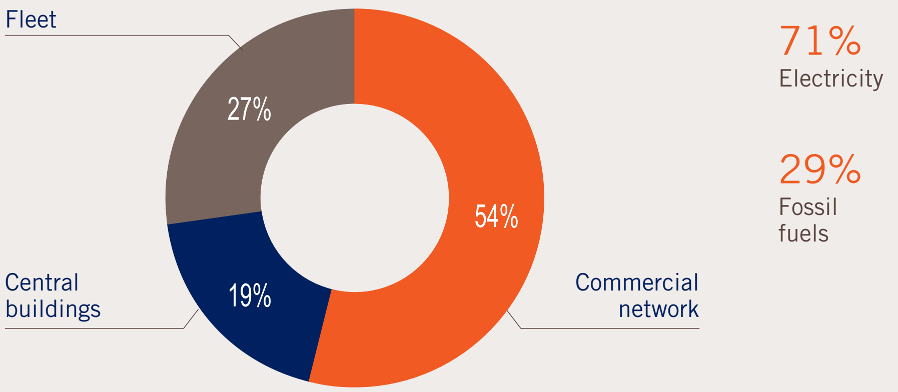
Energy Consumption

BPI's energy consumption comprises the **fuel consumption of the car fleet** (diesel and petrol) and of the **Central Buildings** (diesel and natural gas), and also the **electricity consumption** in these buildings and in the Commercial Network.

Energy consumption (GJ)

	2019	2020	Δ%
Diesel – generators	130	14	(89%)
Diesel – car fleet	41 777	26 208	(37%)
Petrol – car fleet	195	2 300	1079%
Natural gas – Central Buildings boilers	1 850	1 731	(6%)
Electricity	84 947	73 509	(13%)
Total	**128 900**	**103 761**	**(20%)**

Energy consumption in 2020



Total electricity consumption within the scope of BPI's activity was around 74 thousand GJ, accounting for the largest share of the Bank's energy consumption (71%). This represents a reduction of approximately 13% compared to the previous year, with reductions in both the Central Buildings and in the Commercial Network. Although this was an atypical year due to the pandemic, several measures were implemented to reduce electricity consumption in BPI's activity.

The remaining consumptions (29%) concern the use of fossil fuels by the car fleet, generators and boilers. Diesel consumption in the buildings mainly relates to the operation and testing of equipment. BPI only consumes natural gas in the boilers installed in the Casal Ribeiro and Boavista I Buildings, and this consumption decreased in 2020 (-6%), as a result of investments in the modernisation of technical equipment, such as the installation of new boilers, with a positive impact on the energy efficiency of these buildings.

With regard to the **car fleet**, BPI has been gradually restructuring it, replacing diesel vehicles by electric, hybrid, and petrol vehicles. This is one of the actions developed in line with the objectives of BPI's 2020-22 Environmental Management Plan. Another goal of this plan is to increase the number of chargers in the Central Buildings' car parks, in 2021, and to increase the parking infrastructure for motorbikes, both for Employees and for Customers and visitors who use these more sustainable means of locomotion.

The mobility of Employees on duty is of the utmost importance to BPI. The Bank has been implementing incentive policies aimed at reducing the number of journeys in service, and the number of rooms equipped with conference call and video conferencing systems has been greatly expanded, both in the Central Buildings and in the commercial network. These rooms can be used by any Employee.

Emissions

In order to quantify the direct impact of its activities, through fossil fuels burned on its premises and fleet, and the indirect impact associated with the production of electricity it consumes, BPI – in alignment with CaixaBank Group's strategic guidelines for the internalisation of climate risks in the business – initiated its **greenhouse gas emissions (GHG) inventory process**. As a result, BPI quantified the carbon footprint associated to Scope 1 and 2 listed in the GHG Protocol Corporate Accounting and Reporting Standard, relative to emissions resulting from the aforementioned activities.

Regarding Scope 1 GHG emissions, the reduction in emissions is linearly associated with the reduction in energy consumption (-31% compared to 2019). In the case of Scope 2 emissions, these are quantified according to two different perspectives as required by the GHG Protocol: (i) location-based method, which takes into account the average intensity of GHG emissions associated with the production of electricity distributed through the national grid; (ii) market-based method, which reflects the GHG emissions associated with the energy mix provided by the electricity supplier.

GHG emissions (tCO2eq)

	2019	2020	Δ%
Direct (Scope 1) GHG emissions			
Diesel – generators	10	1	(89%)
Diesel – car fleet	2 745	1 722	(37%)
Petrol – car fleet	14	167	1079%
Natural gas – Central Buildings boilers	105	98	(6%)
Total Scope 1	**2 874**	**1 988**	**(31%)**
Energy indirect (Scope 2) GHG emissions			
Location-based	**7 155**	**6 191**	**(13%)**
Market-based	**6 593**	**7 372**	**12%**
Energy indirect (Scope 3) GHG emissions			
Paper consumption	844	570	(32%)
Travel (air and train)	1 018	135	(87%)
Total Scope 3	**1 861**	**705**	**(62%)**
Total Scopes 1, 2 (Location) and 3	**11 890**	**8 885**	**(25%)**
Total Scopes 1, 2 (Market) and 3	**11 328**	**10 065**	**(11%)**
Carbon intensity (GHG emissions per number of Employees)			
No. of Employees (Activity in Portugal)	4 821	4 603	
Location-based	**2.5**	**1.9**	
Market based	**2.3**	**2.2**	

BPI also monitors **air and train travel and paper consumption**, which are included in Scope 3 of the GHG Protocol Corporate Value Chain Accounting and Reporting Standard. The monitoring of the emissions associated to these activities is therefore a first approach to quantifying the carbon footprint associated to the Bank's Value Chain.

With regard to travel in service by air and train, in 2020 there was a reduction in GHG emissions of around 87% compared to 2019. This large reduction is mainly due to the remote working imposed by the pandemic. However, it should be stressed that these are the kind of reduction figures that BPI intends to achieve in the coming years, in line with the targets defined for the reduction of GHG emissions.

Paper-related emissions concern the products' entire life cycle, from the extraction of resources to their distribution to BPI. The most relevant paper consumptions in BPI's activity concern photocopy paper, thermal paper rolls and paper in the form of envelopes, which have decreased. BPI consumes white paper and paper with Ecolabel and FSC ecological certification.

With the objective of reducing paper consumption, efforts were made to digitise processes, and, when digital means cannot be used, account statements sent to Customers are grouped in a single envelope. Also noteworthy are the measures to reduce the number of printers and to use pre-configured formatting which, in addition to having an impact on the amount of paper consumed, allowed the reduction of toner consumption (2 039 t consumed; -27% compared to 2019), with a positive carbon impact, which, however, has not been quantified.

Water

BPI has been promoting **efficiency in water consumption**, through the installation of water-saving equipment in taps, showers, flushing cisterns and urinals in all Central Buildings and the Commercial Network. In 2020, taps with reduced water flow were installed, thereby reducing water consumption by approximately 70%, as well as dual flush toilets, which permitted to reduce water consumption at the Casal Ribeiro Building by around 30%. In 2021, BPI also intends to install water filtering equipment in the Commercial Network, at national level, in spaces where bottled water is consumed.

Waste

The refurbishments which have been undertaken at the Central Buildings include the placement of ecopoints at strategic locations on all floors for the correct separation of waste by Employees. BPI intends to reduce its solid urban waste by 50% up to 2030, and is implementing awareness-raising initiatives for all Employees, also covering the Employees of outsourcing companies and service providers who work on BPI premises.

Lisbon European Green Capital 2020 – Lisbon Climate Action 2030

BPI signed the **Lisbon European Green Capital 2020 Commitment – Lisbon 2030 Climate Action**, embracing the objectives defined by the Lisbon City Council under the Sustainable Energy and Climate Action Plan, as well as a vision for "Lisbon, a Carbon Neutral City by 2050, resilient to climate change: adapted in the present, preparing the future, pursuing and surpassing the goals for sustainability".

17 PARTNERSHIPS FOR THE GOALS

This commitment involves 19 measures to be implemented by BPI by 2030, in the areas of energy, mobility, water, circular economy, citizenship and participation, and environmental certification.

The reduction in electricity consumption deserves a note, having mainly been achieved through energy efficiency improvement measures in the Central Buildings and in the Commercial Network:

- Replacement of the lighting inside the premises with LEDs;
- Installation of a Technical Management System to operate the lighting and air conditioning systems in the Casal Ribeiro and Boavista I Buildings and, soon, in the Monumental Building;
- Creation of a winter garden in the Casal Ribeiro Building, with trees planted in the inner yard to improve comfort and reduce the thermal load;
- Modernisation and monitoring of the HVAC systems until 2022, involving the total renovation of this system in more than 100 premises.

BPI has also been implementing other measures, namely:

- Revision of the power ratings of the Commercial Network facilities;
- Installation of condenser batteries in the Central Buildings and the Commercial Network;
- Modernisation of lifts in the Casal Ribeiro Building;
- Modernisation of boilers in the Casal Ribeiro Building.

In terms of **energy efficiency improvement and rationalisation**, a pilot project is planned for implementation in the first quarter of 2021 in the Casal Ribeiro Building and in ten branches of the Commercial Network. This project will permit to monitor and measure energy consumption broken down by type of equipment, allowing a more accurate analysis of individual consumptions, as well as improvements in terms of energy efficiency. This project will take into consideration the requirements of ISO 50001 and will be used to evaluate the effectiveness of technical processes and equipment, based on which its extension to other BPI facilities will be decided.

Measures were also implemented to **reduce the consumption of single-use or disposable plastic materials**, which had positive effects in terms of reducing the quantity of waste – a reduction of about 82% was achieved in 2020, due to the replacement of plastic for cardboard and bamboo in cups and spoons.

Suppliers

In 2020, BPI drew up its **Procurement Principles and Supplier Code of Conduct,** which will be disclosed as from 2021, thus binding suppliers to conduct requirements such as compliance with the law and regulations, the prevention of conflicts of interest and financial crime, health and safety, human and labour rights, the preservation of the environment, and sustainability.

BPI introduced electronic invoicing in 2020, and this process is being disclosed to Suppliers through the Specifications for new contracts. Suppliers who wish to join this initiative will be promoting the dematerialisation of invoice management processes and the massification of electronic invoicing.

In 2020, BPI had financial transactions with 2 877 Suppliers, with the most relevant types of service concerning the acquisition and maintenance of IT equipment, logistics, facilities management, security, and outsourcing services, making up 20% of the total of entities to which payments were made in 2020.

BPI selects mostly national Suppliers – in Portugal, 94% of the Suppliers are national, corresponding to 84% of the expenditure with suppliers. BPI's procurement model is drawn up in compliance with the rules imposed by the regulators, and the assessment of contracts, in terms of criticality and risk, is based on the rules issued by the EBA. In terms of criteria for selecting its Suppliers, BPI considers:

- The best offer obtained in response to a tender, weighing a right balance between price and quality of service;
- The exclusive producer of the products / services it requires;
- Track record of high-quality supplies.

In terms of improving environmental performance, and considering that a large part of the Bank's environmental impacts manifest themselves indirectly through the performance of its Suppliers, BPI is defining environmental clauses for new contracts with Suppliers and Service Providers which imply the undertaking of audits.

Products and services with environmental criteria

Aware of the importance of adopting measures to ensure environmental sustainability in its range of products and services, BPI offers:

Offering for Companies

BPI/EIB Energy Efficiency Line

Following the implementation, in 2017, of the **BPI/EIB Energy Efficiency Line**, under an agreement signed with the EIB, of which BPI is exclusive financial intermediary in Portugal, an amendment was signed in March 2020 to extend the Line's placement period.

Notwithstanding the pandemic crisis context in which the world is plunged, which may have an impact on investment intentions, the Bank maintains its commitment to the placement of the line, contributing to promote environmental sustainability, by financing the energy efficiency of Portuguese companies.

15 loan operations were contracted in 2020 under this line, for a total of €5.5 million. Since the start of this line, BPI has contracted a total of 43 operations, in the amount of €15.5 million.

IFRRU/Jessica Lines

BPI has two **lines of support for urban rehabilitation and revitalisation operations, promoting sustainable urban development – BPI/IFRRU and Jessica-BPI.**

- BPI/IFRRU Line: from its start in 2017 up to the end of 2020 the total investment supported by BPI reached €309 million, distributed by 77 eligible projects. The total amount of credit attributed by the Bank was €246.5 million.
- Jessica BPI Line: from its start in 2011 and up to the end of 2020 the total investment supported by BPI reached €425 million, distributed by 97 eligible projects. The total amount of credit attributed by the Bank was €274 million.

Renewable energies: wind, solar, photovoltaic, hydro or biomass

The portfolio includes three bond issues, totalling €140 million, of which two, in the amount of €90 million, were carried out in 2020.

Also noteworthy is the Project finance financing of 56 operations totalling €231 million, two of which, in the amount of €70.45 million, were contracted in 2020.

The following **new bond issues and project finance operations with environmental criteria** were carried out in 2002:

- SONAE SGPS, S.A. (Efanor Group): Sonae, SGPS, S.A. ("Sonae") and BPI launched a **bond issue with ESG (Environmental, Social and Governance) certification**, in which the financing margin is pegged to Sonae's performance in two sustainability indicators: the promotion of more women in management positions and the reduction of carbon emissions at Sonae;

  In the amount of €50 million, it was the first ESG bond issue in Portugal and it was fully organised, structured and underwritten by BPI, in collaboration with CaixaBank's Sustainable Finance team;

5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

- Corticeira Amorim, S.A. (Amorim Group): Issuance of **Green Bonds,** in the amount of €40 million, fully organised, structured and underwritten by BPI, in collaboration with CaixaBank's Sustainable Finance team; the objective was to refinance green investments made by eight of the Issuer's subsidiaries between 2017 and 30 June 2020;
- Eólica do Sincelo, S.A. (EDP Group): structuring and underwriting of a €119.2 million finance facility, of which €54.2 million from BPI, for the **construction, operation and maintenance of two wind farms**, located in the Centre and North of Portugal, with total installed capacity of 126 MW;
- WTG Energias, S.A. (WTG Corporation Limited group): structuring and underwriting of a €16.25 million finance facility to **refinance five wind farms**, located in Central Portugal, with 28.4 MW total installed capacity.

Offering for Individual Customers
The following is noted regarding the internalisation of environmental criteria:

- in terms of mortgage loans, still in the diagnosis phase, **classification of the portfolio of new loans granted by the energy efficiency class of the property financed by the loan**;
- the effort to **dematerialise / digitise the commercial activity**, as well as the increase in Customers using the digital channels, with a consequent reduction of traffic at the Branches, and the growing use of Digital Documentation for all correspondence with Customers;
- the preferential (when not exclusive) use of **'digital by default' commercial and marketing communication**, in the website, BPI Net and BPI App, social networks and electronic communication (email and SMS);
- special conditions on personal loans for the purchase and installation of renewable energy production equipment **(BPI Personal Loan – Renewable Energies)**;
- the line of **non-financial products in the "Mobility" category**, which can be purchased through a personal loan or credit card, which includes, among others, electric bicycles and scooters, and charging stations in partnership with EVOLUT, a company specialised in electric mobility;
- the partnership with **TESLA, with special conditions on loans to acquire electric vehicles**, and with **ARVAL, with options such as renting, also for the acquisition of electric vehicles**.

Contribution to the Sustainable Development Goals

BPI formalised its **adhesion to the United Nations Global Compact**, committing to apply and promote the Ten Principles of the United Nations initiative on Human Rights, Labour Practices, Environmental Practices and Anti-Corruption, and to contribute to the Agenda 2030 Sustainable Development Goals (SDGs).

In 2020, through recurrent or one-off initiatives, and acting on its own or jointly with the "la Caixa" Foundation, BPI made its **contribution to all 17 Sustainable Development Goals:**

SDGs	
1 No Poverty; 2 Zero Hunger; 3 Good Health and Well-Being; 4 Quality Education; 10 Reduced Inequalities	**Commitment to PEOPLE**
5 Gender Equality; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 16 Peace, Justice and Strong Institutions	**Commitment to SOCIETY**
6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land	**Commitment to PLANET**
17 Partnerships for the Goals	**Main Partnerships and Alliances**

Contribution to the United Nations' 17 SDGs in 2020

Commitment to People

1 No Poverty

With the "la Caixa" Foundation:
- BPI "la Caixa" Foundation Awards
- Decentralised Social Initiative
- *Proinfância* Programme
- CooperantesCaixa Voluntary service

2 Zero Hunger

With the "la Caixa" Foundation:
- Food Emergency Network

3 Good Health and Well-Being

- Promotion of Employees' health and well-being

With the "la Caixa" Foundation:
- BPI "la Caixa" Foundation Awards
- *Humaniza* Programme
- Health Research Call for Proposals
- CaixaImpulse Programme
- Doctoral and post-doctoral scholarships
- Decentralised Social Initiative
- Donation to the Beira Hospital in Mozambique

4 Quality Education

- Campus BPI
- Financial literacy initiatives

With the "la Caixa" Foundation:
- Doctoral and post-doctoral scholarships
- Young Entrepreneur Programme
- Creactivity Programme
- Grants to Syrian students
- Donation of IT equipment to schools

10 Reduced Inequalities

- Wengage Programme: Diversity and Inclusion
- "Help a child to smile" – Christmas action

With the "la Caixa" Foundation:
- BPI "la Caixa" Foundation Awards
- *Incorpora* Programme
- *Promove* Programme
- Decentralised Social Initiative
- *Proinfância* Programme
- Social Equity Initiative
- Social Research Call for Proposals
- Grants to Syrian students
- CooperantesCaixa Voluntary service
- PARTIS & Art for Change
- Donation of IT equipment to schools
- Portugal Social Innovation Programme – partnerships for impact

Commitment to Society

- Wengage programme – Diversity and Inclusion
- Official Bank for Women's Football
- IWEC Entrepreneur Woman of the Year Award
- Issue of ESG Linked Sustainable Bonds (Sonae)

- Credit lines of support to innovation
- Entrepreneur Awards XXI
- Investment in R&D
- Information Security

With the "la Caixa" Foundation:

- Social Equity Initiative
- Social Research Call for Proposals
- *CaixaImpulse* Programme
- *Promove* Programme
- Portugal Social Innovation Programme – partnerships for impact

- IFRRU and Jessica – Sustainable Urban Development
- Financing of sustainable mobility products
- National Agriculture / Tourism Awards

With the "la Caixa" Foundation:

- *Promove* Programme
- Decentralised Social Initiative
- Support to Culture initiatives (Serralves, Casa da Música, MNAA)
- PARTIS & Art for Change

- Financing to companies and small businesses
- Lines of support to entrepreneurship and job creation
- Solutions for agriculture, tourism and international trade
- COVID – 19 Lines of support to the economy
- Investment in R&D
- Tax and GDP contribution

With the "la Caixa" Foundation:

- *Incorpora* Programme
- BPI "la Caixa" Foundation Awards
- Decentralised Social Initiative
- *Promove* Programme

- Code of Business Conduct and Ethics
- Human Rights, Social Responsibility and other Policies
- Information Security
- Member of Advertising Self-regulation, BCSD Portugal, APB

Commitment to the Planet

- BPI/PDR 2020 Line Operations – Rural Development Programme, for the efficient use of water

With the "la Caixa" Foundation:

- *Promove* Programme

- Finance offering for Renewable Energy and Energy Efficiency
- Reduction of internal energy consumption
- Environmental Management System and Environmental Footprint Dashboard

- Declaration on Climate Change
- Environmental Management System
- Issue of ESG Linked Sustainable Bonds (Sonae)

- BPI/PDR 2020 Line Operations – Rural Development Programme, for the efficient use of water
- National Tourism Award (2020 winner, in the Sustainable Tourism category: Sustainability Certification Azores Tourism Destination)

With the "la Caixa" Foundation:

- *Promove* Programme
- Exhibition "The Forest"

- Offering of products with environmental criteria:
  - Renewable energy investment projects
  - BPI/EIB Energy Efficiency Line
  - IFRRU and Jessica – Sustainable Urban Development
  - Issue of ESG Linked Sustainable Bonds (Sonae) and Green Bond (Corticeira Amorim)
  - BPI Renewable Energies Personal Loan
  - Financing of sustainable mobility products
- National Agriculture / Tourism Awards Categories: Sustainable Businesses / Sustainable Tourism
- Rational, efficient and sustainable use of internal resources: Reduction in energy and paper consumption, plastic recycling and replacement; Environmental Management System and Environmental Footprint Dashboard
- Responsible Policies:
  - Environmental Risk Management Policy
  - Suppliers Code / Procurement Principles
  - Environmental Management Principles
- Alliances / partnerships:
  - Letter of commitment to Sustainable Finance
  - Lisbon European Green Capital 2020 Commitment
- Non-financial reporting

With the "la Caixa" Foundation:

- *Promove* Programme

Main Partnerships and Alliances

Entity	Initiatives
"la Caixa" Foundation	Joint initiatives with the "la Caixa" Foundation
Global Compact NetWork Portugal	Subscription to UN Global Compact – proposal approved in November 2020
Municipalities, promoter entities – Support: BPI and "la Caixa" Foundation	Local SDG – Municipal Platform for Sustainable Development Goals
Ministry of Agriculture, Forests and Rural Development	National Agricultural Awards
Ministry of the Economy, Turismo de Portugal	National Tourism Awards
Lisbon City Council	Lisbon European Green Capital 2020 Committee – Lisbon Climate Action 2030
Ministry of the Environment and Energy Transition	Reflection Group on Sustainable Finance
BCSD Portugal	Sustainable Finance Working Group

Tax and GDP contribution

TAX CONTRIBUTION

This section deals with the total **contribution of BPI and the companies of its group (BPI Group) in the area of taxation**, encompassing not only the payment of taxes and other levies for which the Bank and the companies of its group are taxable, but also compliance with a set of other duties of cooperation with the Tax Administration.

In 2020, BPI Group's total tax contribution was €376 million, broken down as follows:

- €116 million in taxes for which BPI and the companies of its group are taxable persons and which, therefore, were effectively borne by them;
- €259 million in taxes due by third parties but collected and handed over to the State and other public entities by BPI Group.

Levies borne by BPI and its subsidiaries

Of the total levies borne by BPI and the companies of its group (€116 million), the largest share corresponded to levies paid to the Portuguese State / other Portuguese public entities (€116 million, or around 99%), since the BPI Group mostly develops its activity in Portugal. The main levies borne are the following:

- contributions to the Social Security, in the amount of €39 million in 2020 (34% of all levies borne);
- Financial Sector Contributions, in the amount of €39 million in 2020 (34% of the total);
- VAT borne and not deducted (indirect tax), in the amount of €32 million in 2020 (27% of the total);

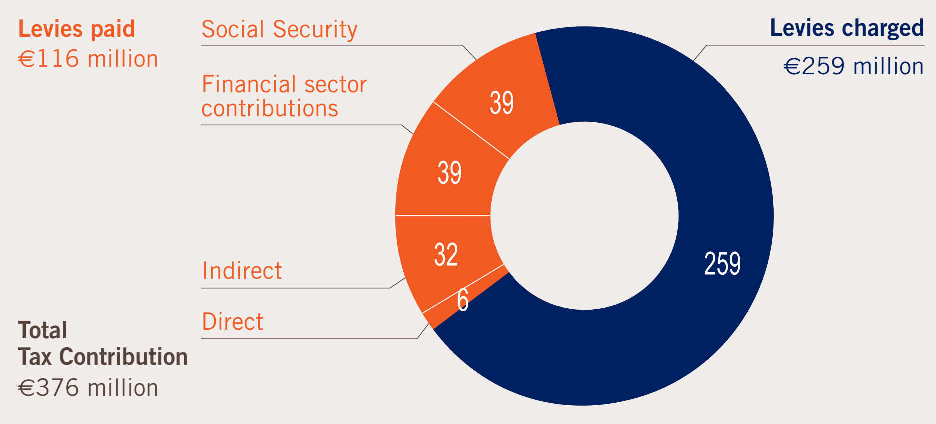
It should be noted that BPI Group has unused tax credits, which will have an impact on the current and future payment of corporate income tax.

Levies due by third parties that are collected and handed over by BPI

The levies due by third parties that are collected and handed over by BPI to the State / Other Public Entities amounted to €259 million in 2020 and mainly concerned the following:

- VAT settled (€95 million, or 37% of the total);
- Individual / corporate income tax withheld at source on the financial products distributed (€57 million, or 22% of the total);
- Stamp Duty charged (€49 million, or 19% of the total).
- Individual income tax withheld on the payment of Employee remunerations (€50 million, or 19% of the total).

BPI GROUP 2020



Total tax contribution
BPI Group not only effectively pays a set of taxes for which the entities that compose it are taxable, but also fulfils a set of legal duties that entail cooperation with the State in the collection of taxes and contributions due by third parties to the State and other public entities.

This section reports on what we have chosen to designate as Total Tax Contribution, understood as the set of levies which BPI and its corporate group hand over to the State and other public entities, about which it aims to provide a global, if not exhaustive indication.

The concept of Total Tax Contribution does not permit to capture a set of other collaborations provided by the BPI Group to the State (namely those involving compliance with the duty to provide information) but even so will provide a more comprehensive picture than the information on taxes included in its financial statements.

Levies for which BPI and the companies of its group are taxable persons
BPI and the companies of its group are taxable persons and as such pay several levies to the State and other public entities. These concern the following:

- direct taxes (namely corporate income tax);
- indirect taxes such as Municipal Property Tax (IMI – *Imposto Municipal sobre Imóveis*), Municipal Property Transfer Tax (IMT – *Imposto Municipal sobre as Transmissões Onerosas de Imóveis*), Stamp Duty (IS – *Imposto de Selo*) and non-deductible VAT;
- the contributions due by the financial Sector, namely the Banking Sector Levy (CSB – *Contribuição sobre o Sector Bancário*), the Contribution to the Resolution Fund, the Contribution to the Single Resolution Fund, and also the Contributions to the Social Security.

Duties of cooperation with the State and other public entities
As mentioned above, BPI and the companies of its group are subject to and fulfil numerous duties of cooperation, which entail the collection and delivery of levies due by third parties to the State and other public entities, as well as compliance with a set of duties of providing information to the latter so that these may calculate and collect such levies.

Hence:

- BPI Group collects and hands over to the State the individual income tax withheld on the remunerations of its Employees, as well as their contributions to the Social Security;
- BPI Group collects and hands over to the State the individual / corporate income tax withheld on the payment to its Customers of income from the financial products it distributes within the scope of its activity;
- BPI Group charges and delivers to the State the Stamp Duty due on the operations and financial services provided to its Customers;
- BPI Group charges and delivers to the State, through the respective collection mechanism, the VAT levied on services provided and on the transfer of assets;
- BPI Group reports to the Tax Authority and the Social Security all information required by law, namely in compliance with FATCA / CRS legislation, as well as in relation to the different ancillary obligations associated with the payment of income;
- finally, BPI Group also cooperates with the State in the seizure and transfer of valuables in the scope of tax enforcement proceedings where it is requested to do so.

Tax responsibility and code of good tax practices

BPI took part in the negotiations held between the Tax and Customs Authority and several taxpayers regarding the **Code of Good Tax Practices**.

This Code, which came into force in 2020, was created in the context of the Large Taxpayers Forum, of which BPI is a member.

The code incorporates a set of principles and recommendations to be followed by taxpayers that wish to adhere to it, as well as from the Tax and Customs Authority, with a view to improving the tax system and increasing legal security and mutual cooperation, based on good faith, legitimate expectations and the implementation of responsible tax policies.

Control and management of tax risk

BPI adopts, by definition, a conservative tax strategy governed by strict compliance with both the law and the applicable internal regulations and rules, which it reviews, when necessary, in the light of the most up-to-date consolidated tax jurisprudence.

In this context, the tax strategy as well as all tax matters are monitored by the Tax unit, which is part of the Legal Division. In functional terms, the Legal Division reports to the executive director, who in turn discusses the most relevant issues in the Executive Committee of the Board of Directors and/or in the Audit Committee.

The process of tax risk control presupposes the daily monitoring of the publication of laws and tax jurisprudence, as well as of the applicable accounting and regulatory standards, and their critical analysis to determine the need to adopt, implement, or adjust to them. On the other hand, it also involves monitoring the Bank's tax situation through the reception and management of notifications and summonses in tax proceedings, as well as the relationship with the Tax and Customs Authority within the scope of compliance with other tax and declarative obligations.

The tax risk control process is also monitored by the Compliance Department, which acts as the second line of defence, being responsible for establishing control procedures and for the independent review of their application, as well as by the Internal Audit Department, which acts as the third line of defence, responsible for assessing and improving risk management, control and corporate governance processes. Finally, tax risk management is also reviewed by the external auditors.

Within the context of risk management, the Bank has a specific channel for the communication of irregularities, whose scope is to receive communications of facts which, amongst others, violate or seriously compromise compliance with the legal, regulatory, ethical and deontological principles to which the Members of the Corporate Bodies and the Employees of the BPI Group's companies are bound in the performance of their professional functions, which naturally include conduct that entails tax risk. The communication of irregularities can be made by Shareholders, Employees of the company or others to the following dedicated mailbox: comunicacao.irregularidades@bancobpi.pt.

Lastly, it should be pointed out that BPI is monitored by the Large Taxpayers Unit of the Tax and Customs Authority, with which it maintains a collaborative relationship, guided by good faith, and within the ambit of which it seeks to discuss all the matters that raise major concerns in the interpretation of the tax rules. In this context, the Bank was a party in the negotiations held between the Tax and Customs Authority and various taxpayers on the drafting of the Code of Good Tax Practices.

BPI also plays an active role in the Large Taxpayers' Forum and in its sectoral committee for banking and insurance.

BPI is a member of the Portuguese Banking Association where it actively participates in discussions about public policies and tax matters, and also takes part in various tax-related forums, namely those promoted by the Portuguese Tax Association, always seeking to safeguard its Customers' best interests.

CONTRIBUTION TO GDP AND EMPLOYMENT

Through its banking activity in Portugal, BPI makes a sustainable contribution to the development of the economy and job creation, promoting the financial well-being of its Customers and society. In order to quantify the positive impact of BPI's activity, **BPI's total contribution to GDP and to indirect job creation was estimated**.

In 2020, the wealth generated by BPI's activity in Portugal amounted to €582 million, corresponding to 6.3% of the financial sector's gross value added (GVA). BPI's total contribution to GDP, which includes the direct effect (GVA generated by BPI) and the indirect effect on the rest of the economy, is estimated at €845 million, representing 0.42% of national GDP and an increase over the previous year (0.38%).

At the end of December 2020, BPI had a staff of 4 622 Employees in Portugal. Based on the Bank's indirect effect on the wealth generated by the rest of the economy, it is estimated that BPI contributed to the indirect creation of around 6.4 thousand jobs during 2020.

8 DECENT WORK AND ECONOMIC GROWTH

	2020
Contribution to GDP	€845 M
as % of GDP	0.42%
Employment (indirect creation)	6 400

Statement of non-financial information

This document aims to address the requirements of Decree-Law 89 / 2017 of 28 July, and it forms BPI's non-financial statement. This year also marks the evolution of sustainability reporting towards an internationally recognised benchmark, the **Global Reporting Initiative Standards – GRI (reporting option "in accordance – Essential")**.

In order to support this transition, BPI published for the first time the **materiality analysis of the environmental, social, economic and governance topics** of relevance to the organisation and its Stakeholders. From this analysis, a list of material themes was compiled which served as a basis for the definition of the contents of this statement. Nevertheless, the other themes considered relevant were covered, given the importance afforded to them by the Stakeholders and BPI's representatives.

The GRI Content Index is presented in the annex to the Management Report (page 155 and following), with the responses to each standard referring to the respective location, and providing the correspondence to the content requirements defined by Decree-Law no. 89 / 2017 of 28 July and to the voluntary application guidelines on the disclosure of non-financial information issued by the CMVM.

Activity and Results in 2020

Activity context

GLOBAL AND EUROPEAN ECONOMY

In 2020, the world economy was marked by the pandemic caused by the COVID-19 virus and by the mobility restriction measures implemented to combat its spread. Thus, the International Monetary Fund[1] estimates that the world economy contracted by 3.5% in 2020. The magnitude of the fall was stronger in the advanced economies, for which the IMF estimates a contraction of 4.9%, while the emerging economies would have contracted by 2.4%. Among the advanced economies, the euro zone contracted by 6.8%, due to the implementation of tighter restrictions on mobility, especially in the first wave, and in the USA the rate of contraction was 3.5%. To minimise losses, the various economies implemented strongly expansionary fiscal policies, granting non-refundable aid, loan moratoria for companies and households, state-guaranteed credit lines, employment support schemes, among others.

The scenario for 2021 remains shrouded in high uncertainty, but the IMF predicts a return to growth. The world economy will grow by 5.5%, with the advanced economies expanding by 4.3% and the emerging ones by 6.3%. Among the advanced economies, growth in 2021 will be insufficient to cancel the losses of 2020, either in the euro zone, which will grow by 4.2%, or in the USA, which will advance by 5.1%. In the euro zone, important instruments will be in place to support the recovery of activity, among which stands out the Next Generation programme, with an allocation of €750 billion, to be deployed between 2021 and 2026. Within the emerging economies, China will grow by 8.1%, after having advanced by 2.3% in 2020.

Monetary policy strengthened expansionary stance

In March, the Fed cut its reference interest rate to a range of 0.0%-0.25% and is not planning on making further changes before 2024. At the same time, it reinforced its non-conventional policy programmes in order to ensure the smooth functioning of the financial markets. These included purchases of treasuries and MBS, aimed at ensuring liquidity in these assets.

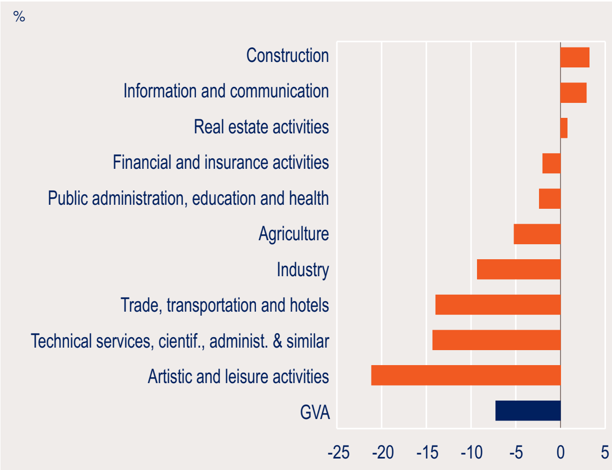
The ECB implemented a strong set of measures to alleviate the financial stress, ensure abundant liquidity and favourable access to credit, and anchor a low-interest-rate environment to cover fiscal policy action. These measures include the pandemic emergency purchase programme (PEPP), endowed with €1.85 trillion and to be maintained at least until March 2022; the reduction in TLTRO costs; and the indication that benchmark interest rates are not expected to rise in the coming years.

PORTUGUESE ECONOMY

As a result of COVID-19, the Portuguese economy contracted by 7.6% in 2020. Practically all sectors were affected, and in particular tourism, commerce, industry and activities related to the provision of technical, administrative and leisure services.

About half of the contraction of the economy is explained by the downturn in tourism activity, which fell by more than 90% in the months of tightest confinement.

Gross Value Added (GVA) by sector
Cumulative change up to 3rd Q 2020



1) *World Economic Outlook*, January 2021.

The contraction was also generalised across all components of the Gross Domestic Product, with exports of goods and services being especially penalised by the sharp fall in tourism exports. The contraction of GDP was particularly sharp in the second quarter, but the recovery in the third quarter was likewise very strong, calling to mind that this crisis is health-based and that it reflects the impacts of the confinement and restrictions on mobility in the 2nd and 4th quarters. Economic recovery will thus depend on the evolution of the pandemic, the efforts to contain it and the economic support measures that have already begun to be felt in 2020.

Government action and the ECB support measures were key to reduce the negative shock of the pandemic on the economy. At domestic level, the measures to support the economy represented around 2.3% of GDP in 2020, together with the credit lines (€10.7 billion). The ECB monetary policy made it possible to keep the economy's financing costs at low levels. One of the ECB's major programmes was the PEPP, under which the central bank bought €16.1 billion of Portuguese public debt in 2020 (7.9% of GDP and 5.9% of public debt).

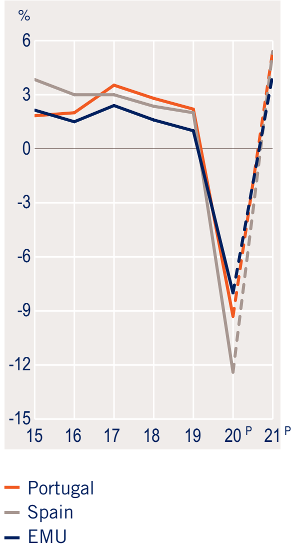
Despite the sharp contraction in activity, the increase in unemployment was contained, benefiting from the employment support measures implemented by the Government. According to the European Commission, approximately 750 thousand workers, 15% of the labour force, were covered by those programmes. Thus, for the year as a whole, the unemployment rate only increased by 0.3 percentage points compared to 2019, reaching 6.8%.

Up to November, the current account deficit increased to 1.1% of GDP, 1 percentage point higher than in 2019, reflecting the impact of lower tourism revenues on the services account. The services account surplus thus fell to €7.6 billion, down by €8.7 billion on the same period of the previous year. In the same period, the trade deficit improved by €5.0 billion, to €10.3 billion.

Reflecting the deterioration of the external balance, the economy's financing capacity fell to 0% of GDP in the year ended in the second quarter, down by 1 percentage point from the end of 2019, underpinned by the increase in State borrowing needs to 4% of GDP (0.1% of GDP in 2019). In turn, the financing capacity of households improved to 4.3% of GDP and their savings rate increased to 10.8% of disposable income, 3.8 percentage points higher than in 2019.

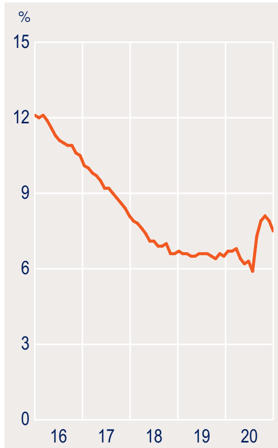
The actions undertaken by the State to support households and companies caused the public deficit to deteriorate to €10.3 billion in 2020, equivalent to 5.2% of GDP (-0.3% in 2019), on a cash basis. This performance was underpinned by a 5.3% increase in expenditure, largely driven by the impact of the measures to support families and companies as well as the health expenditure in the fight against COVID-19, and a 5.6% fall in revenue, reflecting the effect of the activity downturn on tax revenue. Based on information disclosed by the Bank of Portugal, the public debt ratio increased to 133.7% of GDP in 2020 (117.2% in 2019).

GDP growth



Source: European Commission.

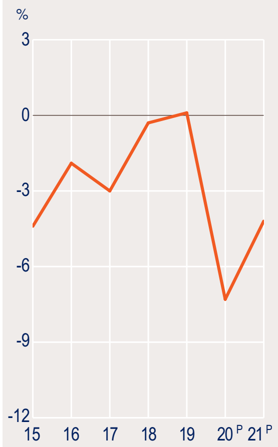
Unemployment rate in Portugal



Source: INE. Unemployment rate adjusted by seasonality.

In 2020, the Treasury issued €29.9 billion of medium and long term debt; the issuance cost of medium and long term debt was 0.5% and the average maturity of the issues was 10 years. For 2021, the State Budget foresees the issuance of €24.9 billion of medium and long term debt (OT), the rollover of around €4.1 billion of Treasury Certificates, and €2.9 billion in borrowings under the European SURE programme[1].

Budget balance as % of GDP



Source: INE and Government (State Budget for 2021).

Outlook for 2021

The European Commission[2] estimates that the Portuguese economy will grow by 4.1%, admitting a fall in activity in the first months of the year due to an upsurge in the wave of COVID infections and the announcement of a new lockdown, and subsequently a strong recovery. However, the outlook remains shrouded in a high degree of uncertainty, due to the economy's dependence on tourism and the risks surrounding the evolution of the pandemic. This uncertainty is evident in the forecasts of several leading institutions and may lead to downward adjustments to growth forecasts. Throughout the year, the progress and speed of the vaccination process will be fundamental to sustain the recovery expected for the second half, on which most of the scenarios for the Portuguese economy are based.

Projected real GDP growth 2020 – 2022F

Figures in %

	2020	2021F	2022F
BPI	(7.6)	4.9	3.1
Bank of Portugal	(7.6)	3.9	4.5
EC	(7.6)	4.1	4.3
OECD	(7.6)	1.7	1.9

The Government expects to resume the process of budgetary consolidation, thereby reducing the budget deficit to 4.3% of GDP (7.3% forecasted for 2020 on a national accounts basis).

Regarding the external accounts, the current account deficit is expected to improve, benefiting from some recovery in tourism activity and the gradual upswing of the international goods trade.

Financial system

Private sector debt ratios remained well below historical highs, and their slight increase compared to 2019 mainly reflects the contraction of nominal GDP. According to the Bank of Portugal, the debt of private companies represented 128.9% of GDP in September (170% in December 2012); among individuals, this ratio was 68.8%, 25 p.p. below its peak in December 2009.

The loan-to-deposit ratio dropped to 85.2% in September 2020, which is 1.9 p.p. less than in December 2019 and 73.5 p.p. less than in March 2008, when this ratio reached its highest level.

1) European temporary support instrument to mitigate the risks of unemployment in an emergency situation.
2) Winter 2021 Economic Forecast.

The common equity Tier I ratio closed the third quarter of 2020 at 14.9%, an improvement of 0.6 p.p. compared to the end of 2019. The total non-performing loans ratio in turn dropped by 0.9 p.p. since the end of 2019, to 5.3% in September, with a coverage ratio of non-performing loans of 55.9% in the same period.

Funding from the ECB Increased to €32.2 billion in December 2020.

Credit

Loans to the resident non-financial private sector increased by 4.6% in 2020, mainly driven by the support provided to companies through the opening of state-guaranteed credit lines. Loans to companies increased by 10.4% in 2020, in contrast to the 3.7% drop in 2019. In the individual Customers segment, the stock of loans advanced by 1.4%, underpinned by a 2.1% increase in mortgage loans. In 2021 the portfolio of loans to the private sector is expected to continue growing, bolstered by an improvement in economic agents' confidence and the maintenance of moratoria for much of the year.

Deposits

Deposits of the non-financial private sector increased by 10.1% in 2020, with deposits from individuals growing by 7.9% and deposits of non-financial companies by 17.6%.

FINANCIAL MARKETS

In the interbank market, the Euribor rates trended in line with the ECB monetary policy, hitting new lows. In December, the 3- and 12-month Euribor rates stood at -0.53% and -0.49%, respectively, down by 15 and 24 bps since the start of the year. The US followed the same trend, with the 3-month Libor standing at 0.23% (down by 167 bps since the start of the year).

In the fixed income market, the North-American benchmark fell by 98 bps since the start of 2020, to 0.93%. In the euro zone, as a reflex of the ECB's monetary policy, the yield on the 10-year Bund retreated to -0.58%, down by 39 bps on the start of the year.

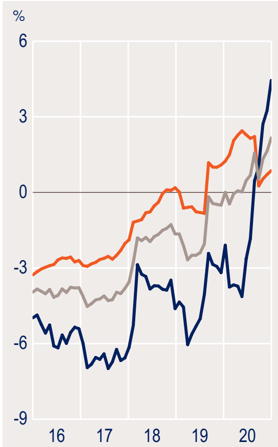
In the peripheral countries, risk premia closed the year slightly below their levels at the beginning of the year, reflecting the market's tranquillity following the robust European support to fight the pandemic. In Portugal, the risk premium stood at 64 bps, the same as required for Spain's debt (63 bps) and remaining flat compared to the start of 2020. It is worth noting that all the international rating agencies place Portugal in investment grade class.

In the foreign exchange market, exchange rate of the euro appreciated against the British pound and the dollar, which closed the year at around 0.89 pounds and 1.21 dollars to the euro.

Equity market

In 2020, the behaviour of the stock markets was very volatile, with significant losses during the first wave of the pandemic and a subsequent recovery. Even so, the European stock index Euro Stoxx 50 lost approximately 5%, and the Iberian indices – PSI-20 and IBEX 35 –, retreated by 5% and 16%, respectively, since the beginning of the year. Conversely, the S&P 500 – the main North American stock market index – gained 16%.

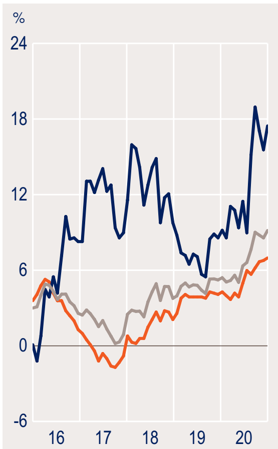
Trend in loans in Portugal



— Individuals
— Non-financial companies
— Total lending to the private sector

Note: Year-on-year growth rate.
Total credit to residents excluding Public Administration.
Source: Bank of Portugal.

Trend in deposits in Portugal



— Individuals
— Non-financial companies
— Private sector

Note: Year-on-year growth rate.
Source: Bank of Portugal.

Commercial Banking business

BPI recorded strong commercial dynamism in 2020, with 5.4% and 7.6% increases in the total loan portfolio and in Customer resources, respectively, and achieving market share gains in loans, deposits and diversification products, in a markedly adverse context.

Faced with the challenges and demands posed by the pandemic crisis, the Bank reacted promptly with unprecedented support for families and companies: it granted €5.6 billion in loan moratoria to families and companies and processed around 8.4 thousand applications to the COVID-19 public support credit lines, corresponding to €0.7 billion[1], while making available a simplified credit line which allows, at the Customer's request and subject to the Bank's approval, to advance the part of the loans not guaranteed by the State.

The Bank continued to improve the quality of service and the Customer experience based on the digital transformation process, which accelerated during the year and had specific developments to meet the immediate needs of the COVID-19 crisis.

It also took further steps to improve efficiency and strengthen the capabilities of the commercial networks, with clear benefits to the relationship with the Customers, in terms of simplification, availability and agility. The initiatives developed included the expansion of automated means in the Commercial Networks, the centralization of non-commercial tasks, the simplification of processes, and the reinforcement of digital solutions in the Commercial Networks, namely in terms of secure communication between Customers and their Account Manager, with a significant increase in capabilities for remote service and subscriptions of new products and services.

Loan moratoria

At the end of 2020, the moratoria (mortgage, personal, car and corporate loans) granted to individual and corporate Customers covered 97.5 thousand contracts corresponding to €5 620 million in loans. This represented 22% of the loan portfolio.

Moratoria[1] (at 31 December 2020)

	Mortgage loans	Personal and car loans	Corporate	Total
# contracts covered (thousand)	39.2	27.7	30.5	97.5
Amount of credit (€ million)	2 495	333	2 792	5 620
as % of segment's loan portfolio	21%	18%	24%	22%
% that are performing	98.8%	98.1%	97.7%	98.2%

1) Includes Covid-19 related renegotiations (moratoria at the Bank's initiative). Breakdown by type of moratoria contracted.

1) Loans contracted by BPI (€633 million, of which €551 million drawn) and loans approved / under analysis by the SGM.

INDIVIDUALS, BUSINESSES, PREMIER AND INTOUCH BANKING

At the end of 2020, Individuals, Businesses, Premier and InTouch Banking handled 1 634 thousand accounts, being responsible for a portfolio of Customer resources of €24 175 million and a Loan and Guarantee portfolio amounting to €15 770 million.

In 2020, BPI launched several simplifications in processes and improvements in the Customer contact platform, overcoming the difficulties resulting from the pandemic crisis.

In January, the first InTouch Centre was inaugurated, under an innovative commercial approach that combines the digital channels with the confidence provided by a personal Account Manager. On 31 December, it already had a portfolio of Customer resources in the amount of €191 million and a loan and guarantee portfolio of €368 million.

At year-end, the physical branch network serving the Individuals, Businesses, Premier and inTouch Banking segment was composed of 360 Branches, 27 Premier Centres and 1 inTouch Centre.

LAUNCH OF BPI INTOUCH SERVICE

This innovative service was designed for Individual Customers with a digital profile and takes advantage of the confidence enjoyed by BPI's digital channels, in which communications and transactions are carried out remotely in total security.

At InTouch, Customers have at their disposal a dedicated Account Manager with whom they can communicate by phone or chat through the BPI App or BPI Net (in the "Talk to Us" option) and they can perform remote operations from anywhere and in a longer timetable than at traditional branches (on business days from 8:30 am to 6:30 pm).

CUSTOMER RESOURCES

At 31 December 2020 the total Customer resources of Individuals, Businesses, Premier and inTouch Banking were €24.2 billion, with the segment's deposits amounting to €17.2 billion.

Customer Resources

Amounts in € million

	Dec. 19	Dec. 20	Δ%
Customer deposits[1]	15 217	17 233	13.2%
Assets under management			
BPI / CaixaBank funds[2]	1 305	1 299	(0.5%)
Third-party funds	309	326	5.3%
Retirement savings plans[3]	2 143	2 086	(2.7%)
Capitalisation insurance[2]	2 083	2 024	(2.9%)
Portuguese treasury floating rate bonds (OTRV)	1 399	1 208	(13.7%)
Total Customer Resources	**22 457**	**24 175**	**7.7%**

Note: The amounts presented are corrected for Customer migrations between networks.
1) Includes bonds placed with Customers (€6 million in Dec. 19 and €0.2 million in Dec. 20).
2) Excludes Retirement Savings Plans (RSP).
3) RSP in the form of investment funds and capitalisation insurance.

+7.7%
CUSTOMER RESOURCES

+13.2%
DEPOSITS

The diversification of Customers' investments continued to be a focus of commercial activity, namely through the campaigns *#Dá Mais valor à Reforma* (give more value to retirement) and *#Dá Mais valor à Poupança* (give more value to savings), which were aired in the last two months of the year.

In the Retail segment, this focus on diversification was centred on the need to save for retirement, through a plan of regular savings.

In the Premier segment, the diversification of the Customer's portfolio is based on the Advisory service, supported on unit-linked capitalisation insurance. Through different investment profiles in terms of risk-return, this type of insurance offers Customers diversified management under a single policy, in the current context where interest-rate based investments are non-existent. The Advisory service continues to evolve and several improvements and simplifications have been made, namely regarding the subscription process and associated tools. At the same time, the training of Employees involved in providing this service continued to be a priority.

In July, a new questionnaire was implemented for Customers interested in making investment operations. This questionnaire allowed the Bank a more accurate assessment of whether the Customer has the knowledge and experience to understand the concepts and risks implicit in a given type of product.

From July onwards, sizeable amounts of various products with guaranteed capital (capitalisation insurance and retirement savings plans) reached maturity, which led to an increase in funds in Customers' current accounts. Different courses of action were designed to submit investment alternatives adapted to Customers' needs and to assist them in reinvesting the amounts that were falling due.

13.4%
Market share in mutual funds + RSPs + capitalisation insurance (Nov. 20)

As a result, BPI's share of mutual funds, retirement savings plans, and capitalisation insurance rose to 13.4% in November.

LOANS AND ADVANCES TO CUSTOMERS

At 31 December 2020, the portfolio of loans and guarantees to the individuals, entrepreneurs and small businesses segment totalled €15.8 billion, having expanded by +7.0%, or €1 037 million yoy. In particular, mortgage loans increased by +5.5% (+€624 million) and loans to entrepreneurs and small business by +15.9% (+€316 million).

Customer loans and guarantees

Amounts in € million

	Dec. 19	Dec. 20	Δ%
Loans to individuals			
Mortgage credit[1]	11 332	11 956	5.5%
Consumer credit[2]	1 153	1 209	4.9%
Car Finance	256	297	16.0%
Small businesses[3]	1 992	2 308	15.9%
Total	**14 733**	**15 770**	**7.0%**

Note: Gross Customer loans and guarantees. The amounts presented are corrected for Customer migrations between networks.
1) Loans secured by real estate. Essentially home loans and loans for home improvements works.
2) Includes consumer loans and credit line for privatisations.
3) Includes loans, leasing, confirming, overdrafts, credit in current account, discounting of bills and other loans and guarantees.

+7.0%
LOANS AND ADVANCES TO CUSTOMERS

Mortgage loans

New mortgage production reached €1 741 million in 2020, up by an expressive rate of 20% on a year earlier. The market share in new production reached 15.1% in November, which compares with 13.7% in 2019, while the share in outstanding loans hit an historical high of 12.2%.

A closer monitoring of Credit Intermediaries, the continuation of campaigns on the transfer of mortgages from other credit institutions, and the new fixed-rate loans captured, all contributed to these figures. Also of note were the various simplification measures aimed at speeding up loan contracting, and also the Bank's fast response to the contingency caused by the pandemic situation.

HISTORICAL HIGH

12.2%

MARKET SHARE IN MORTGAGE LOANS

(Nov. 2020)

Personal Loans and Car Finance

In 2020, new personal loans and car finance production totalled €385 million and €115 million, respectively. Both products were affected by the pandemic, leading to a reduction in new production compared to 2019. Despite this reduction, these portfolios expanded by 4.9% and 16.0% respectively.

Several measures, adapted to the restrictions arising from Covid-19, were therefore taken to counter this fall in new production.

The maximum ceiling for pre-approved loans was raised from €10 000 to €15 000, and the Customer base eligible for this type of loan was also expanded. For Customers not eligible for pre-approval, the Bank launched Instant Loans of up to €10 000, with upload of proof of income documents, and quick decision.

The personal loan campaign *"Porque em tempos pouco certos, certo é contar com o seu Banco"* (Because in uncertain times, the right thing is to count on your Bank) was launched, offering initial commissions and focusing on attracting new personal loan proposals. At the same time, the new loan purposes for home improvement works, car, renewable energy and health were launched, to meet Customers' needs.

The year ended with the campaign *#Dá mais valor aos teus planos* (Give more value to your plans) and *#Dá mais valor à comodidade* (Give more value to convenience), which aimed to inform Customers of the advantages associated with BPI Personal Loans and BPI Credit Cards, respectively.

The BPI Drive tool, also launched in 2020, allows Car Dealer Partners and Car Finance Customers to carry out transactions in a totally digital, paperless, safe and innovative environment.

Credit and Debit Cards

At the end of the year there were 1 698 thousand cards placed with Customers, corresponding to a yoy increase of 3.6%. This increase was mainly underpinned by the increased commercial activity associated to the offering of *Valor* Accounts, that have the possibility to include a package of debit and credit card products and services.

Billing totalled €841 million in credit cards and €8 482 million in debit cards, representing reductions of -16% and -7%, respectively, due to lower activity in the country as a result of the COVID-19 pandemic.

In December 2020 there were 30 thousand Point-of-Sale (POS) terminals allocated to the Individuals, Businesses, Premier and InTouch network, which represents an increase of 2.3% compared to the end of 2019. Cumulative billing up to December reached €1 452 million.

Commercial loans, leasing and confirming

In 2020 BPI further reinforced its positioning in the priority segments, namely the Exporting Customers, Customers in the Commerce segment, and Customers in the Agriculture and Tourism sectors.

In response to the pandemic crisis, the simplification of processes was promoted, and in particular the possibility of formalising operations and adhering to services in an exclusively digital manner, thus achieving greater efficiency as well as security to BPI's Customers.

As a means of mitigating the economic effects of the COVID-19 outbreak and of encouraging the use of electronic means of payment, the minimum commission on transactions carried out at Point-of-Sale (POS) terminals was eliminated, in order to facilitate the acceptance of low-value payments. On the other hand, exemption from monthly POS fees was promoted for merchants who closed their activity due to temporary difficulties.

BPI continued to finance micro, small and medium-sized companies under the main programmes launched by the Government, in particular through the support lines to the economy.

Accounts

During 2020 BPI consolidated its new core offer of Sight Accounts for Individual Customers, which includes a set of accounts offering a range of products and services against a single monthly maintenance fee: *Conta Valor BPI*, *Conta BPI Premier*, *Conta Valor Protocolo BPI* and *Conta Valor Base BPI*, as well as accounts for younger people with no maintenance fee – *Conta Valor Júnior BPI* and *Conta Valor Jovem BPI*.

At the end of 2020 there were 918 thousand of these accounts, corresponding to a penetration rate of 69% in the Individual Customers segment. The number of *Valor* accounts with salary/pension automatic credited in the account increased to 595 thousand in December, corresponding to 73% of the total number of *Valor BPI* and *BPI Premier* accounts. Family Experiences, a platform that allows Customers with *Valor* Accounts and BPI Net to enjoy discounts on over 200 fashion brands, travel, leisure, and other, was also launched. With the launch of the Family Experiences programme, BPI aims at giving benefits to its most loyal Customers, allowing them to have access under advantageous conditions to financial products, and now also to non-financial products.

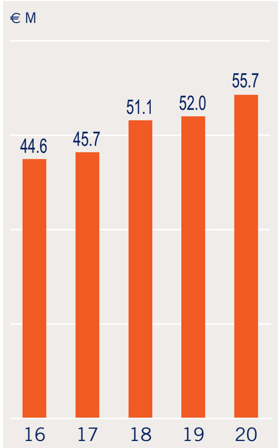
BANCASSURANCE

In 2020, BPI started to distribute life risk insurance from the Group's insurer – BPI Vida e Pensões – and maintained its partnership with the insurer Allianz Portugal for the distribution of non-life risk insurance.

Concerning the main life insurance products of BPI Vida e Pensões and non-life insurance products of Allianz, commercial activity during the year focused on positioning the Bank as a reference in insurance distribution and in helping Customers meet their main needs. Several initiatives were developed, such as constant internal training of the commercial areas' Employees, alongside the implementation of various commercial initiatives, namely the campaigns *"Family Seguros"* (Family insurance), *"Dá mais valor à certeza"* (Give more value to certainty) and *"Dá mais valor à saúde"* (Give more value to health). For greater proximity in the relationship with Customers, new functionalities – for taking out insurance contracts, queries about policies, and, in some cases, even the reporting of claims – were made available on BPI Net and on the BPI App.

In the current COVID-19 related context, insurance commissions reached €55.7 million in 2020, which represents a yoy increase of +7.1%.

Commissions
Intermediation of insurance products



PRIVATE BANKING

PRIVATE BANKING

The year 2020 was marked by the coronavirus pandemic and its consequences for global economic activity, causing strong volatility in the financial markets. However, this difficult context was very positive for portfolio management, in particular for the equity markets, which were the main driver of profitability, sustained by the coordinated intervention of central banks and governments, to mitigate the effects of the crisis.

€7 917 M
BUSINESS VOLUME

€6 939 M
Discretionary Management and Advisory Services

The year saw the consolidation of Customer segmentation, with the onboarding of approximately 2 900 high potential Customers who migrated to Private Banking from other networks of the Bank. This segmentation will allow BPI to provide a service better adjusted to the Customers' needs and their involvement potential.

At the end of December 2020, the business volume of BPI Private Banking amounted to €7 917 million, of which €6 939 million corresponded to funds under Discretionary Management and Advisory Services, €740 million to Stable Investments under custody and €238 million to Loans and guarantees.

The growth in capitalisation insurance deserves a note, with Customers being able to choose the products best adjusted to their investment profile. The portfolio reached €1 445 million at the end of December 2020, in line with the diversification strategy for this segment of Individual Customers.

In 2020 commercial efforts continued to focus on reinforcing Customer subscription to the (non-independent) investment advisory service, with the penetration rate of advisory contracts reaching 61.9%.

This consolidation of BPI as the largest Private Banking operating in Portugal (according to the DBK Informa study), combined with its growth strategy and focus on digital transformation, earned BPI Private the award for Best Private Banking operating in Portugal, and Best Private Banking in Europe in terms of the digitisation of Customer portfolio management (Best Private Bank for portfolio management technology – Europe), in the Wealth Tech Awards, both from PWM – Professional Wealth Management magazine, of the Financial Times group.

CORPORATE AND INSTITUTIONAL BANKING

CUSTOMER LOANS, GUARANTEES AND RESOURCES

The Corporate and Institutional Banking gross loan portfolio reached €9 557 million at the end of 2020. Customer loans, excluding specialised credit, grew by 6.9% yoy, with an expressive increase of 15.2% in the Large Companies segment. Moreover, despite the unfavourable economic environment, the guarantees portfolio increased by 6.7%.

BPI also continued to deserve the confidence of its corporate Customers, with a 28.9% increase in Customer resources, which surpassed €6 billion on 31 December.

+6.9%
LOANS AND ADVANCES TO CUSTOMERS (excludes specialised credit)

+28.9%
DEPOSITS

Customer loans, guarantees and resources

Amounts in € million

	Dec. 19[1]	Dec. 20	Δ%
Corporate loans[2]			
Companies	7 558.0	7 781.9	3.0%
Large Companies	2 739.5	3 155.8	15.2%
Small and medium-sized Companies	3 295.0	3 355.2	1.8%
Specialised credit	1 523.5	1 271.0	(16.6%)
Public Sector	1 705.4	1 761.6	3.3%
Other credit	13.2	13.3	1.0%
Total	**9 276.6**	**9 556.9**	**3.0%**
Guarantees	**1 332.4**	**1 422.2**	**6.7%**
Customer resources[3]	**4 707.9**	**6 067.7**	**28.9%**

1) Balances adjusted for Customer migrations between Retail Banking, Premier, Businesses and InTouch, Private Banking and Corporate and Institutional Banking.
2) Gross credit. Excludes loans to credit institutions.
3) Sight and time deposits.

The market share of loans to non-financial companies stood at 10.4% (November 2020).

BPI, A BANK FOR COMPANIES

BPI continued to support companies, putting at their disposal specific credit lines to support their cash and liquidity needs and thereby mitigate the negative economic effects of the pandemic.

In order to boost the activity of companies and enhance the economic recovery, BPI has submitted to its Customers the most appropriate solutions for each specific case, having also reinforced the digitisation of its offer. In particular, the following deserves a note in 2020:

iFactoring BPI: collection management of Customers' short-term receivables, with options to associate the advance on amounts assigned and credit risk hedging, available through BPI Net Empresas.
Point of Sale Terminals: BPI SmartPOS, which accept payments anywhere, anytime, when installed on a smartphone or tablet.
e-Commerce solutions: three means of payment in a single platform – the Digital Payments Gateway platform generates Multibanco references for the payment of services and accepts remote MBWay and Visa/Mastercard payments.

Teams of specialists

In order to meet the specific needs of its Customers, the Bank has set up dedicated teams to structure, design the offer, analyse risk and stimulate business in Agriculture and Tourism, which are considered strategic segments for the Bank.

Likewise, the Real Estate and Urban Rehabilitation, and International Trade segments benefit from specialised monitoring at BPI, through teams experienced in the BPI/IFRRU 2020 Line (designed to support Urban Rehabilitation and Revitalisation operations), in Trade Finance operations and in the main strategic markets where exporting Customers operate.

Proximity to the Companies

Meetings with Companies

In early March 2020 it was still possible to hold in Amarante one face-to-face "BPI Meeting with Companies", aimed at reinforcing BPI's proximity to its Customers.

The remaining plan of face-to-face events was replaced by a cycle of webinars, which made it easier for Customers to attend and allowed total territorial coverage, including Spain, through CaixaBank.

A variety of topics were addressed, largely focusing on issues considered strategic and a priority for BPI: agriculture, tourism, international trade, financing and product solutions (iFactoring BPI and BPI/EIF Agriculture line).

‘Retomar Portugal’ Conferences
Organised by BPI and the TSF/JN media group, this initiative consists of a cycle of multi-sector conferences, where the prospects for economic recovery, mitigating the effects of the pandemic on the Portuguese business community, are discussed.

The debates feature well-known experts in the various industry sectors, with the discussion addressing the following topics: “Textile, Clothing and Footwear”, “The new reality of the Douro and Port Wine”, “Health and Social Support”, “New forms of tourism and the National Road 2 Route”, “Real Estate, Construction and Public Works”, “Industry” and “International Trade and the impact of falling exports on companies”.

Support to innovation and entrepreneurship
BPI also supported several initiatives for the promotion of innovation and entrepreneurship in Portugal, through the Entrepreneur XXI Awards (4th edition) and the BPI Woman Entrepreneur Award (3rd edition), both in partnership with CaixaBank, and also the COTEC-BPI SME Innovation Award (16th edition), which it has sponsored since its inception.

STRATEGIC SEGMENTS
Agriculture
In 2020, the Bank maintained the lead in the main short term credit lines of support to farmers:

- 59% share in the total number of advances on operating subsidies granted by the IFAP and validated by the CAP[1];
- 60% share in total farming-season credit granted under the IFAP short-term credit line for agriculture, cattle breeding and forestry[2].

The Bank also continued to support the sector’s main events, namely the National Agriculture Fair, Ovibeja, the National Corn Conference, Agroglobal, and other initiatives associated to agriculture, cattle breeding, forestry and the sea. In 2020, some events were held digitally and others were postponed to 2021, due to the pandemic.

BPI once again gave visibility to the best of what is done in agriculture in Portugal, by promoting the 9th edition of the National Agriculture Award, in partnership with Cofina, which once again had the High Patronage of the Ministry of Agriculture. Moreover, still within the scope of the National Agriculture Award, BPI promoted a cycle of five webinars on the agriculture sector.

BPI/EIF Credit Line for Agriculture: In order to reinforce support and offer more advantageous conditions for investment projects in the agriculture and transformation and distribution of farming products sectors, in March 2020 BPI entered a guarantee agreement with the EIF – European Investment Fund, under which the BPI/EIF Agriculture Line, totalling €95 million, was made available.

1) Source: CAP – Confederação dos Agricultores de Portugal (Confederation of Portuguese Farmers), on 13 November 2020.
2) Source: IFAP – Instituto Financiamento Agricultura e Pescas (Institute for Financing Agriculture and Fisheries), on 31 March 2020.

Tourism

BPI asserts its position as a partner for companies in the tourism sector. It is, since 2016, official sponsor of BTL – Bolsa de Turismo de Lisboa, the largest tourism fair in Portugal, which in 2020 was not held due to the pandemic. Support for this fair is aimed at strengthening proximity to the sector's professionals.

BPI has a partnership with Turismo de Portugal under the BEST – Business Education for Smart Tourism Programme, for the organisation of business training and capacity building sessions (which this year have taken place in virtual format). It is also Founding partner of Associação NEST – Centro de Inovação do Turismo.

A 2nd edition of the National Tourism Award was also held this year, in partnership with the Expresso newspaper and with the high patronage of the Ministry of Economy and Digital Transition. Due to the COVID-19 pandemic, the 2020 edition was redesigned to fit the new reality, with 8 projects of excellence being awarded, in a virtual ceremony that counted with the participation of the main players of the sector.

BPI Line – EN2 Route: In 2020, BPI and the Association of Municipalities along the Route of National Road 2 signed a financing protocol with special conditions, with a view to promoting the tourism product emerging around this road. The Bank has set up a €100 million credit line to be used to support the companies that are part of the EN2 Agents Network.

Real estate and urban rehabilitation

Since 2018, the Bank has been focusing on real estate, both residential and commercial, with the specialisation of structured finance teams and the creation of specialised commercial teams located in Lisbon and Porto.

BPI / IFRRU 2020 Line: BPI is one of the Banks mandated to manage the IFRRU 2020 Line, which supports urban rehabilitation and revitalisation operations, with an allocation of €412 million. BPI is market leader in the distribution of this line, with a share of 45%. At the end of 2020, BPI had financed €246.5 million for 77 projects under this line, involving a total investment of €309 million.

International Trade

With a strong tradition in this segment, BPI maintained its support for its Customers whose business was strongly affected by the pandemic, either through the development of innovative products and services, or by strengthening its team of international trade specialists. BPI benefits from its integration in the CaixaBank Group, with a strong international presence in 24 countries in five continents, and a network of representative offices and international branches.

In 2020, the Bank redesigned its service of in-company sessions – where BPI's network of specialists provide clarification on international trade products at the companies' premises – which is now provided remotely.

At the end of the year, BPI held the 3rd edition of the "Business with the World" initiative, the first in 100% digital format, with one-on-one meetings between Customers and representatives of branches of CaixaBank Group's international network, where Customers obtain information on markets, clarify doubts and are given guidance on their internationalisation projects.

In partnership with COSEC, of which it is the main mediator with a 27% share of the policy portfolio, BPI also continued to provide an extensive range of credit risk coverage solutions.

International Cash Management: Integrated cash management of corporate accounts, through Swift Messaging services, Cross-Border Cash Pooling, or services integrated with CaixaBank.

Financial review

CONSOLIDATED OVERVIEW

Consolidated results and profitability

BPI reported a **consolidated net profit of €104.8 million** in 2020 (-68% yoy).

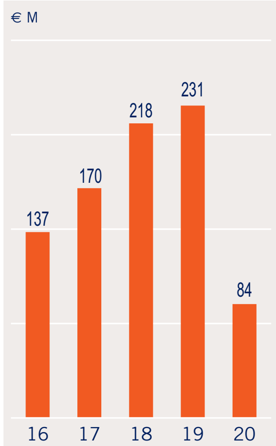
The **activity in Portugal generated a recurring net profit of €84.3 million**, corresponding to a yoy reduction of 64%, explained by €151 million of net loan impairment charges, including €97 million unallocated impairments set up in the context of COVID-19.

Commercial banking gross income remained stable (-0.3% yoy), in a very adverse economic environment. The resilience of core income combined with a 4.5% reduction in recurring operating expenses led to a 2.2 p.p. improvement in the core cost-to-income ratio, to 58%.

The net profit as reported in the activity in Portugal, which includes non-recurring expenses with early retirements and voluntary terminations, was €66.2 million in 2020.

The **contribution of the equity holdings in BFA (48.1%) and BCI (35.7%) totalled €38.6 million**.

Recurring net income in the activity in Portugal



Contribution to the consolidated net income

Amounts in € million

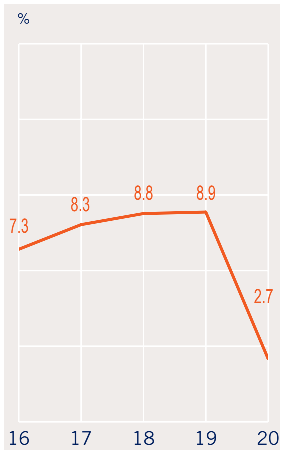
	2019	2020	Δ%
Activity in Portugal			
Recurring net profit	231.3	84.3	(63.6%)
Non-recurring impacts	(1.1)	(18.1)	-
Net profit in Portugal	**230.2**	**66.2**	**(71.3%)**
BFA and BCI contribution	97.6	38.6	(60.5%)
Consolidated net profit	**327.9**	**104.8**	**(68.0%)**

Recurring ROTE in the activity in Portugal was 2.7% in 2020, with consolidated ROTE standing at 3.0%.

Return on tangible equity (ROTE)

	2019	2020
Activity in Portugal		
Allocated capital (€ million)	2 547	2 497
Recurring ROTE	**8.9%**	**2.7%**

Recurring ROTE in the activity in Portugal



The equity holding in BFA is classified since the end of 2018 as a "financial investment", recognised under "shares at fair value through other comprehensive income", and the equity holding in BCI is recognised by the equity method. Hence, most of the items in the consolidated balance sheet and consolidated income statement, as well as the consolidated figures for the quality of the loan portfolio, funding and liquidity relate to the commercial activity in Portugal.

Commercial activity

Banco BPI achieved a good commercial performance in its activity in Portugal, despite the unfavourable context resulting from the COVID-19 pandemic crisis:

- Customer resources had a significant increase of €2.6 billion (+7.6%). Deposits were up by 13% (+€3.0 billion);
- the loan portfolio grew by €1.3 billion (+5.4%);
- corporate loans increased by 5.9% and loans to individuals by 5.4%, with a 5.5% increase in the mortgage loan book;
- increase in market shares: +0.2 p.p. in the total loan book, to 10.7%[1]; +0.5 p.p. in deposits, to 10.6%[1].

Asset quality

BPI has a low risk profile and continued to show a consistent improvement in credit quality and coverage indicators:

- the non-performing exposures (NPE, EBA criteria) ratio dropped by 0.8 p.p., to 1.7% at the end of 2020;
- the NPE coverage by accumulated impairments for loans and guarantees on the balance sheet increased to 83% (+29 p.p.), and to 140% (+16 p.p.) if also considering collaterals;
- the stock of foreclosed properties had a balance sheet value of €8 million (net of impairments).
- Net exposure to specialised loan recovery funds ("*Fundo de Recuperação, FCR*" and "*Fundo de Reestruturação Empresarial, FCR*") amounted to €36 million at the end of 2020.

Consolidated prudential capital

BPI maintains a solid solvency position: the CET1 ratio was 14.1%, the Tier 1 ratio, 15.6%, and the total capital ratio, 17.3%, at the end of 2020. The MDA buffer was 4.4%. The leverage ratio stood at 7.3% in December 2020.

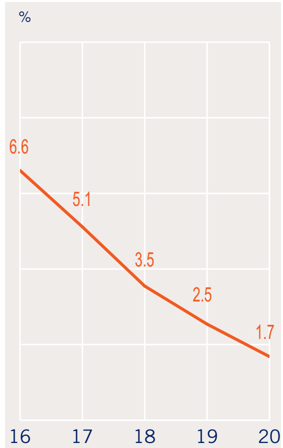
Funding and liquidity

BPI shows a balanced funding structure and a strong liquidity position. In Portugal:

- on-balance sheet Customer resources represented 70% of total assets in the activity in Portugal;
- the loan to deposit ratio was 93%;
- the net stable funding ratio (NSFR)[2] stood at 151%;
- the liquidity coverage ratio (LCR) stood at 260%[3].
- total high quality liquid assets and assets eligible as collateral for additional funding from the ECB amounted to €10.7 billion at the end the year.

1) Market shares in November 2020; changes relative to Dec. 2019 (ytd).
2) In force in June 2021.
3) 12-month average, in accordance with the EBA guidelines.

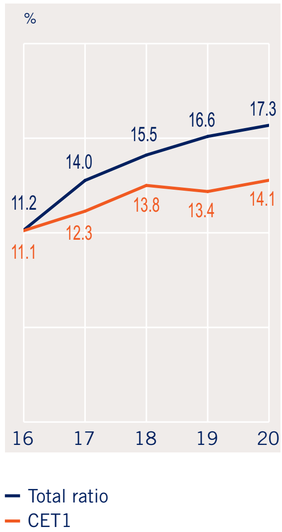
NPE ratio



Coverage ratio (%)
by collaterals and impairments

110	117	127	124	140

Consolidated capital ratios



Note: Fully loaded ratios until 2019; phasing-in in 2020.

ACTIVITY IN PORTUGAL

INCOME STATEMENT

Recurring net operating income (before impairments and taxes) increased by 4.3% (+€11.1 million), with the 1.3% drop in gross income being more than offset by a 4.5% reduction in recurring operating expenses.

Despite the increase in recurring net operating income, net profit (as reported) from the activity in Portugal dropped from €230.2 million in 2019 to €66.2 million in 2020, due to the following factors:

- net loan impairment charges in the amount of €151.5 million, including €97.4 million unallocated impairments in the context of COVID-19, which compares with net impairment reversals of €43.2 million (gain) in the previous year;
- non-recurring expenses (before taxes) of €25.0 million with early retirements and voluntary terminations occurred in the 4th quarter of 2020.

Income statement of the activity in Portugal

Amounts in € million

			2019	2020	Δ%
Net interest income		*1*	436.3	450.1	3.2%
Dividend income		*2*	3.3	2.4	(29.6%)
Equity accounted income		*3*	20.3	18.5	(8.5%)
Net fee and commission income		*4*	257.9	244.9	(5.0%)
Gains / (losses) on financial assets and liabilities and other		*5*	10.8	(2.9)	(127.3%)
Other operating income and expenses		*6*	(21.2)	(14.7)	30.5%
Gross income	*[=∑ (1 to 6)]*	*7*	**707.4**	**698.3**	**(1.3%)**
Recurring staff expenses		*8*	(244.6)	(239.4)	(2.1%)
Other administrative expenses		*9*	(148.1)	(138.2)	(6.6%)
Depreciation and amortisation		*10*	(53.9)	(48.7)	(9.7%)
Recurring operating expenses	*[= ∑ (8 to 10)]*	*11*	**(446.6)**	**(426.3)**	**(4.5%)**
Non-recurring expenses		*12*	(1.5)	(25.0)	
Operating expenses	*[= 11 + 12]*	*13*	**(448.1)**	**(451.3)**	**0.7%**
Net operating income	*[= 7 + 13]*	*14*	**259.3**	**247.0**	**(4.8%)**
[Recurring net operating income]	*[= 7 + 11]*	*15*	*260.8*	*271.9*	*4.3%*
Impairment losses on financial assets		*16*	43.2	(151.5)	-
Other impairments and provisions		*17*	(6.4)	(7.7)	20.0%
Gains and losses in other assets		*18*	4.7	0.3	(93.8%)
Net income before income tax	*[= 14 + ∑ (16 to 18)]*	*19*	**300.8**	**88.1**	**(70.7%)**
Income tax		*20*	(70.5)	(21.9)	(69.0%)
Net Income	*[= 19 + 20]*	*21*	**230.2**	**66.2**	**(71.3%)**
[Recurring net income]		*22*	*231.3*	*84.3*	*(63.6%)*

Gross Income

In 2020, commercial banking gross income from the activity in Portugal decreased by 0.3% to €715.9 million. Notwithstanding the increase in net interest income (+3.2%), the contribution of the equity accounted companies and dividend income (-11.5%) plus net fee and commission income (-5.0%) was lower than in the previous year, due to the adverse context.

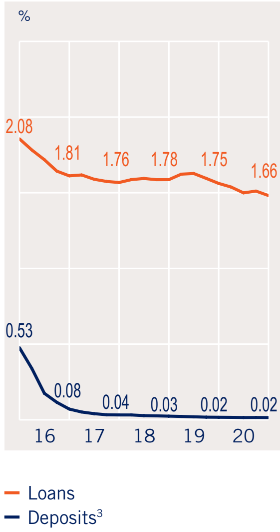
If also including other net income, total gross income contracted by 1.3%.

Gross income

Amounts in € million

			2019	2020	Δ%
Net interest income		1	436.3	450.1	3.2%
Dividend income and equity accounted income		2	23.6	20.9	(11.5%)
Net fee and commission income		3	257.9	244.9	(5.0%)
Commercial banking gross income	*[=∑ (1 to 3)]*	4	**717.8**	**715.9**	**(0.3%)**
Other income, net		5	(10.4)	(17.7)	(69.6%)
Gross income	*[= 4 + 5]*	6	**707.4**	**698.3**	**(1.3%)**

Quarterly average interest rates of loans and deposits



Net interest income

Net interest income increased by 3.2% (+€13.9 million) in 2020.

The following contributed to this performance:

With a positive impact,

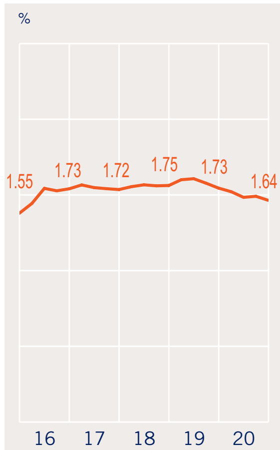
- the expansion of the loan portfolio (+6.6% yoy in average balances terms), which generated a positive volume effect of around €20 million;
- the €13 million increase in the contribution of Asset/ Liability Management (ALCO), explained by the more favourable conditions of funding obtained from the ECB in 2020, by the application as from November 2019 of the tiering system to deposits with the ECB[1] and by the increase in the public debt portfolio.

With a negative impact,

- the reduction in the unitary intermediation margin[2], from 1.77% in 2019 to 1.67% in 2020, generated a negative price effect of roughly €18 million. The narrowing of this margin reflects the reduction in the average remuneration of the loan portfolio insofar as the average cost of deposits (in euro) is very close to zero;
- a persisting context of negative market rates, which leads to a negative margin on deposits and also feeds through to the average remuneration of short-term loans and mortgage credit, which are mostly indexed to variable market interest rates.

Unitary intermediation margin

Quarterly evolution



Note: the values visible in the above charts refer to the average interest rates and unitary intermediation margin in the 4th quarter of each year.

1) Under the ECB's tiering system, in addition to the minimum reserve requirements, part of the surplus liquidity deposited by banks with the ECB is exempted from the application of the negative interest rate on deposits with the ECB.
2) Defined as the difference between income from interest on loans (excluding loans to Employees) and the cost of Customer deposits in euro.
3) Remuneration of deposits contracted in euro.

Net interest income

Amounts in € million

			2019			2020			
			Average balance	Average rate (%)	Interest	Average balance	Average rate (%)	Interest	∆ Interest (%)
Loans to Customers[1]		1	22 739	1.79%	407.7	24 240	1.69%	409.6	0.5%
Customer deposits in euro		2	21 038	0.02%	4.5	23 037	0.02%	4.0	(12.2%)
Intermediation margin		3		**1.77%**	**403.1**		**1.67%**	**405.6**	**0.6%**
Other revenues and costs		4			33.1			44.5	34.4%
Net interest income	*[= 3 + 4]*	5			**436.3**			**450.1**	**3.2%**

Net fee and commission income

Net fee and commission income contracted by 5.0% yoy (-€13.0 million), reflecting the economic context resulting from the pandemic:

- banking commissions fell by 8.0% (-€12.4 million), mainly due to the reduction in loan and guarantee commissions (-€3.4 million) and commissions on cards, ATMs and POS (-€4.5 million);
- commissions from mutual funds and capitalisation insurance fell by 8.7% (-€4.4 million), essentially reflecting the increase in the relative weight of lower risk funds, with lower unitary commissions, to the detriment of higher value-added funds, and the reduction in commissions from real estate investment funds;
- insurance intermediation commissions increased by 7.3% (+€3.8 million), already reflecting the placement of life risk products of BPI Vida e Pensões.

Net fee and commission income

Amounts in € million

			2019	2020	∆%
Banking commissions					
Loan and guarantee commissions		1	35.5	32.1	(9.7%)
Cards, ATMs and POS		2	28.7	24.2	(15.6%)
Sight deposits and associated services		3	63.7	62.7	(1.7%)
Other banking commissions		4	26.0	22.6	(13.1%)
Banking commissions	*[=∑ (1 to 4)]*	5	154.0	141.6	(8.0%)
Mutual funds and capitalisation insurance		6	51.2	46.7	(8.7%)
Insurance brokerage		7	52.8	56.6	7.3%
Total	*[=∑ (5 to 7)]*	8	**257.9**	**244.9**	**(5.0%)**

1) Excluding loans to Employees.

Equity accounted income in the activity in Portugal

The contribution of the equity accounted associated companies decreased by €1.7 million yoy in 2020, to €18.5 million. The reduction in Cosec's contribution is explained by COVID-19 related impacts on results, while the contribution of Unicre benefits from non-recurring capital gains.

Equity accounted income — Amounts in € million

			2019	2020	Δ €M
Insurance companies:	[= 2 + 3]	1	17.9	13.5	(4.4)
Allianz Portugal		2	13.3	13.4	+0.1
Cosec		3	4.6	0.1	(4.5)
Unicre		4	2.4	5.1	+2.7
Inter-Risco		5	(0.04)	(0.05)	(0.0)
Total	[= ∑ (2 to 5)]	6	**20.3**	**18.5**	**(1.7)**

Gains / (losses) on financial assets and liabilities and other

Gains / (losses) on financial assets and liabilities amounted to -€2.9 million in 2020. These results were underpinned by unrealised losses due to the devaluation of the holdings in the restructuring and corporate recovery and venture capital funds (-€13.4 million), and of the market value of corporate bonds held in portfolio (-€5.4 million), and, on the positive side, by foreign exchange gains in operations with clients (+€9.9 million).

Gains/(losses) on financial assets and liabilities and other — Amounts in € million

			2019	2020
Foreign exchange operations		1	12.6	9.9
Restructuring, corporate recovery, and venture capital funds		2	(10.9)	(13.4)
Corporate bonds		3	1.5	(5.4)
Other		4	7.7	6.0
Total	[= ∑ (1 to 4)]	5	**10.8**	**(2.9)**

Other operating income and expenses

Other operating income and expenses totalled a negative €14.7 million in 2020. This amount includes regulatory costs in the amount of €39.5 million concerning the contributions to the European Resolution Fund (€13.4 million) and to the National Resolution Fund (€7.3 million), the banking sector contribution (€15.5 million), and the new Solidarity Surcharge on the Banking Sector (€3.2 million) destined for the Social Security Financial Stability Fund.

Regulatory costs — Amounts in € million

			2019	2020
Contribution to the National Resolution Fund		1	(7.0)	(7.3)
Contribution to the European Resolution Fund		2	(11.3)	(13.4)
Banking Sector Contribution		3	(15.3)	(15.5)
Solidarity Surcharge on the Banking Sector		4	-	(3.2)
Total	[= ∑ (1 to 4)]	5	**(33.6)**	**(39.5)**

Operating expenses

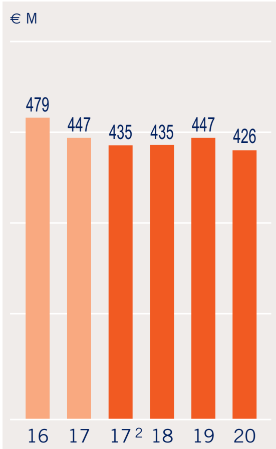
Recurring operating expenses decreased by 4.5% in 2020:

- staff expenses contracted by 2.1% (-€5.2 million) reflecting the downsizing of the average payroll by 1.0% and the reduction in variable remuneration, including the Executive Board Members' waiver of performance bonuses relative to 2020;
- other administrative expenses dropped by 6.6% (-€9.8 million), benefiting from the continued implementation of modernisation and efficiency improvement measures and also from the reduction of some business costs in the context of the pandemic crisis;
- depreciation and amortisation fell by 9.7% (-€5.2 million) mainly due to the revision of the estimated useful life of software (intangible fixed assets) from 3 to 6 years.

The core cost-to-income ratio[1] improved by 2.2 p.p., to 58.0% in 2020.

Operating expenses "as reported", which include non-recurring expenses of €25.0 million with 147 early retirements and voluntary terminations in the 4th quarter of 2020, increased by 0.7%.

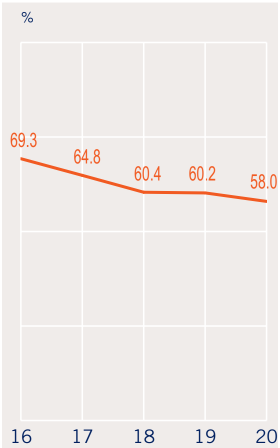
Operating expenses
excluding non-recurring



Operating expenses — Amounts in € million

			2019	2020	Δ%
Staff expenses, excluding non-recurring expenses		1	244.6	239.4	(2.1%)
Other administrative expenses		2	148.1	138.2	(6.6%)
Depreciation and amortisation		3	53.9	48.7	(9.7%)
Operating expenses, excluding non-recurring	*[= ∑ 1 to 3]*	4	**446.6**	**426.3**	**(4.5%)**
Non-recurring expenses		5	1.5	25.0	-
Operating expenses, as reported	*[= 4 + 5]*	6	**448.1**	**451.3**	**0.7%**
Core cost-to-income ratio[1]		7	**60.2%**	**58.0%**	**-2.2 p.p.**

Core cost-to-income ratio



Core cost-to-income ratio (on a comparable basis)

1) Operating expenses excluding non-recurring expenses, minus income from services provided to CaixaBank Group, as % of commercial banking gross income (net interest income, net fee and commission income, dividend income and equity accounted income).
2) Amounts restated due to the change in the income statement structure and the reclassification of the contribution of subsidiaries sold in 2017 and 2018.

Employee pension liabilities

The present value of the Bank's total liabilities for Employees' past services amounted to €1 907 million at the end of 2020. The net assets of the Employees' pension funds amounted to €1 873 million[1], which guaranteed the funding of 98% of pension liabilities.

Liabilities for Employee pensions and pension funds — Amounts in € million

	2019	2020
Total past service pension liabilities	1 804	1 907
Net assets of the pension fund[1]	1 770	1 873
Coverage ratio of pension liabilities	98%	98%
Pension funds return	12.6%	2.7%
Discount rate	1.34%	1.01%
Pensionable salaries growth rate	0.9%	0.9%
Pensions growth rate	0.4%	0.4%
Mortality Table: Men	TV 88 / 90	TV 88 / 90
Mortality Table: Women	TV 88 / 90 – 3 years	TV 88 / 90 – 3 years

Actuarial deviations

In 2020, the Bank's pension funds' return was 2.7%, which represents a positive return deviation of €24 million.

On the other hand, the updating of the discount rate, from 1.34% in December 2019 to 1.01% at the end of 2020, caused a negative deviation of €106 million.

Actuarial deviations in the year were negative by €102 million.

Actuarial deviations in the year — Amounts in € million

	2020
Deviation in pension funds return	24
Change in discount rate	(106)
Increase in national minimum wage above ACT	(14)
Other	(5)
Actuarial deviations in 2020	**(102)**

1) Includes contributions to the pension fund made at the start of the following year (€3.8 million in Dec. 19 and €90.1 million in Dec. 20).

Impairments and provisions for loans and guarantees

Loan impairments and guarantees net of recoveries amounted to €151.5 million in 2020 (*vs.* reversals of €43.2 million in 2019) and included unallocated impairments of €97 million set up in the context of COVID-19.

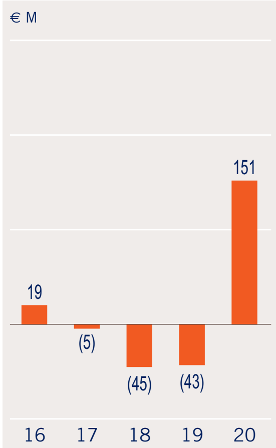
Reflecting its reinforcement in the Covid context, the cost of credit risk (impairment charges for the year net of recoveries) corresponded to 0.57% of the gross loans and guarantees portfolio.

Impairments and provisions for loans and guarantees

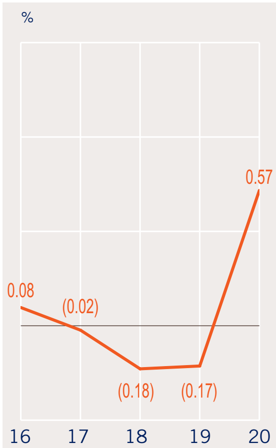
Amounts in € million

			2019		2020	
			Impairments	As % of loan book[1]	Impairments	As % of loan book[1]
Loans to individuals	*[= 2 + 3]*	*1*	(13.0)	(0.10%)	34.8	0.26%
Mortgage loans		*2*	(20.1)	(0.18%)	20.2	0.17%
Other loans to individuals		*3*	7.1	0.45%	14.6	0.85%
Companies		*4*	(7.7)	(0.07%)	128.7	1.17%
Public Sector		*5*	0.0	0.00%	0.1	0.01%
Impairments	*[= 1 + 4 + 5]*	*6*	**(20.7)**	**(0.08%)**	**163.6**	**0.62%**
Recovery of loans written off from assets		*7*	(22.6)	(0.09%)	(12.1)	(0.05%)
Total	*[= 6 + 7]*	*8*	**(43.2)**	**(0.17%)**	**151.5**	**0.57%**

Cost of credit risk
In € million



Cost of credit risk
As % of loan portfolio



Revision of the macroeconomic scenario to calculate the Expected Credit Loss under IFRS9

In the revision of the macroeconomic scenario carried out for the purpose of determining the Expected Credit Loss under IFRS9, and to factor in the estimated economic impacts of the COVID-19 pandemic as well as the effect of the social and economic aid policies adopted by the State, three scenarios were considered with different levels of severity to which different weights were attributed: a baseline scenario weighted at 60% and two additional scenarios, one more severe and the other more favourable, both weighted at 20%.

	2021E	2022E	2023E
Baseline scenario (60%)			
Real GDP	4.9%	3.1%	1.8%
Unemployment	9.1%	7.7%	6.9%
Euribor 6M (end of period)	(0.49%)	(0.42%)	(0.27%)
More severe scenario (20%)			
Real GDP	(0.3%)	4.2%	3.3%
Unemployment	10.1%	8.3%	7.3%
Euribor 6M (end of period)	(0.56%)	(0.52%)	(0.44%)
More favourable scenario (20%)			
Real GDP	6.9%	3.5%	2.0%
Unemployment	8.3%	7.0%	6.3%
Euribor 6M (end of period)	(0.46%)	(0.36%)	(0.15%)

1) As % of average gross loans and guarantees portfolio.

The NPE ratio, calculated under the EBA criteria, was 1.7% in 2020, having dropped by 0.8 p.p. relative to December 2019 (2.5%).

The accumulated impairments for loans and guarantees on the balance sheet covered NPE at 83%, or 140% if also considering collaterals.

The portfolio of foreclosed properties has a very low expression in BPI. In December 2020, the stock of foreclosed properties held by BPI had a gross balance sheet value of €12 million, and its value net of impairments was €8 million. These properties' valuation corresponded to 200% of their net balance-sheet value.

BPI's exposure to specialised loan recovery funds (*Fundo de Recuperação, FCR* and *Fundo de Reestruturação Empresarial FCR*) totalled €36 million[1] in December 2020.

Main asset quality indicators

	2019	2020
Non-performing exposures (NPE)	€763 M	€611 M
NPE ratio	2.5%	1.7%
NPE coverage by impairments and collaterals	124%	140%
Non-performing loans (NPL)	€750 M	€598 M
NPL ratio	3.1%	2.1%
NPL coverage by impairments and collaterals	124%	141%
Forborne loans not included in NPE	0.6%	0.5%
Foreclosed properties (net)	€15 M	€8 M
Corporate recovery and restructuring funds[1]	€39 M	€36 M

Sale of non-performing loans in January 2021 (subsequent event)

After the end of the year, in January 2021, BPI concluded the sale of a portfolio of non-performing loans with a gross value of €296 million, of which 90% were loans already written off from assets.

This operation generated a gain of €26 million (before taxes), of which €2 million resulted from the reversal of impairments allocated to those credits that was made in December 2020, with €24 million being recognised in January 2021.

1) The balance-sheet value, which includes subscribed but not paid-up capital, was €45 million at the end of 2020.

BALANCE SHEET

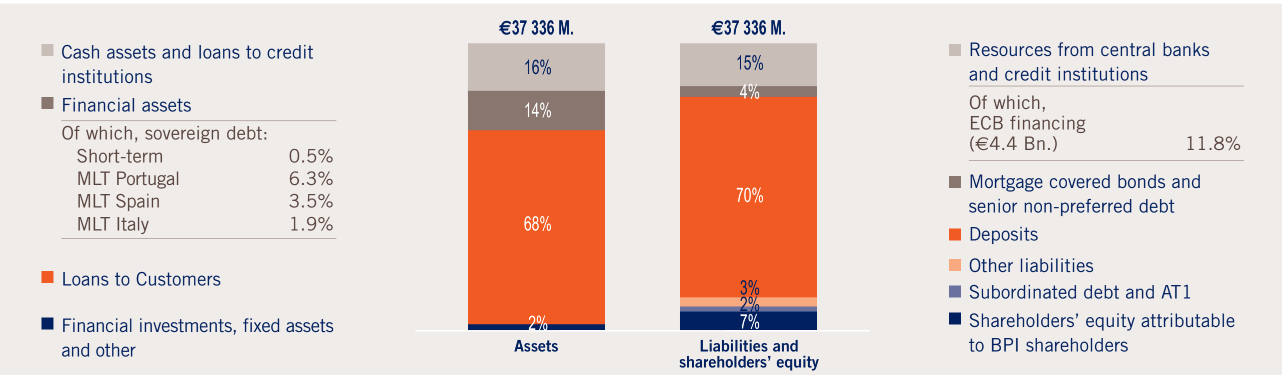
Total assets (net) of the activity in Portugal amounted to €37.3 billion, and accounting shareholders' equity was €2 541 million, excluding €275 million in Additional Tier 1 (AT1) capital instruments issued in September 2019.

Net loans to Customers, in the amount of €25.2 billion, represented 68% of assets, and on-balance sheet Customer resources (€26.0 billion) were the main source of balance sheet funding (70% of assets).

BPI maintains a comfortable liquidity position and balanced funding:

- the loan to deposit[1] ratio was 93%;
- BPI holds a portfolio of short-term sovereign debt securities (Portuguese) amounting to €0.2 billion, and a portfolio of medium and long-term sovereign debt securities (Portuguese, Spanish and Italian) in the amount of €4.4 billion, with an average residual maturity of 2.7 years;
- total high-quality liquid assets and assets eligible as collateral for additional funding from the ECB amounted to €10.7 billion. On that date, funding from the ECB totalled €4.4 billion;
- the net stable funding ratio (NSFR) stands at 151%[2].
- the liquidity coverage ratio (LCR) stands at 260%[3].

Balance sheet structure in the activity in Portugal at 31 December 2020



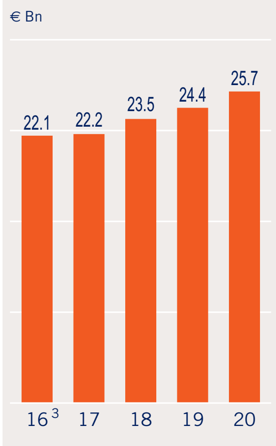
1) (Net loans to Customers - Funding obtained from the EIB, which is used to provide credit) / Deposits.
2) In force in June 2021.
3) 12-month average, in accordance with the EBA guidelines. Average value (previous 12 months) of the calculation components: Liquidity reserves (€7 655 million); Total net outflows (€2 943 million).

Loans to Customers

The portfolio of loans and advances to Customers (gross) expanded by 5.4% in 2020, with increases in all retail and corporate segments:

- The corporate loan book grew by 5.9%. At the end of 2020 the amount of credit drawn under State-guaranteed credit lines of support to companies in the context of COVID-19 was €551 million (recognised in the loan portfolio), from a total of €633 million in loans contracted under these lines[1].
- The mortgage loan portfolio grew by 5.5% (+€631 million), driven by a 20% yoy increase in new production, to €1.7 billion in 2020. The market share in cumulative production up to November 2020 was 15.1%.
- The portfolio of other loans to individuals – personal loans and car financing – grew by 4.1%. New production of car and personal loans registered the sharpest fall in the 2nd quarter, with the lockdown, and gradually recovered in the following quarters. Even so, the fall in new production in the year was 27% yoy.

Loans to Customers
2016 to 2020



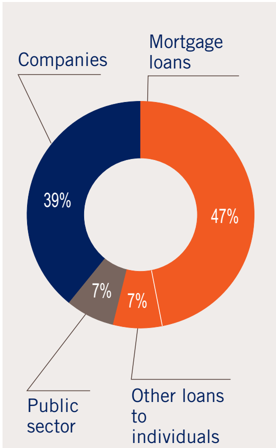
Loans and advances to Customers (gross)[2]

Amounts in € million

			2019	2020	Δ%
Loans to individuals	[= 2 + 3]	1	13 045	13 745	5.4%
Mortgage loans		2	11 377	12 008	5.5%
Other loans to individuals		3	1 668	1 737	4.1%
Companies		4	9 513	10 072	5.9%
Public Sector		5	1 823	1 879	3.1%
Total	[= 1 + 4 + 5]	6	**24 381**	**25 695**	**5.4%**
Note:					
Net loan portfolio			23 987	25 208	5.1%

Note: In 2020 BPI altered the segmentation of the loan portfolio. The amounts for December 2019 were restated to ensure comparability.

Loans to Customers
Breakdown at 31 Dec. 2020



1) The amount of credit granted by BPI and credit approved or under review by the SGM totalled €722 million at the end of 2020.
2) Loans and advances to Customers (gross) corresponds to Loans and advances to Customers (€23 116 million in Dec. 20), excluding collateral accounts and other assets (€47 million in Dec. 20), added of debt securities issued by Customers (€2 626 million in Dec. 20), recognised under Financial assets at amortised cost.
3) Excluding portfolio of securitised loans of BPI Vida e Pensões, which was sold in 2017.

Financial assets portfolio

At 31 December 2020, BPI held a portfolio of sovereign debt securities in the amount of €4 605 million[1]:

- €201 million are Portuguese short-term debt (Treasury Bills);
- €4.4 billion correspond to medium- and long-term debt of Portugal (54%), Spain (30%) and Italy (16%). The average residual maturity of this portfolio is 2.7 years.

The Bank uses this portfolio for balance sheet liquidity management purposes and to generate a positive contribution to net interest income. In 2020, BPI reinforced its Portuguese public debt portfolio using funding obtained from the ECB, for which it benefited from the more favourable conditions set by the ECB.

Sovereign debt securities portfolio[1]

Amounts in € million

			2019	2020
Short-term (Portugal)		*1*	426	201
Medium and long term				
Portugal		*2*	701	2 367
Spain		*3*	1 323	1 314
Italy		*4*	676	723
Medium- and long-term	*[= Σ (2 to 4)]*	*5*	2 699	4 405
Total	*[= 1 + 5]*	*6*	**3 125**	**4 605**

1) Securities in financial asset portfolios at fair value through other comprehensive income (note 12) and financial asset portfolios at amortised cost (note 13.1). Does not include portfolio of financial assets held for trading.

Customer Resources

Customer deposits increased by 13.0%, or €2 994 million, reaching €26.0 billion.

Assets under management decreased by 1.6% (-€153 million), reflecting increased demand for lower risk investments, namely deposits, in a context of higher market volatility:

- mutual funds grew by 1.2%, with an increase in the share of lower risk funds against a decrease in equity funds, among others;
- capitalisation insurance decreased by 4.8%, despite a significant increase in unit link capitalisation insurance (+11.5%).

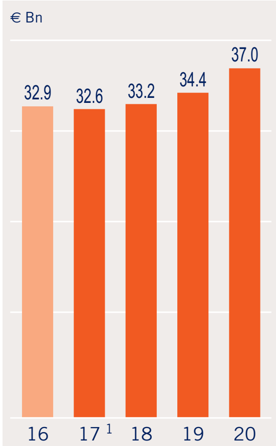
Total Customer resources increased by €2 607 million (+7.6%), to €37.0 billion.

Customer Resources

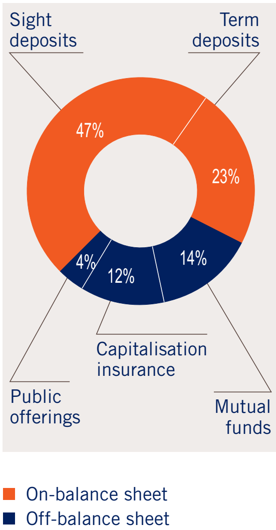
Amounts in € million

			2019	2020	Δ%
Customer Deposits	*[= 2 + 3]*	*1*	**23 015**	**26 009**	**13.0%**
Sight deposits		*2*	14 583	17 500	20.0%
Term deposits		*3*	8 433	8 508	0.9%
Assets under management	*[= 5 + 6]*	*4*	**9 797**	**9 644**	**(1.6%)**
Mutual funds		*5*	5 245	5 309	1.2%
Capitalisation insurance		*6*	4 552	4 334	(4.8%)
Public subscription offerings		*7*	**1 569**	**1 336**	**(14.8%)**
Total	*[= 1 + 4 + 7]*	*8*	**34 382**	**36 989**	**7.6%**

Total Customer resources
2016 to 2020



Total Customer resources
Breakdown at 31 Dec. 2020



1) Proforma considering the sale of BPI Gestão de Ativos and BPI GIF in 2018.

CONTRIBUTION OF EQUITY HOLDINGS IN BFA AND BCI

Contribution to the consolidated net income

Banco BPI holds minority equity holdings in two African banks:

- in Banco de Fomento Angola (BFA), which operates in commercial banking in Angola, BPI holds a 48.1% stake, valued at €334 million[1]. BFA had total assets of €3 601 million and served approximately 2.2 million Clients. Its market share in deposits was 14.5% in November.
- in Banco Comercial e de Investimentos (BCI), which operates in commercial banking in Mozambique, BPI holds a 35.7% stake with a book value of €85 million[2]. BCI is the market leader in the Mozambique banking system, with total assets (net) of €2 085 million, and market shares of 24.4% in total assets, 27.4% in loans and 26.4% in deposits. At the end of 2020, BCI served approximately 2.0 million Clients.

BPI's equity holdings in BFA and BCI contributed with €38.6 million to the 2020 consolidated net income.

BFA's contribution to the consolidated net income amounted to €30.2 million in 2020, essentially corresponding to the dividends paid to BPI relative to 2019 (€40 million, before taxes).

BCI's contribution to the consolidated net income was €8.4 million.

Contribution to the consolidated net income

Amounts in € million

			2019	2020
BFA contribution		*1*	78.9	30.2
BCI contribution		*2*	18.7	8.4
Total	*[= 1 + 2]*	*3*	**97.6**	**38.6**

BNA reference exchange rates

	31 Dec. 19	31 Dec. 20	Δ% (EUR or USD) / 1 AKZ[1]
AKZ / 1 EUR	540.8	798.4	(32%)
AKZ / 1 USD	482.2	649.6	(26%)

Average bid/ask prices.
1) Change in the AKZ value when expressed in EUR or USD.

1) The equity holding in BFA is classified since the end of 2018 as a "financial investment", recognised under "shares at fair value through other comprehensive income".
2) The holding in BCI is equity accounted.

CONSOLIDATED PRUDENTIAL CAPITAL

Consolidated prudential capital

Phased-in Common Equity Tier I (CET1) amounted to €2 529 million and total own funds to €3 104 million at 31 December 2020.

The consolidated capital ratios (phased-in) were: CET1 ratio of 14.1%, T1 ratio of 15.6% and total capital ratio of 17.3%.

The following contributed to the increase in capital ratios (+0.7 p.p. relative to December 2019):

- the organic generation of capital in the year, with an impact of +0.6 p.p., which includes net income for the period less the proposed dividend payable, as well as the change in risk-weighted assets, which this year also incorporates the reduction of risk weights applied to loans to SMEs and infrastructure loans, following the implementation of CRR 2.5;
- the regulatory change in the treatment of software following the implementation of CRR 2.5 with a positive impact of +0.3 p.p.;
- the phased adoption of the impact of implementation of IFRS9, with a positive impact of +0.3 p.p.;
- negative actuarial deviations, with an impact of -0.5 p.p. on capital ratios.

Considering the capital ratios at the end of 2020, BPI had an MDA (maximum distributable amount) buffer – spare capital with no limitations on earnings distribution – of 4.4%.

The leverage ratio – calculated as the ratio of Tier 1 capital to the total value of balance sheet assets and off-balance sheet items, not subject to risk weighting coefficients – was 7.3% at December 2020.

Regulatory capital requirements ratio

Amounts in € million

			2019	2020[1]
Common Equity Tier 1		*1*	**2 405.3**	**2 528.6**
Tier I		*2*	2 680.3	2 803.6
Tier II		*3*	300.0	300.0
Total own funds		*4*	**2 980.3**	**3 103.6**
Risk weighted assets		*5*	**17 949.3**	**17 990.6**
CET1 ratio	*[= 1 / 5]*	*6*	13.4%	14.1%
T1 ratio	*[= 2 / 5]*	*7*	14.9%	15.6%
Total ratio	*[= 4 / 5]*	*8*	16.6%	17.3%
Leverage ratio		*9*	8.4%	7.3%

Note: The minimum capital requirements determined by the ECB for BPI in 2020, which will be maintained in 2021, are as follows: CET1 of 8.5%, T1 of 10.375%, and total ratio of 12.875%.

1) Capital ratios with phased-in impact of the implementation of IFRS9 (+0.3 p.p.).

MREL requirements

In February 2021 BPI was notified by the Bank of Portugal of its minimum requirement for own funds and eligible liabilities ("MREL requirements"), with effect from 4 February 2021.

The MREL requirement, defined in the Bank Recovery and Resolution Directive ("BRRD2") – the applicable regulations as from 28 December 2020 –, aims to ensure that banks have sufficient own funds and eligible liabilities to ensure the ability to absorb losses in adverse scenarios and to internal recapitalisation, thus safeguarding the continuity of their activity.

According to that notification, the following requirements were established for BPI, on a sub-consolidated basis:

- expressed as a percentage of risk-weighted assets ("RWA"), an intermediate requirement to be met as from 1 January 2022 of 16.18% of RWA, or 19.05% if adding the combined capital buffer requirement (CBR)[1]; and a final MREL requirement to be met as from 1 January 2024 of 21.07% of RWA, or 23.95% if adding the CBR;
- expressed as a percentage of the measure of total exposure that counts towards the calculation of the leverage ratio (LRE), a final requirement of 5.91% to be complied with from 1 January 2022.

In March 2020, BPI issued senior non-preferred debt in the amount of €450 million, fully subscribed by CaixaBank, aimed at reinforcing eligible liabilities for compliance with the forthcoming MREL requirement.

At the end of 2020 BPI already met the MREL requirements established for 1 January 2022:

- MREL ratio as a percentage of RWAs of 19.8% (*versus* intermediate requirement of 19.05%);
- MREL ratio as a percentage of LRE of 9.3% (*versus* final requirement of 5.91%).

MREL requirements including CBR vs current ratio
(including combined own funds requirement)

	31 Dec. 2020	MREL requirements	
		From 1 Jan. 2022	From 1 Jan. 2024
MREL ratio as % RWA	19.8%	19.05%	23.95%
MREL ratio as % LRE	9.3%	5.91% (from 1 Jan. 22)	

Consolidated indicators of profitability and efficiency in accordance with Bank of Portugal instruction 16 / 2004, as amended by Instruction 6 / 2018

	2019	2020
Gross income / average total assets	2.4%	2.1%
Net income before income tax and income attributable to non-controlling interests / average total assets	1.1%	0.4%
Net income before income tax and income attributable to non-controlling interests / average shareholders' equity (including non-controlling interests)	10.5%	3.8%
Staff expenses / Gross income [2]	32.6%	32.6%
Operating expenses / Gross income [2]	59.5%	58.0%
Loan to deposit ratio (net loans to Customers / Customer deposits)	105%	97%

Note: Indicators as reported, except where otherwise stated.

1) The combined capital buffer requirement (CBR) is 2.875% of RWAs at 31 December 2020: capital conservation buffer of 2.5% and other systemically important institutions capital buffer of 0.375%.
2) Excluding costs with early retirements and voluntary terminations.

INDIVIDUAL FINANCIAL INFORMATION

Individual net income

The net income determined in Banco BPI's individual accounts in 2020 was €87.8 million, which represents a yoy reduction of 74%. This reduction is mainly explained by net loan impairment charges of €151.5 million, including €97.4 million unallocated impairments in the context of COVID-19, which compares with net impairment reversals of €43.2 million in the previous year.

Net income excluding non-recurring expenses with retirements and voluntary terminations was €105.9 million in 2020 (-69% yoy).

Individual income statement

Amounts in € million

			2019	2020	Δ%
Net interest income		1	439.8	449.9	2.3%
Dividend income		2	78.2	55.1	(29.5%)
Net fee and commission income		3	249.7	237.3	(5.0%)
Gains / (losses) on financial assets and liabilities and other		4	21.6	(12.3)	(157.0%)
Other operating income and expenses		5	(26.2)	(18.3)	30.2%
Gross income	*[= ∑ (1 to 5)]*	6	**763.1**	**711.7**	**(6.7%)**
Recurring staff expenses		7	(239.8)	(235.7)	(1.7%)
Other administrative expenses		8	(146.7)	(136.9)	(6.7%)
Depreciation and amortisation		9	(53.7)	(48.5)	(9.7%)
Recurring operating expenses	*[= ∑ (7 to 9)]*	10	**(440.2)**	**(421.1)**	**(4.3%)**
Non-recurring expenses		11	(1.5)	(25.0)	-
Operating expenses	*[= 10 + 11]*	12	**(441.7)**	**(446.1)**	**1.0%**
Net operating income	*[= 6 + 12]*	13	**321.3**	**265.6**	**(17.3%)**
[Recurring net operating income]	*[= 6 + 10]*	14	*322.8*	*290.6*	*(10.0%)*
Impairment losses on financial assets		15	43.2	(151.5)	-
Other impairments and provisions		16	(6.4)	(7.7)	20.0%
Gains and losses in other assets		17	7.1	0.3	(95.9%)
Net income before income tax	*[= 13 + ∑ (15 to 17)]*	18	**365.2**	**106.7**	**(70.8%)**
Income tax		19	(23.1)	(18.9)	(18.4%)
Net income	*[= 18 + 19]*	20	**342.1**	**87.8**	**(74.3%)**
[Recurring net income]		21	*343.2*	*105.9*	*(69.1%)*

Gross income was affected by the economic effects of the COVID-19 crisis, having fallen by 6.7%. In particular, dividends fell by 30%, net income on financial assets and liabilities was lower, and fee and net fee and commission income decreased by 5.0%. Net interest income increased by 2.3% compared to 2019.

The contraction of the gross income was only partially offset by a 4.3% reduction in recurring operating expenses, leading to a 10% reduction in recurring net operating income (before impairments and taxes).

In the 4th quarter of 2020 BPI recognised non-recurring expenses of €25.0 million with 147 early retirements and voluntary terminations.

Individual balance sheet

Total assets (net) of Banco BPI (individual basis) amounted to €37.6 billion at the end of 2020. Individual accounting shareholders' equity was €2 836 million, excluding €275 million in Additional Tier 1 (AT1) capital instruments issued in September 2019.

The portfolio of loans and advances to Customers (gross), on an individual basis, expanded by 4.8% in 2020, to €25.7 billion. Total deposits increased by 13.0%, to €26.0 billion.

Individual balance sheet indicators

Amounts in € million

	2019	2020	Δ%
Total assets (net)	31 665	37 630	18.8%
Loans to Customers (gross)	24 520	25 695	4.8%
Deposits	23 015	26 009	13.0%
Shareholders' equity [1]	3 008	2 836	(5.7%)

The description of Banco BPI's consolidated performance also applies to the performance of the various items on an individual basis, since only BPI Suisse, a 100% held subsidiary in the area of private banking, is fully consolidated, with all other equity holdings included in the consolidation perimeter – Cosec, Allianz Portugal, Inter Risco, Unicre and BCI Moçambique – being recognised by the equity method.

Individual capital ratios

At 31 December 2020, the phased-in capital ratios were: CET 1 ratio of 14.0%, T1 ratio of 15.6%, total capital ratio of 17.2% and leverage ratio of 7.3%.

Individual capital ratios

Amounts in € million

			2019	2020[2]
Common Equity Tier 1		1	**2 405.2**	**2 523.8**
Tier I		2	2 680.2	2 798.8
Tier II		3	300.0	300.0
Total own funds		4	**2 980.2**	**3 098.8**
Risk weighted assets		5	**17 922.0**	**17 984.8**
CET1 ratio	[= 1 / 5]	6	13.4%	14.0%
T1 ratio	[= 2 / 5]	7	15.0%	15.6%
Total ratio	[= 4 / 5]	8	16.6%	17.2%
Leverage ratio		9	8.4%	7.3%

1) Excluding €275 million in Additional Tier 1 (AT1) capital instruments.
2) Capital ratios with phased-in impact of the implementation of IFRS9.

Rating

BPI currently has investment grade ratings assigned to its long-term debt by the three international rating agencies, Fitch Ratings, Moody's and S&P Global Ratings, and to its long-term deposits by Fitch Ratings and Moody's.

The mortgage covered bonds issued by BPI are rated AA (Low) by DBRS and Aa3 by Moody's and qualify as level 1 assets for purposes of the LCR ratio calculation.

The relevant rating actions taken on BPI in 2020 are described below:

- Moody's: on 11 March 2020 Moody's upgraded the ratings on BPI and its long-term senior preferred debt from Ba1 to Baa3 ("investment grade"). The ratings upgrade was a positive reflection of the €450 million senior non-preferred debt issued in March 2020, to increase liabilities eligible to meet the forthcoming MREL requirement. Moody's reaffirmed BPI's long-term deposits Baa1 rating. The Outlook for both deposits and Banco BPI is "Stable".
- Fitch Ratings: on 3 April 2020, Fitch Ratings, following a recent review of its bank rating criteria, upgraded Banco BPI´s long-term senior preferred debt rating from BBB to BBB+ and rated, for the first time, Banco BPI´s long-term deposits, with a BBB+ rating. Banco BPI rating was reaffirmed at BBB. The Outlook on Banco BPI´s rating was revised from "Stable" to "Negative", a decision taken in the framework of a broader action taken on Portuguese banks (and similar to that taken on European banks) that reflects the risks and uncertainties weighing on banks' operating environment due to the COVID-19 crisis. On 19 October the agency reaffirmed BPI's ratings with negative Outlook.
- S&P Global Ratings: on 20 October 2020, S&P Global Ratings reaffirmed the ratings on BPI and its long-term senior debt at BBB, and the stable Outlook.

BPI ratings and outlook

Fitch Ratings	**BBB** Negative
Moody's	**Baa3** Stable
S&P	**BBB** Stable

At 31 December 2020

	DBRS	Fitch Ratings	Moody's	S&P Global Ratings
Banco BPI credit ratings				
Issuer rating		BBB	Baa3	BBB
Outlook on the Issuer rating		Negative	Stable	Stable
Long-Term Deposits		BBB+	Baa1	
Outlook on MLT deposits			Stable	
Long-Term Debt		BBB+	Baa3	BBB
Outlook on MLT debt				Stable
Short-Term Deposits		F2	Prime-2	
Short-Term Debt		F2	Prime-3	A-2
Standalone Rating		bb+ *(Viability rating)*	baa3 *(Baseline Credit Assessment)*	bb+ *(Stand-alone credit profile – SACP)*
Collateralised senior debt				
▪ Mortgage	AA (Low)		Aa3	
▪ Public Sector			A1	
Senior non-preferred debt			Ba1	BBB-
Subordinated debt			Ba1	BB+
Junior subordinated debt			Ba2	
Portuguese Republic sovereign ratings[1]				
Long-Term	BBB (high)	BBB	Baa3	BBBu
Short-Term	R-1 (low)	F2	Prime-3	A-2u
Outlook	Stable	Stable	Positive	Stable

1) The ratings attributed by S&P Global Ratings to the Portuguese Republic are unsolicited ("u").

Risk management

Risk management overview

BPI makes a continuous effort towards the development of the risk management function, and seeks to ensure adequate and effective risk management, based on the constant identification, evaluation, monitoring and reporting of the exposure to the various risks (credit risk, market risk, liquidity risk, operational risk and other), which is essential to ensure consistent maximisation of results against the risks assumed, within the risk appetite framework defined by the corporate bodies and in accordance with the Bank's global risk strategy.

BPI has in place robust risk control mechanisms allowing for adequate monitoring and prevention of the risks arising from its activity, in line with the corporate policy and risk model implemented at CaixaBank Group level.

At regulatory level, during 2020 the COVID-19 pandemic crisis led the supervision authorities to take a series of relaxation measures aimed at enabling financial institutions to respond adequately to the COVID-19 scenario without being penalised by an otherwise rigid regulatory framework. Although not exhaustively[1], some of the measures decided by the supervision authorities are indicated below:

- In April 2020 the EBA published guidelines on the regulatory treatment of private and public moratoria applied prior to 30 June 2020 to loan repayments (on 18 June 2020 this term was extended until 30 September 2020) in the light of the COVID-19 crisis (*EBA / GL / 2020 / 02*).
- The ECB relaxed the classification of loans as "non-performing" (NPL) if they have public aid/guarantees, and established preferential treatment with regard to the constitution of impairments.
- At the level of capital, the ECB permitted the use of capital conservation and anti-cyclical buffers in periods of stress, allowing banks to absorb losses and grant loans to families and companies.
- The ECB authorised Banks to temporarily have liquidity coverage ratios (LCR) below the 100% minimum established by the supervisor.
- The European Parliament approved the early implementation of certain measures established in CRR2 with the aim of alleviating the impact of COVID-19 (CRR 2.5), with an impact on the calculation of credit risk capital requirements.

At national level, Decree-Law 10-J / 2020, enacted at the end of March 2020, established exceptional measures to support and protect families, businesses and social economy entities, due to the economic and financial impacts of the contraction of economic activity resulting from the COVID-19 pandemic, with the moratoria expiring on 30 September 2020.

Subsequently, with the amendments introduced by Decree-Law 26 / 2020 of June and Decree-Law 78-A / 2020 of September, the deadline for accession to the moratoria was extended until 30 September 2020, and the expiry date to up to 30 September 2021.

1) For a detailed description of the measures taken by the supervision authorities, see Notes to the Accounts, Chapter 3.

Following the reactivation of moratoria by the EBA (*EBA / GL / 2020 / 15* of 2 December) in recognition of the impacts of the second wave of the pandemic, on 31 December, *Decree Law No. 107 / 2020* was enacted, altering the exceptional measures in the context of the COVID-19 pandemic, to take effect from 1 January 2021. New accessions are allowed until 31 March 2021, for a moratoria period of up to nine months from the date of accession. In the case of operations that have already benefited from moratoria, the 9-month period will be deducted of the time during which the previous moratoria applied.

Under the leadership of the Portuguese Banking Association (APB), an interbank protocol was signed (and was endorsed by BPI), which defined general harmonised conditions for private moratoria, equivalent to legislative moratoria in terms of prudential and accounting treatment.

Also on the regulatory front, on 15 April 2020, Bank of Portugal Notice no. 3 / 2020 and associated Instruction no. 18 / 2020 were published. This notice regulates the governance and internal control systems and defines the minimum standards on which the organisational culture of entities subject to the Bank of Portugal's supervision must be based, revoking Notices nos. 5 / 2008 and 10 / 2011, as well as Instruction no. 20 / 2008.

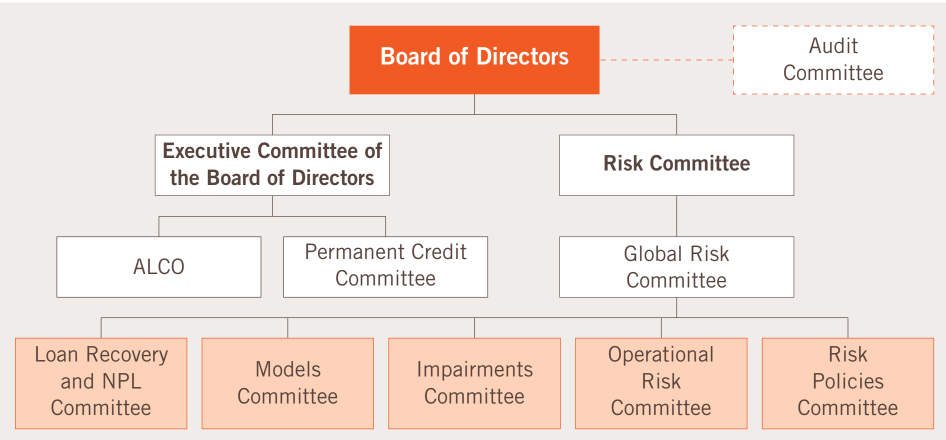
- BPI's governance structure complies with the EBA guidelines on Internal Governance (EBA / GL / 2017 / 11). The Bank has adopted the three Lines of Defence model, fully complying with national and European regulations and adopting best practices in its Internal Governance.
- Upon their publication, the new Notice, No. 3 / 2020, together with Instruction 18 / 2020, have become the benchmark for organisational conduct and culture, risk governance, control and management systems, including remuneration policies and practices. With their publication, the Bank of Portugal transposes into the national regulatory framework the regulations published in recent years by the EBA / CEBS, COSO and BCBS.
- The Bank therefore develops its Internal Control structure within this framework, ensuring strict compliance with the regulations in force. BPI has in place a risk identification, management and control system, and is organised in such a manner as to foster an appropriate control environment and a solid risk management system.
- Policies and procedures are specifically defined and put into practice for all the risks to which the Bank is exposed. These policies and procedures are available to and easily accessible by all the Institution's Employees, being disclosed in a dedicated area of the Bank's Intranet.

Through an annual process of self-assessment of the risk profile, included in its Strategic Risk Processes, the Bank reviews its risk profile and the associated management, control and governance structures, and analyses the appearance of new emerging or potential risks. The Bank monitors its risk profile with respect to the risks identified in its annual self-assessment and included in its Risk Catalogue, in order to ensure compliance with the risk profile defined by the Board of Directors.

Risk management organisation

BPI's risk organisation transposes the guidelines issued by the regulator and seeks to follow the sector's best practices and adapt CaixaBank Group's corporate policies while respecting its own specific characteristics.

BPI's risk management function is currently structured into three lines of defence (3LoD), which aim to guarantee that risk management is adequate to the level of risk taking (1LoD), control (2LoD) and audit (3LoD). This structure, set forth in the EBA Final Guidelines on Internal Governance, attributes a fundamental role to the 2LoD as guarantor of an adequate management and of a holistic vision of all the risks faced by the Institution.



The **Audit Committee** is responsible for watching over the management of the company, for supervising the 3LoD activities, and for reviewing the works developed by the External Auditor and by the Divisions responsible for risk control (2LoD). It also falls on the Audit Committee to monitor the situation and evolution of all the risks to which the Bank is subject, relying, for this purpose, on the assistance of the Risk Committee and the work, analyses and recommendations submitted to it by the latter in this respect.

The **Risk Committee** is an advisory body of the Board of Directors with responsibility for risk supervision. This Committee is responsible for supervising the activity of the 1LoD and 2LoD, including 1st and 2nd tier Committees, and the Departments under its dependence. The Risk Committee is composed of non-executive directors.

The meetings of the Risk Committee may be attended, if deemed appropriate and upon the Committee's request, and without voting rights, by members of the Executive Committee, namely the Chief Risk Officer (CRO), the Chief Financial Officer (CFO), and other persons in management positions, in view of their expertise in risk matters. The participation of the Head of the Risk Management Function (RMF), as secretary of the Risk Committee, is particularly relevant, ensuring access and reporting to an independent governing body.

The Risk Committee, without prejudice to the legal powers vested on the Audit Committee, is responsible for monitoring the management policy for all risks involved in BPI's business, namely the liquidity, interest rate, currency rate, market, credit, operational, reputational, compliance and conduct risks, as well as for monitoring the management policy for the Company's Pension Fund. This Committee is also responsible for submitting to the Board of Directors any change to risk policies, and for reporting on main exposures and risk indicators.

It is also the responsibility of the Risk Committee to inform and advise the Board of Directors in decision-making that impacts on the Bank's current and future risk profile and strategy.

Under the aegis of the Risk Committee there are several first- and second-tier Committees, which, together with the Board of Directors and the Risk Committee itself, constitute the Risk Governance and Management Bodies of BPI.

Structure of the Risk Committees

The following committees stand out, on account of their importance:

Global Risk Committee

The Global Risk Committee is the body responsible for the management, control and monitoring of risks at BPI. The Global Risk Committee is responsible for the internal control system. This body reports directly to the Risk Committee.

As part of its main duties, this Committee is responsible for guaranteeing that risk levels and decisions taken are in agreement with the risk strategy established by the Board of Directors in the Risk Appetite Framework.

The Global Risk Committee is responsible for monitoring the activity of the second-tier committees and for ensuring that the risk policies are duly updated and implemented.

Permanent Credit Committee

Matters related to loan granting are delegated by the Board of Directors to the Permanent Credit Committee.

Its scope of powers and duties includes the approval of operations, exposure limits, operations about which there are internal divergences, limits or operations to be submitted to the Executive Committee of the Board of Directors or to BPI's Board of Directors, and operations with Clients that are holders of high office, affiliated with Trade Unions, Political Parties or Politically Exposed Persons (PEPs), under the terms provided for in the policies in force in BPI.

In decision-making, this body must ensure that the limits set for Large Exposures are met, both internally and at group level.

ALCO Committee

The ALCO (Assets and Liability Committee) is responsible for managing structural liquidity, interest-rate, and exchange-rate risks. Within the powers and duties attributed to it there stand out the responsibility for optimising the profitability of the financial structure of BPI's balance sheet, including the net interest income and income from financial operations, for determining the transfer rates for the different businesses, and for the monitoring of prices, maturities and volumes of asset- and liability-generating activities, in accordance with the policies, risk appetite framework and risk limits approved by the Board of Directors.

Structure of the Risk Divisions
The structure of BPI's Risk Divisions is currently designed in accordance with the internal control model provided for in Bank of Portugal Notice no. 3 / 2020, and is therefore organised on the basis of the "three lines of defence model".

First Line of Defence
The first line of defence is formed by the business areas, risk-takers, and their support functions.

Their responsibility is to develop and maintain effective controls over the businesses, as well as to identify, manage and monitor, control, mitigate and report the main risks originated in the ongoing exercise of their activity.

The following divisions stand out, on account of their importance:

- The Credit Division, which is in charge of the functions of independent analysis of proponents, guarantors and operations, backed by the various risk indicators and scoring models produced by the Risk Management Division.
- The Credit Recovery Division, which is in charge of managing the credit recovery processes of loans to Companies and Individuals, in case of default.
- The Business Development Division, responsible for managing credit, business and conduct risks within the functions of monitoring of the loan portfolio and control of the business areas.

Second line of defence
The second line of defence has the function of ensuring the implementation of adequate measures for the identification, control, monitoring, prevention and reporting of all the Bank's risks, acting independently from the first-line business and control areas.

At Banco BPI, it is formed by:

- Risk Management Division (RMF), which has the responsibility for identifying, monitoring, analysing, measuring, managing and reporting risks, gaining an overall vision of all the risks faced by the Bank.

  The internal validation of risk models is integrated in the risk management function, and its main objective is to issue an independent technical opinion on the adequacy of the internal models applied for internal management and/or of a regulatory nature, used by the Bank.
- The Compliance Division, which identifies, monitors and controls the Reputation and Conduct risks.

Third line of defence
Held by the Internal Audit Division, which is functionally answerable and reports to the Audit Committee, so as to guarantee its independence and authority.

Its main objective is to provide the Bank's management and supervision bodies a reasonable degree of assurance about compliance with the legislation in force and the internal policies and regulations, the reliability and integrity of the financial and operational information, and the effectiveness of the systems in place to mitigate the risks associated to the Bank's activities.

Risk Appetite Framework

In the context of its Risk Appetite Framework, the Bank defines the levels of risk that it is prepared to assume, taking into consideration the Group's risk and business strategy.

Every year BPI updates its Risk Appetite Framework, as well as the other Risk Strategic Processes: the Risks Catalogue and the Risk Assessment, where the risks which the Bank incurs or may come to incur are identified, defined and assessed. Based on these processes the Bank ensures the permanent evaluation of its risk profile (current, future and potential under stress scenarios), calculating the expected evolution of the boundary values of the future risk profile, and revising them on a recurrent basis. In addition, in the internal exercises subject to regulatory supervision (ICAAP and ILAAP), the Bank makes projections of the evolution of its risk profile under baseline and stress scenarios, which give its corporate bodies a vision about the Bank's resilience to internal and/or external events.

DESCRIPTION AND STRUCTURE

BPI, in a process consistent with its other strategic documents – Strategic Plan, Budget, Internal Capital Adequacy Assessment Process, and Recovery Plan – defined its risk-appetite directives, which are incorporated into the Bank's culture and strategy and are at the core of all its activities.

In line with the sector's best practices, the Board of Directors approved a set of risk-appetite statements that summarise the principles by which the Bank must govern itself:

- To maintain a medium-low risk profile and comfortable capital adequacy position, strengthening Customer confidence through its financial strength.
- To have the conditions in place to at all times fulfil its contractual obligations and meet its funding needs in a timely manner, even under adverse market conditions, and to have a stable and diversified funding base, preserving and protecting the interests of its depositors.
- To generate revenue in a balanced and diversified manner.
- To align business strategy and Customer relations with responsible social action, applying the highest ethical and governance standards, as well as considering potential impacts on climate change and the environment.
- To promote its own risk culture integrated into management through policies, communication and Employee training.
- To pursue excellence, quality and operational resilience, to continue providing financial services to clients in accordance with their expectations, even in adverse scenarios.

The Board of Directors is responsible for the approval, monitoring, and any corrections required to the Framework metrics. The metrics are monitored against a set of objectives, tolerance levels and limits laid down by the Board of Directors:

- **Objective:** optimum risk level, that defines the risk appetite and is aligned with the return sought by the Bank or the strategic goal pursued.
- **Tolerance:** risk level considered significant by the Bank, which should lead to a debate where corrective action may be considered.
- **Limit:** indicates the level at which risk represents a serious threat to the Bank's business, requiring immediate remedial measures, following an action plan prepared by the area responsible for risk control.

BPI also has a Framework in place for level 2 metrics. Other more detailed Indicators are also defined that allow each division to manage risk in accordance with their individual specificities.

MONITORING AND GOVERNANCE OF THE RISK APPETITE FRAMEWORK

The Risk Appetite Framework is coordinated by the Risk Management Division, which is responsible for updating, monitoring and reporting on the Framework, under the guidance of the Board of Directors.

In order to ensure that the Risk Appetite Framework conforms to best international practices, a reporting structure was established to ensure its exhaustive monitoring by the relevant divisions and bodies. Such monitoring follows a specific timetable:

- monthly presentation to the Global Risk Committee, which assesses, reviews and discusses the current risk situation, instances of overstepped limits / tolerances and a status update on individual metrics;
- quarterly presentation to the Risk Committee in order to review and discuss the overall risk performance, assess the situation of breached metrics, discuss the situation of individual metrics, and verify the continued effectiveness and adequacy of the Risk Appetite Framework;
- half-yearly presentation to the Audit Committee and Board of Directors, with the purpose of reviewing and discussing BPI's overall risk performance and deciding on critical situations.

Risk monitoring in the context of COVID

During 2020, which saw the outbreak of the COVID-19 epidemic, the Bank strengthened its internal risk control and management mechanisms, focusing in particular on the risks most likely to be directly impacted by this crisis, such as credit risk, liquidity risk or operational risk, using and strengthening the internal governance mechanisms in place.

The pandemic context that we are currently living in has called for relevant changes in the tools used to monitor credit risk in Banco BPI's portfolio. These include, among others, the establishment of specific reporting to the Bank's Governing Bodies on loans with moratoria, the strengthening of the credit risk monitoring tools with additional alerts not usually captured by the models, and the performance of sector-specific analyses for corporate credit risk.

Exposures are essentially monitored according to the amount at risk and the degree of risk of the operations/ borrowers, with monitoring being segregated into areas. The customised monitoring procedures are applied in portfolios with material risk exposures and/or those with specific characteristics. These procedures consist of drafting regular reports on the borrowers' economic groups with the aim of assessing the existence of objective evidence of impairment and/or a significant increase in credit risk since the initial recognition.

More information on this issue is provided in the note to the financial statements "3. Risk management".

Risk Catalogue

The Bank has a Risk Catalogue that helps with the internal and external monitoring and reporting of the risks.

The Risks Catalogue is subject to ongoing review, particularly with regard to risks with a material impact. The Catalogue is reviewed at least once a year and the results are submitted to the Global Risk Committee and the Risk Committee, and finally to the Board of Directors approval.

Financial Risks		Non Financial Risks	
Business Model Risks	**Risks Specific to Financial Activity**	**Operational, Reputational and Other Risks**	
Business Profitability	Credit	Conduct	Reliability of Information
Capital / Solvency	Losses in Other Assets	Legal / Regulatory	Model
Liquidity and Financing	Actuarial	Technological	Other Operational Risks
	Market		Reputational
	Structural from Rates		
Strategic Events			

BUSINESS MODEL RISKS

RISK TO BUSINESS PROFITABILITY

The risk of BPI posting results below market expectations or the targets set in its business plan and strategy, that prevent it from reaching a sustainable level of profitability above the cost of capital.

CAPITAL / SOLVENCY RISK

The risk of constraints to BPI's capacity to comply with regulatory requirements concerning capital ratios, or of a change in its risk profile due to insufficient own funds.

BPI maintains adequate capital levels, in terms of both regulatory capital and economic capital, and has in place internal management and control mechanisms that allow it to maintain a solid capital structure. In this manner the Bank ensures the mitigation of the risk of any problems affecting BPI's capacity to comply with regulatory requirements concerning capital ratios, or of having to change its risk profile due to insufficient own funds.

LIQUIDITY AND FUNDING RISK

Risk of insufficient liquid assets or limitations on access to market funding that prevent the Bank from meeting contractual obligations at maturity, comply with regulatory requirements or provide for its investment needs.

Management process

Liquidity risk is managed and monitored in its various aspects: i) the ability to monitor assets growth and to meet cash requirements without incurring exceptional losses; ii) the maintenance in the portfolio of tradable assets that constitute a sufficient liquidity buffer; (iii) compliance with the various regulatory requirements in the context of liquidity risk.

With respect to the portfolio of assets, the various managers keep constant watch over possible transactions in the various instruments, according to several indicators (BPI market shares, number of days to unwind positions, size and volatility of spreads, etc.), duly observing the limits set for each market.

Liquidity management seeks to optimise the balance sheet structure in order to keep under control the time frame of maturities between assets and liabilities, considering the expected growth and the various market scenarios. Management must also focus on the need to maintain an appropriate level of liquidity reserves in order to maintain the required levels of liquidity coverage for compliance with prudential and internal requirements.

Liquidity and funding

During 2020 the Bank reinforced its liquidity position:

- on the one hand, it used its entire funding capacity under TLTRO III (€4.42 billion), in order to ensure lending to the economy while maintaining solid liquidity metrics;
- on the other, it registered a significant inflow of liquidity from Customer deposits.

At the end of December 2020, the Bank maintained a balanced liquidity structure and robust liquidity metrics:

- Customer resources are the main source of funding. The loan to deposits ratio stood at 93%;
- During 2020, the Bank reimbursed in advance €0.5 billion under TLTRO II and borrowed €3.54 billion under TLTRO III in more favourable conditions;
- At the end of the year, the Bank held a portfolio of eurozone countries' sovereign debt of €4.6 billion, of which €0.2 billion of short-term debt in Treasury Bills issued by the Portuguese Republic. This portfolio is fully discountable at the ECB for liquidity operations;
- The portfolio of eligible assets for Eurosystem funding amounted to €11.0 billion in December 2020. Of that sum, the amount not yet used and therefore capable of being converted into immediate liquidity with the ECB was €6.1 billion;
- The average LCR in the last 12 months was 260%.

ECB funding

At the end of December 2020, the Bank had €4.42 billion of funding from the ECB, obtained in the framework of TLTRO III. During the year, the Bank increased by €3.0 billion the total amount of funding from the ECB, taking advantage of these transactions' advantageous conditions.

Net funding from the ECB

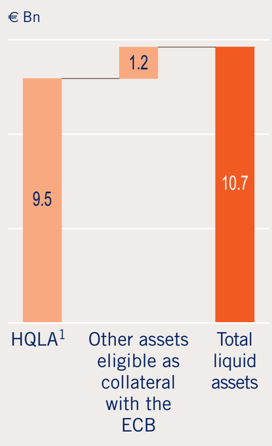
	2015	2016	2017	2018	2019	2020
ECB funding (€ billion)	1.5	2.0	2.0	1.4	1.4	4.4
as % of assets of activity in Portugal	4.6%	6.3%	6.9%	4.4%	4.4%	11.8%

Liquid assets portfolio

At the end of December 2020, the Bank had a portfolio of liquid assets totalling €10.7 billion, composed of €9.5 billion in high-quality liquid assets (HQLA) and €1.2 billion in other assets eligible for Eurosystem funding.

Total liquid assets

At 31 Dec. 2020



1) High Quality Liquid Assets.

RISKS SPECIFIC TO FINANCIAL ACTIVITY

CREDIT RISK

Credit risk is defined as the risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of the clients and counterparties' capacity to honour their commitments.

Default levels, provisioning and recovery

Non-Performing Loans EBA

Non-Performing Loans, calculated under the EBA criteria (NPL EBA), contracted by 20.2% (-€151 million) in 2020, to €598 million at the end of December.

Over the last few years there has been a consistent downward trend in the NPL ratio (EBA), alongside a gradual increase in NPL coverage by impairments and collaterals. In 2020, the NPL ratio improved by 1.0 p.p., falling from 3.1% in December 2019 to 2.1% in December 2020, well below the high-risk threshold for non-performing assets defined by the EBA (NPL ratio (EBA) of 5%).

The NPL coverage by accumulated impairments on the balance sheet was 85% in December 2020; considering accumulated impairments and also the collaterals associated to the NPL, the coverage ratio was 141%.

In the corporate segment[1], the amount of NPL was €265 million in December 2020, corresponding to 3.2% of the gross credit exposure to the segment (3.4% in December 2019). The coverage by impairments of corporate NPL was 96% (79% in December 2019).

In the mortgage loans segment, NPL amounted to €268 million in December 2020, corresponding to a NPL ratio of 2.2% (3.6% in December 2019). The analysis of the coverage level should take into account the relevant effect of collaterals (tangible guarantees) in reducing the risk of loss in this segment.

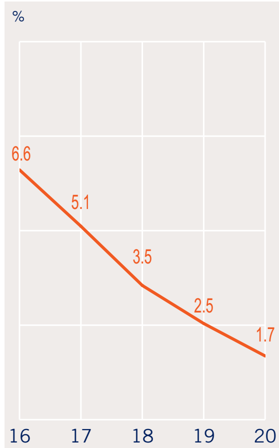
Non-Performing Exposures EBA

Non-Performing Exposures EBA or NPE (EBA) is another relevant metric of non-performing loans, covering the same universe of exposures as NPL (EBA) plus shareholders' loans and debt securities (NPL is a subset of NPE).

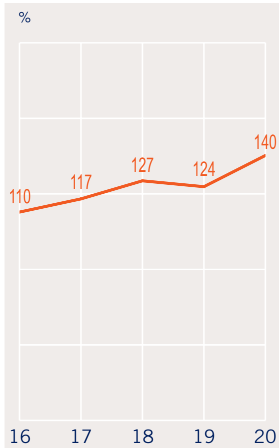
The NPE (EBA) ratio follows the evolution of the NPL (EBA) ratio and the conclusions drawn from these two metrics are similar.

As occurred with the NPL (EBA) ratio, the NPE (EBA) ratio improved in 2020, dropping to 1.7% in December 2020, from 2.5% in December 2019. The coverage of NPE by accumulated impairments on the balance sheet was 83% in December 2020; considering accumulated impairments and also the collaterals associated to the NPE, the coverage of NPE ratio was 140%.

NPE ratio



Coverage of NPE
by impairments and collaterals



1) Companies in Portugal (large and medium-sized companies, corporate & investment banking, small businesses) and project finance.

Non-performing exposures and Non-performing loans in the activity in Portugal

Amounts in € million

			Dec. 14	Dec. 15	Dec. 16	Dec. 17	Dec. 18	Dec. 19	Dec. 20
Non-performing loans – NPL (EBA)									
Gross credit risk exposure		1	23 441	22 750	22 338	22 650	24 862	24 543	28 980
Non-performing loans (NPL)		2	2 488	2 050	1 776	1 395	1 042	750	598
NPL ratio	*[= 2 / 1]*	3	10.6%	9.0%	7.9%	6.2%	4.2%	3.1%	2.1%
Impairments for loans and guarantees		4	977	895	706	603	561	415	508
Coverage by impairments	*[= 4 / 2]*	5	39%	44%	40%	43%	54%	55%	85%
Coverage by impairments and collaterals		6	-[2]	-[2]	110%	118%	127%	124%	141%
Non-performing exposures – NPE (EBA)									
Gross credit risk exposure		7	28 741	26 842	27 081	27 520	29 721	30 019	36 264
Non-performing exposures (NPE) [1]		8	2 581	2 074	1 790	1 408	1 055	763	611
NPE ratio	*[= 8 / 7]*	9	9.0%	7.7%	6.6%	5.1%	3.5%	2.5%	1.7%
Impairments for loans and guarantees		10	977	895	706	603	561	415	508
Coverage by impairments	*[= 10 / 8]*	11	38%	43%	39%	43%	53%	54%	83%
Coverage by impairments and collaterals		12	-[2]	-[2]	110%	117%	127%	124%	140%

Notes: Considering the prudential supervision perimeter. Taking into account the classification of BFA as a discontinued operation at the end of 2016, and subsequent deconsolidation at the start of 2017, and the fact that BCI is equity accounted, most of the consolidated balance sheet and income statement items as from 31 December 2016 (including) relate to the activity in Portugal, as do the consolidated values for the loan book quality.

Non-performing loans (Bank of Spain's criteria)

Loans classified as "non-performing", calculated under the Bank of Spain's criteria (*"crédito dudoso"*), amounted to €630 million in December 2020 and represented 2.3% of the gross loan portfolio and guarantees. This ratio registered a reduction of 0.6 p.p. relative to December 2019.

The coverage of non-performing loans by accumulated impairments on the balance sheet was 81%; considering accumulated impairments plus the collaterals associated to the non-performing loans, the coverage ratio was 134% in December 2020.

Non-performing loans (Bank of Spain criteria)

Amounts in € million

			Dec. 19	Dec. 20
Gross loan portfolio and guarantees		1	26 007	27 260
Non-performing loans		2	765	630
Non-performing loans ratio	*[= 2 / 1]*	3	2.9%	2.3%
Impairments for loans and guarantees		4	413	508
Coverage by impairments	*[= 4 / 2]*	5	54%	81%
Coverage by impairments and collaterals		6	115%	134%

1) Non-Performing exposures include positions in default and positions marked according to "Unlikely to Pay" subjective criteria. Total NPE correspond to the sum of non-performing loans (NPL) and non-performing debt securities.
2) Data for December 2014 and December 2015 not available.

Restructured loans

The amount of restructured loans (forborne loans, under the EBA criteria) was €445 million at the end of December 2020. Of this amount, 40% are performing loans (Performing Exposures, under the EBA criteria) and the remaining 60% are included in the balance of non performing exposures (NPE). The forborne ratio decreased from 1.7% in December 2019 to 1.1% in December 2020.

In mortgage loans, the amount of forborne loans was €159 million at the end of December 2020 (1.3% of the gross credit exposure in this segment). Of this amount, €56 million correspond to performing loans and the remaining €102 million are included in non-performing exposures (NPE).

Restructured loans (Forborne loans, EBA criteria)

Amounts in € million

		Dec. 18		Dec. 19		Dec. 20	
		Forborne loans	Forborne ratio	Forborne loans	Forborne ratio	Forborne loans	Forborne ratio
Performing loans	*1*	254	0.8%	192	0.6%	180	0.5%
Included in NPE	*2*	559	1.7%	352	1.1%	265	0.7%
Total *[= 1 + 2]*	*3*	**813**	**2.5%**	**544**	**1.7%**	**445**	**1.1%**

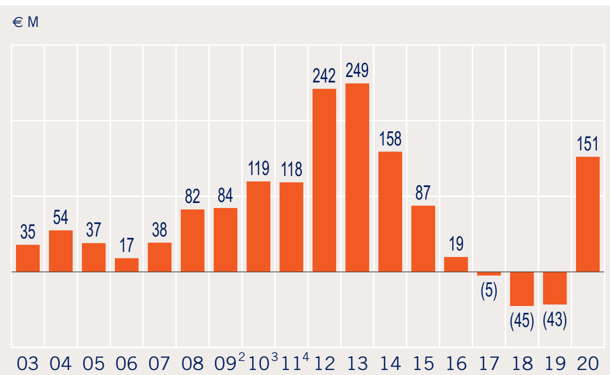
Note: considering the prudential supervision perimeter.

Cost of Credit Risk

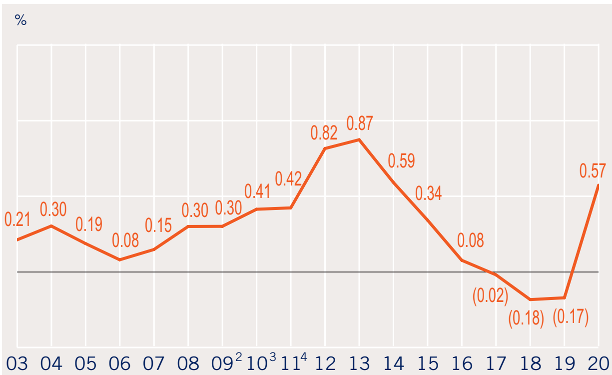
Impairments and provisions for loans and guarantees totalled €163.6 million in 2020. In addition, a total of €12.1 million in loans, interest and expenses previously written off from assets was recovered.

The cost of credit risk was €151.5 million, of which €97.4 million correspond to unallocated impairments recognised in the context of COVID-19.

Cost of credit risk[1]
Activity in Portugal



Cost of credit risk[1] as % of loan portfolio[5]
Activity in Portugal



1) Impairments and provisions for loans and guarantees in the year, net of loan recoveries previously written off against assets.
2) In 2009, the impairment charges considered for the year excluded the extraordinary charge made in December of that year (€33.2 million).
3) In 2010 the use of the extraordinary charge made in December 2009 (€33.2 million) was added to the impairment charges for the year.
4) In 2011, loan impairment charges for Greek sovereign debt of €68.3 million were excluded from impairment charges for the year.
5) In 2019, BPI started calculating this indicator based on the average balance of the gross loan and guarantees portfolio (and not on the performing loans portfolio, as previously). The series since 2012 (including) was recalculated. The amounts up to 2011 are calculated based on the average balance of the performing-loans portfolio.

Foreclosed properties

At the end of December 2020, the stock of foreclosed properties held by BPI had a gross balance sheet value of €12.3 million. Of this amount, €7.6 million concern properties obtained through home-loan recoveries and €4.7 million refer to properties repossessed for the recoupment of other loans.

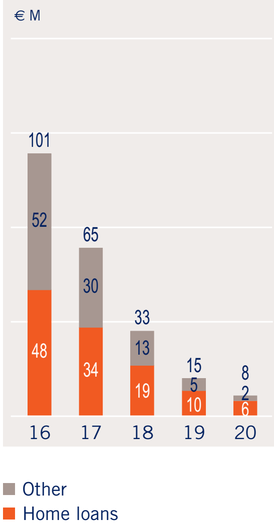
On the same date the accumulated amount of impairments for foreclosed properties was €4.5 million. Therefore the net balance sheet value of these properties was €7.8 million. Their valuation value corresponded to 200% of net balance-sheet value.

Foreclosed properties
By source of credit at 31 Dec. 20

Amounts in € million

	Mortgage loans	Other	Total
Gross book value (GBV)	7.6	4.7	12.3
Impairments	1.8	2.8	4.5
Net book value (NBV)	**5.8**	**1.9**	**7.8**
Valuation as % of NBV	180%	261%	200%

Properties repossessed from loan recovery in the activity in Portugal
Value net of impairments



Holdings in corporate recovery and restructuring funds

Banco BPI holds participation units in specialised loan recovery funds ("*Fundo de Recuperação*, FCR" and "*Fundo de Reestruturação Empresarial* FCR") which were subscribed against the transfer to these funds of Customer loans.

At the end of December 2020, the share capital subscribed by BPI in the *Fundo de Recuperação*, FCR and *Fundo de Reestruturação Empresarial* FCR amounted to €92.2 million.

BPI's paid-up share capital in these funds was €83.9 million (€81.7 million in the *Fundo de Recuperação*, FCR and €2.2 million in the *Fundo de Reestruturação Empresarial* FCR). Net exposure to these funds, after revaluation, was €36.4 million.

Exposure to corporate recovery and restructuring funds at 31 Dec. 20

Amounts in € million

	Subscribed	Paid up
Fundo Recuperação, FCR	89.7	81.7
Fundo de Reestruturação Empresarial, FCR	2.5	2.2
Total	**92.2**	**83.9**
Revaluation		(47.6)
Net Exposure		**36.4**

RISK OF LOSSES IN OTHER ASSETS

The risk of losses in other assets arises from the reduction in the book value of BPI's equity holdings or non-financial assets (tangible, intangible, tax, other assets). Includes i) equity holdings, (ii) property (allocated, own, or other), (iii) intangible assets, and (iv) tax assets.

ACTUARIAL RISK

At BPI, this risk is defined as the risk of loss or deterioration of the value of commitments assumed under insurance or pension agreements entered into with clients or Employees, as a result of differences between the assumptions used to estimate the actuarial variables used to calculate the responsibilities and the actual figures.

MARKET RISK

Market risk is defined as the loss of value, with an impact on results or equity, of a portfolio (set of assets and liabilities), due to unfavourable price of market rate movements.

The management and mitigation of market risks is not limited exclusively to the trading book, but also covers the remaining balance sheet, namely the banking book.

Trading activity at BPI has increasingly less expression relative to traditional banking activity and therefore the inherent market risk values are immaterial.

STRUCTURAL RATES RISK

This risk is defined as the negative financial impact on the economic value of balance sheet items, or on net interest income, as a result of changes in the time structure of interest rates or exchange rates that affect asset, liability or off-balance sheet products not booked in the trading book.

Within the scope of structural rates risk, the assessment and control of the components associated with the structural interest rate risk (IRRBB) is carried out using specialised corporate tools, always applying the best market techniques and practices, as well as the specific guidelines of the supervisory authorities. Through simulations of the various scenarios considered for interest rate evolution, the impacts on the Bank's net interest income and economic value are estimated for a given horizon, always bearing in mind the tolerance limits defined for these impacts.

NON-FINANCIAL RISKS

BPI has adopted the definition of operational risk provided in the regulation in force (Regulation (EU) no. 575 / 2013 of the European Parliament and of the Council, of 26 June 2013): "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk." This definition excludes strategy and reputational risks. In BPI's risks catalogue, as identified in the Internal Control Policy, operational risk is broken down into several sub-categories, permitting to identify specialised areas responsible for their management.

The operational risk management model has as main purpose to ensure:

- Alignment with the Risk Appetite Statement established by the Board of Directors, which translates, among others, into a consistent reduction in BPI's operational losses, contributing to long-term sustainability and continuity;
- Compliance with the regulatory requirements and the supervisors' expectations.

Operational risk management at BPI is based on risk-sensitive policies, processes, tools and methodologies, in accordance with best market practices, based on three interconnecting dimensions:

- **Identification and assessment of operational risk** – through decentralised management, each Division of the Bank is responsible for identifying and assessing the operational risk inherent to the activities performed. This assessment is complemented by the definition and analysis of Operational Risk Indicators (KRIs), a methodology that allows anticipating the evolution of operational risks, and by the analysis of extreme scenarios.
- **Identification and monitoring of operational risk events** – the first line of defence is responsible for logging operational risk events in an internal application, incorporating the knowledge obtained from the critical analysis of events into the risk management cycle.
- **Mitigation of operational risk** – each Division of the Bank is responsible for the task of detecting situations that trigger the need to devise risk mitigation measures. These measures are planned and implemented to reduce or eliminate the probability of a future occurrence of a certain risk and/or the severity of its impacts.

The operational risk management area, integrated in the Risk Management Division, is responsible, as the second line of defence, for assisting the Divisions in the assessment of operational risk, monitoring the corresponding processes and centralising the collection of inputs on specific operational risk categories, which will enrich the operational risk evaluation process carried out by the Divisions.

This area also compiles and makes a critical analysis of the information to enhance the quality of the analysis of the pattern of events with a view to improving risk management, monitors the mitigation measures up to their implementation, and assists the first line of defence in the assessment and monitoring of KRIs.

To guarantee that all operational risk sub-categories are correctly managed and controlled, BPI's Risks Catalogue defines the main risk categories, and establishes specific Risk Management functions for each of them:

RISK OF CONDUCT

The application of conduct criteria that run contrary to the interests of Customers and stakeholders, or acts or omissions on the part of the Bank that amount to non-compliance with the legal or regulatory framework, or with internal policies, standards and procedures, or codes of conduct and ethical and good practice standards.

LEGAL / REGULATORY RISK

The potential loss or decrease in the Bank's profitability as a result of changes in the legislation, the incorrect application of this legislation in BPI's processes, the inappropriate interpretation of the same in various operations, the inadequate management of court or administrative injunctions, or of claims or complaints received.

TECHNOLOGY RISK

The risk of material or potential loss due to inadequate or failed technology infrastructure, due to cyber-attacks or other circumstances, and the inability to make changes to the ICT in a timely and cost-effective manner, compromising the availability, integrity, accessibility and security of infrastructure and data.

RISK OF DATA RELIABILITY

Weaknesses in the accuracy and integrity of and in the criteria for the preparation of the data required to assess BPI's financial situation and assets, or the information made available to stakeholders and disclosed to the market as a holistic view of the Bank's positioning in terms of environmental sustainability and ESG principles – environmental, social and governance. It includes the reliability of financial and non-financial data.

MODEL RISK

Possible adverse consequences for the Bank that may arise as a result of decisions based primarily on the results of internal models with construction errors or errors in the application or use.

OTHER OPERATIONAL RISKS

Losses or damages caused by errors or failures in processes, due to external events, or actions of third parties outside the Group, whether accidental or intentional. It includes, among others, risk factors related to external events or external fraud.

For each of these operational risk categories BPI stipulates policies, procedures, controls and responsibilities, clearly defined and designed in accordance with their specificities. In order to deal with the evolution of these risk categories and their potential impacts on the banking business, Banco BPI has been reinforcing its governance, making sure that the internal structure is prepared to adequately manage them.

REPUTATIONAL RISK

The risk of loss of competitiveness due to the deterioration of trust in BPI by any of its stakeholders on account of the assessment made of acts or omissions, actual or alleged, by the Bank, its Senior Management or its Governing Bodies.

To prevent and monitor this risk, Banco BPI uses internal and external indicators that allow it to assess the perception and expectations of its various stakeholders. In addition, the development of internal reputational risk policies represents a fundamental tool for control and mitigation of this risk.

STRATEGIC EVENTS

Strategic events are the more relevant events that may result in a significant impact on Banco BPI in the medium-long term. Only events that have not yet materialised or been included in the catalogue, but to which the entity's strategy is exposed due to external causes, are considered, even if the severity of the possible impact of such events can be managed and mitigated. A strategic event may impact one or more than one of the risks in the catalogue at the same time.

In order to forestall and manage their effects, the more relevant strategic events currently identified are listed below.

Uncertainties with regard to the geopolitical and macroeconomic scenario
A marked and persistent deterioration of the macroeconomic outlook. This could be the result of, for example: the drawing out of the pandemic, geopolitical impacts, domestic political factors (such as territorial tensions, populist governments, social protests) or the re-emergence of tensions in the euro zone that could contribute to the risk of fragmentation.

Possible consequences could be: increase in country risk premium (cost of funding), reduction in business volume, deterioration in credit quality, deposit outflows, material damage to offices or impeded access to them (resulting from protests or sabotage).

Mitigants: an event of this nature can have a significant financial impact. BPI believes that the aforementioned risks are sufficiently mitigated by the Bank's capital and liquidity levels, which is validated by internal and external stress exercises, and reported in the annual capital and liquidity self-assessment process (ICAAP and ILAAP, respectively).

New possibly disrupting competitors
Expected increase in competition from new players, such as Fintechs and NeoBanks, as well as from Global Asset Managers and Bigtechs, with potential for disruption in terms of services competition. This could lead to the disaggregation and disintegration of part of the value chain, which would impact Banks' margins and cross-selling, as they would be competing with more agile, flexible entities with a very light cost structure. All this could be aggravated if the regulatory requirements applicable to these new competitors are not the same as those for current credit institutions.

As an illustrative example, the potential issuance of a Digital Euro may involve the entry into the European banking system of players other than banks (e.g., payment institutions and electronic money institutions) in case they are allowed to mediate the management of digital euro wallets (e-wallets). Similarly, to the extent that payment means associated with the digital euro may replace current electronic means, banks may lose the information provided by Customer transactionality depending on their end-operator.

Mitigants: the Bank considers the new players as a potential threat but also as an opportunity, as a source of collaboration and learning and as a stimulus to reach the objectives of business digitisation and transformation established in the Strategic Plan. The Bank regularly monitors the main new players and the movements of BigTechs in the industry.

During the year the Bank developed capabilities to assess the uptake level of its clients and also to carry out a deeper technical analysis of the most relevant solutions. Regarding competition from Bigtechs, the Bank is committed to improving the Customer experience, banking on the added value provided by the Group's social awareness (bits and trust), in addition to proposing possible collaborative approaches (open banking).

Cybersecurity and data protection

The pandemic has considerably increased the volume and severity of cybersecurity events. The increase in online shopping, remote working to keep the country productive, and the expansion of distance communication between citizens and companies or official bodies have made it possible for cybercriminals to develop certain cybersecurity events, involving, for example, identity forgery. At the same time, regulators and supervisors have escalated the priority of these issues on their agendas.

Mitigants: the Bank is well aware of the importance and extent of the existing threat at this time, and thus it constantly reviews the technological environment and applications relating to the integrity and confidentiality of information, in addition to systems availability and business continuity, through planned reviews and ongoing auditing by monitoring the risk indicators defined. Additionally, the Bank has reviewed its security protocols to adapt them to the threats of the current context, continually monitoring these threats and, if necessary, changing again the protocol. All the actions are aligned with the strategic plan for information security, so that BPI can remain on the cutting edge of information protection in accordance with the best market standards.

Changes to the legal, regulatory or supervisory environment

The risk of increased pressure from the legal, regulatory or supervisory environment is one of the risks identified in the Risk Assessment exercise that could entail a higher impact in the short-medium term. Specifically, it is necessary to uphold constant monitoring of new regulatory proposals and their implementation, given the high activity of legislators and regulators in the financial sector.

Mitigants: control and monitoring of regulations as well as controlling effective regulatory implementation.

Pandemics and other external operational events

It is not known what the impact of COVID-19 or other future pandemics will be for each of the risks of the Catalogue, which will depend on future events and developments that are as yet unknown, including actions to contain or treat the pandemic and curb its impact on the economies of affected countries. Taking COVID-19 as a reference, there may be high volatility or crashes in the financial markets, as well as a downturn in macroeconomic prospects.

Mitigants: although each pandemic can have different consequences, a limited impact on the Bank is considered in the current pandemic crisis, due to the profile of the Customer portfolio, the dispersion of the portfolio, and the level of provisions voluntarily set up to mitigate the expected effects of deterioration in credit risk.

Proposed application of results

Whereas:

a) In financial year 2020, Banco BPI, S.A. (hereinafter Banco BPI) reported a net profit of €104 771 143 in its consolidated accounts, and a net profit of €87 821 535.49 in its individual accounts;

b) In accordance with the provisions of Article 25 of Banco BPI's Memorandum and Articles of Association, the net profit for each year shall be allocated, namely, in the percentage prescribed by law, to the Legal Reserve, to the payment of priority dividends on any preference shares that the company may have issued, and the remainder, under the terms that the General Meeting, acting freely and under no obligatory distribution, may determine, including the allocation of the profits in question to reserves, their distribution as dividends, their allocation to other specific uses in the interest of the Company or in any combination of these purposes;

c) The Long-Term Dividend Policy of Banco BPI approved by the single shareholder, CaixaBank, S.A., by Unanimous Written Resolution on 31 January 2019, provides for the distribution of an annual dividend, tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, where the exact amount to be proposed (by the Board of Directors to the General Meeting) shall be defined in light of a prudent judgement which takes into account, in view of the specific situation at the time of Banco BPI, the permanent satisfaction of adequate levels of liquidity and solvency;

d) The capital position of BPI, which at 31 December 2020 shows: i) a CET1 ratio of 14.1%, a Tier1 ratio of 15.6% and a Total ratio of 17.3%; ii) a Maximum Distributable Amount (MDA) buffer of 438 bps;

e) There are no doubts as to BPI's financial capacity to continue supporting the Portuguese economy, nor as to CaixaBank's commitment to support BPI in the execution of that function;

f) The guidelines of the supervisory authorities to the effect that decisions on the payment of dividends relating to financial year 2020, to be taken by 30 September 2021, should be marked by extreme prudence;

g) The proposed distribution of dividends detailed below does not jeopardise compliance with the target capital ratios of Banco BPI and respects the conclusions and guidelines of the ICAAP and RAF of Banco BPI;

In view of the above, the Board of Directors proposes:

a) that an amount of €13 173 230.32 corresponding to 15% of the individual net profit be distributed to the 1 456 924 237 shares representing BPI's share capital;

b) that, taking into account the recommendation of the ECB and the Bank of Portugal, the said dividend only be settled in October 2021;

Accordingly, this corresponds to the following application of the net profit for 2020 determined in Banco BPI's individual accounts:

Dividends:	€13 173 230.32
Legal Reserve*:	€8 782 153.55
Other reserves:	€65 866 151.62
Net Profit for the 2020 financial year	€87 821 535.49

Porto, 2 March 2021

The Board of Directors

* As provided for in art. 97 (1) of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF").

Final acknowledgements

The Board of Directors hereby expresses its recognition for the results achieved in such a difficult and unexpected context as that which marked 2020, and acknowledges the dedicated, professional and competent contribution of the Employees, the loyalty of the Clients, who once again made it possible for the Bank to achieve market leadership in the main satisfaction and service quality indicators, and the trust and collaboration provided by its Shareholder.

The Board also thanks and acknowledges the valuable contribution made by all the members of the Governing Bodies who terminated their terms of office in 2020.

Finally, the Board notes with great appreciation the cooperation received from the Authorities, within the scope of their attributions.

Porto, 2 March 2021

The Board of Directors

ADOPTION OF THE FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING SUPERVISORS (CEBS) RECOMMENDATIONS ON THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

The Bank of Portugal, through *circular-letters 97 / 08 / DSBDR* of 3 December 2008 and *58 / 09 / DSBDR* of 5 August 2009, has recommended that within the accounting documents, a separate chapter or a specific annex be included in the Annual Report, designed to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to Bank of Portugal's *circular-letter 46 / 08 / DSBDR*.

In order to comply with Bank of Portugal's recommendation, this chapter provides a response to the aforesaid questionnaire, cross-referenced to the more detailed information presented in the 2020 Annual Report.

Recommendation Summary	Reference to 2020 Annual Report
I. BUSINESS MODEL 1. Description of the business model	*MR – BPI Business Model, page 20.* *NFS – 7. Segments, page 280.*
2. Description of strategies and objectives	*MR – Statement of the Chairman of the Board of Directors, page 6; Statement of the Chief Executive Officer, page 9; Financial review, page 105; Risk Management, page 125.* *NFS – 3. Risk management, page 208.*
3. Description of the importance of the operations carried out and the respective contribution to business	*MR – Individuals, Businesses, Premier and InTouch Banking, page 94; Private Banking, page 99; Corporate and Institutional Banking, page 100; Financial review, page 105.* *NFS – 7. Segments, page 280.*
4. Description of the type of activities undertaken 5. Description of the objective and extent of the institution's involvement for each activity undertaken	*MR – Individuals, Businesses, Premier and InTouch Banking, page 94; Private Banking, page 99; Corporate and Institutional Banking, page 100; Activity context, page 89; Financial review, page 105; Risk Management, page 125.* *NFS – 3. Risk management, page 208; 7. Segments, page 280.*
II. RISKS AND RISK MANAGEMENT 6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments used	*MR – Risk Management, page 125;* *NFS – 2.7. Impairment of financial assets, page 195, 3. Risk management, page 208, and Financial assets, notes 10 to 13, page 290 and following.*
7. Description of the major risk-management practices in the activities	*MR – Risk Management, page 125;* *NFS – 2.7. Impairment of financial assets, page 195, 3. Risk management, page 208, and Financial assets, notes 10 to 13, page 290 and following.* *GovR – Corporate Governance Report, page 398.*
III. IMPACT OF THE PERIOD OF FINANCIAL TURMOIL ON THE RESULTS 8. Qualitative and quantitative description of the results	*MR – Financial review, page 105.*
9. Breakdown of the write-downs / losses by types of products and instruments affected by the period of turmoil	*NFS – 3. Risk management, page 208, Financial assets, notes 10 to 13, page 290, 30. Gains or (-) losses on financial assets and liabilities, page 339.*
10. Description of the reasons and factors responsible for the impact suffered	*MR – Financial review, page 105; Activity context, page 89.*
11. Comparison of the i) impacts between (relevant) periods and ii) the financial statements before and after the period of turmoil	*MR – Financial review, page 105.*
12. Breakdown of write-downs between realised and non-realised	*MR – Financial review, page 105;* *NFS, Financial assets, notes 10 to 13, page 290, 30. Gains or (-) losses on financial assets and liabilities, page 339.*
13. Description of the influence of the financial turmoil on the behaviour of Banco BPI shares	*The Banco BPI shares were excluded from trading on the Euronext Lisbon regulated market on 14 December 2018, following the CMVM's favourable decision on the loss of Banco BPI's public company status. On 27 December 2018 CaixaBank exercised its squeeze-out right on the remaining shares it did not yet hold, following which it now holds the entire share capital of Banco BPI.*

MR – Management Report; NFS – Notes to the Consolidated Financial Statements; GovR – Corporate Governance Report.

Recommendation Summary	Reference to 2020 Annual Report
14. Disclosure of the maximum loss risk	*MR – Risk Management, page 125; NFS – 3. Risk management, page 208.*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	*MR – Financial review, page 105. The Bank did not revalue its liabilities.*
IV. LEVEL AND TYPE OF EXPOSURES AFFECTED BY THE PERIOD OF FINANCIAL TURMOIL 16. Nominal value (or amortised cost) and fair value of exposures	*NFS – Financial assets, notes 10 to 13, page 290; 39. Information on fair value, page 344.*
17. Information about credit risk mitigators and respective effects on existing exposures	*MR – Risk Management, page 125 and following. NFS – 3.4.1. Credit risk, page 232 and following.*
18. Detailed disclosure of exposures	*MR– Risk Management, page 125; NFS – 3. Risk management, page 208, Financial assets, notes 10 to 13, page 290.*
19. Movements in exposures occurred between the relevant reporting periods and the reasons for these movements (sales, write-downs, purchases, etc.)	*MR – Financial review, page 105. NFS – 3. Risk management, page 208, Financial assets, notes 10 to 13, page 290.*
20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons	*Banco BPI consolidates all exposures in which it has control or significant influence, as provided for in IFRS 10, 11, IAS 28, IFRS 3 and IFRS 5. No changes were made to BPI Group's consolidation perimeter as a consequence of the period of turmoil in the financial markets.*
21. Exposure to monoline insurers and quality of the assets insured	*At 31 December 2020, BPI had no exposure to monoline insurers*
V. ACCOUNTING POLICIES AND VALUATION METHODS 22. Classification of transactions and structured products for accounting purposes and respective accounting treatment	*NFS – 2.2 Financial instruments, page 188; 2.7 Impairment of financial assets, page 195; Financial assets, notes 10 to 13, page 290; 20. Financial liabilities at amortised cost, page 309.*
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the period of turmoil	*The vehicles through which Banco BPI's debt securitisation operations are carried out are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity interest held in the respective vehicles.*
24. Detailed disclosure of the fair value of financial instruments	*NFS – Financial assets, notes 10 to 13, page 290; 39. Information on fair value, page 344.*
25. Description of the modelling techniques used for valuing financial instruments	*NFS – 2. Accounting policies, page 186, and Financial assets, notes 10 to 13, page 290 and following; 39. Information on fair value, page 344.*
VI. OTHER RELEVANT ASPECTS OF DISCLOSURE 26. Description of the disclosure policies and principles used in financial reporting	*GovR – Corporate Governance Report, page 398.*

MR – Management Report; NFS – Notes to the Consolidated Financial Statements; GovR – Corporate Governance Report.

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) published on 5 October 2015 a set of guidelines relating to the disclosure of Alternative Performance Measures by entities (*ESMA / 2015 / 1415*). These guidelines are to be obligatorily applied with effect from 3 July 2016.

BPI uses a set of indicators for the analysis of performance and financial position, which are classified as Alternative Performance Measures, in accordance with the above mentioned ESMA guidelines.

The information relating to those indicators has already been disclosed, as required by the ESMA guidelines.

The information previously disclosed is included in this report by cross-referencing, and a summarised list of the Alternative Performance Measures is presented.

Reconciliation of income statement structure
With the entry into force of IFRS 9 at the beginning of 2018, Banco BPI decided to adopt a structure of the individual and consolidated financial statements consistent with the guidelines of Regulation (EU) 2017 / 1443 of 29 June 2017 and with the structure of the financial statements presented by CaixaBank (consolidating entity of Banco BPI).

The table below shows, for the income statement of the activity in Portugal, the reconciliation of the structure presented in the Management Report with the structure presented in the financial statements and respective notes.

Units, conventional signs and abbreviations

€, Euros, EUR	euros	**ytd**	year-to-date change
€ th, th euros,	thousand euros	**n.a.**	non-available data
€ M, € million	million euros	**0, –**	nil or irrelevant
€ Bn, € billion, th.M.€	billion euros or thousand million	**n.s.**	nonsense
€ trillion	trillion euros	**vs.**	*versus*
b.p., bps	basis points	**E**	Estimate
p.p.	percentage points	**F**	Forecast
Δ	change		
yoy	year-on-year change		

Income statement of the activity in Portugal

Amounts in € million

Management Report structure	2020	2020	Structure of the Financial Statements and attached notes
Net interest income	450.1	450.1	Net interest income
Dividend income	2.4	2.4	Dividend income
Equity accounted income	18.5	18.5	Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method
Net fee and commission income	244.9	266.4	Fee and commission income
		(21.4)	Fee and commission expenses
Gains / (losses) on financial assets and liabilities and other	(2.9)	0.2	Gains or (-) losses on derecognition of financial assets & liabilities not measured at fair value through profit or loss, net
		7.9	Gains or (-) losses on financial assets and liabilities held for trading, net
		(18.9)	Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net
		(2.0)	Gains or (-) losses from hedge accounting, net
		9.9	Exchange differences [gain or (-) loss], net
Other operating income and expenses	(14.7)	34.3	Other operating income
		(49.0)	Other operating expenses
Gross income	**698.3**	**698.3**	**GROSS INCOME**
Staff expenses	(264.4)	(264.4)	Staff expenses
Other administrative expenses	(138.2)	(138.2)	Other administrative expenses
Depreciation and amortisation	(48.7)	(48.7)	Depreciation
Operating expenses	**(451.3)**	**(451.3)**	**Administrative expenses and depreciation**
Net operating income	**247.0**	**247.0**	
Impairment losses and other provisions	(159.2)	(5.7)	Provisions or (-) reversal of provisions
		(153.5)	Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss
Gains and losses in other assets	0.3	0.0	Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates
		0.0	Impairment or (-) reversal of impairment on non-financial assets
		(0.0)	Gains or (-) losses on derecognition of non-financial assets, net
		0.3	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations
Net income before income tax	**88.1**	**88.1**	**PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS**
Income taxes	(21.9)	(21.9)	Tax expenses or (-) income related to profit or loss from continuing operations
Net income from continuing operations	**66.2**	**66.2**	**PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS**
Net income from discontinued operations		0.0	Profit/(loss) after tax from discontinued operations
Income attributable to non-controlling interests		0.0	Profit or loss (-) for the year attributable to non-controlling interests
Net income	**66.2**	**66.2**	**PROFIT OR (-) LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT**

The earnings, efficiency and profitability indicators are defined by reference to the aforementioned structure of the income statement presented in the Management Report.

EARNINGS, EFFICIENCY AND PROFITABILITY INDICATORS
Gross income = Net interest income + Dividend income + Net fee and commission income + Equity accounted income + Gains/(losses) on financial assets and liabilities and other + Other operating income and expenses
Commercial banking gross income = Net interest income + Dividend income + Net fee and commission income + Equity accounted income excluding the contribution of stakes in African banks
Operating expenses = Staff expenses + Other administrative expenses + Depreciation and amortisation
Net operating income = Gross income - Operating expenses
Net income before income tax = Net operating income – Impairment losses and other provisions + Gains and losses in other assets
Cost-to-income ratio (efficiency ratio)[1] = Operating expenses / Gross income
Core cost-to-income ratio (core efficiency ratio)[1] = [(Operating expenses, excluding costs with early retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) - Income from services rendered to CaixaBank Group (recorded in the caption "Other operating income and expenses")] / Commercial banking gross income
Return on Equity (ROE)[1] = Net income for the period, less the interest cost of AT1 capital instruments recorded directly in shareholders' equity / Average value in the period of shareholders' equity attributable to BPI shareholders, excluding AT1 capital instruments
Return on Tangible Equity (ROTE)[1] = Net income for the period, less the interest cost of AT1 capital instruments recorded directly in shareholders' equity / Average value in the period of shareholders' equity attributable to BPI shareholders (excluding AT1 capital instruments) after deduction of intangible net assets and goodwill of equity holdings
Return on Assets (ROA)[1] = (Net income attributable to BPI shareholders + Income attributable to non-controlling interests - preference shares dividends paid) / Average value in the period of total assets (net)
Unitary intermediation margin = Loan portfolio (excluding loans to Employees) average interest rate - Deposits average interest rate

BALANCE SHEET AND FUNDING INDICATORS
On-balance sheet Customer resources = Deposits + Capitalisation insurance of fully consolidated subsidiaries + Participating units in consolidated investment funds Where: ▪ Deposits = Demand deposits and other + Term and savings deposits + Interest payable + Retail bonds (Fixed rate bonds placed with Customers: €6.5 million in Dec. 2019 and €0.2 million in Dec. 2020) ▪ Capitalisation insurance of fully consolidated subsidiaries (BPI Vida e Pensões sold in December 2017) = Unit links capitalisation insurance and "Aforro" capitalisation insurance and others (Technical provisions + Guaranteed rate and guaranteed retirement capitalisation insurance) Note: The amount of on-balance sheet Customer resources is not deducted of applications of off-balance sheet products (mutual funds and pension funds) in on-balance sheet products.
Assets under management = Mutual funds + Capitalisation insurance + Pension funds ▪ Mutual funds = Unit trust funds + Real estate investment funds + Retirement-savings and equity.savings plans ("PPR" and "PPA" in Portuguese) + Hedge funds + Assets from funds under BPI Suisse management + Third-party unit trust funds placed with Customers ▪ Capitalisation insurance = third-party capitalisation insurance placed with Customers ▪ Pension Funds = pension funds under BPI management (includes BPI pension funds) Notes: (i) Amounts deducted of participation units in the Group banks' portfolios and of placements of off-balance sheet products (mutual funds and pension plans) in other off-balance sheet products. (ii) Following the sale of BPI Vida e Pensões in Dec. 17, the capitalisation insurance placed with BPI's Customers was recognised off balance sheet, as "third-party capitalisation insurance placed with Customers" and pension funds management was excluded from BPI's consolidation perimeter.
Subscriptions in public offerings = Customer subscriptions of third-party public offerings
Total Customer resources = On-balance sheet Customer resources + Assets under management + Subscriptions in public offerings

1) Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, in which case it will be clearly marked.

BALANCE SHEET AND FUNDING INDICATORS (CONT.)
Gross loans to Customers = Gross loans and advances to Customers (financial assets at amortised cost), excluding other assets (guarantee accounts and others) and reverse repos + Gross debt securities issued by Customers (financial assets at amortised cost) Note: gross loans = performing loans + loans in arrears + interest receivable
Net loans to Customers = Gross loans to Customers – Impairments for loans to Customers
Loan to deposit ratio (CaixaBank criteria) = (Net loans to Customers - Funding obtained from the EIB, which is used to provide credit) / Deposits and retail bonds

ASSET QUALITY INDICATORS
Impairments and provisions for loans and guarantees (in income statement) = Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss relative to loans and advances to Customers and to debt securities issued by Customers (financial assets at amortised cost), before deduction of recoveries of loans previously written off from assets, interest and others + Provisions or reversal of provisions for commitments and guarantees
Cost of credit risk = Impairments and provisions for loans and guarantees (in income statement) - Recoveries of loans previously written off from assets, interest and other (in income statement)
Cost of credit risk as % of loan portfolio[1] = [Impairments and provisions for loans and guarantees (in income statement) - Recoveries of loans previously written off from assets, interest and other (in income statement)] / Average value in the period of the gross loans and guarantees portfolio.
Performing loans = Gross Customer loans - (Overdue loans and interest + Interest receivable and other)
NPE Ratio = Ratio of non-performing exposures (NPE) in accordance with the EBA criteria (prudential perimeter)
Coverage of NPE = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non-performing exposures (NPE)
Coverage of NPE by impairments and associated collateral = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collateral associated to NPE] / Non-performing exposures (NPE)
NPL Ratio = Ratio of non-performing loans (NPL) in accordance with the EBA criteria (prudential perimeter)
Coverage of NPL = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non-performing loans (NPL)
Coverage of NPL by impairments and associated collaterals = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collaterals associated to NPL] / Non-performing loans (NPL)
Non-performing loans ratio (*"crédito dudoso"*, Bank of Spain criteria) = Non performing loans (Bank of Spain criteria) / (Gross Customer loans + guarantees)
Non-performing loans (Bank of Spain criteria) coverage ratio = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non performing loans (Bank of Spain criteria)
Coverage of non-performing loans (Bank of Spain criteria) by impairments and associated collaterals = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collateral associated to non-performing loans] / Non-performing loans (Bank of Spain criteria)
Impairments cover of foreclosed properties = Impairments for real estate received in settlement of defaulting loans / Gross value of real estate received in settlement of defaulting loans

PER SHARE INDICATORS
Earnings per share (EPS) = Net income, less the interest cost of AT1 capital instruments / Weighted average no. of shares in the period (basic or diluted) [2]
Book value per share (BV per share or BVPS) = Shareholders' equity attributable to BPI shareholders (excluding AT1 capital instruments) / No. of shares at the end of the period [3]

1) Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, in which case it will be clearly marked.
2) The earnings per shares (basic or diluted) are calculated in accordance with IAS 33 – Earnings per share.
3) The number of shares considered in the denominator is deducted of the treasury stocks portfolio and is adjusted for capital increases, whether by incorporation of reserves (bonus issue) or by subscription reserved for shareholders (rights issue), amongst other events, in a similar way to the calculation of earnings per share.

NON-FINANCIAL INFORMATION

GRI Content Index, Decree-Law No. 89 / 2017 and CMVM Model

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
General disclosures					
Organisational profile					
GRI 102: General Content 2016	102-1	Name of the organisation	BPI Business Model, page 20	Article 508-G (2) (a)	Part I – Information on adopted policies, B. Corporate Model
	102-2	Activities, brands, products and services	BPI Business Model, page 20		
	102-3	Location of headquarters	Rua Tenente Valadim, 284 4100-476 Porto		
	102-4	Location of operations	BPI Business Model, page 20		
	102-5	Nature of ownership and legal form	BPI Business Model, page 20		
	102-6	Markets served	BPI Business Model, page 20		
	102-7	Scale of the organisation	BPI Business Model, page 20		
	102-8	Information on Employees and other workers	Technical annex GRI indicators and methodological notes, page 166		
	102-9	Supply chain	Socially Responsible Bank – Environment: Suppliers, page 77		
	102-10	Significant changes to the organisation and its supply chain	Socially Responsible Bank – Environment: Suppliers, page 77		
	102-11	Precautionary principle or approach	Socially Responsible Bank – Introduction, page 47; Socially Responsible Bank: Environment – Environmental Risk Management Policy and Environmental Risk Management Area, page 70		
	102-12	External initiatives	Contribution to the Sustainable Development Goals, page 80; Socially Responsible Bank – Society, page 57		
	102-13	Membership of associations	Socially Responsible Bank – Environment, page 69; Tax contribution, page 83		
Strategy					
GRI 102: General Content 2016	102-14	Statement of the Chief Executive Officer	Report – Statement of the Chief Executive Officer, page. 9	Article 508-G (2) (a)	Part 1 – Information on adopted policies, C. Main Risk Factors
	102-15	Key impacts, risks, and opportunities	Report – Risk Management; Socially Responsible Bank – Introduction, page 47; Socially Responsible Bank: Environment – Environmental Risk Management Policy and Environmental Risk Management Area, page 70		
Ethics and Integrity					
GRI 102: General Content 2016	102-16	Values, principles, standards and norms of behaviour	BPI Identity, page 15; Socially Responsible Bank – Governance, page 50	Article 508-G (2) (b) (c) (d)	Part 1 – Information on adopted policies, D. Implemented policies, V. Fight against corruption and bribery attempts
	102-17	Mechanisms for advice and concern about ethics	Socially Responsible Bank – Governance, page 50		

<table>
<tr><th>GRI Standard</th><th></th><th>Content</th><th>Location / Omission</th><th>Correspondence with the requirements of DL no. 89 / 2017</th><th>CMVM's non-financial information disclosure template</th></tr>
<tr><td colspan="6">Governance</td></tr>
<tr><td>GRI 102: General Disclosures 2016</td><td>102-18</td><td>Governance structure</td><td>BPI Business Model, page 20; Socially Responsible Bank – Governance, page 50; Corporate Governance Report, Information on Shareholding Structure, organisation and governance of the company, page 398</td><td>Article 508-G (2) (a)</td><td>Part I – Information on adopted policies,
B. Corporate Model</td></tr>
<tr><td colspan="6">Involvement with Stakeholders</td></tr>
<tr><td rowspan="5">GRI 102: General Disclosures 2016</td><td>102-40</td><td>List of Stakeholder groups</td><td>BPI Identity – BPI's commitments to the Stakeholders, page 16; Materiality 2020, page 17</td><td rowspan="5">Article 508-G (2) (b) (c) (d)</td><td rowspan="5">Part I – Information on adopted policies,
D. Implemented Policies,
ii. Social and Tax Policies</td></tr>
<tr><td>102-41</td><td>Collective bargaining agreements</td><td>All the Employees are covered by collective bargaining agreements</td></tr>
<tr><td>102-42</td><td>Identifying and selecting Stakeholders</td><td>Materiality 2020, page 17</td></tr>
<tr><td>102-43</td><td>Approach to Stakeholder engagement</td><td>Materiality 2020, page 17</td></tr>
<tr><td>102-44</td><td>Key topics and concerns raised</td><td>Materiality 2020, page 17</td></tr>
<tr><td colspan="6">Reporting practices</td></tr>
<tr><td rowspan="12">GRI 102:
General Disclosures 2016</td><td>102-45</td><td>Entities included in the consolidated financial statements</td><td>Notes to the financial statements, note 1 – Financial Group, basis of presentation and other information, page 180</td><td></td><td></td></tr>
<tr><td>102-46</td><td>Defining report content and topic boundaries</td><td>Materiality 2020, page 17; Statement of non-financial information, page 87</td><td rowspan="11">Article 508-G (2) (b) (c) (d)</td><td rowspan="11">Part I – Information on adopted policies,
A. Introduction

Part II – Information on standards/guidelines followed</td></tr>
<tr><td>102-47</td><td>List of material topics</td><td>Materiality 2020, page 17</td></tr>
<tr><td>102-48</td><td>Restatements of information</td><td>This is the first non-financial statement in accordance with the GRI Standards</td></tr>
<tr><td>102-49</td><td>Changes in reporting</td><td>This is the first non-financial statement in accordance with the GRI Standards</td></tr>
<tr><td>102-50</td><td>Reporting period</td><td>The sustainability report relates to 2020</td></tr>
<tr><td>102-51</td><td>Date of most recent report</td><td>This is the first non-financial statement in accordance with the GRI Standards</td></tr>
<tr><td>102-52</td><td>Reporting cycle</td><td>Annual</td></tr>
<tr><td>102-53</td><td>Contact points for questions regarding the report</td><td>Banco BPI S.A.
Direção de Comunicação, Marca e Responsabilidade Social
Avenida Casal Ribeiro, 59
1049-053 Lisboa
BancoBPI@mail.BancoBPI.pt</td></tr>
<tr><td>102-54</td><td>Claims of reporting in accordance with the GRI Standards</td><td>This report was prepared in accordance with the GRI Standards for "in accordance – Core" option</td></tr>
<tr><td>102-55</td><td>GRI content index</td><td>Current table</td></tr>
<tr><td>102-56</td><td>External assurance</td><td>Not subject to independent external verification</td></tr>
</table>

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Specific standard contents					
Economic Performance – Material topic: Financial strength and profitability					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87		
	103-2	The management approach and its components	BPI Business model, page 20		
	103-3	Evaluation of the management approach	Sustainable Profitability: Increase sustainable profitability, page 24		
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	Technical annex: GRI indicators and methodological notes, page 162		
	201-3	Defined benefit plan obligations and other retirement plans	Notes to the financial statements, note 23 – Liabilities for pensions and other benefits, page 320		
Indirect economic impacts					
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	Socially Responsible Bank – Society, page 57		
	203-2	Significant indirect economic impacts	Tax and GDP contribution: Contribution to GDP and employment, page 86; Technical annex: GRI indicators and methodological notes, page 162		
Procurement practices					
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	Socially Responsible Bank – Environment: Suppliers, page 77; Technical annex: GRI indicators and methodological notes, page 163		Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
Anti-corruption – Material topic: Prevention of and fight against corruption, fraud and money laundering					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part 1 – Information on adopted policies, D. Implemented policies, V. Fight against corruption and bribery attempts
	103-2	The management approach and its components	Socially Responsible Bank-Governance, page 50		
	103-3	Evaluation of the management approach	Socially Responsible Bank-Governance, page 50		
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Human Resources – Increase Employee training and development, page 31; Socially Responsible Bank-Governance, page 50	Article 508-G (2) (e)	
Anti-competitive behaviour – Material topic: Good corporate governance practices, upright and responsible conduct					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part 1 – Information on adopted policies, D. Implemented policies, V. Fight against corruption and bribery attempts
	103-2	The management approach and its components	Socially Responsible Bank-Governance, page 50		
	103-3	Evaluation of the management approach	Socially Responsible Bank-Governance, page 50		
GRI 206: Anti-competitive behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No legal actions within the scope of this disclosure occurred in 2020	Article 508-G (2) (e)	

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Taxation – Material topic: Good corporate governance practices, upright and responsible conduct /Active risk management					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Tax and GDP contribution, page 83		
	103-3	Evaluation of the management approach	Tax and GDP contribution, page 83		
GRI 207: Taxation 2019	207-1	Approach to tax	Tax and GDP contribution, page 83	Article 508-G (2) (e)	
	207-2	Tax governance, control and risk management	Tax and GDP contribution, page 83		
	207-3	Stakeholder engagement and management of concerns related to tax	Tax and GDP contribution, page 83		
Energy – Material topic: Long-term vision and capacity to anticipate change / Sustainability strategy and governance					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, i. Environmental Policies
	103-2	The management approach and its components	Socially Responsible Bank– Environment, page 69		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Environment, page 69		
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Socially Responsible Bank – Environment: Energy, page 72; Technical annex: GRI indicators and methodological notes, page 163	Article 508-G (2) (e)	
Emissions – Material topic: Long-term vision and capacity to anticipate change / Sustainability strategy and governance / Active risk management					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, i. Environmental Policies
	103-2	The management approach and its components	Socially Responsible Bank – Environment, page 69		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Environment, page 69		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions	Socially Responsible Bank – Environment: Emissions, page 74; Technical annex: GRI indicators and methodological notes, page 164	Article 508-G (2) (e)	
	305-2	Indirect (Scope 2) greenhouse gas (GHG) emissions	Socially Responsible Bank – Environment: Emissions, page 74; Technical annex: GRI indicators and methodological notes, page 164		
	305-3	Indirect (Scope 3) greenhouse gas (GHG) emissions	Socially Responsible Bank – Environment: Emissions, page 74; Technical annex: GRI indicators and methodological notes, page 164		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Environmental compliance – Material topic: Good corporate governance practices, upright and responsible conduct					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, i. Environmental Policies
	103-2	The management approach and its components	Socially Responsible Bank-Governance, page 50		
	103-3	Evaluation of the management approach	Socially Responsible Bank-Governance, page 50		
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	In 2020 there were no instances of non-compliance with environmental laws and regulations	Article 508-G (2) (e)	
Employment					
GRI 401: Employment 2016	401-1	New Employee hires and Employee turnover	Technical annex: GRI indicators and methodological notes, page 167	Article 508-G (2) (e)	Part I – Information on adopted policies, D. Implemented Policies, iii. Employees, gender equality and non-discrimination
Occupational health and safety					
GRI 403: Occupational health and safety 2018	403-9	Work-related injuries	Human Resources – Developing BPI's human resources, page 31; Technical annex: GRI indicators and methodological notes, page 169	Article 508-G (2) (e)	Part I – Information on adopted policies, D. Implemented Policies, iii. Employees, gender equality and non-discrimination
	403-10	Work-related ill health	Human Resources – Developing BPI's human resources, page 31; Technical annex: GRI indicators and methodological notes, page 170		
Training					
GRI 404: Training 2016	404-1	Average hours of training per year per Employee	Human Resources – Developing BPI's human resources, page 31; Technical annex: GRI indicators and methodological notes, page 168	Article 508-G (2) (e)	Part I – Information on adopted policies, D. Implemented Policies, iii. Employees, gender equality and non-discrimination
	404-3	Percentage of Employees receiving regular performance and career development reviews	Human Resources – Developing BPI's human resources, page 31; Technical annex: GRI indicators and methodological notes, page 169		
Diversity and equal opportunities – Important topic under DL 89/2017 requirements					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, iii. Employees, gender equality and non-discrimination
	103-2	The management approach and its components	Human Resources – Developing BPI's human resources, page 31		
	103-3	Evaluation of the management approach	Human Resources – Developing BPI's human resources, page 31		
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and Employees	Human Resources – Developing BPI's human resources, page 31; Technical annex: GRI indicators and methodological notes, page 167	Article 508-G (2) (e)	

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Non-discrimination – Material topic: Good corporate governance practices, upright and responsible conduct					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, iii. Employees, gender equality and non-discrimination
	103-2	The management approach and its components	Human Resources – Developing BPI's human resources, page 31; Socially Responsible Bank – Governance, page 50		
	103-3	Evaluation of the management approach	Human Resources – Developing BPI's human resources, page 31; Socially Responsible Bank – Governance, page 50		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination.	Article 508-G (2) (e)	
Human rights assessment – Material topic: Respect for human rights					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, iv. Human Rights
	103-2	The management approach and its components	Socially Responsible Bank-Governance, page 50; Socially Responsible Bank – Environment: Environmental Risk Management Policy, page 70		
	103-3	Evaluation of the management approach	Socially Responsible Bank-Governance, page 50; Socially Responsible Bank – Environment: Environmental Risk Management Policy, page 70		
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	In 2020, BPI drew up its Procurement Principles and Supplier Code of Conduct, which will be disclosed as from 2021, thus binding Suppliers to conduct requirements such as compliance with the law and regulations, the prevention of conflicts of interest and financial crime, health and safety, human and labour rights, the preservation of the environment, and sustainability	Article 508-G (2) (e)	
Marketing and labelling – Material topic: Accurate, accessible and transparent communication					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Materiality 2020: Accurate, accessible and transparent communication, page 19		
	103-3	Evaluation of the management approach	Materiality 2020: Accurate, accessible and transparent communication, page 19		
GRI 417: Marketing and labelling 2016	417-3	Incidents of non-compliance concerning marketing communications	In 2020 there was one incident involving a warning issued by the Bank of Portugal for BPI to correct a message in an advertising campaign	Article 508-G (2) (e)	

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Customer privacy – Material topic: Cybersecurity and information protection					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Customer Experience – Cybersecurity and data protection, page 28		
	103-3	Evaluation of the management approach	Customer Experience – Cybersecurity and data protection, page 28		
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of Customer privacy and losses of Customer data	There were 9 incidents in 2020: (i) 5 relate to the loss of documents and correspondence; (ii) 2, to errors in the information sent by the Bank to the Bank of Portugal's DB; (iii) 1, to one communication regarding the same campaign (legal moratoria) sent to wrong e-mail addresses, involving 156 Clients; and (iv) 1, concerning an authentication failure of a Client's access to BPI Direto	Article 508-G (2) (e)	
Socioeconomic compliance – Material topic: Good corporate governance practices, upright and responsible conduct /Active risk management					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87	Article 508-G (2) (b) (c) (d)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Socially Responsible Bank-Governance, page 50		
	103-3	Evaluation of the management approach	Socially Responsible Bank-Governance, page 50		
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	In 2020 there were no instances of non-compliance with the laws and regulations in the social and economic area	Article 508-G (2) (e)	
Portfolio of Products					
GRI FS: Portfolio of Products	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Socially Responsible Bank – Environment: Products and services with environmental criteria, page 78	Article 508-G (2) (e)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
Material topic: The Bank's Reputation					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87		Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Acknowledgement and reputation, page 40		
	103-3	Evaluation of the management approach	Acknowledgement and reputation, page 40		
Material topic: Proximity, expert advice and Customer satisfaction					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 87		Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Customer Experience – Accelerate the transformation of the Customer experience, page 25		
	103-3	Evaluation of the management approach	Customer Experience – Accelerate the transformation of the Customer experience, page 25		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Material topic: Responsible marketing tailored to Customers' needs					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality 2020, page 17; Statement of non-financial information, page 86		Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Socially Responsible Bank – Governance: Offering of products and services targeting Clients' specific needs, page 54		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Governance: Offering of products and services targeting Clients' specific needs, page 54		

GRI 200 ECONOMIC PERFORMANCE

GRI 201-1 Direct economic value generated and distributed

Amounts in € million

			Activity in Portugal		Consolidated	
			2019	2020	2019	2020
Economic value generated						
Gross income [1]		1	709.9	698.3	753.5	735.1
AT1 (Additional Tier I) interest costs		2	5.1	17.8	5.1	17.8
Economic value generated	*[= 1 - 2]*	3	704.8	680.5	748.4	717.3
Economic value distributed						
Employees [2]		4	246.1	264.4	246.1	264.4
Suppliers (other administrative expenses) [1]		5	148.1	137.3	148.1	137.3
Donations and other investments in the community		6	2.5	0.9	2.5	0.9
Income taxes		7	70.5	21.9	16.5	20.1
Shareholders (dividends)		8	116.5	13.2	116.5	13.2
Economic value distributed	*[= Σ (4 to 8)]*	9	**583.8**	**437.7**	**529.8**	**435.9**
Economic value retained	*[= 3 - 9]*	10	**121.0**	**242.8**	**218.6**	**281.4**
Depreciation and amortisation		11	(53.9)	(48.7)	(53.9)	(48.7)
Impairments for loans and other		12	41.4	(158.9)	41.4	(158.9)
Economic value retained, net of depreciation, amortisation and impairments for loans and other	*[= Σ (10 to 12)]*	13	108.6	35.2	206.2	73.8

1) Excludes membership fees and donations.
2) Employee wages and benefits, pension, social security and early retirement costs, and other staff expenses.

Social investment through the joint intervention of BPI and the "la Caixa" Foundation reached €28.9 million in 2020, which is 33% more than in 2019.

GRI 203-2 Significant indirect economic impacts

	2020
Contribution to GDP (€ million)	845
As % of GDP	0.42%
Indirect job creation (thousand)	6.4

Methodological notes: Total contribution to GDP and indirect job creation

The wealth generated by a company during a given period is represented by Gross Value Added (GVA), which corresponds to the value of the production of goods and services in the period minus intermediate consumption. In the calculation for BPI, GVA was defined as Gross Income plus the contribution on the banking sector and "Solidarity Surcharge on the Banking Sector" minus Net income on financial assets and liabilities and third-party supplies and services (other administrative expenses). This amount represents BPI's direct contribution to GDP.

BPI's total contribution to GDP also takes into account the additional positive effect on the rest of the economy (indirect effect). This total contribution is estimated by applying the multiplier disclosed by INE for the financial services industry[1] to the GVA generated by BPI.

Indirect job creation induced by BPI's activity is estimated based on the Bank's indirect contribution to GDP, mentioned above, and the average labour productivity in the economy, given by the ratio of nominal GDP to total employment in the economy.

GRI 204-1 Proportion of spending on local Suppliers

Suppliers	**2019**	**2020**
Total no. of Suppliers	3 754	2 877
Total no. of national Suppliers (Portuguese taxpayer number)	3 534	2 713
Total annual spending on total Suppliers (€ million)	260	255
Total annual spending on total national Suppliers (€ million)	215	214
Percentage of the procurement budget used for significant locations of operation that is spent on Suppliers local to that operation (%).	83%	84%
Percentage of national Suppliers	94%	94%

* significant locations of operation are considered as all the operations in Portugal.

GRI 300 ENVIRONMENTAL PERFORMANCE

GRI 302-1 Energy consumption within the organisation

Methodological Notes

In 2020, the energy consumption of each facility was obtained directly from the monthly billing maps sent by the electricity supplier.

For 2019, electricity consumption was estimated based on the accounting map for the annual amount spent on energy at each BPI facility. Based on this file, the following procedure was carried out:

- Calculation of annual energy consumption – conversion factors (kWh/€) were obtained based on electricity invoices (for each voltage level of the facilities). Using these factors, the energy consumed (kWh) in each facility was calculated based on the respective invoiced amounts (€).
- Monthly distribution of energy consumption – To obtain the monthly distribution of energy consumption, the commercial network was divided into 4 climate zones[2] plus the central buildings in Lisbon and Porto. For each of these 6 zones, a "representative facility" was chosen for which the electricity consumption available on the EDP Distribuição website for BPI was analysed (every 15 minutes) and a monthly breakdown of energy consumption was obtained. This breakdown was applied to all facilities of the same type located in the same area.

Energy consumption	**Unit**	**2019**	**2020**
Diesel – generators	l	3 642	400
Diesel – car fleet	l	1 167 486	732 382
Petrol – car fleet	l	5 910	69 687
Natural gas – Central Buildings boilers *	m^3	47 814	44 731
Electricity *	kWh	23 596 480	20 419 223

* The last quarter of 2020 does not include natural gas and electricity consumption in the Azores and Madeira, due to unavailability of data as of to date.

1) Financial services, except insurance and pension funds; source: Input-Output Matrix System for the Portuguese economy published by the National Statistics Institute (INE).
2) This distribution was based on the climatic zoning of mainland Portugal, i.e., the winter and summer climatic zones (defined in Order (extract) no. 15793-F/2013, Diário da República (official gazette) No. 234 of 3 December 2013). Additionally, a fourth zone comprising the autonomous regions of Azores and Madeira was considered.

To convert each energy consumption into GJ, the following conversion factors were used:

Energy conversion	Factor	Unit	Amount	Source
Diesel	PCI	GJ/t	42,6	DGEG, 2018 Energy Conversions
Diesel	Density	kg/l	0,84	DGEG, 2018 Energy Conversions
Gasoline	PCI	GJ/t	44	DGEG, 2018 Energy Conversions
Gasoline	Density	kg/l	0,75	DGEG, 2018 Energy Conversions
Natural gas	PCI	$GJ/Nm^3 \times 10^3$	38,69	DGEG, 2018 Energy Conversions
Natural gas	kwh	GJ/kWh	0,0036	DGEG, 2018 Energy Conversions
Propane gas	PCI	GJ/t	46	DGEG, 2018 Energy Conversions
Electricity	kWh	GJ/kWh	0,0036	DGEG, 2018 Energy Conversions

Resulting in the consumptions (GJ) presented in the Non-Financial Statement:

Energy consumption (GJ)	2019	2020	Δ(%)
Diesel – generators	130	14	(89%)
Diesel – car fleet	41 777	26 208	(37%)
Petrol – car fleet	195	2 300	1079%
Natural gas – Central Buildings boilers	1 850	1 731	(6%)
Electricity	84 947	73 509	(13%)
Total	**128 900**	**103 761**	**(20%)**

GRI 305-1 Direct (Scope 1) greenhouse gas (GHG) emissions
GRI 305-2 Indirect (Scope 2) greenhouse gas (GHG) emissions
GRI 305-3 Indirect (Scope 3) greenhouse gas (GHG) emissions

To calculate the Scope 1 direct GHG emissions, the energy consumptions listed (with the exception of electricity) in the GRI 302-1 disclosure and the refills of fluorinated gases (it was only possible to collect information for central buildings) were considered. The emission factors under consideration take into account the global warming potential of Carbon Dioxide (CO_2), Methane (CH_4) and Nitrous Oxide (N_2O) in the IPCC Fourth Assessment Report (AR4), in alignment with the National Inventory Report published by APA (Portuguese Agency for the Environment).

The emissions associated with the leakage of F-gases in central buildings were estimated using the APA conversion tool, available at: https://formularios.apambiente.pt/conversor/ for 2019 (52 t CO_{2e}). It was not possible to replicate the exercise for 2020, as the data will only be available in March 2021. Taking into account this limitation for the reporting year and given the fact that the existing estimates for previous years do not include the Branches, it was decided not to include this category of emissions in the inventory in the current reporting cycle.

The emissions associated with electricity production (Scope 2) took into account the electricity consumption reported in disclosure 302-1 and the percentage of electricity supply attributed to each Supplier.

To convert energy consumption, F-gas refills, paper and air travel in (Scope 3) into emissions, the emission factors presented below were considered:

Conversion into emissions	Factor	Units	Value	Source
Diesel – stationary combustion	FE	kgCO2eq/GJ	74,237	APA 2020, National Inventory Report
Diesel – mobile combustion	FE	kgCO2eq/GJ	65,712	APA 2020, National Inventory Report
Gasoline – mobile combustion	FE	kgCO2eq/GJ	72,548	APA 2020, National Inventory Report
Natural gas	FE	kgCO2eq/GJ	56,723	APA 2020, National Inventory Report
Propane gas	FE	kgCO2eq/GJ	63,523	APA 2020, National Inventory Report
R-407C	FE	tCO2eq/kg	1,770	APA, 2020
R-410.ª	FE	tCO2eq/kg	2,090	APA, 2020
R-422D	FE	tCO2eq/kg	3,140	APA, 2020
Electricity – location	FE	kgCO2eq/kWh	*	IEA, 2018.
Endesa 2019	FE	kgCO2eq/kWh	0,270	Endesa 2019
Galp Power 2020	FE	kgCO2eq/kWh	0,355	Galp, 2020
EDA 2019	FE	kgCO2eq/kWh	0,480	EDA, 2019
EEM 2019	FE	kgCO2eq/kWh	0,535	EEM, 2019
CEVE 2019	FE	kgCO2eq/kWh	0,268	CEVE, 2019
CEVE 2020	FE	kgCO2eq/kWh	0,177	CEVE, 2020
Paper	FE	kgCO2eq/kg paper	1,900	American Forest & Paper Association, 2011
Air and train	-		-	Information provided by travel agency

* Emission factor from paid information source.

Database of F-gas refills, paper consumption and travel considered in the calculation:

F-gas refill	Unit	2019	2020
R407C	kg	28	n.a.
R410A	kg	1	n.a.
422D	kg		n.a.
Paper consumption	**Unit**	**2019**	**2020**
Paper*	t	444	300

* Considers stationery and BPI forms, envelopes, thermal roll, and photocopy paper, amongst others, used in all of Banco BPI's facilities (Central Buildings and Commercial Network)

The application of these assumptions resulted in the emissions inventory presented in the Non-Financial Statement:

GHG emissions (tCO2eq)	2019	2020	Δ(%)
Direct (Scope 1) GHG emissions			
Diesel – generators	10	1	(89%)
Diesel – car fleet	2 745	1 722	(37%)
Petrol – car fleet	14	167	1079%
Natural gas – Central Buildings boilers	105	98	(6%)
Total Scope 1	**2 874**	**1 988**	**(31%)**
Energy indirect (Scope 2) GHG emissions			
Location based	**7 155**	**6 191**	**(13%)**
Market based	**6 593**	**7 372**	**12%**
Energy indirect (Scope 3) GHG emissions			
Paper consumption	844	570	(32%)
Travel (air and train)	1 018	136	(87%)
Total Scope 3	**1 861**	**706**	**(62%)**
Total Scopes 1, 2 (Location) and 3	**11 890**	**8 885**	**(25%)**
Total Scopes 1, 2 (Market) and 3	**11 328**	**10 065**	**(11%)**
Carbon intensity (GHG emissions per number of Employees)			
No. of Employees (Activity in Portugal)	4 821	4 603	
Location based	**2,5**	**1,9**	
Market based	**2,3**	**2,2**	

GRI 400 SOCIAL PERFORMANCE

All social indicators considered below refer to the activity of BPI in Portugal and of BPI Suisse.

GRI 102-8 Information on Employees and other workers

Year				2019			2020
Total staff				4 840			4 622
		Men	Women	Total	Men	Women	Total
Type of contract	**Portugal**						
	Permanent	2 064	2 643	**4 707**	1 987	2 597	**4 584**
	Temporary	47	67	**114**	6	13	**19**
	Switzerland						
	Permanent	12	5	**17**	11	4	**15**
	Temporary	0	2	**2**	1	3	**4**
Type of work	Full time	2 120	2 702	**4 822**	2 003	2 607	**4 610**
	Part time	3	15	**18**	2	10	**12**

GRI 405-1 Workforce by professional category, gender, age group and minority group and other diversity indicators

	2019	2020							
	Total	Total	Age bracket					Gender	
			< 30	30 to 39	40 to 49	50 to 59	>59	Men	Women
Employee breakdown by category, age, and gender									
Management	8%	9%	0%	2%	36%	55%	7%	67%	33%
Middle management	14%	13%	0%	7%	63%	29%	1%	54%	46%
Other	78%	78%	4%	21%	52%	21%	2%	39%	61%
Total	4840	4622	146	820	2407	1157	92	2005	2617
Breakdown of Employees with disability by category, age, and gender									
Management	8%	8%	0%	0%	44%	33%	22%	33%	67%
Middle management	8%	8%	0%	11%	44%	44%	0%	44%	56%
Other	84%	84%	1%	13%	40%	45%	1%	22%	78%
Total	119	112	1	13	46	49	3	28	84

GRI 401-1 Total number and rate of new Employee hires by age group, gender and region

No. of new hires and departures:

	2019	2020							
	Total	Total	Age bracket					Gender	
			< 30	30 to 39	40 to 49	50 to 59	>59	Men	Women
New hires (no.)									
Management	4	2	0	0	0	2	0	2	0
Middle management	2	7	3	2	1	1	0	3	4
Other	196	47	21	16	7	3	0	21	26
Total	202	56	24	18	8	6	0	26	30
Departures (no.)									
Management	49	35	0	2	2	13	18	24	11
Middle management	13	14	0	0	5	5	4	13	1
Other	230	241	72	51	42	48	28	114	127
Total	292	290	72	53	49	66	50	151	139

New hires and turnover rates:

	2019	2020							
	Total	Total	Age bracket					Gender	
			< 30	30 to 39	40 to 49	50 to 59	>59	Men	Women
New hires rate (%)									
Management	**1%**	**1%**	0%	0%	0%	1%	0%	1%	0%
Middle management	**0%**	**1%**	100%	5%	0%	1%	0%	1%	1%
Other	**5%**	**1%**	15%	2%	0%	0%	0%	1%	1%
Total	**4%**	**1%**	**16%**	**2%**	**0%**	**1%**	**0%**	**1%**	**1%**
Staff Turnover (%)									
Management	**12%**	**9%**	0%	25%	1%	6%	67%	9%	8%
Middle management	**2%**	**2%**	0%	0%	1%	3%	67%	4%	0%
Other	**6%**	**7%**	51%	7%	2%	6%	47%	8%	6%
Total	**6%**	**6%**	**49%**	**6%**	**2%**	**6%**	**54%**	**8%**	**5%**

New hires and departures per country:

	2019		2020	
	Portugal	Switzerland	Portugal	Switzerland
New hires				
No.	202	0	49	7
%	4%	0%	1%	35%
Departures				
No.	287	5	286	4
%	6%	26%	6%	20%

Methodological notes:
The following formulas were used to calculate the turnover rate and the rate of new hires:

- Rate of new hires = (No. of new hires / total No. of Employees) x 100
- Turnover rate = (No. of departures during the reporting period / Total no. of Employees at end of reporting period) x 100.

Training and Development

GRI 404-1 Average hours of training per year per Employee, by gender and Employee category

		2020
By gender	Men	51
	Women	51
By professional category	Management	44
	Middle management	65
	Other	50
Per Employee		51

Methodological notes:
The following formulas were used to calculate the average number of training hours:

- Annual average training hours: Total annual training hours / Total number of company Employees
- Average number of training hours by Employee category / gender: Total hours of training by Employee category and/or gender / Total number of Employees by Employee category and/or gender

GRI 404-3 Percentage of Employees receiving regular performance and career development reviews

	2019			2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Management	85%	86%	**85%**	84%	88%	**85%**
Middle management	99%	97%	**98%**	99%	97%	**98%**
Other	94%	92%	**93%**	95%	92%	**93%**
Total	**94%**	**92%**	**93%**	**94%**	**92%**	**93%**

Methodological notes:
The following formula was used to calculate the percentage of Employees who received performance and career development reviews:

- Percentage of Employees who received reviews: total no. of Employees who received reviews by gender and/or Employee category / total no. of Employees by gender and/or Employee category

Employee Health and Well-being

GRI 403-9 Work-related injuries

	2019		2020	
	No.	**Rate**	**No.**	**Rate**
Fatalities as a result of work-related injuries	0	0	0	0
Severe work-related injuries	0	0	0	0
Work-related injuries	72	9.33	42	5.56
Hours worked	7 716 997	-	7 557 907	-

Methodological notes:
With regard to the health and safety of Employees, in 2020 there were 42 work-related injuries, of which 29 resulted in sick leave, although none was considered a serious occupational injury.

The following formula was used to calculate the rate of work-related accidents:

- Rate of work-related injuries: (Number of work-related injuries/number of hours worked)*1 000 000

GRI 403-10 Work-related ill health

No.	2019	2020
Fatalities as a result of work-related ill health	0	0
Work-related ill health	0	0

Customer Surveys and Market Research

BPI conducts a number of surveys aimed at monitoring the experience of its Customers in the various business segments.

We highlight the following:

Surveys	Fator	2020
IEX Branch	Evaluation of the Overall Customer Experience (individuals segment) with the service received from their Branch or contact person; scale 0-1000 points Quarterly	4Q2020 – 910
IEX Premier Centres	Evaluation of the Overall Customer Experience (Premier segment) with the service received from their Centre or contact person; scale 0-1000 points Quarterly	4Q2020 – 898
IEX Entrepreneurs & Small businesses	Evaluation of the Overall Customer Experience (Entrepreneurs & Small businesses segment) with the service received from their Branch; scale 0-1000 points Annual	821
IEX Companies	Evaluation of the Overall Customer Experience (Companies segment) with the service received from their Corporate Centre; scale 0-1000 points Annual	857
IEX Institutional	Evaluation of the Overall Customer Experience (Institutional segment) with the service received from their Institutional Centre; scale 0-1000 points Annual	889
IEX Corporate	Evaluation of the Overall Customer Experience (Institutional segment) with the service received from their Corporate Centre; scale 0-1000 points Annual	899
Global satisfaction Touchpoint – New Clients	Global Satisfaction with the account opening process scale of 0 to 10 points Quarterly	3Q2020 – 8.64 pts

Banco BPI, S.A.

Financial statements

at 31 December 2020

BANCO BPI, S.A.
BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousand euros)

	Notes	Consolidated		Individual	
		31-12-2020	31-12-2019	31-12-2020	31-12-2019
ASSETS					
Cash, cash balances at central banks and other demand deposits	**9**	**4 535 243**	**1 068 261**	**4 530 281**	**1 058 700**
Financial assets held for trading	**10**	**197 475**	**234 476**	**197 475**	**234 476**
Non-trading financial assets mandatorily at fair value through profit or loss	**11**	**177 461**	**206 066**	**177 461**	**206 066**
Equity instruments		125 147	143 221	125 147	143 221
Debt securities		52 314	62 845	52 314	62 845
Financial assets at fair value through other comprehensive income	**12**	**1 883 541**	**1 886 212**	**1 883 541**	**1 886 212**
Equity instruments		436 072	509 168	436 072	509 168
Debt securities		1 447 469	1 377 044	1 447 469	1 377 044
Financial assets at amortised cost	**13**	**30 003 970**	**27 439 314**	**29 997 378**	**27 438 765**
Debt securities		5 772 761	4 029 677	5 772 761	4 029 750
Loans and advances - Central Banks and other Credit Institutions		1 594 993	1 452 687	1 588 512	1 452 687
Loans and advances - Customers		22 636 216	21 956 950	22 636 105	21 956 328
Derivatives - Hedge accounting	**14**	**1 453**	**30 709**	**1 453**	**30 709**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**14**	**79 858**	**48 818**	**79 858**	**48 818**
Investments in subsidiaries, joint ventures and associates	**15**	**238 179**	**247 190**	**97 114**	**97 175**
Tangible assets	**16**	**152 875**	**169 564**	**152 718**	**169 307**
Intangible assets	**17**	**86 965**	**65 848**	**86 965**	**65 848**
Tax assets	**25**	**271 008**	**272 456**	**270 988**	**272 375**
Other assets	**18**	**149 670**	**128 077**	**146 768**	**141 517**
Non-current assets and disposal groups classified as held for sale	**19**	**7 889**	**14 561**	**7 889**	**14 561**
Total assets		**37 785 587**	**31 811 552**	**37 629 889**	**31 664 529**
LIABILITIES					
Financial liabilities held for trading	**10**	**141 345**	**146 167**	**141 345**	**146 167**
Financial liabilities at amortised cost	**20**	**33 695 722**	**27 640 187**	**33 696 299**	**27 639 918**
Deposits - Central Banks		4 394 239	1 374 229	4 394 239	1 374 229
Deposits - Credit Institutions		1 110 076	1 402 879	1 110 076	1 402 879
Deposits - Customers		26 008 553	23 231 413	26 008 553	23 231 413
Debt securities issued		1 804 852	1 358 699	1 804 852	1 358 699
Memorandum items: subordinated liabilities		304 345	304 440	304 345	304 440
Other financial liabilities		378 002	272 967	378 579	272 698
Derivatives - Hedge accounting	**14**	**63 724**	**72 799**	**63 724**	**72 799**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**14**	**24 363**	**9 656**	**24 363**	**9 656**
Provisions	**21**	**48 708**	**44 392**	**48 708**	**44 392**
Pending legal issues and tax litigation		31 706	25 656	31 706	25 656
Commitments and guarantees given		16 704	18 736	16 704	18 736
Other provisions		298		298	
Tax liabilities	**25**	**23 206**	**17 239**	**13 535**	**7 937**
Other liabilities	**22**	**532 233**	**444 975**	**531 285**	**460 286**
Total Liabilities		**34 529 301**	**28 375 415**	**34 519 259**	**28 381 155**
SHAREHOLDERS' EQUITY					
Capital	**24**	**1 293 063**	**1 293 063**	**1 293 063**	**1 293 063**
Equity instruments issued other than capital	**24**	**275 000**	**275 000**	**275 000**	**275 000**
Accumulated other comprehensive income	**24**	**(506 376)**	**(345 273)**	**(466 028)**	**(330 809)**
Items that will not be reclassified to profit and loss		(489 839)	(335 851)	(488 122)	(335 311)
Tangible assets		703	703	703	703
Actuarial gains or (-) losses on defined benefit pension plans		(383 973)	(303 951)	(383 973)	(303 951)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		(1 601)	(416)		
Fair value changes of equity instruments measured at fair value through other comprehensive income		(104 968)	(32 187)	(104 852)	(32 063)
Items that may be reclassified to profit and loss		(16 537)	(9 422)	22 094	4 502
Foreign currency translation		(60 061)	(33 552)		
Fair value changes of debt instruments measured at fair value through other comprehensive income		22 094	4 502	22 094	4 502
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		21 430	19 628		
Retained earnings	**24**	**1 961 895**	**1 769 451**	**1 942 002**	**1 707 456**
Other reserves	**24**	**127 933**	**116 042**	**(21 229)**	**(3 449)**
Profit or loss attributable to owners of the parent		**104 771**	**327 854**	**87 822**	**342 113**
Total Equity		**3 256 286**	**3 436 137**	**3 110 630**	**3 283 374**
Total Equity and Total Liabilities		**37 785 587**	**31 811 552**	**37 629 889**	**31 664 529**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED ON 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousand euros)

	Notes	Consolidated		Individual	
		31-12-2020	31-12-2019	31-12-2020	31-12-2019
Interest income	27	495 637	525 538	495 837	529 282
Interest expense	27	(45 499)	(89 264)	(45 940)	(89 470)
NET INTEREST INCOME		**450 138**	**436 274**	**449 897**	**439 812**
Dividend income	28	42 606	49 351	55 116	78 185
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	15	27 694	40 726		
Fee and commission income	29	266 351	280 979	258 711	272 845
Fee and commission expenses	29	(21 449)	(23 079)	(21 441)	(23 107)
Gains or (-) losses on derecognition of financial assets & liabilities not measured at fair value through profit or loss, net	30	162	(94)	162	28 476
Gains or (-) losses on financial assets and liabilities held for trading, net	30	7 863	4 961	7 863	4 961
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	30	(18 890)	(9 753)	(18 890)	(9 355)
Gains or (-) losses from hedge accounting, net	30	(1 969)	3 115	(1 969)	3 115
Exchange differences [gain or (-) loss], net	30	514	(5 672)	549	(5 635)
Other operating income	31	34 300	32 840	34 300	32 829
Other operating expenses	31	(52 261)	(58 644)	(52 599)	(59 054)
GROSS INCOME		**735 059**	**751 004**	**711 699**	**763 072**
Administrative expenses		**(402 613)**	**(394 154)**	**(397 551)**	**(388 006)**
Staff expenses	32	(264 364)	(246 093)	(260 669)	(241 314)
Other administrative expenses	33	(138 249)	(148 061)	(136 882)	(146 692)
Depreciation		(48 663)	(53 906)	(48 540)	(53 732)
Provisions or (-) reversal of provisions	21	**(5 705)**	**(2 273)**	**(5 705)**	**(2 273)**
Commitments and guarantees given		2 032	4 175	2 032	4 175
Other provisions		(7 737)	(6 448)	(7 737)	(6 448)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	34	**(153 502)**	**39 061**	**(153 502)**	**39 061**
Financial assets at amortised cost		(153 502)	39 061	(153 502)	39 061
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	15		1 028		(481)
Impairment or (-) reversal of impairment on non-financial assets	35		1 672		1 672
Gains or (-) losses on derecognition of non-financial assets, net	36	(38)	(1 441)	(38)	2 514
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	37	328	3 400	328	3 400
Profit or (-) loss before tax from continuing operations		**124 866**	**344 391**	**106 691**	**365 227**
Tax expenses or (-) income related to profit or loss from continuing operations	25	(20 095)	(16 537)	(18 869)	(23 114)
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**104 771**	**327 854**	**87 822**	**342 113**
PROFIT OR (-) LOSS FOR THE YEAR		**104 771**	**327 854**	**87 822**	**342 113**
PROFIT OR (-) LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	38	**104 771**	**327 854**	**87 822**	**342 113**

Earnings per share (euros)					
Basic	6	0.060	0.222	0.048	0.231
Diluted	6	0.060	0.222	0.048	0.231
Earnings per share from continuing operations (euros)					
Basic	6	0.060	0.222	0.048	0.231
Diluted	6	0.060	0.222	0.048	0.231

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED ON 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousand euros)

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
PROFIT OR (-) LOSS FOR THE YEAR	**104 771**	**327 854**	**87 822**	**342 113**
Other comprehensive income	**(150 460)**	**(91 870)**	**(126 237)**	**(101 921)**
Items that will not be reclassified to profit or loss	**(143 345)**	**(103 063)**	**(143 828)**	**(104 496)**
Actuarial gains or (-) losses on defined benefit pension plans	(102 755)	(21 769)	(102 755)	(21 769)
Share of other recognised income and expense of investments in joint ventures and associates	476	1 442		
Fair value changes of equity instruments measured at fair value through other comprehensive income	(63 589)	(88 135)	(63 596)	(88 126)
Income tax relating to items that will not be reclassified	22 523	5 399	22 523	5 399
Items that may be reclassified to profit or loss	**(7 115)**	**11 193**	**17 591**	**2 575**
Foreign currency translation	(26 509)	2 250		
Translation gains or (-) losses taken to equity	(26 509)	2 250		
Debt instruments at fair value through other comprehensive income	24 230	3 547	24 230	3 547
Valuation gains or (-) losses taken to equity	24 383	4 332	24 383	4 332
Transferred to profit or loss	(153)	(785)	(153)	(785)
Share of other recognised income and expense of investments in joint ventures and associates	1 802	6 367		
Income tax relating to items that may be reclassified to profit or loss	(6 638)	(971)	(6 639)	(972)
Total comprehensive income for the year	**(45 689)**	**235 984**	**(38 415)**	**240 192**
Attributable to owners of the parent	(45 689)	235 984	(38 415)	240 192

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousand euros)

	Capital	Equity instruments issued other than capital	Other equity	Accumulated other comprehensive income	Retained earnings (Note 24)	Other reserves (Note 24)	Profit or loss (-) attributable to the owners of the parent	Shareholders' equity
Balances at 31 December 2018	**1 293 063**		**371**	**(253 402)**	**1 548 458**	**126 824**	**490 638**	**3 205 952**
Results application								
Transfer to reserves of 2018 net income					469 330	21 308	(490 638)	
Dividends distributed					(140 000)			(140 000)
Dividends distributed by associates					12 323	(12 323)		
Variable Remuneration program ("RVA")			(371)					(371)
Additional Tier 1 issue		275 000						275 000
Additional Tier 1 interest						(5 114)		(5 114)
Extraordinary distribution of reserves					(150 000)			(150 000)
Comprehensive income in 2019				(91 871)			327 854	235 983
Other changes in equity					29 340	(14 653)		14 687
Balances at 31 December 2019	**1 293 063**	**275 000**		**(345 273)**	**1 769 451**	**116 042**	**327 854**	**3 436 137**
Results application								
Transfer to reserves of 2019 net income					287 838	40 016	(327 854)	
Dividends distributed (unpaid)					(116 549)			(116 549)
Dividends distributed by associates					12 173	(12 173)		
Additional Tier 1 interest						(17 780)		(17 780)
Realized gains on equity instruments at fair value through other comprehensive income				(10 643)	8 982	1 661		
Comprehensive income in 2020				(150 460)			104 771	(45 689)
Other changes in equity						167		167
Balances at 31 December 2020	**1 293 063**	**275 000**		**(506 376)**	**1 961 895**	**127 933**	**104 771**	**3 256 286**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousand euros)

	Capital	Equity instruments issued other than capital	Other equity	Accumulated other comprehensive income	Retained earnings (Note 24)	Other reserves (Note 24)	Profit or loss (-) attributable to the owners of the parent	Shareholders' equity
Opening balances at 31 December 2018	**1 293 063**		**322**	**(229 568)**	**1 067 959**	**2 530**	**914 311**	**3 048 617**
Results application								
Transfer to reserves of 2018 net income					914 311		(914 311)	
Dividends distributed					(140 000)			(140 000)
Variable Remuneration program ("RVA")			(322)					(322)
Additional Tier 1 issue		275 000						275 000
Additional Tier 1 interest						(5 114)		(5 114)
Extraordinary distribution of reserves					(150 000)			(150 000)
Merger by incorporation of Banco Português de Investimento and BPI Private Equity				680		(865)		(185)
Comprehensive income in 2019				(101 921)			342 113	240 192
Other changes in equity					15 186			15 186
Balances at 31 December 2019	**1 293 063**	**275 000**		**(330 809)**	**1 707 456**	**(3 449)**	**342 113**	**3 283 374**
Results application								
Transfer to reserves of 2019 net income					342 113		(342 113)	
Dividends distributed (unpaid)					(116 549)			(116 549)
Additional Tier 1 interest						(17 780)		(17 780)
Realized gains on equity instruments at fair value through other comprehensive income				(8 982)	8 982			
Comprehensive income in 2020				(126 237)			87 822	(38 415)
Balances at 31 December 2020	**1 293 063**	**275 000**		**(466 028)**	**1 942 002**	**(21 229)**	**87 822**	**3 110 630**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant

The Board of Directors

BANCO BPI, S.A.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED ON 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousand euros)

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
Cash flows from/(used in) operating activities				
Interest, commissions and other income received	707 512	840 346	698 629	860 427
Interest, commissions and other expenses paid	(151 508)	(174 635)	(150 278)	(178 560)
Dividends received	2 358	3 348	2 359	3 348
Dividends received from Banco de Fomento Angola	40 247	46 003	40 247	45 997
Recovery of overdue loans and interest and gains/(losses) on the sale of real estate received in settlement of defaulting loans	11 978	23 922	11 978	23 922
Payments to staff and suppliers	(396 734)	(414 829)	(391 605)	(409 666)
Net cash flow from income and expenses	213 853	324 155	211 330	345 468
Decreases (increases) in:				
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	(531 012)	(89 917)	(531 012)	173 378
Financial assets at amortised cost - Central Banks and other Credit Institutions	(166 829)	(782 114)	(166 249)	(781 112)
Financial assets at amortised cost - Customers (includes debt instruments)	(2 597 875)	(1 164 096)	(2 597 875)	2 897 293
Other assets	(592 915)	267 442	(592 813)	262 768
Net cash flow from operating assets	(3 888 631)	(1 768 685)	(3 887 949)	2 552 327
Increases (decreases) in:				
Financial liabilities measured at amortised cost - Central Banks and other Credit Institutions	2 747 417	(433 803)	2 747 417	(453 550)
Financial liabilities measured at amortised cost - Customers and other	2 784 789	269 472	2 784 789	235 123
Financial liabilities held for trading	557 920	4 832	557 920	(42 475)
Other liabilities	688 788	(38 896)	688 936	(11 017)
Net cash flow from operating liabilities	6 778 914	(198 395)	6 779 062	(271 919)
Contributions to Pension Funds	(23 899)	(10 960)	(23 899)	(10 960)
Income tax paid	(229)	(2 751)	141	(3 197)
	3 080 008	**(1 656 636)**	**3 078 685**	**2 611 719**
Cash flows from/(used in) investing activities				
Purchase of other tangible assets and intangible assets	(51 374)	(59 940)	(51 353)	(55 871)
Sale of other tangible assets	62	2 568	62	1 562
Dividends received from investments in joint ventures and associates	13 826	7 752	13 826	23 762
	(37 486)	**(49 620)**	**(37 465)**	**(30 547)**
Cash flows from /(used in) financing activities				
Repurchases and reimbursements of securitisation operations (Note 20.3)		(245 631)		
Other reserves and retained earnings				7 264
Liabilities for assets not derecognised				(4 432 096)
Issuance of debt securities and subordinated debt (Note 20.3)	450 000	500 000	450 000	500 000
Redemption of debt securities (Note 20.3)	(6 382)	(11 638)	(6 382)	(11 638)
Purchase and sale of own debt securities and subordinated debt (Note 20.3)		(111)		(111)
Interest on debt instruments and subordinated debt	(19 618)	(20 513)	(19 618)	(20 513)
Additional Tier 1 issue		275 000		275 000
Additional Tier 1 interest	(17 877)	(4 479)	(17 877)	(4 479)
Dividends distribution		(140 000)		(140 000)
Extraordinary distribution of reserves		(150 000)		(150 000)
	406 123	**202 628**	**406 123**	**(3 976 573)**
Net increase / (decrease) in cash and cash equivalents	**3 457 977**	**(1 495 271)**	**3 456 675**	**(1 387 044)**
Exchange rate variation in the year	(9 332)	(8 357)	(9 332)	(8 357)
Cash and cash equivalents at beginning of the year	1 272 145	2 775 773	1 268 485	2 663 886
Cash and cash equivalents at the end of the year	**4 720 790**	**1 272 145**	**4 715 828**	**1 268 485**
Cash and deposits at Central Banks (Note 9)	4 289 140	951 466	4 289 136	951 464
Deposits at other credit institutions (Note 9)	246 614	116 795	241 657	107 237
Cheques for collection and other cash items (Note 13.2)	31 131	41 651	31 131	41 651
Very short-term applications (Note 13.2)	153 904	162 233	153 904	168 133
Cash and cash equivalents	**4 720 790**	**1 272 145**	**4 715 828**	**1 268 485**
Cash and cash equivalents by currency				
EUR	4 353 936	1 025 233	4 353 772	1 030 760
USD	175 044	145 072	174 902	144 980
AKZ	13 394	19 774	13 394	19 774
Other currencies	178 416	82 066	173 760	72 971
Cash and cash equivalents	**4 720 790**	**1 272 145**	**4 715 828**	**1 268 485**

The accompanying notes are an integral part of these financial statements

The Registered Accountant
Alberto Pitôrra

The Board of Directors
Chairman Fernando Ulrich
António Lobo Xavier
António Farinha Morais
Cristina Rios Amorim
Elsa Maria Roncon
Fátima Barros
Francisco Barbeira
Gonzalo Gortázar Rotaeche
Ignacio Alvarez-Rendueles
Javier Pano Riera
João Pedro Oliveira e Costa
Lluís Vendrell
Manuel Sebastião
Natividad Capella
Pedro Barreto

Banco BPI, S.A.

Notes to the financial statements at 31 December 2020

(Amounts in thousand euros – th.euros – save where otherwise expressly indicated)

(These notes are a translation of notes originally issued in Portuguese – Note 42)

Notes to the financial statements of Banco BPI 31 December 2020

NOTES INDEX **PAGE**

1. FINANCIAL GROUP, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1. Financial group

Banco BPI S.A., (hereinafter referred to as “Banco BPI”, “BPI ” or “Bank”), with corporate tax identification no. 501 214 534 and registered under the same number in the Commercial registry office of Porto, with registered office at Rua Tenente Valadim, no. 284, in Porto, is an entity focusing its activity on commercial banking in Portugal, and providing financial services and products to Individuals and Corporate and institutional Customers. The Bank serves a Customer base of 1.9 million Customers through a multispecialist, multi-channel and fully integrated distribution network.

BPI started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L.. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On 30 November 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI - SGPS, S.A., which operated exclusively as BPI’s holding company. On 20 December, 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A..

Banco BPI is fully held by Caixabank, S.A. since the end of 2018. BPI is included in the CaixaBank Group consolidation perimeter, and its financial statements are fully consolidated by CaixaBank.

As of 31 December 2020, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders' equity [1]	Assets	Profit / (loss) for the year	Direct holding	Consolidation / Recognition method
Banks						
Banco BPI, S.A.	Portugal	3 110 629	37 629 890	87 822		
Banco Comercial e de Investimentos, S.A.[2]	Mozambique	224 167	2 085 164	29 028	35.67%	Equity method
Asset Management						
BPI (Suisse), S.A.[2]	Switzerland	13 482	14 513	2 019	100.00%	Full consolidation
Venture / development capital						
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	746	1 067	(112)	49.00%	Equity method
Insurance						
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	52 074	137 864	2 373	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	222 210	1 464 966	36 571	35.00%	Equity method
Other						
BPI, Inc.[2]	USA	696	696	(4)	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	110 136	368 375	23 919	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2020 (accounting balances before consolidation adjustments).

[1] Includes net profit (loss) for the year

[2] Amounts converted to euros at the exchange rate of 31 December 2020.

In January 2019, the sale of the legal positions related to share brokerage, research and corporate finance activities to Caixabank was realized by Banco Português de Investimento, S.A. at the book value of the net assets of those activities at the closing date of the transaction (3.9 million euros).

In July 2019, Banco Português de Investimento, S.A. and BPI Private Equity – Sociedade de Capital de Risco were merged by incorporation in Banco BPI. The merger, and consequent extinction of the two companies, became effective on 31 July 2019, with retroactive effects on the accounts as of 1 January 2019.

In November 2019, the liquidation process of BPI Madeira, SGPS, Unipessoal, S.A. was finished.

As of 31 December 2019, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders' equity [1]	Assets	Profit / (loss) for the year	Direct holding	Consolidation / Recognition method
Banks						
Banco BPI, S.A.	Portugal	3 283 374	31 664 529	342 113		
Banco Comercial e de Investimentos, S.A.[2]	Mozambique	282 487	2 414 252	58 184	35.67%	Equity method
Asset Management						
BPI (Suisse), S.A.[2]	Switzerland	11 408	13 826	1 414	100.00%	Full consolidation
Venture / development capital						
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	855	1 162	(79)	49.00%	Equity method
Insurance						
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	49 394	122 014	7 049	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	203 936	1 391 100	40 604	35.00%	Equity method
Other						
BPI, Inc.[2]	USA	758	760	(5)	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	96 688	374 480	16 194	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2019 (accounting balances before consolidation adjustments).
[1] Includes net profit (loss) for the period.
[2] Amounts converted to euros at the exchange rate of 31 December 2019.

The financial information provided in the above tables was drawn from the unaudited financial statements of the companies as of 31 December 2020 and 2019. Banco BPI believes that these are properly presented in the consolidated accounts of the Bank.

The vehicles through which Banco BPI's debt securitisation operations are recorded in the consolidated financial statements according to BPI's continued involvement in these operations, determined based on the percentage of the equity interest held in the respective vehicles. BPI held 100% of the equity pieces in those vehicles, so they were consolidated using the full consolidation method. Securitisations, all issued through SAGRES - Sociedade de Titularização de Créditos, S.A., were as follows:

- Securitisation of residential mortgage loans - Douro Mortgages No. 1
- Securitisation of residential mortgage loans - Douro Mortgages No. 2
- Securitisation of residential mortgage loans - Douro Mortgages No. 3
- Securitisation of loans to SMEs - Douro SME No. 2

These loan securitization operations were refunded in advance during 2019.

1.2. Basis of presentation

The condensed interim consolidated and individual financial statements were prepared based on the accounting records of Banco BPI and its subsidiary and associated companies, in conformity with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) as endorsed by the European Union and in force on 1 January 2020, in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and of the Council, transposed into Portuguese legislation through Bank of Portugal Notice no. 5/2015 of 30 December.

The condensed interim consolidated and individual financial statements have been prepared on a going concern basis, as provided for in IAS 1 – Presentation of financial statements.

In the preparation of the consolidated and individual financial statements, BPI follows the historical cost convention, modified when applicable for the measurement at fair value of:

- Financial assets and liabilities held for trading
- Non-trading financial assets mandatorily at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Derivatives

The figures are presented in thousands of euros (th.euros) unless the use of another monetary unit is stated. Certain financial information in these notes was rounded off and, consequently, the figures shown herein as totals may differ slightly from the arithmetic sum of the individual figures given before them.

Adoption of standards (new or revised) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union.

In 2020 the following accounting standards came into force (Note 2 - Accounting policies):

Standards and Interpretations	Name
Amendments to IFRS 3	Definition of business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 16	COVID-19 related rent concessions
Conceptual framework	Amendments to references to other IFRS

On 1 January 2020, BPI adopted the following accounting standards:

- **IFRS 3 (amendment), 'Definition of a business.** The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional 'concentration tests' for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IFRS 9, IAS 39 and IFRS 7 (amendment), 'Interest rate benchmark reform'** (effective for annual periods beginning on or after 1 January 2020). These amendments are part of the first phase of IASB 'IBOR reform' project and provide certain reliefs in connection with interest rate benchmark reform. The relief relate to hedge accounting, in terms of: i) risk components; ii) 'highly probable' requirement; iii) prospective assessment; iv) retrospective effectiveness test (for IAS 39 adopters); and v) recycling of the cash flow hedging reserve, with the objective that interest rate benchmark reform does not cause hedge accounting to be discontinued. However, any hedge ineffectiveness should continue to be recorded in the income statement. Most of the hedge relationships carried out by Banco BPI are based on the EURIBOR index, which was not replaced, only its calculation methodology was changed. In this context, the global reform had no impact on the Bank and the disclosures considered in the amendment at this phase of the reform do not apply.

- **IAS 1 and IAS 8 (amendment), 'Definition of material'.** These amendments revise the concept of "material". Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also, clarifications as to the term 'primary users of general purpose financial statements', defined as 'existing or potential investors, lenders and other creditors' that rely on general purpose financial statements to obtain a significant part of the information that they need. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IFRS 16 (amendment), 'Leases – COVID-19 related rent concessions'** (effective for annual periods beginning on or after 1 June 2020). This amendment is still subject to endorsement by the European Union. This amendment introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether the rent concessions granted by lessors under COVID-19 are a modification to the lease contract, when three criteria are cumulatively met: i) the change in lease payments results in a revised fee for the lease that is substantially equal to, or less than, the fee immediately prior to the change; ii) any reduction in lease payments only affects payments due on or before June 30, 2021; and iii) there are no substantive changes to other lease terms and conditions. Lessees that choose to apply this practical expedient, recognise the change in rent payments, as variable rents in the period(s) in which the event or condition leading to the payment reduction occurs. This amendment is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or another equity component, as appropriate) at the beginning of the annual reporting period in which the lessee applies this amendment for the first time. The future adoption of this amendment is not expected to have significant impact on the Bank's financial statements.

- **Conceptual framework, 'Amendments to references in other IFRS'.** As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expense / income, in addition to some of the characteristics of financial information. These amendments are retrospective, except if impractical. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2021, are as follows:

Standards and Interpretations issued by the IASB

Standards and Interpretations	Name	Mandatory application for years starting on:
Standards (new and amendments) that will become effective, on or after 1 January 2021, already endorsed by the EU		
Amendments to IFRS 4	Deferral of IFRS 9	1 January 2021
Standards (new and amendments) that will become effective, on or after 1 January 2021, not yet endorsed by the EU		
Amendments to IAS 1	Presentation of financial statements – classification of liabilities	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual framework	1 January 2022
Amendments to IAS 16	Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contract – cost of fulfilling a contract	1 January 2022
Improvements to standards 2018 – 2020	Specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform – phase 2	1 January 2021
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 17	Insurance contracts	1 January 2023

- **IFRS 4 (amendment), 'Insurance contracts – deferral of IFRS 9'** (effective for annual periods beginning on or after 1 June 2021). This amendment addresses the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. This amendment is applied retrospectively. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 1 (amendment), 'Presentation of financial statements – classification of liabilities'** (effective for annual periods beginning on or after 1 January 2023). This amendment intends to clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise that right), or by events occurring after the reporting date, such as the non-compliance with a given "covenant". This amendment also introduces a new definition of "settlement" of a liability. This amendment is applied retrospectively. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IFRS 3 (amendment), 'Reference to the Conceptual framework'** (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus within a business combination. This amendment is applied prospectively. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 16 (amendment), 'Proceeds before intended use'** (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 37 (amendment), 'Onerous Contracts – Cost of Fulfilling a Contract'** (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **Annual Improvements 2018 - 2020 (effective for annual periods beginning on or after 1 January 2022**). These improvements are still subject to endorsement by the European Union. The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendment) 'Interest rate benchmark (IBOR) reform – phase 2'** (effective for annual periods beginning on or after 1 January 2021). This amendment is still subject to endorsement by the European Union. These amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one, providing exemptions like: i) changes to designations and hedging documentation ii) amounts accumulated in the cash flow hedge reserve; iii) assessment of retrospective effectiveness on a hedge relationship under IAS 39; iv) amendments to hedge relationships for groups of items; v) presumption that an alternative benchmark rate designated as a non-contractually specified risk component is separately identifiable and qualifies as a hedged risk; and vi) update the effective interest rate, with no gain or loss recognised, for financial instruments measured at amortised cost with changes in the contractual cash flows as a result of IBOR reform, including leases that are indexed to an IBOR.

- **IFRS 17 (new), 'Insurance contracts'** (effective for annual periods beginning on or after 1 January 2023). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a general model "building block approach" or a simplified one "premium allocation approach". The complete model is based on discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin, which represents the unearned profit of the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin, unless it becomes negative. IFRS 17 is applied retrospectively with some exemptions on the date of the transition. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IFRS 17 (amendment), 'Insurance contracts'** (effective for annual periods beginning on or after 1 January 2023). This standard is still subject to endorsement by the European Union. This amendment includes specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income statement; and viii) disclosures. This amendment also includes clarifications, which aim to simplify some of the requirements of this standard and ease transition. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

1.3. Responsibility for the information and for the main estimates made

BPI's consolidated financial statements as of 31 December 2020 were approved by the Board of Directors on 2 March 2021 and are still pending approval by the sole Shareholder. However, it is expected that they will be approved with no changes. The financial statements for the previous year were approved by the single Shareholder by unanimous resolution taken on 27 March 2020.

BPI's individual and consolidated financial statements were prepared based on the principle of going concern, given the Bank's solvency (Note 4) and liquidity (Note 3.3.3). The preparation of the consolidated and individual financial statements required to make certain judgements, estimates and assumptions in order to quantify some of the assets, liabilities, revenues, expenses and obligations recognised in them. These judgements, estimates and assumptions relate primarily to:

- Impairment losses on financial assets and the associated guarantees based on their accounting classification imply the adoption of assumptions relating to: i) the consideration of "significant increase in credit risk" (SICR), ii) definition of default; and iii) the inclusion of forward-looking information (Notes 2.7 and 3).

- Fair value of some financial assets and liabilities (Note 39). The fair value of unlisted financial assets and derivatives was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.

- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 23). Retirement and survivor pension liabilities have been estimated based on actuarial tables, assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on Banco BPI's expectations for the period during which the liabilities will be settled.

- Current and deferred taxes have been recognised based on the tax legislation currently applicable to Banco BPI or on legislation already published for future application (Note 25). Different interpretations of tax legislation can influence the amount of income taxes. Deferred tax assets are recognised based on the assumption of future earnings and taxable income.

- As regards the tax impacts of application of IFRS 16, we see it as positive that, through Circular No. 7/2020 of 13 August, the Tax and Customs Authority has accepted in principle that accounting records should be relevant for tax purposes, and does not require that tax expenditure be recorded on the basis of cash flows. However, some details in the small print of the Circular are particularly complex to interpret and Banco BPI has not yet fully determined their specific consequences. In any case it should be stressed that application of this Circular will never entail the recognition of definitive differences between accounting expenditure and tax expenditure.

- Assessment of whether there exists control or significant influence over equity holdings in accordance with the criteria defined in IFRS10 and IAS 28 (Note 2.1).

- The measurement of investments in joint ventures and associates and determination of the share of profit/(loss) of these investments (Note 15).
- The measurement of provisions and contingent liabilities and respective probability of occurring (Note 21).
- The useful life of tangible assets, including rights-of-use assets and intangible assets (Notes 16 and 17).

These estimates are based on the best information available at the time of preparation of the annual condensed interim financial statements, and take into account the uncertainties surrounding the impact of Covid-19 on the current economic environment. Subsequent events may require changing the estimates in future periods. In accordance with the applicable legislation and BPI's governance systems, the effects of these changes would be accounted for on a prospective basis in the corresponding income statement, in accordance with IAS 8 - Accounting Policies, change in estimates and errors.

1.4. Comparability of the information

The figures for 31 December 2019 included in the consolidated and individual financial statements, are presented for comparative purposes only.

1.5. Relevant information related to Covid-19

The year 2020 was marked by the Covid-19 pandemic and its impacts on society as a whole and on economic activity. The pandemic required special attention from Banco BPI, which sought to provide financial services to its Clients that took into account the special needs in the current context. Accordingly, several measures were taken:

- In Note 3. Risk Management, and throughout the Management Report, the actions taken by the bank to mitigate the socio-economic impact of the pandemic on society are described, especially those relating to the moratoria made available to families and companies, and to lines of support to the economy (Note 3.4.1).
- As regards the judgements and estimates relating to credit risk, the bank followed the recommendations of the advisory and supervisory bodies, notably the statement made on 27 March by the International Accounting Standards Board (IASB) on the application of IFRS 9 in a context of uncertainty derived from Covid-19, and the guidelines of the European Banking Authority (EBA) on moratoria.
- Faced with the exceptional circumstances arising from the spread of COVID-19, Banco BPI and the CaixaBank Group have decided to suspend Banco BPI's dividend payment relative to financial year 2019, in the amount of 116 549 th.euros. With this suspension, Banco BPI reinforces its capacity to make available to the Portuguese economy, businesses and families the necessary resources to address the difficult challenges ahead.
- Following a principle of prudence in variable remuneration, and as an act of shared responsibility of BPI's Executive Committee towards the Bank, in view of the expected economic impact from the exceptional economic and social situation generated by Covid-19, the Bank's Executive Directors decided to forego their performance bonuses for financial year 2020.

The main risks and uncertainties related to COVID-19 are described in Note 3. Risk management.

2. ACCOUNTING POLICIES

In the preparation of the consolidated financial statements for the year ended on 31 December 2020, the following accounting principles and policies and valuation criteria were applied:

2.1. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IFRS 10, IFRS 11, IAS 28 and IFRS 3)

Banco BPI has direct and indirect holdings in subsidiary and associated companies.

Subsidiaries are entities over which the Bank has control, which is evidenced when the following conditions are cumulatively met:

- the power to conduct the company's relevant activities;
- the ability to use this power over the investee to affect the amount of its variable returns;
- exposure, or right, to variable returns from its involvement with the investee.

As a rule, voting rights give the ability to direct the relevant activities of an investee. To calculate voting rights, all direct and indirect voting rights, as well as potential voting rights (e.g. call options on equity instruments of the investee) are considered. In some circumstances, a company may have power to direct the activities without holding a majority of the voting rights, or vice-versa. In these cases, the investor considers whether it has the practical ability to direct the relevant activities unilaterally (financial and operating decisions, or appointing and remunerating governing bodies, among others).

The financial statements of subsidiaries are consolidated using the full consolidation method. Significant intra-group transactions and account balances are eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the Non-controlling interests caption.

Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. Significant influence is evidenced to exist, in most cases, when the entity holds 20% or more of the share capital of the investee. If it holds less than 20% of the voting rights, significant influence is evidenced by the circumstances indicated in IAS 28. These include representation on the Board of Directors of the investee, participation in financial and operational policy-making processes, material transactions between the Bank and its investee, interchange of managerial personnel or the provision of essential technical information.

Exceptionally, companies are not considered associates when more than 20% of the voting rights are held, but it can clearly be demonstrated that significant influence does not exist and, therefore, the Bank lacks the power to intervene in the investee's financial and operation policies. Based on these criteria, at the end of the year, the Bank holds equity holdings in which it has more than 20% of the share capital in the portfolio of Financial assets at fair value through other comprehensive income.

Associated companies are accounted for using the equity method. In accordance with this method, the amount of the investment, which is initially recognised at cost, is adjusted by post-acquisition changes in the net asset value of the associated companies, in proportion to BPI’s participation.

When necessary, adjustments are made to the subsidiaries’ financial statements to ensure their consistency with BPI’s accounting policies.

Goodwill - arising from positive differences between the cost of acquisition (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at first consolidation date - is recorded as an asset and is subject to impairment tests. When a subsidiary is sold, goodwill is included in the calculation of the gain or loss on the sale.

Goodwill related to associated companies is included in the book value of the investment. The book value of associated companies (including goodwill) is subject to impairment tests in accordance with IAS 36.

In the case of associated companies acquired in stages, goodwill is calculated at the time that the acquired company becomes an associate, being determined as the difference between the total acquisition cost of the investment and the proportion held of the fair value of the identifiable assets and liabilities of the associate as of that date. As provided for in IAS 28, total acquisition cost corresponds to the fair value of the original investment on the date that significant influence is achieved, plus the amount paid for the additional participation. In accordance with the policy established by BPI, gains or losses on the revaluation of the fair value of the original investment are recognised as profit or loss on the date the acquired company becomes an associate.

Following the loss of significant influence over an associate, and in accordance with IAS 28, the equity holding is reclassified from the Investments in Associates portfolio to the Financial assets at fair value through other comprehensive income portfolio, the respective fair value being determined on the date significant influence is lost. The difference between the fair value of the equity holding and the cost of investment at that date is recognised as profit or loss.

In accordance with IFRS 1 and BPI's accounting policies, up to the date of transition to IAS/IFRS, goodwill on investments acquired up to 1 January 2004 was deducted in full from shareholders' equity.

Negative goodwill - arising from negative differences between the cost of acquisition (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries and associates at first consolidation date or at the date the equity method is first applied is immediately recognised as a profit or loss.

Consolidated net income is the sum of the individual net income of Banco BPI and the percentage of the net income of subsidiary, associated and joint venture companies, equivalent to Banco BPI's effective equity holding in them, considering the holding period, and after consolidation adjustments have been made, namely elimination of income and expenses resulting from inter-group transactions.

Foreign currency subsidiary and associated companies (IAS 21 and IAS 29)

The foreign currency financial statements of subsidiary and associated companies are included in the consolidated financial statements after being translated to Euro at the exchange rates published by Banco de Portugal and, in the case of BCI, by the Central Bank of Angola and Mozambique:

- assets and liabilities expressed in foreign currencies are translated to Euro at the exchange rates in force at the balance sheet date;
- income and expenses expressed in foreign currencies are translated to Euro at the exchange rates in force in the month in which they are recognised; and,
- exchange differences resulting from translation to Euro are recognised directly in the shareholders' equity caption Revaluation reserves.

When a foreign entity is sold, the accumulated exchange difference is recognised in the income statement as a gain or loss on disposal.

The exchange rates used for the translation to Euro of the accounts of foreign subsidiaries and associated companies were as follows:

	31-12-2020	31-12-2019
Metical - Mozambique	92.04	68.890
Swiss Franc - Switzerland	1.08	1.085
US Dollar - USA	1.227	1.123

Banco de Fomento Angola, SA (BFA)

In January 2017 Banco BPI sold 2% of the share capital of Banco de Fomento Angola to Unitel, reducing its holding in BFA to 48.1%, and entering into an agreement with BFA's shareholders under which BPI is entitled to appoint two, from a maximum of fifteen, members of the Board of Directors of BFA, as well as one member of its Supervisory Board, and one member of the Risk Committee and the Remuneration Committee. BPI's stake in BFA's share capital and participation in BFA's governing bodies, although minoritary and not proportional to the share capital held, permitted to presume the existence of significant influence over BFA, in accordance with the IAS 28 provisions. Therefore, following the sale of 2% of BFA in 2017 and until 31 December 2018, Banco BPI classified its holding in BFA as an associate.

As referred in Note 1.3, at each financial statements preparation date, Banco BPI revises the main estimates and uncertainties associated to the application of the accounting policies in the preparation of the financial information. Therefore, given the existence of indications of a possible loss of significant influence, on the date of preparation of the financial statements with reference to 31 December 2018, the classification of Banco de Fomento Angola as an associate was revised as an associated company. From the main issues considered, one of the most important concerned the absence of BPI representatives in the executive body of BFA - the Executive Committee, which is the body responsible for the bank's operational management -, which determined BPI's lack of real power to participate in the financial and operating policy decisions of BFA under the terms set forth in paragraph 6 of IAS 28. BPI's minority position in BFA's Board of Directors, alongside a shareholder that holds control, also prevented BPI from having a real capacity to exercise significant influence in the management of BFA. In this context, the weight of BPI's participation in BFA's financial and operating policy decisions was much curtailed relative to initial expectations, based on the past experience of shareholders' relationship, where BPI played a key role in the management of BFA.

Taking into account that increase in experience, assessment and knowledge about the shareholder relationship of BPI in BFA, it is considered that at the end of 2018 the circumstances on which the existence of real capacity on the part of BPI to exercise significant influence over BFA was based no longer exist. In view of these circumstances, at the end of 2018, BPI considered it appropriate to limit its presence in the committees and management bodies of BFA in which it was represented, maintaining only the minority presence in the aforementioned corporate bodies of BFA.

In accordance with the accounting standards, the loss of significant influence entailed, in Banco BPI's consolidated balance sheet, reclassifying the equity holding in BFA from Associate to Financial assets at fair value through other comprehensive income - Equity instruments, and its revaluation at fair value at 31 December 2018.

During the year of 2020, BPI no longer had representatives on BFA's governing bodies, after the resignations that occurred in the third quarter of the year. In this context, there it is understood that were no changes in the conditions that led to the reclassification of the equity holding in BFA to Financial assets at fair value through other comprehensive income - Equity instruments, so it remained in that portfolio.

2.2. Financial instruments (IAS 32, IFRS 7, IFRS 9 and IFRS 13)

Classification of financial assets

The following table details the criteria established by the accounting standards for the classification of financial instruments:

Contractual cash flows	Business Model	Classification of Financial Assets
Solely payments of principal and interest (SPPI) on principal at the dates indicated (SPPI test)	With the objective of receiving the contractual cash flows	Financial assets at amortised cost
	With the objective of receiving the contractual cash flows and sale	Financial assets at fair value through other comprehensive income
Others - do not require SPPI test	Derivative instruments designated as accounting hedges	Derivatives - Hedge accounting
	Instruments originated or acquired with the aim of being realised in the short term	Financial assets held for trading
	Included in a group of financial instruments identified and managed together, for which there is evidence of a recent pattern of short-term profit-taking	
	Derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.	
	Other	Financial assets not designated for trading compulsorily measured at fair value through profit or loss

Investments in equity instruments are an exception to the aforementioned general classification criteria. In general, at initial recognition the Bank irrevocably exercises the option of including - in the portfolio of financial assets at fair value through other comprehensive income - investments in equity instruments that are not classified as held for trading and that, in the event this option were not exercised, would be classified as financial assets compulsorily measured at fair value through profit or loss.

As for the assessment of the business model, this does not depend on the intentions for an individual instrument, but rather for a set of instruments, taking into account the frequency, amount and schedule of sales in previous years, the reasons for those sales and the expectations for futures sales. Infrequent or insignificant sales, sales near the maturity date of the asset and sales driven by a significant increase in the credit risk of the financial assets or to manage the concentration risk, among others, can be compatible with the model of holding assets to receive contractual cash flows.

The disposal of financial assets at amortised cost due to the change in the Entity's intention in connection to the COVID-19 effects is not considered a change in the business model nor does it imply an accounting reclassification of the instruments held in this portfolio, given that these were correctly classified at the time of the business model assessment, before the occurrence of a global crisis caused by COVID-19 had been considered as a reasonably possible scenario.

In particular, Banco BPI's expectation of making frequent and significant sales of loans (or similar financial assets) that have suffered a deterioration in credit risk is not inconsistent with the classification of the said loans in the business model of holding financial assets to receive contractual cash flows. These sales are not considered when determining the frequency of sales and their significance and are therefore excluded from the monitoring models.

In relation to valuation, if the cash flows of an instrument are solely payments of principal and interest, the Bank makes certain judgements when assessing its conformity and compliance (SPPI test), the most significant of which are listed below:

- Change in the time value of money: to assess whether the interest rate on a transaction incorporates any consideration other than that linked to the passage of time, the Bank considers factors such as the currency in which the financial asset is denominated and the term for which the interest rate is set.

- Exposure to risks unrelated to a basic lending arrangement: an assessment is conducted on whether the contractual terms of financial assets introduce exposure to risks or volatility in the contractual cash flows that would not be present in a basic lending arrangement, such as exposure to changes in the price of stocks or listed commodities, in which cases they would not pass the SPPI test.

- Clauses that modify the timing or value of the cash flows: the Bank considers whether there are contractual conditions by which the timing or value of the financial asset's contractual cash flows may be modified. This is the case of:

  - assets whose contractual conditions allow total or partial early repayment of principal;

  - assets for which it is contractually permitted to extend their duration, or

  - assets for which interest payments may vary according to a non-financial variable specified in the contract. In these cases, the entity assesses whether the contractual cash flows that the instrument may generate over its life due to this contractual condition are solely payments of principal and interest on the outstanding principal, and may include a reasonable additional compensation for the early termination of the contract.

- Leverage: leveraged financial assets, i.e., those in which the variability of the contractual flows increases with the result that they do not have the economic characteristics of interest, cannot be considered financial assets that pass the SPPI test (e.g., derivative instruments such as simple option contracts).

- Subordination and loss of collection rights: the Bank assesses contractual clauses that may result in a loss of rights to receive payment of principal and interest on the outstanding principal amount.

- Currency: in analysing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Bank takes into consideration the currency in which the financial asset is denominated in order to assess the characteristics of the contractual flows, for instance by assessing the component corresponding to the time value of money based on the benchmark used for setting the financial asset's interest rate.

- Contractually linked instruments: with respect to positions in contractually linked instruments, a 'look through' analysis is performed, based on which it is considered that the flows derived from this type of asset consist solely of payments of principal and interest on the principal amount outstanding if:

  - the contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (for example, the interest rate on the tranche not linked to a commodity index);

  - the underlying pool of financial instruments comprises one or more instruments with contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and

  - the exposure to the credit risk inherent in the tranche is equal to or lower than the exposure to the credit risk of the underlying pool of financial instruments (for example, the credit rating of the tranche being assessed for classification is equal to or higher than that which would apply to a single tranche comprising the underlying pool of financial instruments).

  The underlying pool of instruments referred to in the previous paragraph could also include instruments that reduce the variability of the flows of that pool of instruments such that, when they are combined with these instruments, they generate flows that are solely payments of principal and interest on the principal amount outstanding (e.g., an interest rate cap or a floor option or another contract that reduces the instruments' credit risk. It could also include instruments that allow the flows from the tranches to be aligned with the flows from the pool of underlying instruments in order to eliminate the differences in the interest rate, the currency in which the flows are denominated (including inflation) and the timing of cash flows

- Assets without personal liability (non-recourse): the fact that a particular financial asset does not have any personal liability associated with it does not necessarily mean it must be considered a Non-SPPI financial asset. In these situations, the Bank assesses the underlying assets or cash flows to determine whether they consist solely of payments of principal and interest on the principal amount outstanding, regardless of the nature of the underlying assets in question.

  In particular, in the case of project finance operations that are repaid exclusively with the incomes from the projects being financed, the Bank analyses whether the cash flows that are contractually determined to be principal and interest payments do indeed represent the payment of principal and interest on the principal amount outstanding.

- Negative compensation (symmetrical clauses): certain instruments incorporate a contractual clause whereby, in case of either full or partial repayment of the principal amount outstanding, the party that chooses to end the contract early – whether it is the debtor or the creditor – is able to receive fair additional compensation despite being the party choosing to end the contract early. This is the case, for instance, with the so-called symmetrical clauses found in certain fixed-rate financing instruments, which stipulate that at the time the creditor executes the early repayment option, there must be compensation for the early termination of the contract, and this compensation will accrue to either the debtor or the creditor depending on how interest rates have fluctuated from the time of origination to the date of early termination of the contract.

  The fact that a financial instrument incorporates this contract term, known as negative compensation, does not necessarily mean that the instrument in question must be considered Non-SPPI. A financial instrument that would otherwise have met the conditions to be considered SPPI-compliant, had it not been for the incorporation of fair additional compensation for the early termination of the contract (to be either received or paid by the party that decides to terminate the contract early), will be eligible to be measured at amortised cost or at fair value with changes in another comprehensive income, as determined by the business model.

In cases where a characteristic of a financial asset is not congruous with a basic loan agreement, i.e., the asset has characteristics that give rise to contractual flows other than payments of principal and interest on the principal amount outstanding, the Bank will assess the materiality and probability of occurrence in order to determine whether this characteristic or element should be taken into consideration when evaluating the SPPI test.

With respect to the materiality of a characteristic of a financial asset, the assessment performed by the Bank involves estimating the impact it could have on the contractual flows. The impact of such an element is considered not material when it entails a change of less than 5% in the expected cash flows. This tolerance threshold is determined on the basis of the expected contractual flows, without any discounting.

The contractual conditions contained in financial assets that, at the time of initial recognition, have a minimum effect on the cash flows or depend on exceptional and highly unlikely events taking place (such as liquidation by the issuer) do not prevent the asset from being classified in the amortised cost portfolio or fair value portfolio through other comprehensive income portfolio.

Classification of financial liabilities

Financial liabilities are classified under the following captions: “Financial liabilities held for trading”, “Financial liabilities designated at fair value through profit or loss” and “Financial liabilities at amortised cost”, save for liabilities that must be presented under “Liabilities included in disposal groups classified as held for sale” or relate to “Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Derivatives – Hedge accounting”, which are presented separately.

The caption "Financial liabilities at amortised cost": includes financial liabilities not classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss. The balances recognised in this category, irrespective of how they are used and their maturity, arise from the ordinary funding activities of credit institutions.

Initial recognition and measurement

Upon initial recognition, all financial instruments are recognised at fair value. For the financial instruments that are not subsequently valued at fair value through profit or loss, the fair value amount is adjusted, adding or deducting transaction costs directly attributable to the acquisition or issuance thereof. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are immediately recognised in the income statement.

The transaction costs are defined as expenses directly attributable to the acquisition or sale of a financial asset, or to the issuance or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, among others, fees paid to intermediaries (such as promoters) and mortgage arrangement expenses. Under no circumstances are the internal administrative expenses or those deriving from prior research and analysis considered transaction costs.

Subsequent measurement of financial instruments

After its initial recognition, the Bank recognises a financial instrument at amortised cost, at fair value through profit or loss, or at fair value through other comprehensive income.

Receivables for trading operations that do not have a significant financing component and the commercial loans and short-term debt securities that are initially measured by the price of the transaction or its outstanding principal, respectively, continue to be measured by said amount, deducted of impairment losses, as described in section 2.7

Purchases and sales of fixed and variable income instruments are recorded regularly on the contract date.

Income and expenses of financial assets and liabilities

The income and expenses of financial instruments at amortised cost are recognised according to the following criteria:

<table>
<tr><th colspan="2">Portfolio</th><th>Recognition of revenue and expenses</th></tr>
<tr><td rowspan="3">Financial assets</td><td>At amortised cost</td><td>• Accrued interest: On the income statement, with the effective interest rate of the operation on the gross book value of the operation (except for stage 3 assets, where the rate applies to the net book value)

• Other changes in value: gains or losses when the financial instrument is derecognised from the balance sheet, reclassified, or when there are impairment losses or gains on its subsequent recovery.</td></tr>
<tr><td>At fair value through profit or loss</td><td>• Changes in fair value: changes in fair value are recognised directly in the income statement, distinguishing, for non-derivative instruments, between the part attributable to the instrument's return, which will be booked as interest or dividends in accordance with its nature, and the remainder, which will be booked as a gain or loss in financial operations, in the corresponding caption.

• Accrued interest: in debt securities it is calculated using the effective interest rate method.</td></tr>
<tr><td>At fair value through other comprehensive income [1]</td><td>• Accrued interest or dividends recognised in the income statement. Interest is recognised as in assets at amortised cost.

• Foreign exchange differences in the income statement, when debt securities, and in other comprehensive income, when equity instruments.

• Impairment losses, debt securities or gains for subsequent recovery in the income statement.

• The remaining changes in value are recognised in other comprehensive income.</td></tr>
<tr><td rowspan="2">Financial Liabilities</td><td>At amortised cost</td><td>• Accrued interest: in the income statement, at the transaction's effective interest rate on the gross amount of the transaction.

• Other changes in value: gain or loss when the financial instrument is derecognised from the balance sheet or reclassified.</td></tr>
<tr><td>At fair value through profit or loss</td><td>• Changes in fair value: changes in the value of a financial liability designated at fair value through profit or loss, when applicable, as follows:

a) the change in the fair value of a financial liability attributable to a change in its own credit risk is recognised in other comprehensive income, which would be directly transferred to a reserves caption when the financial liability was derecognised.

b) the remainder of the fair value change is recognised as a profit / (loss) for the year.

• Accrued interest: in debt securities it is calculated using the effective interest rate method.</td></tr>
</table>

[1] Thus, when a debt security is recognised at fair value through other comprehensive income, the amounts recognised as profit or loss for the period are the same as those that would be recognised if measured at amortised cost. When a debt security measured at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss accumulated in other comprehensive income is reclassified as profit or loss for the period. On the other hand, when an equity instrument measured at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recognised in other comprehensive income is not reclassified as a profit or loss for the period. For each of the above portfolios, the recognition would change if said instruments form part of a hedging relationship (Note 2.3.).

The effective interest rate is the rate used to discount future cash payments or charges estimated during the expected life of the financial asset or liability with respect to the gross book value of a financial asset or the amortised cost of a financial liability. To calculate the effective interest rate, BPI estimates the expected cash flows, taking into account all the contractual terms of the financial instrument, but without considering expected credit losses.

The calculation includes all fees and commissions and interest paid or received by the parties to the agreement (relative to the effective interest rate), transaction costs and any other premium or discount. In cases where the cash flows or remaining life of a financial instrument cannot be estimated reliably (e.g., advance payments), BPI uses the contractual cash flows throughout the full contractual period of the financial instrument.

In the particular case of the third series of targeted longer-term refinancing operations (known as 'TLTRO III'), the Bank considers that each of the operations falls under the scope of IFRS 9 Financial Instruments, given that they are operations whose interest rate is not significantly below the market rate.

For TLTRO III, the effective interest rate determined in 2020 is calculated for each operation in the period and reflects the Bank's estimation of compliance with the targets for changes in the volume of eligible credit defined by the ECB. This entails splitting the interest rate of each of the TLTRO III operations into time periods. Should there be a subsequent change in this estimation due to a change in the Bank's expectations regarding compliance with the credit performance thresholds, this would be reflected as a recalculation of the operation's amortised cost (by application of paragraph B5.4.6 of IFRS 9) .

Reclassifications between financial instrument portfolios

Under the IFRS 9 requirements, reclassifications between financial instruments portfolios can only occur in the event the Bank decides to change its business model for the management of a financial assets portfolio. This reclassification would be carried out prospectively from the date of the reclassification. In accordance with the IFRS 9 approach, in general, changes in the business model occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

2.3. Hedge accounting

Banco BPI uses financial derivatives as a financial risk management tool, mainly to hedge interest rate risk (Note 3.4.5. and 14). When these transactions meet certain requirements, they qualify for hedge accounting. The Bank applies the provisions of IFRS 9 relating to hedge accounting.

The Bank maintains the hedging relationship documentation, which includes the identification of the hedging instrument and of the hedged item, the nature of the risk to be hedged and the way in which the Bank assesses whether the hedging relationship meets the requirements of hedging effectiveness. In accordance with IFRS 9, to ensure that the effectiveness requirement is met:

a) there must be an economic relationship between the hedged item and the hedging instrument,

b) the credit risk of the hedged item's counterparty or of the hedging instrument should not have a dominant effect on changes in value resulting from said economic relationship, and

c) the coverage ratio of the hedge accounting relationship, understood as the share of the item hedged by the hedging instrument, must be the same as the coverage ratio used for management purposes.

Fair value hedges

Fair value hedges hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that are attributable to a particular risk and could affect the income statement.

In fair value hedges, value changes in the hedging instrument or in the hedged item for the portion attributable to the hedged risk, are recognised in an asymmetrical way according to whether the hedged item is a debt instrument or an equity instrument:

- In debt securities, value changes in the hedging instrument or in the hedged item for the portion attributable to the hedged risk are recognised in the income statement, in the "Gains/(losses) from hedge accounting, net" caption. In fair value macro-hedges, value changes in the hedged items are balanced in "Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk" or "Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk" depending on the substance of the hedged item, rather than in the captions under which the hedged items are recognised.

- In equity instruments, value differences produced in either the hedging item or the hedged item, in the part corresponding to the type of risk hedged, are recognised in the balance sheet item "Accumulated other comprehensive income - Items that will not be reclassified to profit or loss - hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income". Banco BPI does not have hedges for equity instruments.

When hedging derivatives no longer meet the requirements for hedge accounting, they are reclassified as trading derivatives. Fair value changes in debt securities are recognised in profit or loss using the effective interest rate method, as from the date the hedge is interrupted.

2.4. Offsetting of financial assets and liabilities

Financial assets and financial liabilities may be offset and the net amount presented in the balance sheet when, and only when, the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, taking the following into consideration:

- The legally enforceable right to set off the recognised amounts should not be contingent on a future event and must be legally enforceable in all circumstances, including cases of default or insolvency of any or all of the counterparties;

- Settlements are considered equivalent to 'net settlement' when they meet the following requirements: they totally eliminate or result in insignificant credit and liquidity risk; and settlement of the asset and liability is made in a single settlement process.

BPI follows the criteria provided in IAS 32 to offset trading derivatives, hedging derivatives, and the associated collaterals, providing they are maintained through the LCH central clearing house. Consequently, the balance sheet value of assets and associated collaterals delivered is offset up to the amount of the corresponding liabilities.

All other derivative and repo security transactions that do not meet the criteria allowing for the offsetting of credit risk by counterparty are not offset for accounting purposes - the value of each transaction is recognised in assets or liabilities depending on whether it is positive or negative, respectively.

2.5. Derecognition of financial instruments

A financial asset is totally or partially derecognised when the contractual rights to the cash flows from the financial asset expire or when they are transferred to a third party outside the entity.

The accounting treatment of transfers of financial assets depends on the manner and the extent to which the risks and rewards associated with ownership of the transferred assets are transferred to third parties:

- If substantially all the risks and rewards of ownership of the transferred asset are transferred (such as in the case of, among others: unconditional sales, a sale with an option to repurchase the financial asset at its fair value at the time of repurchase, a sale of a financial asset together with a put or call option that is deeply out of the money, or asset securitisations in which the transferor does not retain any subordinated loans and does not provide any type of credit enhancement to the new owners), it is derecognised, and any rights or obligations retained or arising as a result of the transfer are simultaneously recognised;

- If all the risks and rewards of ownership of the transferred financial asset are retained substantially (such as in the case of among others: sale and repurchase transactions where the repurchase price is a fixed price or the sale price plus a lender's return, a securities lending agreement under which the borrower has the obligation to return the securities or similar) it is not derecognised and continues to be measured by the same criteria used before the transfer and the following are recognised:

    - A financial liability equal to the consideration received, which is subsequently measured at amortised cost, unless it meets the requirements to be classified under other liabilities at fair value through profit or loss.

    - The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offset.

- If substantially all the risks and rewards of ownership of the transferred financial asset are neither transferred nor retained (such as in the case of, among others, a sale of a financial asset together with a put or call option, securitisations in which the transferor assumes a subordinated loan or other type of credit enhancement for part of the transferred asset), the following distinction is made:

    - If the transferor does not retain control over the financial asset transferred, it is derecognised and any right or obligation retained or arising from the transfer is recognised.

    - If the transferor retains control over the financial asset transferred, it continues to recognise the asset for an amount equal to its exposure to changes in value of the asset, recognising a liability associated with the financial asset transferred. The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or at fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

According to the terms of the transfer agreements in place, the portfolio of loans and receivables securitised by BPI does not meet the criteria for derecognition.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.6. Financial guarantees

Financial guarantees given

Financial guarantees are defined as contracts whereby the issuer thereof undertakes to make specific payments to reimburse the creditor for the loss incurred when a specific debtor fails to meet its payment obligations, irrespective of the legal form of the obligation (guarantee, surety, financial or technical guarantee, insurance contract or other types of contract).

Financial deposits comprise all manner of deposits that directly or indirectly guarantee debt securities such as loans, credit facilities, finance leases and deferred payment arrangements for all types of debt.

All these transactions are recognised as off-balance sheet items.

Financial guarantees are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, estimate any impairment required. The criteria used in this process is similar to those established for quantifying impairment losses on debt securities measured at amortised cost as described in Note 2.7 - Impairment of financial assets.

Impairment constituted for this type of arrangement are recognised under the "Provisions” balance sheet caption. Additions to and reversals of impairment are recognised in “Provisions or reversal of provisions” in the income statement.

Financial guarantees received

No significant guarantees or collateral were received with regard to which there is authorisation to sell or repledge, without default by the guarantor, except for the collateral inherent to Banco BPI's treasury activity.

2.7. Impairment of financial assets

The Bank determines impairment losses for debt securities that are measured at amortised cost and at fair value through other comprehensive income, as well as for other exposures that involve credit risk, such as granted financial guarantees and other granted commitments.

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of expected credit losses on operations, assessed collectively or individually, considering all the reasonable, reliable and duly substantiated information available at each reporting date, including forward looking information.

Impairment losses on debt securities in the period are recognised as an expense under the heading "Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss” in the income statement. Impairment losses on debt securities that are measured at amortised cost are recognised against an accumulated impairment caption on the balance sheet, which reduces the book value of the asset, while impairments of assets measured at fair value through other comprehensive income are recognised against other comprehensive income, in the corresponding equity caption.

Impairment losses in exposures involving credit risk other than debt securities are recorded as a provision under the heading "Provisions – Commitments and guarantees given" on the liabilities side of the balance sheet. Additions to and reversals are recognised under the heading “Provisions or reversal of provisions for commitments and guarantees given” in the income statement.

For the purpose of accounting for impairment losses in debt securities, the following definitions must be taken into account:

- **Credit losses:** these correspond to the difference between all the contractual cash flows owed to the Bank in accordance with the financial asset's contractual conditions and all the cash flows that the Bank is due to receive (i.e. the entire cash flow shortfall), discounted at the original effective interest rate or, for financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality, or the interest rate on the date referred to in the financial statements in the case of a variable rate.

  In the case of granted loan commitments, the contractual cash flows that would be owed to the Bank in the event the loan commitment were drawn down are compared to the cash flows that it would expect to receive when the asset is recognised. In the case of granted financial guarantees, the Bank considers the payments that it expects to make less the cash flows it expects to receive from the debtor, with medium hedges being applied, based on the Client's profile, on the estimated amount of payments which the Bank expects to make.

  The Bank estimates the cash flows taking into account the contractual duration established for the operations. In the case of credit cards and overdrafts on current accounts of individual Clients, the Bank considers that the expected life of these operations is 12 months.

The calculation of cash flows also takes into account those deriving from the sale of collateral, taking into account the cash flows that would be obtained from the sale thereof, minus the costs required to obtain them, maintain them and subsequently sell them, or other guarantees that are an integral part of the contractual conditions, such as financial collaterals.

- **Expected credit losses:** these correspond to the weighted average of the credit losses, using as weighting the respective probability of default events. The following distinction will be taken into account:

  i. Expected credit losses during the lifetime of the operation: these are expected credit losses resulting from possible default events during the expected lifetime of the operation.

  ii. Expected credit losses at 12 months: these are the part of the credit losses expected during the lifetime of the operation corresponding to the expected credit losses resulting from any default events likely to occur during the twelve months following the reference date.

The amount of the impairment loss is calculated according to whether there has been a significant increase in credit risk since the operation's initial recognition, and whether or not a default event has occurred:

Improvement ← Credit risk since initial recognition → Deterioration

Credit Risk Category	*Stage 1*	*Stage 2*	*Stage 3*
Impairment (Updated at each reporting date)	Expected credit losses at 12 months	Expected credit losses during lifetime	

Classification Criteria	**No material change in credit quality since initial recognition**	**Material increase in credit risk since initial recognition ***
		• Tolerance matrix[1]
		• Mandatory criteria:
		  • *Scoring/Rating*[2] at reference date
		  • Restructurings
		  • Indications in central credit register, list of high-risk users
		  • > 2 active EWS[3] (PARI)
		  • > 30 overdue
		• Combination of tolerance matrix with 1 active EWS
		• Indicators that, in accordance with market indicators/triggers, may determine a significant
			Credit classified as in default

Interest on income calculated based on:	**Effective interest rate on gross amount**		**Effective interest rate on amortised cost**

[1] *To capture a significant deterioration in the probability of default (PD)*
[2] *Scoring / Rating above a given classification*
[3] *Early Warning Signal*

** The criteria indicated are considered in case they apply to the risk segment.*

The derecognition of credit operations by write-off occurs after (i) the recognition of impairment for the total outstanding amount, in accordance with the Bad Credit Policy in effect and (ii) the existing tax criteria for the purpose have been met. It should be noted that, broadly speaking, the tax criteria for the write-off of loans granted are met (i) when defaults exceed 24 months and (ii) there is no mortgage security.

Regardless of its subsequent classification, in the event that an operation is bought or originated with credit impairment, its hedging would be equal to the accumulated amount of the changes in the credit losses after initial recognition and the interest income of these assets would be calculated by applying the effective interest rate adjusted to reflect credit quality, at the amortised cost.

2.8. Refinancing or restructuring operations

BPI has a Regulation on loan operations restructured or renegotiated due to financial difficulties, which establishes the following:

- Objective and subjective criteria for the identification of customers in financial difficulties;
- General management principles for this type of exposures, including with regard to the assessment of payment capacity, the reinforcement of guarantees, debt cancellation, etc.;
- Typologies of measures to be applied depending on the customer's characteristics;
- Governance of the credit analysis and decision-making process.

To this effect, restructured loans are deemed to be those in which changes are made to the agreed terms, and renegotiated loans, those that are replaced by other loans. These are the main criteria for financial difficulties defined in the Policy:

- Clients in default;
- Clients in default for more than 30 days (currently, or in the last 3 months with BPI, or in the last 12 months in the banking system);
- Drawings above 95% of the ceiling of renewable credit operations;
- Deterioration of the internal risk rating;
- Other risk deterioration subjective criteria.

Some restructurings or renegotiations imply the classification of the Customer's exposure as in default, namely when there is a relevant economic loss when an atypical payment plan is defined (e.g., certain types of balloons or grace periods), or when an individual analysis permits to conclude that the restructuring does not ensure the repayment of the debt within a reasonable period. Internal regulations establish specific cure periods for this type of situation, which are restarted whenever the client undergoes a new restructuring or renegotiation due to risk deterioration or non-performance for more than 30 days. Restructurings or renegotiations due to risk deterioration, but not considered in default, are classified in stage 2, with pre-established probation periods.

2.9. Foreign currency transactions

The Bank’s functional and presentation currency is the euro. Consequently, all non-euro balances and transactions are foreign currency balances and transactions.

All foreign currency transactions are recorded, on initial recognition, by applying the indicative spot exchange rate between the functional currency and the foreign currency, disclosed by Banco de Portugal.

At the end of each reporting period, foreign currency balances are translated to euros at the indicative official foreign exchange rate disclosed by Banco de Portugal.

Unmatured forward foreign exchange purchase and sale transactions not considered as hedges, are translated to euros at the yearend exchange rates on the forward currency market.

The exchange differences arising on the translation of foreign currency balances to BPI’s reporting currency are generally recognised under “Exchange differences (net)” in the income statement. However, exchange differences arising from changes in the value of equity instruments at fair value through other comprehensive income, are recognised under “Equity – Other comprehensive income – Items that will not be reclassified to profit or loss”

Income and expenses expressed in foreign currencies are translated to Euro at the exchange rates in force on the day in which they are recognised.

2.10. Recognition of income and expenses

The main criteria applied to recognise income and expenses are summarised as follows:

	Characteristics		Recognition
Income and expenses from interest, dividends and similar	**Income and expenses from interest and similar**		Based on accrual period, through application of the effective interest rate method, regardless of the resulting cash or financial flow, as described above.
Income and expenses from interest, dividends and similar	**Dividends received**		As income at the time it is received (official announcement of dividend payment by the company's competent body).
Fee and Commissions charged/paid[1]	**Credit Commissions** - are an integral part of the effective revenue or expense of a financing operation are received upfront.	Commissions received for the creation or acquisition of financing operations that are not measured at fair value through profit or loss (i.e. payments for activities such as the evaluation of the borrower's financial situation, evaluation and registration of various guarantees, negotiation of the operation's terms, preparation and processing of the documentation and closing of the transaction).	Deferred and recognised over the life of the operation as an adjustment to the operation's effective income or cost.
Fee and Commissions charged/paid[1]	**Credit Commissions** - are an integral part of the effective revenue or expense of a financing operation are received upfront.	Commissions agreed as compensation for the commitment to grant financing, when said commitment is not measured at fair value with changes in profit or loss and it is likely that the Group will enter a specific loan agreement.	Deferred as they are charged over the expected life of the financing as an adjustment to the operation's effective income or cost. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry.
Fee and Commissions charged/paid[1]	**Credit Commissions** - are an integral part of the effective revenue or expense of a financing operation are received upfront.	Commissions paid on the issuance of financial liabilities at amortised cost.	Included, together with the respective direct costs, in the value of the financial liability, charged as an adjustment to the effective cost of the operation.
Fee and Commissions charged/paid[1]	**Non-credit Commissions** - Commissions derived from the provision of financial services other than financing operations.	Related to the execution of a service provided over time (i.e.: account maintenance fees).	Recognised over time, by measuring the finishing phase against full compliance with the performance obligation.
Fee and Commissions charged/paid[1]	**Non-credit Commissions** - Commissions derived from the provision of financial services other than financing operations.	Related with the provision of a service executed at a specific moment (such as signature of securities, foreign exchange, consultancy or loan syndication).	Recognised in the income at the time of collection.
Other non-financial revenue and expenses	**Other revenue from recurring activities**		• As a general criterion, they are recognised when the goods or services contracted with the clients are delivered or provided. The amount of the consideration which the Bank expects to be entitled to exchange for such goods or services is recognised as a revenue over the duration of the contract. • If a client receives or is entitled to receive a consideration without the transfer of the goods or services, a liability is recognised and remains in the balance sheet until it is debited to the income statement.

[1] Exceptions: Commissions on financial instruments at fair value through profit or loss and unavailability commission (in operations where the offer of funds is optional for the borrower) are immediately recognised in the income statement.

Commissions deriving from products or services that are typical of the financial business are presented separately from those deriving from products and services that are not typical of this activity, the latter being presented under the caption “Other operating income” in the income statement.

As for the accounting of the costs related to the contracts, the costs of obtaining a contract are those in which the Bank incurs to obtain a contract with a Customer and which it would not have incurred if the Bank had not entered into said contract.

Under the accounting framework applicable to BPI, incremental costs incurred in obtaining or fulfilling a contract are activated if:

- The costs are directly related to a contract or an expected contract that can be identified by the entity (e.g., example, costs related to services to be provided as a result of the renewal of an existing contract, or design costs of an asset to be transferred under a specific contract not yet approved);

- the costs generate or increase the resources of the entity company's funds that will be used to satisfy future performance obligations;
- the costs can be expected to be recovered.

BPI defers the costs incurred, accruing them in the income statement by association with the duration of the contract or of the operations that gave rise to them.

2.11. Employee benefits

Employee benefits include all forms of compensation given in exchange for services rendered to the Bank by its Employees or for the termination of the employment contract. They can be classified into four categories:

Short-term employee benefits

These are employee benefits (other than termination benefits) which fall due wholly within 12 months after the end of the annual accounting statements period in which the employees render the related service. They include wages, salary supplements, social security contributions and contributions to the medical and healthcare services for banking sector employees (SAMS), allowances (holidays, Christmas, meals, children, etc.), paid sick leave or other, variable remuneration, bonuses and non-monetary benefits payable to current employees such as health, life, personal accidents, and occupational hazards insurance, accommodation expenses and free or subsidised goods or services related to active employees.

The cost of services rendered is recognised under "Administrative expenses – Staff expenses" of the income statement.

Credit facilities made available to Employees at below market rates are considered to be non-monetary benefits and are calculated as the difference between market rates and the rates agreed with Employees. The difference is recognised under "Administrative expenses – Staff expenses" with a balancing entry under "Interest income" in the income statement.

Post-employment benefits

Post-employment benefits are all those undertaken with employees, to be paid after completion of their employment with the Bank. They include retirement benefits, such as pensions and other post-employment benefits, such as post-employment medical care at the end of the employment relationship.

Defined contribution plans

The post-employment obligations with employees are deemed to be defined contribution obligations when the Bank makes predetermined contributions to a separate entity (fund) and has no legal or constructive obligation to make further contributions if the fund assets are not sufficient to pay the all the employee benefits relating to the service rendered in the current and prior periods. Contributions of this type made in each year are recognised under "Administrative expenses – Staff expenses" in the income statement. Post-employment obligations that do not meet the aforementioned conditions are considered defined benefit obligations.

Defined benefit plans

The present value of defined benefit post-employment obligations (pension liabilities), net of the fair value of the pension funds' assets, is recorded under "Other liabilities - Liabilities for pensions and other defined benefits", in the case of a coverage shortfall in the pension funds, or under "Other assets - Liabilities for pensions and other defined benefits" in the case of a coverage surplus.

Plan assets are defined as those assets that will be used to directly settle plan obligations and that meet the following conditions:

- They are not owned by the Bank, but rather by a legally separate, non-related third party.
- They are solely available to pay or fund post-employment benefits and are not available to the Bank's own creditors, even in bankruptcy. They cannot be returned to the Bank unless the remaining assets of the plan are sufficient to meet all the related post-employment benefit obligations of the plan or of the Bank, or are used to reimburse it for post-employment benefits the Bank has already paid to its Employees.

Post-employment benefits are recognised as follows:

- Service cost is recognised in the income statement, in the caption "Administrative expenses - Staff Expenses", and includes the following components:
  - Current service cost, understood as the increase in the present value of obligations arising from employee service in the current period;
  - Past service cost, resulting from amendments to existing post-employment benefits or the introduction of new benefits, and the cost of curtailments;

  - Any gain or loss arising on settlement of a plan.

- The interest cost/(income) on the net post-employment benefit liability/(asset), understood to be the change during the period in the net pension liability that arises from the passage of time, is recognised in "Administrative expenses – Staff expenses" in the income statement.
- Remeasurements of the net liability/(asset) for defined benefit post-employment benefits are recognised in "Accumulated other comprehensive income" in the balance sheet. It includes:
  - Actuarial gains and losses arising in the period from differences between the previous actuarial assumptions and what has actually occurred and from changes in the actuarial assumptions used.
  - The return on plan assets, excluding the amounts included in the net interest on the liability/(asset) for defined benefit post-employment benefits.
  - Any change in the impact of the asset ceiling, excluding the amounts included in the net interest on the liability/(asset) for defined benefit post-employment benefits.

Other long-term employee benefits

Long-term remuneration, understood as the commitments assumed with pre-retired people (employees who have ceased to provide services, but who, without being legally retired, continue to have economic rights until they acquire the status of legally retired), is treated for accounting purposes, to the extent applicable, as established for defined benefit post-employment plans.

Termination benefits

These benefits are payable as a result of an Entity's decision to terminate an employee's employment, a valid expectation having been raised in the employee or an employee's decision to accept the Bank's irrevocable offer of those benefits in exchange for voluntary redundancy.

A liability and a non-recurring cost for termination benefits are recognised when there is no realistic possibility of withdrawing the offer to pay the termination benefits or when the costs for restructuring which involves the payment of termination benefits are recognised. These amounts are recognised as a liability under "Accrued costs - Staff Expenses" in the balance sheet until they are settled or transferred to Pension Liabilities

2.12. Employee remuneration based on equity instruments

Within the scope of variable remuneration or participation in long-term incentives plans, Banco BPI's Directors and Employees may be entitled to receive part of the remuneration in financial instruments, preferably CaixaBank shares.

Due to its characteristics, this delivery of CaixaBank shares to Directors and Employees of Banco BPI is accounted for as defined in IFRS 2, i.e., as a cash-settled share-based payment transaction.

Costs with variable remuneration and long-term incentive plans are fully recognised under "Staff Expenses" in the period during which the service is provided, against a liability on the balance sheet. Until its settlement date, this liability is valued as the fair value of the shares to be delivered, with the respective changes being recognised as profit/(loss) for the year.

Banco BPI purchases a portfolio of CaixaBank shares in order to ensure full coverage of this liability. These shares remain booked in the portfolio of "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" until the date when they are delivered. The respective change in fair value is also recognised through profit or loss.

2.13. Income tax

Banco BPI is subject to the tax regime set out in the Portuguese Corporate Income Tax Code and in the Statute of Tax Benefits.

The expense for income tax is recognised in the income statement, except when it results from a transaction recognised directly in equity, in which case the corresponding tax effect is also recognised in equity, except in the case of taxes on the interest of perpetual subordinated bonds Additional Tier 1.

Income tax is calculated as the sum of the current tax for the year resulting from applying the tax rate legally in force to the taxable profit for the year and any changes in deferred tax assets and liabilities recognised in the year in the income statement or in equity.

Temporary differences, tax loss carry forwards and unused tax deductions are recognised as deferred tax assets and/or deferred tax liabilities. These amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled, taking into account the applicable tax legislation.

All tax assets are recognised under “Tax assets” in the balance sheet as current, for amounts related to the current tax for the year, or deferred, for amounts to be recovered in future reporting years. Deferred tax assets are only recognised when it is probable that they will be reversed in the foreseeable future and it is estimated that there will be sufficient taxable profit against which they can be used.

Similarly, tax liabilities are recognised in “Tax liabilities" in the balance sheet, also split into current and deferred. Current tax liabilities are recognised as the amount of tax payable and deferred tax liabilities as the amount expected to be paid in future periods.

Deferred tax liabilities are recognised for all taxable differences that affect future taxable income.

Net income distributed to Banco BPI by subsidiaries and associated companies, is not taxed in Banco BPI as a result of applying the regime established in article 51 of the Corporate Income Tax Code, which provides for the elimination of double taxation of distributed net income.

The Bank does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in associated companies, since the stake held by the BPI Group has exceeded 10% for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos, in which the deferred tax liabilities relating to taxation in Mozambique of all the distributable profits, are recognised.

BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future.

2.14. Tangible assets

Tangible assets include the amount of property, land, furniture, vehicles, IT equipment and other facilities owned or acquired under a finance lease for the Bank's own use and which are expected to be used during more than one economic year.

Tangible assets are generally stated at acquisition cost deducted from accumulated amortization and any impairment losses determined by comparing the carrying amount of each item to its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets. Land is not depreciated since it is considered to have an indefinite life.

The depreciation charge of tangible assets is recognised under the “Depreciation and amortisation” caption of the income statement and is calculated basically using the depreciation rates set out in the table below, which are based on the years of estimated useful life of the various assets:

Useful life of tangible assets

	Years of useful life
Buildings	20 to 50
Works in owned property	10 to 50
Non-recoverable expenditure on leasehold property	3 to 10
Equipment	3 to 12
Other tangible assets	3 to 10

2.15. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance acquired from third parties or developed internally.

The Bank recognises, in this caption, expenses relating to the development stage of projects implemented and to be implemented, as well as the cost of acquiring software, in both cases where the impact extends beyond the financial year in which the cost is incurred.

Intangible assets are amortised on a straight-line monthly basis over the estimated period of useful life of the assets which, in general, corresponds to a period of six years.

Computer software developed internally is recognised as an intangible asset when, among other requirements, it is capable of being used or sold, and it is identifiable and its ability to generate future economic benefits can be demonstrated.

Expenses incurred during the research phase are recognised directly in the income statement for the period in which they are incurred, and cannot subsequently be capitalised.

2.16. Assets received in settlement of defaulting loans and non-current assets held for sale and discontinued operations (IFRS 5)

This heading includes individual assets or disposal groups, or assets that form part of a line of business that will be disposed of (discontinued operation) whose sale is highly probable in their present condition within one year from the reporting date. Assets that will be disposed of within a year but where disposal is delayed by events and circumstances beyond the Group's control may also be classified as held for sale, when there is sufficient evidence that the Company is still committed to selling them.

The carrying amount of these assets will be recovered principally through a sale transaction.

Assets received in settlement of defaulting loans and other assets

Non-current assets (property, equipment or other) received as total or partial settlement of debtors' payment obligations in credit operations are recognised under "Non-current assets and disposal groups classified as held for sale" unless it has been decided to make continuing use of the assets.

Such assets are recorded at the legal or tax acquisition amount or the amount stated in the settlement agreement. Assets recovered following the resolution of lease contracts are recorded at the outstanding amount due not invoiced.

These assets are subject to regular valuations. Property valuations are carried out by independent appraisers selected from the pool of entities registered with the Securities Market Commission as "expert appraisers", and seeking to ensure adequate diversification and rotation of appraisers.

The independent external appraisals follow the principles defined in:

- IVSC – International Valuation Standards Council, in the International Valuation Standards publication;
- Bank of Portugal Notice 5/2006 (Valuation of Mortgaged Properties pledged as collateral for Mortgage Bond Loans);
- Regulation no. 575/2013/EU of the European Parliament and of the Council (prudential requirements);

using 3 appraisal methods described in the contracts entered into with the companies: market method, income method and Cost method:

- Market method

This method determines an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of marketing, between an interested seller and an interested buyer, in which both parties act in an informed, prudent and non-conditioned manner and subject to no coercion.

The value of the property is determined after analysing transaction and offered prices for comparable properties, obtained through knowledge of the local market and exhaustive collection of real estate market data which permit to determine the supply/demand situation for similar properties and act as a decisive factor in determining the Market Value of the property under evaluation.

- Income method

In this method, the market value of a property corresponds to the present value of all future rights and benefits deriving from its ownership.

This method relies on the principle that the management and operation of the property is based on principles of legality, rationality and competence. The purpose of the analysis is to determine the property's capacity to generate revenue flows and respective frequency, also inferring all inherent expenses.

- Cost method

In this method, the estimate of the value of a property corresponds to the construction cost of another property serving the same purposes and having the same characteristics of the first, in terms of materials and technology, at current market prices. The value determined includes the value of the land, the construction costs and the developer profit margin, minus depreciation, i.e., the property's loss of value due to physical, functional, economic or environmental obsolescence, or a combination of these factors.

For all appraisals not using the 3 appraisal methods, the expert appraiser must take into account the characteristics of the local market and the specific characteristics of the property being appraised. The appraisal value that will be adopted shall be the lower of those determined, as it is the more prudent in terms of guarantee.

In any case, the appraisal reports must contain an explanation of the methodological options, thus complying with Banco de Portugal's instructions.

On-site appraisal by independent external entities takes place:

- On the date the asset is booked in the Bank's balance sheet;
- Regularly:
  - Every 3 years in the case of residential property (with quarterly re-appraisal based on an internal statistical model (RIMO);
  - Annually for all other properties;
  - Whenever available information points to a possible substantial decrease in value.

After initial recognition, the Bank compares the asset's carrying amount with its estimated fair value. The fair value and the impairment allowances created for foreclosed real estate assets are determined in accordance with the appraisal value and the book value of the properties. The appraisal value is the lower of the following:

- On-site appraisal value
- Statistical revaluation value (RIMO)
- Sale value (if purchase/sale agreement concluded)

minus costs to sell, recognising any additional impairment or recoveries in the income statement (up to an amount equal to that of the previously recognised impairment losses). Impairment may be increased due to the time the property has remained in the Bank's portfolio.

Changes in impairment losses on a non-current asset classified as held for sale are recognised under "Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations". Unrealised capital gains on these assets are not recognised in the balance sheet or in the income statement.

On the date of sale, the capital gains or losses realised on these assets are recognised in the income statement under "Gains/(losses) on derecognition of non-financial assets, net".

The Bank's tangible assets that are no longer in use (unused property and equipment) and are in the process of being sold, are also booked under this caption. Such assets are transferred from tangible assets at book value (cost less accumulated depreciation and impairment losses) on the date they become available for sale, and are subsequently revalued in the same manner as assets received in settlement of defaulting loans.

Non-current assets held for sale are not depreciated while remaining in this category.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary held exclusively to sell.

Assets classified in this caption are not depreciated and are valued at the lower of cost and fair value, less costs to be incurred with the sale.

If book value is greater than fair value less costs to sell, an impairment loss is recognised in the caption "Impairment losses and other provisions, net".

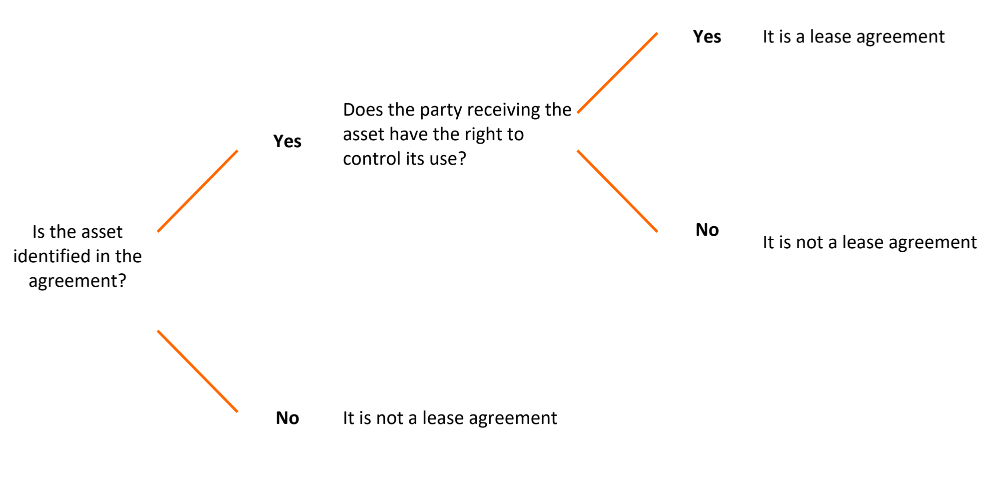
2.17. Leases

The Bank adopted IFRS 16 "Leases" on 1 January 2019, opting for applying this standard retrospectively, with the cumulative effect of opening balances being recognised on this date.

The following table summarizes how to identify and account for lease operations in which the Bank acts as lessor or lessee:

Determining whether the agreement is or contains a lease [1]

(At the onset or when the contractual conditions are changed)



[1] For agreements that have a leasing component, one or more additional leasing components and others that are not leasing components, the agreement payment will be distributed to each leasing component on the basis of the relative price, regardless of the leasing component, based on aggregate price, and on the basis of the independent aggregate price of the non-leasing components.

Lessor

	Finance leases	Operating leases
	Operations where, substantially, all the risks and rewards inherent to the leased asset are **transferred to the lessee.**	Operations where, substantially, all the risks and rewards inherent to the leased asset, as well as its ownership, are **maintained by the lessor**.
Recognition as lessor (According to the economic purpose of the operation, regardless of its legal form)	- Are recognised as a loan granted under the balance sheet caption "Financial assets at amortised cost" as the sum of the present value of all payments receivable by the lessee during the period of the leasing plus any non-guaranteed residual amount pertaining to the lessor. - Include fixed payments (minus payments made to the lessee) as well as variable payments determined in accordance with an index or rate, and also the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee and penalties for termination by the lessee if the term of the lease reflects the exercise of the termination option.	The acquisition cost of the leased assets is recognised in the **"Tangible assets" caption of the balance sheet.**
	The financial income obtained as a lessor is recognised in the income statement caption **"Interest income"**.	- They are **depreciated** using the same criteria as for the remaining tangible assets for own use. - Income is recognised in the income statement caption **"Other operating income"**.

Lessee

Recognition as lessee	**Term of the agreement**	**Open-ended or automatically renewable agreements (annually or half-yearly):** for the purposes of applying IFRS 16, a term of 5 years[1] was assumed, starting on 1 January 2019, taking into account that there are significant economic penalties (namely investment and branch installation costs) that the Bank will incur if it Term of the terminates these agreements. **Fixed-term agreements (above 1 year):** for these agreements it was assumed that the lease term coincides with the end date of the agreement.			
				At the start date of the agreement	**Subsequently**
	Accounting record	Agreements where the underlying asset is not of low value (set at 6 000 euros)	Lease liability (“Other financial liabilities”)	Valued based on the present value of future lease payments not yet made on this date, using as discount rate the interest rate[2] that the lessee would have to pay to borrow, with a similar maturity and guarantee, the funds necessary to obtain an asset of similar value to that of the right-of-use asset in a similar economic context.	Valued at amortised cost using the effective interest rate method and revalued (with the corresponding adjustment to the related right-of use asset) when there is a change in future payments due to renegotiation, index or rate changes or in the event of a reevaluation of the agreement's options.
			Right-of-use asset (“Tangible assets”)	Valued at cost and includes the initial valuation of the lease liability, payments made on or before the commencement date, initial direct costs, costs of dismantling or rehabilitation when there is an obligation to bear them.	Amortised on a straight-line basis and subject to impairment losses, in accordance with the treatment established for the remaining tangible and intangible assets.
		Remaining agreements		Accounted for as operating leases	

[1] The 5-year term is in line with Banco BPI's strategic guidelines on the renewal of current lease agreements, taking into account the Bank and industry context, from the standpoint of business risk management and management of the fixed assets associated to the agreements.

[2] The Bank calculated these interest rates taking as a reference the cost of debt instruments, adding to the base market curve (swaps vs 6M Euribor) the covered and senior debt spreads for BPI.

The implementation of IFRS16 involved making estimates on the duration of agreements and decisions on the disaggregation of components related to services that were included in the formalised lease agreements.

2.18. Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits. Contingent assets are not recognised in financial statements, except where an inflow of economic benefits is practically certain. If there is a probable inflow of economic benefits, it will be referred in the explanatory notes on the corresponding contingent asset.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

2.19. Provisions and contingent liabilities

Provisions cover present obligations at the date of preparation of the annual financial statements arising from past events which could give rise to a loss considered likely to occur; and is certain as to its nature but uncertain as to its amount and/or timing.

The financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Provisions are recognised on the liabilities side of the balance sheet.

Provisions, which are quantified based on the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each reporting period, are used for specific expenditures for which the provision was originally recognised. Provisions are fully or partially reversed when the obligations cease to exist or are reduced.

When an obligation exists but an outflow of resources embodying economic benefits is not likely, the obligation is recognised as a contingent liability. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes more probable than not that an outflow of future economic benefits will be required, a provision is recognised in the balance sheet.

Provisions are recognised under "Provisions" on the liabilities side of the balance sheet. Contingent liabilities are disclosed in the notes to the financial statements.

2.20. Statement of income and other comprehensive income

This statement presents the revenues and expenses recognised as profit or loss from Banco BPI's activity in the year, distinguishing between the profit or loss recognised in the income statement and the other revenues and expenses recognised directly in equity.

2.21. Statement of changes in equity

This statement presents all changes in the Bank's equity, including those due to accounting policy changes and error corrections. This statement presents a reconciliation between the carrying amount of each component of net assets at the beginning and the end of the period, grouping movements by nature under the following headings:

- Adjustments due to accounting policy changes and error corrections: includes changes in equity as a result of the retrospective restatement of financial statement balances, distinguishing between those resulting from changes in accounting policies from those representing the correction of errors.
- Total income and expenditure recognised: represents the aggregate of all items recognised in the statement of income and other comprehensive income.
- Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of dividends, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in equity

The equity headings "Retained earnings" and "Other reserves" contain:

- the equity heading "Retained earnings" includes, at the close of the financial year, the undistributed gains from the appropriation of the profit/loss of fully consolidated entities, income from the sale of equity instruments recorded in the portfolio at fair value through other comprehensive income, and the impacts of the first-time application of accounting standards, among others.
- The equity item "Other reserves" includes, at year end, the appropriation of the profit/loss of equity accounted entities net of dividends distributed to fully consolidated entities and the remuneration of issues that meet certain characteristics.

2.22. Statement of cash flows

The following terms are used in the presentation of the statement of cash flows:

- Cash flows: cash and cash equivalents include cash, cash and deposits at Central Banks and other Credit Institutions, very short-term applications in Credit Institutions and cheques for collection.
- Operating activities: the indirect method is used to present cash flows from operating activities, which are the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets, such as equity investments in subsidiaries and associates, acquisition of tangible and intangible assets and other strategic investments not included in operating activities.
- Financing activities: activities that result in changes in the medium and long-term financing activities of the Bank and which do not form part of operating activities, such as issuance of debt securities and subordinated debt, capital increases and dividend distributions.

3. RISK MANAGEMENT

3.1. Environment and risk factors

The following risk factors had a significant influence on the BPI's risk management in 2020, due to their impact during the year and their long-term implications for the Bank:

- Macroeconomic environment

— **Global economy**

In 2020 the Covid-19 pandemic and the restrictions on activity that were necessary to contain the virus plunged the world into an abrupt and widespread recession, (with global GDP falling by an estimated 3.5%). The economic impact was particularly severe in the first half of the year. In the emerging markets, China's qoq GDP shrank by -10% in the first three months of the year, while the advanced economies contracted sharply in the second quarter (USA: -9.0% quarter-on-quarter; Euro zone: -11.8%; Japan: -8.2%; United Kingdom: -19.8%). Following these crashes, economies began to recover as restrictions on mobility were lifted, and in the third quarter the GDP of the main global economies picked up notably (USA: +7.4% qoq; Euro zone: +12.7%; Japan: +5.0%; United Kingdom: +15.5%). However, economic activity remains well below pre-pandemic levels (with the exception of China). In fact, indicators suggest that the recovery slowed towards the end of 2020, as COVID-19 infections surged again. New outbreaks are being tackled using more targeted measures and the situation is more positive than that of Spring 2020. Given these factors, the global economy should remain subject to significant uncertainty.

The pandemic and the associated medical advances will continue to be the main factors determining how economies will perform over the coming quarters. On the one hand, the uncertainty, combined with local restrictions on mobility to tackle outbreaks, will limit economies' capacity to recover over the coming months. On the other hand, recent medical advances, and in particular the development of highly effective vaccines, should mean significant segments of the population will be vaccinated by mid-2021, helping to improve market sentiment and drive the recovery. Economic activity is therefore expected to rebound substantially in 2021 (global growth of 5.5%).

It should be noted that the events of 2020 had major repercussions for economic policy around the world. In the US, significant fiscal and monetary measures were rolled out and will remain in place over the coming quarters. After aggressively cutting rates to 0.00%-0.25% and launching a wide range of measures (in particular, asset purchases), in August the Fed signalled that it would maintain an accommodative policy for a long period (continuing beyond the recovery of the economy). In fact, it modified its strategic framework, indicating that, in the future, it will temporarily tolerate inflation rates above 2%.

— **Euro Zone**

In the Euro Zone, activity had a notable rebound in the third quarter, but recent figures show the economy shrunk in the fourth quarter, and the more recent indicators suggest a new fall in the first quarter of 2021, however without jeopardising improved growth in the coming quarters. Thus, after the estimated fall in GDP in 2020 of 6.8%, forecasts point to a recovery close to 4% in 2021, although, although with significant differences between countries. Economies less affected by the pandemic, those whose economic structure is less sensitive to restrictions on mobility and those with a greater capacity to apply fiscal policy measures will be in a better position to weather the crisis.

Given the uneven impact between countries, the Next Generation EU (NGEU) Recovery Plan proposed by the European Commission to drive a synchronised Europe-wide recovery effort will be of great importance. The funds (360,000 million euros in loans and 390,000 million euros in transfers) are large enough to support short-term economic recovery. The Plan also includes stimuli for transforming and modernising economies (with an emphasis on technological and environmental change) and contains features (such as the issue of significant volumes of EU debt) that could lay the foundations for a leap forward in the European rebuilding process.

— **Portugal**

Portugal, whose economy is also significantly weighted towards tourism (at over 14% of GDP), is facing a similar scenario to that of Spain. Given the difficulties facing the tourism sector and the likelihood that activity will be resumed only gradually, GDP in 2020 shrank by -7.6% and is expected to rally by less than 5% in 2021
There is much uncertainty surrounding this recovery, especially in relation to the pandemic and the medical advances that will be needed to bring it under control, as well as in relation to the roll out of the European recovery plan. One the one hand, a fast deployment of effective vaccines and rapid roll-out of the NGEU would accelerate the economic rebound and reduce the damage to economic infrastructure. On the other, the possibility of even tighter restrictions on mobility cannot be ruled out, especially in the short term, if the pandemic worsens. Moreover, delays in vaccine distribution and administration, or in ratification by EU states and NGEU disbursements, could weaken or slow down the recovery.

- Regulatory Framework

The prudential rules that support the Bank's business model are crucial for its development as well as for the relationship established with the risk management and methodological processes.

In the first half of 2020 the outbreak of the COVID-19 pandemic crisis led the supervision authorities to take a set of flexibility measures to create favourable conditions for financial institutions and enable them to provide an adequate response to the COVID-19 scenario without being penalised by a rigid regulatory framework.

These flexibility measures included:

— On 27 March 2020 the Group of Central Bank Governors and Heads of Supervision (GHOS) of the Basel Committee on Banking Supervision announced a set of measures - the deferral by one year of the implementation date of the Basel III final accords (also known as "Basel IV"), of the revised market risk framework and of the revised Pillar 3 disclosure requirements -, to provide additional operational capacity for banks and supervisors to respond to the COVID-19 pandemic.

— On 18 June 2020 the European Parliament approved the legislative proposal for "quick fix" amendments to the Capital Requirement Regulation ("CRR 2.5"). This included the advanced application of certain measures provided for in CRR2 (capital consumption reduction factors in loans for SMEs and infrastructure projects, as well as changes in deductions for software), measures under IFRS9 (namely a larger transition period and calculation changes) and other measures such as more favourable treatment of loans guaranteed by public credit institutions under the NPL prudential backstop, the introduction of a prudential filter to neutralise the negative impact of volatility in the central administration debt markets during the pandemic, and also the easing of requirements for calculation of the leverage ratio, including the postponing of their date of application.

Capital

— The ECB, with the support of the Basel Committee on Banking Supervision (BCBS), endorsed the use of capital conservation and countercyclical buffers, which had been designed precisely for periods of stress to enable financial institutions to better absorb losses and to support lending to households and businesses.

— The ECB brought forward the application of the amendments introduced in the first half of 2019 to the Capital Requirements Directive (CRD) with regard to Pillar 2 requirements (Pillar 2R), to the effect of changing the coverage requirements from 100% by CET1 to 56% by CET1, 19% by Additional Tier1 (AT1) and 25% by Tier 2.

Liquidity

— The ECB allows Banks to temporarily have liquidity coverage ratios (LCR) below the minimum 100% threshold established by the supervisor. As with capital measures, the BCBS endorses the use of liquidity buffers as well as stocks of High-Quality Liquidity Assets (HQLA).

Credit Risk

— The ECB relaxed the classification of loans as "non-performing" (NPL) if they have public aid/guarantees, and established preferential treatment with regard to the constitution of impairments. With regard to financial Institutions' NPL reduction strategies, the supervisor will be flexible in view of the market's exceptional conditions.

- In order to prevent the procyclical effects of impairment models under the new IFRS 9 standard, the ECB recommended that financial institutions avoid excessively procyclical assumptions in their estimation models due to the pronounced volatility of prospective scenarios. In this respect, the following are worth noting: the flexibility confirmed by different organisations to avoid automation in the use of indicators and hypotheses that are not suitable in the context of COVID-19 or potential future scenarios, the 27 March statement by the International Accounting Standards Board (IASB) and also the favourable statements by the EBA and the European Securities and Markets Authority ESMA).

- The EBA published Guidelines (EBA/GL/2020/02) on the treatment of public and private moratoria applied before 30 June to loan repayments (period subsequently extended to 30 September 2020 and March 2021. Its main aspects include the general criteria for applying a payment moratoria and the conditions under which moratoria do not entail the direct classification as refinancing or forced restructuring. In the reactivation of the guidelines in December, the EBA, recognising the exceptional circumstances of the second wave of COVID-19, extended the flexible treatment period until 31 March 2021 and extended the 6-month grace period for consumer moratoria.

- At national level, Decree-Law 10-J/2020, enacted at the end of March 2020, established exceptional measures to support and protect families, businesses and social economy entities, due to the economic and financial impacts of the contraction of economic activity resulting from the COVID-19 pandemic. Extraordinary liquidity support measures were introduced, namely a 6-month moratoria on the repayment (principal or principal and interest) of loans granted by financial institutions (loans to families for the acquisition of personal permanent residence, and loan, leasing and factoring operations with companies), the possibility of state guarantees being provided to loans to specific economic sectors, and the establishment of a special scheme for mutual guarantee backed lending.

- Decree-Law 26/2020, published on 16 June 2020, introduced amendments to Decree-Law 10-J/2020. Among others, the new decree-law extended the term of the moratoria to 31 March 2021, included emigrant citizens in its scope of application, and made adjustments to the scheme of personal guarantees provided by the State, to cover credit insurance.

- Subsequently, with the publication of Law no. 27-A/2020 of 24 July 2020 and Decree-Law no. 78-A/2020 of 29 September 2020, which amended Decree-Law no. 26/2020, the exceptional and temporary measures relating to the COVID-19 pandemic were amended, particularly in relation to the deadline for access to and the duration of the moratoria. It became possible to request moratoria until 30 September 2020, and the maximum period of validity was extended until 30 September 2021.

- Under the leadership of the Portuguese Banking Association (APB), an interbank protocol was signed (and was endorsed by BPI), which defined general harmonised conditions for private moratoria, equivalent to legislative moratoria in terms of prudential and accounting treatment. This protocol applies to moratoria on loans to individuals, namely non-mortgage loans (personal or car loans) and mortgage loans (home loans). The APB protocol established moratoria on principal, or principal and interest, up to 30 September, for home loans, and moratoria on principal, or principal and interest, on personal and car loans up to 75 million euros for a period of 12 months. In June 2020 the grace period of the APB moratoria for home loans was extended from 30 September 2020 to 31 March 2021. In July 2020 the deadline for application to APB moratoria for individuals was extended to 30 September. For new applications for APB moratoria on personal and car loans, the grace period was extended to 30 June 2021 (previously the grace period was 12 months).

- On 2 December 2020, recognising the impacts of the second wave of the pandemic, the European Banking Authority reactivated the banking moratoria (EBA/GL/2020/15), allowing new accessions up to 31 March 2021, for a moratoria period of up to nine months from the date of accession. Accordingly, on 31 December the Government of Portugal approved Decree Law no. 107/2020, which amends the exceptional measures to protect the credits of families, companies, private charitable institutions and other social economy entities in the context of the COVID-19 pandemic, which will take effect on 1 January 2021.

- In March 2020 the Bank of Portugal sent to credit institutions its circular letter no. CC/2020/00000013 where it recommended that, in the process of loan granting and forbearance to debtors or groups of debtors with heightened risk, the increase in exposure to such debtors or groups of debtors be subject to approval by the institution's management board in a plenary session, and that the supervisory body be immediately informed of the operations assessed by the management body, regardless of their approval or rejection. In this context, institutions could define internal policies based on criteria and materiality levels compatible with their size, business models and risk appetite, the Bank of Portugal recommending that such policies be approved by their management body, subject to the prior opinion of the supervisory body. Banks should send to the Bank of Portugal, up to 30 June 2020, the policies approved upon the recommendation issued in the circular letter, this deadline being subsequently extended to 31 August 2020 (Circular Letter no. CC/2020/00000017).

Markets

- On 24 July 2020, the European Commission proposed a Capital Markets Recovery Package to address the effects of COVID-19, which contains a set of targeted amendments to different legal texts (MiFID II, the Prospectus Regulation and the Securitisation Regulation), which aim to encourage investment, enable the recapitalisation of companies and increase the capacity of banks to finance economic recovery.

- Specifically, in the amendments to the Plan regime, the Commission proposes the creation of an "EU Recovery Plan", a fast-tracked plan for companies already admitted to the market. This is a temporary measure, which will be valid for 18 months from the date of its application. Regarding targeted amendments to MiFID II requirements, the measures focus on reducing the administrative burden of certain requirements. It raises some points such as: suspension of the requirement to publish best execution reports; exempting simple corporate bonds with redemption clause from the corporate governance regime; and removing the obligation to disclose costs and expenses for eligible counterparties and professionals in services other than investment advisory and portfolio management. In addition, post-execution reporting was relieved: the obligation to file RTS27 is removed for 18 months.

<u>Other</u>

- Both the EBA and other industry regulators extended certain deadlines for public consultations on new regulations, as well as some non-urgent recurring reports. On the other hand, new temporary reporting requirements have been established both for supervisors and for disclosure to third parties, for improved transparency and monitoring of the measures used by financial institutions in the context of COVID-19 and their effects.
- The ECB extended by six months the deadlines for correcting issues identified in certain supervisory exercises, as well the issuance of recommendations in some cases.

As well as regulatory and supervisory developments in response to the crisis caused by the COVID-19 pandemic, the authorities made progress with previously initiated regulatory initiatives, established their strategies and proposed initiatives in priority areas. These include initiatives linked to the digital transformation of the economy and the consideration of ESG (environment, social and government) factors in the financial sector.

The following developments deserve a note:

<u>Sustainable finance and ESG factors</u>

- Despite the pandemic context, progress was made at the level of sustainable finance structure and ESG (environmental, social and governance) risks. The consultation and final publication, on 27 November 2020, of the ECB guide on climate-related and environmental risks, which establishes expectations in terms of the supervision of financial institutions with respect to the cross-disciplinary integration of these risks in commercial strategy as well as in risk governance, appetite, management and control, and the EBA discussion paper and consultation of 3 November on the Management and supervision of ESG risks for credit institutions and investment firms.
- The application of the Low-Carbon Benchmark on 30 April 2020 (Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks); and efforts to implement other regulations, such as the first phase of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, applicable as of 10 March 2021.

<u>Digital Transformation of the economy and the financial sector:</u>

- The European Commission published its Strategy on Digital Finance and European Data Strategy, and, in line with both initiatives, proposed a Regulation on digital operational resilience for the financial sector, and a Regulation on markets in crypto-assets. Additionally, various initiatives were put forward for public consultation, the final proposal for which will be presented in 2021. These include the regulation of responsible artificial intelligence, the regulation of digital services and digital markets, which will impose obligations and modify competition rules that will affect bigtech companies, the revision of the eIDAS (electronic IDentification Authentication and trust Services) Regulation, which will be extended to the private sector, and the strategy for retail payments, which will promote the use of immediate payments
- Meanwhile, the European Central Bank (ECB) published a Report on a Digital Euro, whose initial considerations on the possibility of creating a Digital Euro were put forward for public consultation.

<u>Other</u>

- Publication, on 29 May 2020, of the final version of the EBA guidelines on loan origination and monitoring, within the framework of the European Council's Action plan to tackle non-performing loans in Europe. Effective as of 30 June 2021, the Guidelines establish the requirements in terms of internal governance for the origination and risk control of loans and advances throughout their life cycle.
- On 1 July, the ECB submitted to consultation, until 1 October, guidelines that clarify the ECB's approach to consolidation operations in the banking sector. These guidelines seek to provide clarity on the criteria employed to analyse mergers and thus eliminate any uncertainty that may hinder them.

- On 24 September, the European Commission proposed a new Action Plan to promote the European Union's Capital Markets Union, conceived as a cross-cutting strategy for this legislature (2020-2024) which it considers as more urgent than ever due to the crisis caused by COVID-19. The aim is to get money flowing across the EU so that it can benefit consumers, investors and companies, regardless of where they are located. The Action Plan proposes 16 legislative and non-legislative actions with three key objectives:
    - support a green, digital, inclusive and resilient economic recovery
    - make the EU an even safer place for individuals to save and invest long-term; and
    - integrate national capital markets into a genuine single market.

At national level, the following stand out:

Customer protection

- Consumer Protection: Law no. 57/2020, of 28 August, which establishes standards of consumer protection for financial services, making the fourth amendment to Decree-Law no. 133/2009, of 2 June, the first amendment to Law no. 66/2015, of 6 July, and the third amendment to Decree-Law no. 74-A/2017, of 23 June.
- Consumer Protection: Law no. 53/2020, of 26 August, which establishes standards of consumer protection for financial services, making the first amendment to Decree-Law no. 3/2010, of 5 January.
- Consumer Protection: BoP Circular Letter no. CC/2020/00000044, published on 08 July, which recommends a set of good practices applicable to the marketing of retail banking products and services (namely, bank deposits, credit products, payment services and electronic money) through digital channels (online or mobile).
- Minimum Banking Services: Law No. 44/2020 of 19 August amending Decree-Law No. 27-C/2000 of 10 March, which creates the system of access to minimum banking services.

Markets and Integrity

- Security of Information and Communication Technologies (ICT): BoP Circular Letter no. CC/2020/00000029, published on 6 June, with guidelines on ICT and security risk management (EBA/GL/2019/04). It conveys the expectation that, in accordance with its scope of application, the requirements set out in those Guidelines will be complied with by the respective addressees as from 30 June 2020;
- Internal Governance: BoP Notice 3/2020, published on 15 July, which regulates the governance and internal control systems and defines the minimum standards on which the organisational culture of entities subject to supervision by the Bank of Portugal must be based. It revokes Notices nos. 5/2008 and 10/2011, as well as Instruction no. 20/2008.
- Internal Governance: BoP Instruction no. 18/2020, published on 15 July, which regulates the reporting duties regarding organisational conduct and culture and governance and internal control systems.
- Internal Governance: CMVM Regulation no. 9/2020, published on 17 December, which defines the self-assessment report on the governance and internal control systems.
- Shareholders' Rights: Law no. 50/2020, of 25 August, transposing Directive (EU) no. 2017/828 of the European Parliament and of the Council, of 17 May 2017, on the rights of shareholders of listed companies as regards their long-term engagement, amends the Securities Code (CVM), the Legal Framework for Collective Investment Undertakings (RGOIC) and the RGICSF, and revokes Law no. 28/2009, of 19 June.
- Periodic Reporting: BoP Notice no. 4/2020, published on 16 July, amending Bank of Portugal Notice no. 2/2016, which regulates the reporting of financial information, on an individual basis, for supervisory, statistical and macroprudential risk analysis purposes, to be submitted to the Bank of Portugal.
- Periodic Reporting: BoP Instruction no. 27/2020, published on 26 November, regulating the organisation and management by the BoP of the database of accounts domiciled in the Portuguese financial system ("BDC"), revoking BoP Instruction no. 7/2011, of 15 April.

Prevention of and fight against money laundering and terrorism financing

- Fight against money laundering and terrorism financing: CMVM Regulation No. 2/2020, published in the Diário da República (official gazette) on 17 March, which regulates Law No. 83/2017, of 18 August, establishing measures to combat money laundering and terrorist financing.
- Periodic Reporting: BoP Instruction No. 6/2020, published on 6 March, amending Instruction No. 5/2019 to the effect of providing for inclusion of information regarding the specific procedures for compliance with Regulation (EU) 2015/847 in the report on the Prevention of Money Laundering and Terrorist Financing.

- Fight against money laundering and terrorism financing: Law No. 58/2020 of 31 August transposing Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing and Directive (EU) 2018/1673 on combating money laundering by criminal law, amending several laws.

Exceptional measures - COVID 19

- Moratoria: Decree-Law no. 10-J/2020, of 26 March, which establishes a set of economic measures to protect the liquidity and cash flow of families and companies;
- Moratoria: BoP Notice no. 2/2020, published in the *Diário da República* on 7 May, which regulates the duties of information to be provided to Customers by institutions regarding credit operations covered by the exceptional and temporary measures in response to the COVID-19 pandemic provided for in Decree-Law no. 10-J/2020 of 26 March, as well as concerning private initiative moratoria;
- Moratoria - Periodic reporting: BoP Instruction no. 13/2020, published on 21 May, which provides for the reporting to the BoP of information on public moratoria and private moratoria;
- Moratoria: Decree-Law no. 107/2020 of 31 December, which approved an amendment to the banking moratoria rules to allow new sign-ups until 31 March 2021 and for up to nine months. This amendment is intended to address liquidity and cash constraints arising from the economic impact of the second wave of the pandemic and incorporates a recent decision of the European Banking Authority (EBA).
- Recommendations on Credit Risk and Internal Governance: BoP Circular Letter no. CC/2020/00000013, published on 16 March, with recommendations on the process of loan granting and restructuring to debtors or groups of debtors with increased risk.

Public Consultation

Bank of Portugal Public Consultation no. 6/2020 - Draft Banking Activity Code (until 15 January 2021). The Banking Activity Code is intended to replace the RGICSF and other financial sector legislation, to further consolidate legislation in this sector, in line with the movement already taking place in the rest of the European Union. This new law is also intended to be more in line with current financial institutions. Furthermore, the explanatory memorandum states that the RGICSF is somewhat dated and that its constant changes have made it somewhat difficult to understand.

- Strategic events

Strategic events are the more relevant adverse events identified that may result in a threat to Banco BPI in the medium term. Only events that have not yet materialised or been included in the catalogue, but to which the entity's strategy is exposed due to external causes, are considered, although the severity of the possible impact of such events can be managed and mitigated. A strategic event may impact one or more than one of the risks in the catalogue at the same time.

In order to forestall and manage their effects, the more relevant strategic events currently identified are listed:

- **Uncertainties with regard to the geopolitical and macroeconomic scenario**

A marked and persistent deterioration of the macroeconomic outlook. This could be the result of, for example: the drawing out of the pandemic, geopolitical impacts, domestic political factors (such as territorial tensions, populist governments, social protests) or the re-emergence of tensions in the euro zone that could contribute to the risk of fragmentation.

Possible consequences could be: increase in country risk premium (cost of funding), reduction in business volume, deterioration in credit quality, deposit outflows, material damage to offices or impeded access to them (resulting from protests or sabotage).

Mitigants: an event of this nature can have a significant financial impact. However, BPI believes that the aforementioned risks are sufficiently mitigated by the Bank's capital and liquidity levels, which is validated by internal and external stress exercises, and reported in the annual capital and liquidity self-assessment process (ICAAP and ILAAP, respectively).

- **New possibly disrupting competitors**

Expected increase in competition from new players, such as Fintechs and NeoBanks, as well as from Global Asset Managers and Bigtechs, with potential for disruption in terms of services competition. This could lead to the disaggregation and disintegration of part of the value chain, which would impact margins and cross-selling, due to competition with more agile, flexible entities with a very light cost structure. All this could be aggravated if the regulatory requirements applicable to these new competitors are not the same as those for current credit institutions.

As an illustrative example, the potential issuance of a Digital Euro may involve the entry into the European banking system of players other than banks (e.g., payment institutions and electronic money institutions) in case they are allowed to mediate the management of digital euro wallets (e-wallets). Similarly, to the extent that payment means associated with the digital euro may replace current electronic means, banks may lose the information provided by customer transactionality depending on their end-operator.

Mitigants: the Bank considers the new players as a potential threat but also as an opportunity, as a source of collaboration and learning and as a stimulus to reach the objectives of business digitisation and transformation established in the Strategic Plan. The Bank regularly monitors the main new players and movements of BigTechs in the industry. During the year the Bank developed capabilities to assess the uptake level of its clients and also to carry out a deeper technical analysis of the most relevant solutions.

In addition, the Group has in *Imagin* a first-line value proposition which it will continue to strengthen. Regarding competition from Bigtechs, the Bank is committed to improving the customer experience, banking on the added value provided by the Group's social awareness (bits and trust), in addition to proposing possible collaborative approaches (open banking).

— **Cybersecurity and data protection**

The pandemic has considerably increased the volume and severity of cybersecurity events. Identity forgery campaigns by different companies and official bodies, teleworking to maintain the country's productivity, have made it possible for cybercriminals to develop cybersecurity events. At the same time, regulators and supervisors have escalated the priority of these issues on their agendas.

Mitigants: the Bank is well aware of the importance and extent of the existing threat at this time, and thus it constantly reviews the technological environment and applications relating to the integrity and confidentiality of information, systems availability and business continuity, through planned reviews and ongoing auditing with monitoring of the indicators defined. Additionally, the Bank has reviewed its security protocols to adapt them to the threats emerging in the current context, continually monitoring these threats and, if necessary, changing again the protocol. All the actions will be aligned with the strategic plan for information security, so that BPI can remain on the cutting edge of information protection in accordance with the best market standards.

— **Changes to the legal, regulatory or supervisory environment**

The risk of increased pressure from the legal, regulatory or supervisory environment is one of the risks identified in the Risk Assessment exercise that could entail a higher impact in the short/medium term. Specifically, it is necessary to uphold constant monitoring of new regulatory proposals and their implementation, given the high activity of legislators and regulators in the financial sector.

Mitigants: control and monitoring of regulations as well as controlling effective regulatory implementation.

— **Pandemics and other external operational events**

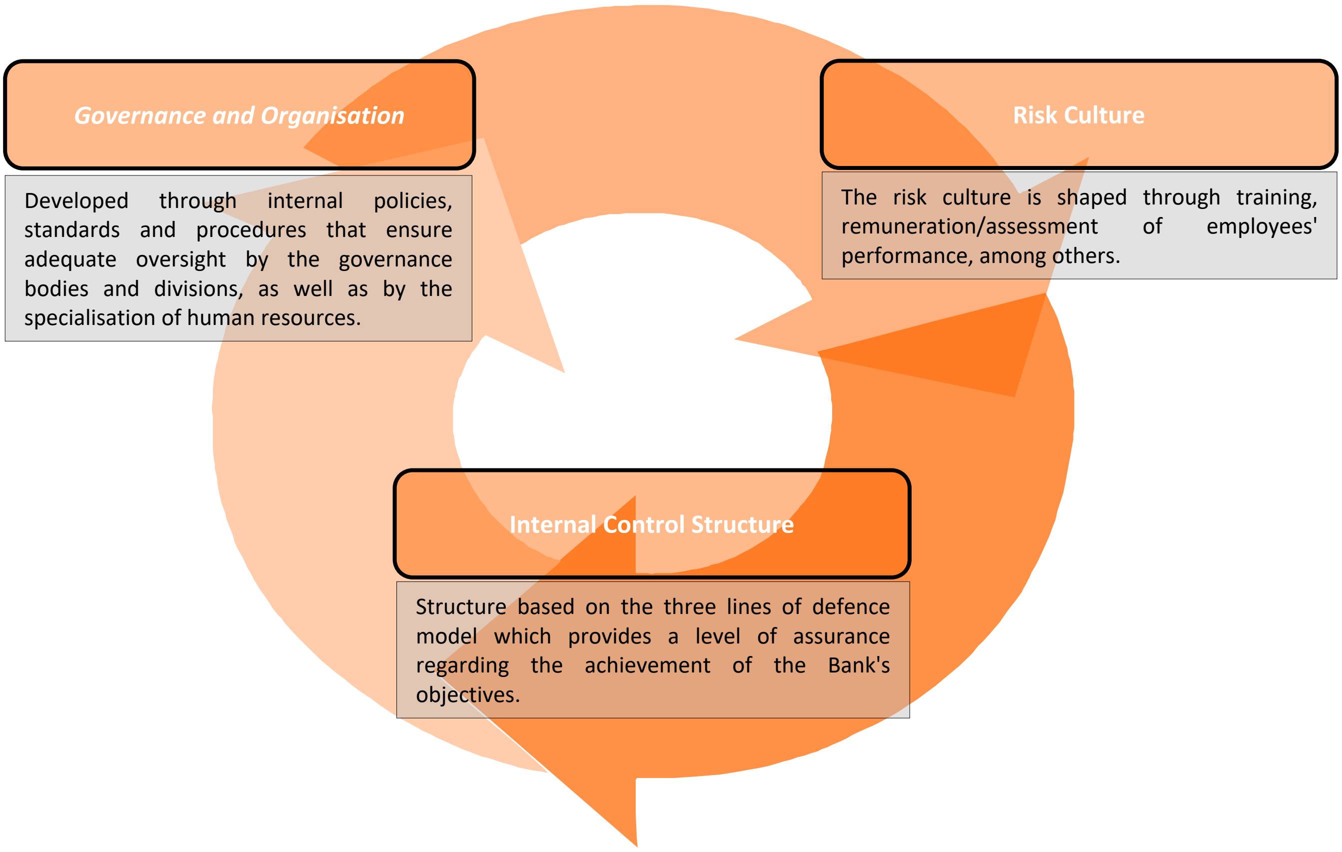
The exact impact of future pandemics, and of COVID-19 in particular, is unknown for each of the risks in the Catalogue, and will depend on future events and developments that are as yet unknown, including actions to contain or treat the pandemic and curb its impact on the economies of affected countries, including Portugal. The current pandemic situation caused by COVID-19 could cause high volatility in financial markets, which could lead to significant falls. Similarly, the macroeconomic outlook could worsen significantly, with considerable volatility in projected scenarios.

Mitigants: each pandemic can have different consequence; in the specific case of COVID-19, its strong impact on the geopolitical and macroeconomic impact should only have a limited impact on the Bank, given the profile of the customer portfolio, the dispersion of the portfolio, and the level of impairments voluntarily set up to mitigate the expected effects of deterioration in credit risk.

3.2. Risk governance, management and control

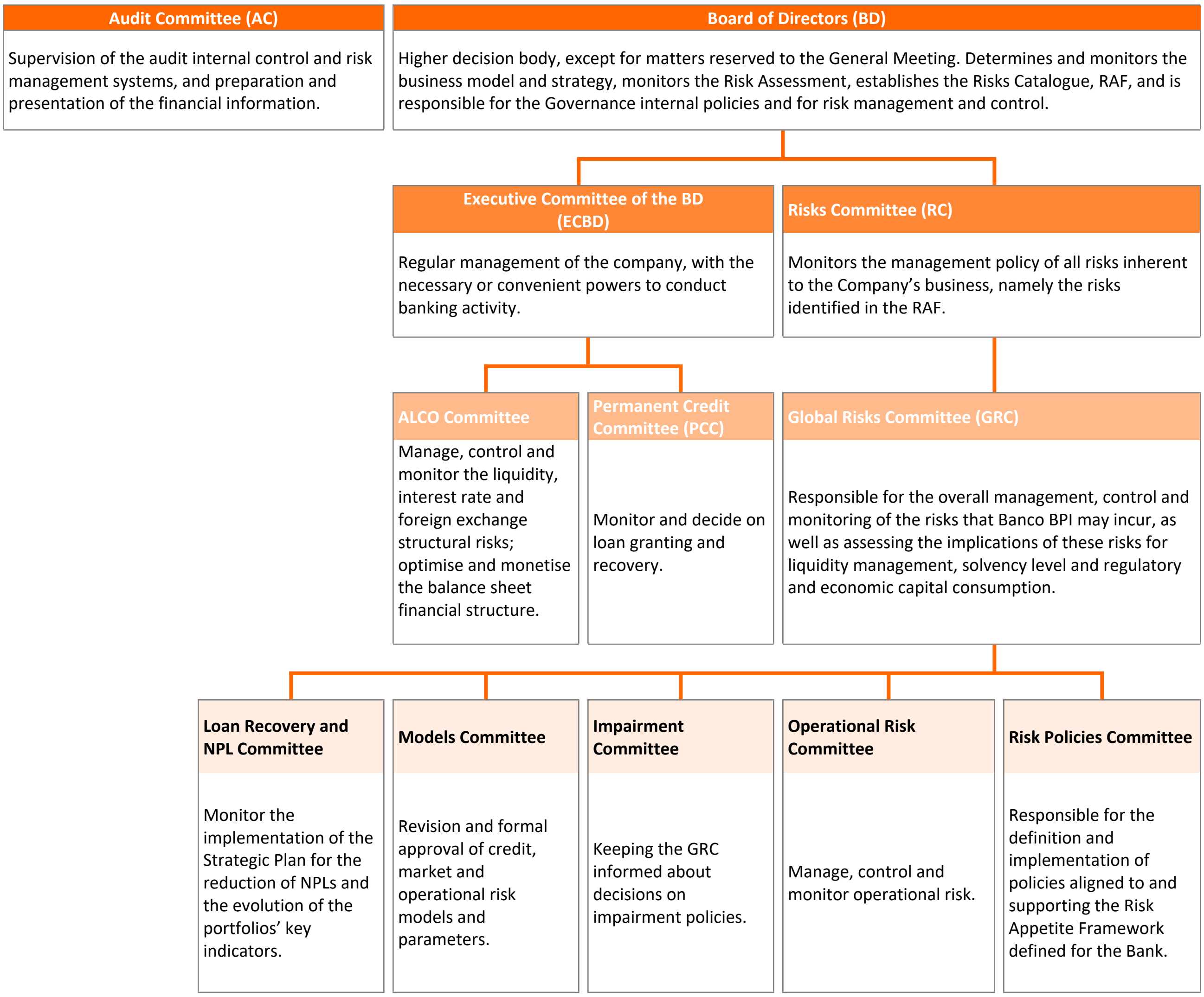
In order to facilitate a complete view of Risk Management and Control, the central elements of the bank's risk management function are as follows:

Strategic risk management processes		
Risk Assessment	**Risk Identification: Risks Catalogue**	**Risk Follow-up: Risk Appetite Framework (RAF)**
Semi-annual risk self-assessment exercise on the Bank's risk profile. It incorporates a process for identifying strategic events that affect one or more risks, which, due to their potential impact in the medium and long term, should be monitored in a specific way.	List and description of material risks identified in the Risk Assessment process with annual review. Facilitates the internal/external monitoring and reporting of risks.	Comprehensive and prospective tool with which the Board of Directors determines the typology and risk limits that it is willing to accept in order to achieve the Bank's strategic objectives and for all the risks in the Catalogue.



3.2.1. Governance and organisation

BPI's risk governance and management is schematised in the following chart:



Within Banco BPI's risk governance structure, the **Risk Committee** plays an important role as the body responsible for risk management. The main functions of the **Risk Committee** are to advise the Board of Directors on the risk strategy and global risk appetite, inform the Board of Directors on the Risk Appetite Framework (RAF) and propose risk policies.

One level below, three committees exercise the following relevant functions:

Global Risk Committee – Executive body headed by the Central Manager of the Global Risk Management Division, the committee exercises global management, control and monitoring over the risks included in the Risks Catalogue and analyses the implications of risk appetite on solvency and capital consumption.

Permanent Credit Committee - Headed by the CRO, the committee monitors and decides on loan granting and recovery, obligatorily analysing all loan exposures (including operations fully hedged by financial assets qualifying as mitigators) within its powers.

ALCO Committee - Headed by the CFO, the committee manages, controls and monitors all Liquidity, Interest Rate and Exchange Rate structural risks within the scope of Banco BPI. On the other hand, it seeks to streamline and monetise the financial structure of the balance sheet, including the Net interest income and Net income from Financial Operations.

The Risk Management Function, performed by the Global Risk Management Division, is responsible for developing risk management and control and for the second line of defence. It acts independently from the risk-taking areas and has direct access to the Bank's governance bodies, in particular the Risk Committee, to which it regularly reports on the Bank's risk profile situation and expected evolution.

3.2.2. Risk management strategic processes

The Bank uses the following risk management strategic processes to identify, measure, follow-up, control and report risks:

Risk Assessment

The Bank carries out a semi-annual self-assessment process with the objective of identifying, assessing and reporting internally any significant changes in the risks inherently assumed through its business environment and business model. This semi-annual exercise also includes a self-assessment of the risk management, control and governance capabilities, as a tool to help detect best practices as well as any weaknesses in certain risks.

The result of this self-assessment is also reported, on a semi-annual basis, to the Global Risk Committee and to the Risk Committee, for final approval by the Board of Directors.

Risks Catalogue

The Risk Catalogue lists the material risks incurred by the Bank. It is subject to continuous review, particularly in relation to risks with material impact and emerging risks, previously identified in the Risk Assessment process. The Catalogue is reviewed at least once a year and the results are submitted to the Global Risk Committee and the Risk Committee, for final approval by the Board of Directors.

These are most relevant changes resulting from this year's review:

- The inclusion of model risk to reflect the relevance of models in BPI's decision-making processes, as well as alignment with the regulator's recommendations and industry practices.
- Expanding the scope of information reliability risk (previously called financial information reliability) to cover financial and non-financial information.

In the following table each of the risks and their definition is presented:

Catalogue risk	Definition of the risk in the catalogue
Business Model Risks	
Business Profitability	The risk of BPI posting results below market expectations and the targets set in its business plan and strategy, that prevent it from reaching a sustainable level of profitability above the cost of capital.
Capital/Solvency	The risk of constraints to BPI's capacity to comply with regulatory requirements concerning capital ratios, or of a change in its risk profile due to insufficient own funds.
Liquidity and Funding	Risk of insufficient liquid assets or limitations on access to market funding that prevent the Bank to meet contractual obligations at maturity, comply with regulatory requirements and provide for its investment needs.
Risks Specific to Financial Activity	
Credit	Risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of the counterparties' capacity to honour their commitments.
Losses in other assets	Reduction in the book value of BPI's equity holdings or non-financial assets (material, immaterial, deferred tax assets, and other). Note: Includes (i) financial holdings, (ii) real estate (granted, own and other), (iii) intangible assets and (iv) taxes
Actuarial	Risk of loss or decrease in the value of commitments assumed under insurance or pension agreements entered into with clients or employees, as a result of differences between the assumptions used to estimate the actuarial variables used to calculate the responsibilities and their actual performance.
Market	Decrease in value, with impact on income or shareholder's equity, of a portfolio (set of assets and liabilities), due to changes of prices or unfavourable market rates.
Banking Book Interest Rate	Negative financial impact on the Balance sheet economic value, or on the Net interest income, as a result of changes in the time structure of interest rate curves that affect asset, liability or off-balance sheet products not booked in the trading portfolio.
Operational, Reputational and Other Risks	
Conduct	Application by BPI of action principles that are contrary to the interests of its clients or other stakeholders, or actions or omissions by the Bank that are out of step with the legal and regulatory framework or the internal policies, standards and internal procedures or codes of conduct, ethical standards and good practices.
Legal and Regulatory	Potential losses or reduction in the Bank's profitability as a result of: legal or regulatory changes, an inadequate implementation of said legislation in BPI's processes, inadequate interpretation for different operations, the management of judicial or administrative requests or complaints and claims received.
Technological	Losses arising from inadequate technological infrastructures, or hardware or software failures, due to cyberattacks or other circumstances, and the inability to effect changes in ICT over a period of time and at acceptable costs, which could compromise the availability, integrity, accessibility and security of the infrastructures and data.
Reliability of the financial information	Deficiencies in the accuracy, integrity and criteria for the preparation of the data and information necessary for the assessment of BPI financial and equity situation, as well as the information made available to interest groups and disclosed to the market, which offers a holistic view of the positioning in terms sustainability with the environment and which is directly related to environmental, social and government aspects (ESG principles). Note: includes reliability of the financial information and reliability of the non-financial information.
Model	Possible adverse consequences for the Bank that may arise as a result of decisions based mainly on the results of internal models with errors in the construction, application or use of those models. Note: includes Model Quality, Model Governance and Model Control.
Other Operating Risks	Losses or damages caused by errors or failures in processes, external events or accidental or malicious action by third parties independent from the Bank. It includes, among others, risk factors related to external events or external fraud.
Reputational	The risk of loss of competitiveness due to the deterioration of trust in BPI by any of its stakeholders on account of the assessment made of acts or omissions, actual or alleged, by the Bank, its Senior Management or its Governance Bodies.

Risk Appetite Framework

The Risk Appetite Framework (RAF) is a management tool used by the Board of Directors to determine the types and thresholds of risk it is willing to assume in achieving the Group's strategic objectives. Based on the RAF, the Board of Directors sets the risk appetite assumed in the development of the Bank's activity.

Risk appetite framework:

Responsible Body			**Board of Directors** (advised by the Risk Committee)	**Global Risk Committee**	**Management areas / Risk and Human Resources controllers**
		Equivalence in Risks Catalogue	Primary statements and metrics **Level 1**	Metrics that complement and develop the Level 1 metrics **Level 2**	Management levers **Level 3**
Priority dimensions	**Qualitative Statements**	**Business Model Risks**			
	- To maintain a medium-low risk profile and comfortable capital adequacy position, strengthening customer confidence through its financial strength. - To have the conditions in place to at all times fulfil contractual obligations and meet its funding needs in a timely manner, even under adverse market conditions, and to have a stable and diversified funding base, preserving and protecting the interests of its depositors. - To generate revenue in a balanced and diversified manner. - To align business strategy and customer relations with responsible social action, applying the highest ethical and governance standards, as well as considering potential impacts on climate change and the environment. - To promote its own risk culture integrated into management through policies, communication and employee training. - To pursue excellence, quality and operational resilience, in order to continue providing financial services to clients in accordance with their expectations, even in adverse scenarios.	- Business profitability - Own funds and solvency - Liquidity and funding	- Profitability ratios - Regulatory solvency ratios - Regulatory and internal liquidity metrics that oversee the maintenance of adequate liquidity levels	- Detailed metrics deriving from the factorial decomposition of Level 1 metrics or of other breakdowns. They also include more complex and specialised risk measurement parameters	- Training and Communication - Methodologies for risk measurement and valuation of assets and liabilities (RAF monitoring) - Limits, policies and powers - Incentives and commitments - Tools and processes
		Risks Specific to Financial Activity			
		- Credit - Impairment in other assets - Actuarial - Market - Structural interest rates	- Accounting metrics (cost of risk and NPL ratios) - Indicators that encourage diversification (by sector, etc)		
		Operational, Reputational and Other Risks			
		- Conduct - Legal and regulatory - Technological - Reliability of the financial Information - Market risk - Other operational risks - Reputational	- Quantitative metrics for non-financial risks (reputational, operational) - Operational risk incidence metrics		

<table>
<tr><th colspan="7">Alert System Reports</th></tr>
<tr><th colspan="5">Monthly
to Global Risk Committee</th><th>Quarterly
to Risk Committee;</th><th>Half-yearly
to BD</th></tr>
<tr><td>Level 1</td><td>Green</td><td>Tolerance
- The Global Risk Committee promotes an action plan and establishes a timetable</td><td>Breach
- Explanation of the reasons why the previous plan's corrective measures did not work and action proposals for approval by the Risk Committee</td><td>Recovery Plan
- Recovery Plan Governance process to reduce chances of bankruptcy</td><td>- Metrics evolution and Level 1 projection

- Non-compliance status and action plans</td><td>- Metrics evolution and Level 1 projection

- Non-compliance status and action plans</td></tr>
<tr><td>Level 2</td><td colspan="4">Based on limits</td><td></td><td></td></tr>
</table>

Risk planning

In addition to the processes referred, the Bank has processes and mechanisms in place to assess the evolution of the risk profile (current, future and potential under stress scenarios). To this end, the Bank estimates the expected evolution of the boundary values of the future risk profile, and subjects them to permanent review.

Also, in the years subject to regulatory supervision (ICAAP and ILAAP), the Bank makes projections of the evolution of its risk profile under baseline and stress scenarios, which give its governance bodies a vision about the Bank's resilience to internal and/or external events.

3.2.3. Risk culture

Training

In 2020 the Training initiatives on Risk covered Employees from several areas, and in particular those who work in the Commercial Networks (Retail and Corporate).

Conduct Risk, Credit Risk, Legal and Regulatory Risk and Other Operational Risks were the main risks addressed in these training sessions.

The contents were developed with the purpose of transmitting or reinforcing knowledge and developing skills that enable forestalling and acting upon risk issues. The training sessions provided in 2020 included topics such as the Internal Code of Conduct, Prevention of Money Laundering and the Fight against Terrorist Financing, and Information Security, which are mandatory for all Bank Employees, and also Segmentation and Rating Models, targeting all the commercial network.

The figures presented in the table below are evidence of the growing contribution of training to the strengthening of the risk culture at Banco BPI.

The pandemic crisis meant that training involving risk-related themes was essentially provided online (i.e., e-learning, training videos, webinars, video conferences, among others).

During 2020, 13 training sessions were held on risk issues, with a total of 2 348 participants, of which we highlight "Operational Risk Management 2019", which involved 1 534 employees.

The main training initiatives on the issue of Risk developed in 2020, were the following:

Course	Addressees	No of participants
Code of Business Conduct and Ethics	Commercial Networks and Central Services	230
Risk Management. New Rules on Consumer Solvency	Commercial Networks and Central Services	73
Risk Management: Risk Strategic Processes (RAF)	Commercial Networks and Central Services	41
Risk Management: NPL (Non-Performing Loans)	Commercial Networks and Central Services	97
Operational Risks - Central Services	Central Services	suspended
DRC-ENs training	Commercial Networks and Central Services	175
Analysis of and Decision on Loans to Individuals	Commercial Networks and Central Services	70
Data Protection Awareness	Commercial Networks and Central Services	74
Leases (IFRS16) - Regulatory Changes Under Way (implications in terms of Credit Risk)	Central Services	0
Operational Risks - Commercial Networks	Commercial Networks and Central Services	suspended
Training video - business continuity Pivot	Central Services	54
Segmentation of the Customers' Risk	Commercial Networks and Central Services	0
Webinar - Job Induction of New OR Pivots	Commercial Networks and Central Services	0
Operational Risk Management 2019	Central Services	1534
Credit Risk Management	Commercial Networks and Central Services	0

Communication

Spreading a corporate risk culture is essential in order to align all Employees around this theme. The internal communication channels, and in particular the Intranet, are an essential vehicle for spreading this culture, with disclosures and training contents being especially relevant. The following initiatives viewing the development of a corporate risk culture were particularly noteworthy in 2020:

- Emphasis on the internal communication campaign dedicated to Compliance, to reinforce a culture of commitment among the Employees, under the motto "Compliance: good for you, good for BPI";
- Participation of the Director responsible for the risk area, António Farinha Morais, in the 2019 Earnings Presentation video (published in February 2020), where he focused on the Bank's risk culture;
- Focus on the risk culture in the quarterly Earnings Presentation videos, with references made to the indicators on this topic;
- Publication of several news about training in non-performing loans

Performance assessment and remuneration

As stated in the Risk Appetite Framework, Banco BPI seeks to ensure that its Employees motivation is consistent with the risk culture, with risk-taking aligned with the level of risk that the Board of Directors is willing to assume.

To this end, the Bank has in place remuneration schemes directly related to the annual evolution of the RAF metrics, which are described in detail in the Governance Report and in the approved remuneration policies.

3.2.4. Internal control function

The model relating to BPI's control functions, aligned with CaixaBank Group's methodologies as well as with the regulators' directives and best practices in the sector, is designed based on the "three lines of defence model".

First line of defence

The first line of defence is formed by the business areas, risk-takers, and their support functions. Their responsibility is to develop and maintain effective controls over the businesses, as well as to identify, manage and measure, control, mitigate and report the main risks originated in the ongoing exercise of their activity. Among others, they identify, assess and report their exposures, taking into account the Bank's risk appetite, and its policies, procedures and controls.

The manner in which the business line carries out its responsibilities must reflect the prevailing risk culture in the Bank, promoted by its Board of Directors.

These functions may be integrated within the business and business support units themselves. However, when the level of complexity, intensity or need for greater focus so require, it is desirable to establish specific control units, with greater specialisation, to ensure an adequate level of risk control over the aforementioned activities.

Second line of defence

The second line of defence acts independently from the business units and has the following functions:

- The establishment of risk management and control policies in coordination with the first line of defence, subsequently assessing compliance therewith.
- The identification, measurement and monitoring of risks (including emerging risks), contributing to the definition and implementation of risk indicators aligned with the RAF.
- The identification of control weaknesses and the establishment and implementation of action plans.
- The independent validation of internal models.
- The coordination of the Risk Assessment, Risks Catalogue and RAF processes.

The activities of the second line of defence, as well as i) the weaknesses identified, ii) the follow-up of the action plans and iii) the opinion on the adequacy of the risk control structure at the Bank, are periodically reported to the bodies responsible for the control function, according to established hierarchical norms, as well as to supervisory bodies.

The second line of defence is formed by:

- **Global Risk Management (GRM)**

GRM is responsible for identifying, monitoring, analysing, measuring, managing and reporting risks, gaining an overall vision of all the risks faced by the Bank. Integrating the following areas:

— **Internal Validation of Risk Models**

The internal validation function at Banco BPI is performed by the Model Validation and Risk (MVR) area, whose mission is to issue an independent technical opinion on the adequacy of the internal models used for internal management and/or of a regulatory nature. Its scope of action includes the review of methodology and management aspects (use of management models and tools, coverage level, controls, governance and implementation of the models in management processes) and aspects related to the technological environment and the quality of data with regard to the models.

The MVR activities are aligned with regulatory requirements, with the requirements of the various supervision mechanisms, and with the guidelines established by the CaixaBank Group.

Any review activity by the MVR is concluded with the issuance of a global opinion and, if weaknesses are identified, with the issuance of recommendations. The MVR makes a periodic follow-up of the weaknesses identified, adjusting the level of monitoring and reporting to the relevance of the recommendations issued.

— **Internal financial control (ICF)**

The Internal Financial Control (IFC) unit performs second line of defence functions with regard to the following risks: i) business profitability, (ii) capital and solvency, (iii) deterioration of other assets (equity holdings and deferred tax assets), and (iv) reliability of financial reporting.

— **Internal control area**

This area assembles a global and centralised vision of the internal control recommendations issued by the various control functions, external auditors and supervisors.

- **Compliance**

Compliance is a CEO-dependent function, reporting directly, within its sphere of activity, to the Management and Supervision Bodies, and to the supervisors (Banco de Portugal, European Central Bank, Securities Market Commission, and other bodies).

The Compliance supervision model relies on four management pillars: (i) definition and maintenance of a detailed taxonomy of risks, in each scope of activity; ii) annual Compliance plan establishing the activities to be monitored and the revision of internal procedures, based on their criticality; iii) identification of deficiencies (in regulatory control or non-compliance), either through the first line of defence, or through the activities listed in the Compliance Plan), or through supervisor inspections, Customer complaints, or other, and periodic monitoring of the corresponding action plans for the implementation of improvements; (vi) reporting and escalation of relevant themes, monitoring of Compliance inspections and deficiencies.

In this manner, the Compliance function performs advisory activities in matters within its competence, carrying out actions for the development and transformation of the Compliance "Culture" through the review of technology-based processes, awareness-raising and communication actions addressed to the entire organisation, as well as training actions, defining a mandatory regulatory training plan.

Compliance also ensures that good practices are followed in terms of integrity and conduct, with an internal consultation channel and a whistleblowing channel being available to all Employees for this purpose.

Third line of defence

The Board of Directors of BPI, through the Audit Committee (AC) ensures the existence of an Internal Audit Function with an effective, permanent and independent nature, endowing it with the adequate material, human and financial resources required for this Function to fully pursue the mission entrusted to it, and promoting the authority and independence of the Function within the Institution and the BPI Group.

Through its activity, the Internal Audit Department aims to provide reasonable assurance to the governance bodies about:

- The effectiveness and efficiency of the internal control system in the mitigation of the risks inherent to the Bank's activities;
- Compliance with the legislation in force, namely the regulatory requirements and the adequate implementation of the Internal Control Framework and Risk Appetite Framework;
- Compliance with the internal policies and regulations, including corporate guidelines from CaixaBank, and alignment with the sector's risk appetite and best practices; and
- The integrity, reliability and timeliness of financial, accounting and operational information.

Hence the scope of activity of this function includes assessing:

- The adequacy, effectiveness and implementation of Policies, Regulations and Standards;
- The effectiveness of controls;
- The adequate measurement and monitoring of the 1LoD and 2LoD indicators;
- The existence and correct implementation of action plans for control weaknesses;
- The validation, monitoring and assessment of control by the 2LoD.

And its main functions include:

- Drafting of the annual audit plan under a multi-annual perspective, based on the assessment of risk and taking into account the regulators' requirements and the requests of the Audit Committee (AC);
- Regular delivery to the AC and the Board members with this area of responsibility of the audit reports containing the conclusions of the works carried out and the deficiencies detected;
- Added value through the issuance of recommendations on how to solve the deficiencies detected, and monitoring of their adequate implementation by the auditees; and
- Regular communication with the supervisor to exchange information on the Bank's areas/processes with identified risk.

3.3. Business model risk

3.3.1 Risk to business profitability

The risk to business profitability concerns the possibility of obtaining lower earnings than those expected by shareholders, or targeted by BPI, which ultimately may lead to not achieving sustainable profitability (above the cost of capital).

BPI's profitability objectives, backed by a process of financial planning, are defined in the strategic plan and in the budget.

3.3.2 Capital adequacy and solvency risk

BPI has set the objective of maintaining a medium-low risk profile and a solid capital position. The adequate level of capital to cover unexpected losses is measured under two different approaches: regulatory capital and economic capital.

The regulatory capital of financial entities is determined under Regulation (EU) 575/2013 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council, which provide the global supervision framework and prudential rules with regard to Solvency, known as Basel III (BIS III), and it corresponds to the metric i) required by the regulators and ii) used by analysts and investors for purposes of comparative analysis of financial entities. Subsequently, the Basel Committee and other relevant bodies published additional rules and documents, containing new specifications for the calculation of own funds. In view of the permanent evolution of the regulatory framework, the Bank continually adapts its processes and systems in order to ensure that the calculation of minimum capital requirements is permanently aligned to the new requirements.

As a complement to the assessment of capital adequacy relative to the risk-weighted assets on a regulatory basis, BPI measures the adequacy of its available own funds relative to its economic needs, this being the metric used to:

- the self-assessment of capital, which is subject to presentation to and review by the Bank's relevant bodies;
- update the economic capital ratio, as a control and monitoring tool;
- calculating the Risk Adjusted Return (RAR) and pricing adjusted return.

In contrast with regulatory capital, economic capital always requires an internal estimate, which the Entity adjusts according to its level of tolerance to risk, volume, and type of business activity. Hence, economic capital complements the regulatory vision of solvency to provide a closer view of the real profile of risk taken by the Bank, and to capture risks not considered, or only partially considered, in the regulatory requirements. In addition to the risks already contemplated under Pillar I (credit, market, and operational risks), others are also included in the catalogue of risks (namely structural interest rate risk, liquidity risk, business risk, actuarial risk, etc.). To manage these risks, the Group uses the same confidence level as that used for calculations under Pillar I - a 99.9% confidence level, in accordance with the Basel III definition.

3.3.3 Liquidity and financing risk

Overview

Banco BPI manages liquidly risk with the objective of maintaining a level of liquidity allowing it at all times to meet all its payment obligations, without investment activities being affected by lack of funds, while maintaining a balanced balance sheet structure in the long term. Liquidity risk is managed in its various aspects: i) the ability to keep up with assets growth and to meet cash requirements without incurring exceptional losses; ii) the maintenance in the portfolio of tradable assets that constitute a sufficient liquidity buffer; (iii) compliance with the various regulatory requirements in the context of liquidity risk.

The strategic principles followed to reach this objective are:

- Autonomous management of liquidity within Banco BPI's prudential consolidation scope, subject to governance practices aligned to those implemented by CaixaBank as well as to the recommendations and best practices set forth by the supervision authorities.
- Active liquidity management, namely through the ongoing monitoring of liquid assets and the balance sheet structure.
- Maintaining a sufficient level of liquid funds to meet obligations assumed, fund business plans and comply with regulatory requirements.
- Sustainability and stability of the funding sources, based on i) funding structure mainly supported by Customer deposits ii) recourse to the ECB medium- and long-term facilities and reduced dependence on the capital and money markets.

The liquidity risk strategy and appetite for liquidity and financing risk involves:

- Identification of significant liquidity risks for Banco BPI;
- Formulation of the strategic objectives for each of these risks and definition of the management requirements to reach these objectives;
- Definition of the relevant metrics for each of these risks;
- Setting of limits and objectives for each of these metrics within the context of the Risk Appetite Framework;
- Establishment of management, monitoring and control procedures for each of the risks, including mechanisms of regular internal and external reporting;
- Definition of a stress testing framework and a Liquidity Contingency Plan to ensure the management of liquidity risk in situations of moderate and serious crisis;
- Recovery Plan setting out scenarios and measures for extreme stress situations.

In particular, Banco BPI has specific strategies with regard to: i) management of intra-day liquidity; ii) management of short-term liquidity; iii) management of funding sources; iv) management of concentration risk; v) management of liquid assets; and vi) management of collateralised assets. In addition, Banco BPI has in place procedures to minimise liquidity risks in stress conditions through i) early detection; ii) proactive management to overcome potential situations of crisis; and iii) minimisation of negative impacts.

Mitigation of liquidity risk

On the basis of the principles referred in the previous section, a Contingency Plan has been drawn up which establishes action plans for each crisis scenario and sets out the measures to be taken at commercial, institutional and internal/external communication level to deal with each situation. In a stress situation, the main priority of the net liquid assets portfolio management is to minimise liquidity risk.

The usual liquidity management measures include:

- Resorting to funding from the ECB, for which a series of guarantees have been provided as collateral:

Available balance in the ECB facility

	31-12-2020	31-12-2019
Value of guarantees delivered as collateral	**5 640 613**	**5 454 460**
Drawn down	**(4 420 000)**	**(1 380 000)**
TLTRO II		(500 000)
TLTRO III	(4 420 000)	(880 000)
Interest from of guarantees delivered as collateral	**13 578**	**18 417**
Total available balance in the ECB facility	**1 234 191**	**4 092 877**

Note: The interest on taking TLTRO III on 31 December 2020, in the amount of 26 million euros, were calculated for each operation in this series, reflecting the estimated amount of interest that will be charged on the maturity of each operation, assuming the fulfilment of targets on change in the volume of eligible credit defined by the ECB.

The TLTRO III targeted longer-term refinancing operations provide for a preferential interest rate conditional on compliance with target changes in the volume of eligible credit over during certain periods. Two of these periods end soon - on 31 March 2021 (periods from 1 April 2019 to 31 March 2021 and from 1 March 2020 to 31 March 2021), - for which growth above the required target have so far been observed. For the recently started period (from 1 October 2020 to 31 December 2021), growth is also expected to be above the target defined for obtaining the preferential interest rate.

- Maintenance of debt issuance programmes with the objective of facilitating the capacity to issue securities in the market or by private placement, or securities to be maintained in the Bank's own portfolio, as eligible assets for obtaining funding from the ECB.

Debt issuance capacity

	Maximum amount of Programme	Nominal used at 31-12-2020
Euro Medium Term Note (EMTN) [1]	7 000 000	1 025 332
Mortgage Covered Bonds Programme [2]	9 000 000	7 300 000 [3]
Public Sector Covered Bonds Programme [4]	2 000 000	600 000 [5]

[1] Registered on Luxembourg's "Commission de surveillance du secteur financier" ("CSSF") on 21 July 2020.

[2] Registered on the "Comissão do Mercado de Valores Mobiliários" ("CMVM") on 2 July 2020.

[3] Of which 6 250 million euros concern securities retained by Banco BPI and included in the portfolio of eligible assets for funding from the ECB.

[4] Registered on the "Comissão do Mercado de Valores Mobiliários" ("CMVM") on 20 August 2020.

[5] The securities have been retained by Banco BPI and included in the portfolio of eligible assets for funding from the ECB.

- Covered bonds issuance capacity (mortgage and public sector covered bonds):

Capacity to issue collateralised and securitised debt

	31-12-2020	31-12-2019
Mortgage Bonds		
use of retained issues [1]	6 250 000	6 250 000
issues with additional credit portfolio [2]	657 000	312 000
Public Sector Bonds		
use of retained issues [1]	600 000	600 000
Securitisation of mortgage loans (senior tranche)	367 000	424 000
Securitisation of loans to SMEs (senior tranche)	3 271 000	3 232 000

[1] The Bank may use the issues retained to place them with third parties, or cancel them and replace them by new issues to be subscribed by third parties.

[2] Issuance capacity based on eligible credit portfolio, not included in the cover pool of the Mortgage Bonds.

- Access to the short-term funding market:
  - Interbank facilities with various national and international counterparties
  - Access to the repos market with several types of assets
  - Access to the Clearing House (LCH) for repo business

- The Contingency Plan and the Recovery Plan contain a series of measures that allow for liquidity to be generated in diverse crisis situations. The adequacy of each measure is assessed for each of the scenarios, and descriptions are provided of the steps necessary for their execution and expected period of execution.

Liquidity position

The table below shows the breakdown of BPI's liquid assets, in accordance with criteria established to determine the high-quality liquid assets used for the calculation of the LCR.

Total liquid assets

	Consolidated				Individual			
	31-12-2020		31-12-2019		31-12-2020		31-12-2019	
	Market value	Eligible value	Market value	Eligible value	Market value	Eligible value	Market value	Eligible value
Level 1 Assets	9 384 332	9 384 332	4 015 609	4 015 609	9 384 328	9 384 328	4 015 608	4 015 608
Level 2A Assets	91 280	77 588	41 887	35 604	91 280	77 588	41 887	35 604
Level 2B Assets	60 290	30 145	87 344	43 672	60 290	30 145	87 344	43 672
Total HQLA [1]	**9 535 902**	**9 492 065**	**4 144 840**	**4 094 885**	**9 535 898**	**9 492 061**	**4 144 839**	**4 094 884**
Other non-HQLA		**1 220 613**		**4 080 054**		**1 220 613**		**4 080 054**
Total liquid assets (HQLA + other non-HQLA)		**10 712 678**		**8 174 939**		**10 712 674**		**8 174 938**

[1] HQLA in accordance with the liquidity coverage ratio (LCR) calculation criteria. Corresponds to high quality assets available to meet liquidity needs in a 30-day stress period.

Note: Unaudited amounts

Liquidity ratios

	Consolidated		Individual	
(Average in last 12 months)	31-12-2020	31-12-2019	31-12-2020	31-12-2019
High quality liquid assets (numerator)	7 655 231	4 367 546	7 655 229	4 366 936
Total net outflows (denominator)	2 942 561	2 520 063	2 943 042	2 560 888
Cash outflows	4 111 036	3 514 157	4 111 036	3 585 809
Cash inflows	1 168 475	994 094	1 167 994	1 024 921
Liquidity coverage ratio (LCR) [1]	**260%**	**173%**	**260%**	**171%**
Net stable funding ratio (NSFR) [2]	**151%**	**129%**	**151%**	**130%**

[1] The table presents the simple arithmetic mean in the last 12 months of the LCR ratio and respective calculation components. According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. The established regulatory limit for the LCR ratio is 100%.

[2] NSFR will enter into force in June 2021.

Note: Unaudited amounts

At 31 December 2020 the main ratings assigned by international rating agencies to Banco BPI were the following:

	Long-term debt	Short-term debt	Outlook	Date of last review	Mortgage covered bonds rating
DBRS Rating Limited	-	-	-	-	AA (Low)
Fitch Ratings	BBB[1]	F2	Negative	19/10/2020	-
Moody's Investors Service	Baa3[2]	P-3	Stable	9/24/2020	Aa3
Standard & Poor's Global Ratings	BBB[3]	A-2	Stable	10/20/2020	-

[1] Long-term issuer default rating

[2] Long term Debt Rating / Issuer rating

[3] Long Term Issuer Credit Rating

In the event of a downgrade of the current credit rating, additional collateral must be delivered to certain counterparties, or there are early redemption clauses. The breakdown of the impact on liquidity deriving from 1, 2 and 3-notch downgrading (not cumulative) is shown below:

Liquidity sensitivity to credit rating changes at 31 December 2020

	Downgrade 1 notch	Downgrade 2 notches	Downgrade 3 notches
Trading in derivatives (CSA agreements)	5 299	5 299	6 460

Liquidity sensitivity to credit rating changes at 31 December 2019

	Downgrade 1 notch	Downgrade 2 notches	Downgrade 3 notches
Trading in derivatives (CSA agreements)	-	1 780	3 561

Note: Unaudited amounts

Asset encumbrance

This note includes information about encumbered and unencumbered assets, as defined by Banco de Portugal in Instruction 28/2014, of 23 December. The amounts disclosed are median values for the last four quarters, as set forth in Title II of the EBA Guidelines (EBA/GL/2014/03). The information below concerns the prudential supervision perimeter, as defined in Regulation (EU) no. 575/2013, CRD IV / CRR.

An encumbered asset is considered as an asset explicitly or implicitly pledged as security, or subject to an agreement to secure, collaterise, or improve the credit quality in any operation from which it cannot be freely withdrawn.

At 31 December 2020, the breakdown of assets by encumbered and unencumbered was as follows:

	Consolidated		Individual	
Encumbered assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Portuguese sovereign debt securities				
Debt securities sold with repurchase agreement	323 000	323 032	323 000	323 032
Commitments to the Deposit Guarantee Fund and Investors Compensation Scheme	49 216	49 216	49 216	49 216
Total Portuguese sovereign debt	**372 216**	**372 248**	**372 216**	**372 248**
Credit operations				
Funding from the European Investment Bank (EIB) collateralised by mortgage bonds	679 235		679 235	
Funding from the European Central Bank (ECB) collateralised by covered bonds	5 610 201		5 610 201	
Bonds collateralised by mortgage loans	1 231 250		1 231 250	
Total credit operations	**7 520 686**		**7 520 686**	
Other assets				
Derivatives	228 264		228 264	
Other collateral	42 237		42 237	
Total other assets	**270 501**		**270 501**	
Total amount of encumbered assets	**8 163 403**		**8 163 403**	

	Consolidated		Individual	
Unencumbered assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Equity instruments	627 147	627 147	627 147	627 147
Debt instruments	6 802 912	6 870 301	6 802 965	6 870 301
Credit	20 479 652		20 468 766	
Other assets	1 347 487		1 190 182	
Total amount of unencumbered assets	**29 257 198**		**29 089 060**	

At 31 December 2019, the breakdown of assets by encumbered and unencumbered was as follows:

Encumbered assets	Consolidated / Individual	
	Book value	Fair value
Portuguese sovereign debt securities		
Debt securities sold with repurchase agreement	650 553	650 553
Commitments to the Deposit Guarantee Fund and Investors Compensation Scheme	49 895	49 895
Total Portuguese sovereign debt	**700 448**	**700 448**
Credit operations		
Funding from the European Investment Bank (EIB) collateralised by mortgage bonds	692 694	
Funding from the European Central Bank (ECB) collateralised by covered bonds	1 689 550	
Bonds collateralised by mortgage loans	1 227 043	
Securitisation operations	61 969	
Total credit operations	**3 671 256**	
Other assets		
Derivatives	203 109	
Other collateral	64 143	
Total other assets	**267 252**	
Total amount of encumbered assets	**4 638 956**	

Unencumbered assets	Consolidated		Individual	
	Book value	Fair value	Book value	Fair value
Equity instruments	808 947	808 947	798 189	798 189
Debt instruments	4 603 915	4 486 387	8 093 068	4 687 438
Credit	20 231 831		20 167 511	
Other assets	1 477 772		1 522 910	
Total amount of unencumbered assets	**27 122 465**		**30 581 678**	

The encumbered assets included in this table correspond to operations that were given as a guarantee or collateral, without being derecognised from the Bank’s assets, such as securities sold with repurchase agreements and securities delivered to the European Central Bank to guarantee financing from this entity.

As defined in Commission Implementing Regulation (EU) 2015/79 of 18 December 2014, assets included in the liquidity pool deposited in the European Central Bank and not used, or credit operations associated with mortgage bonds and Public Sector bonds and securitisations not placed on the market are not considered encumbered assets.

At 31 December 2020, the fair value of the encumbered collateral received was as follows:

	Fair value of collateral received	
	Encumbered	Free
Debt securities		
Sovereign debt		388 370
Total debt securities		388 370
Other assets (derivatives)	10 311	

This table includes the amount of collateral received that does not meet the conditions for recognition in the balance sheet, such as securities received as collateral for repo operations. These assets may or may not be reusable and provided as collateral in other operations.

At 31 December 2020, the liabilities associated with encumbered assets and collaterals received were as follows:

	Associated and contingent liabilities	Assets and collateral received
Financial Liabilities		
Derivatives	188 955	273 949
Deposits		
Funding from the European Central Bank	4 401 533	5 610 201
Funding from the European Investment Bank (EIB)	466 513	687 286
Debt securities sold with repurchase agreement	323 094	323 000
Other deposits	10 231	
Securities issued		
Bonds collateralised by mortgage loans	1 047 582	1 231 250
	6 437 908	**8 125 686**
Other encumbrance sources		
Commitment to the Deposit Guarantee Fund	43 070	46 632
Commitment to the Investor Compensation Scheme	9 511	2 573
	52 581	**49 205**
Total amount of encumbrance sources	**6 490 489**	**8 174 891**

Residual maturity of operations

The tables below show the breakdown of certain balance sheet items by contractual term to maturity, under normal market conditions:

Term to maturity of operations at 31 December 2020

	Consolidated						
	On demand	**< 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Cash and cash balances at central banks and other demand deposits	4 535 243						4 535 243
Derivatives							
Financial assets held for trading		4 835	6 857	4 042	18 253	97 425	131 412
Hedge accounting		19	107	161	789	377	1 453
Debt securities							
Financial assets held for trading				457	5 316		5 773
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				977	49	51 288	52 314
Financial assets at fair value through other comprehensive income			50 065	453 739	758 670	184 995	1 447 469
Financial assets at amortised cost	475	472 193	220 233	1 664 890	2 536 895	878 075	5 772 761
Loans and advances	458 816	1 672 422	855 796	2 843 221	7 084 864	11 316 090	24 231 209
Total Assets	4 994 534	2 149 469	1 133 058	4 967 487	10 404 836	12 528 250	36 177 634
Derivatives							
Financial liabilities held for trading		3 930	7 340	4 326	22 762	102 987	141 345
Hedge accounting		3 470	10 181	26 244	6 530	17 299	63 724
Financial liabilities at amortised cost							
Deposits							
Central Banks					4 394 239		4 394 239
Credit Institutions	114 884	512 107	16 672	141	459 998	6 274	1 110 076
Customers	17 525 800	977 550	1 060 211	3 504 793	2 938 893	1 306	26 008 553
Debt securities issued							
Mortgage bonds					1 050 000		1 050 000
Fixed rate bonds		162			450 344		450 506
Other subordinated bonds						304 345	304 345
Other financial liabilities	137 570	11 676	8 535	144 148	72 703	3 371	378 003
Total Liabilities	17 778 254	1 508 895	1 102 939	3 679 652	9 395 469	435 582	33 900 791
Of which wholesale funding:					1 500 344	304 345	1 804 689
Assets minus Liabilities	**(12 783 720)**	**640 574**	**30 119**	**1 287 835**	**1 009 367**	**12 092 668**	**2 276 843**

Note: Does not include future interest cash flows, except accrued interest.

Term to maturity of operations at 31 December 2020

	Individual						
	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	4 530 281						4 530 281
Derivatives							
Financial assets held for trading		4 835	6 857	4 042	18 253	97 425	131 412
Hedge accounting		19	107	161	789	377	1 453
Debt securities							
Financial assets held for trading				457	5 316		5 773
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				977	49	51 288	52 314
Financial assets at fair value through other comprehensive income			50 065	453 739	758 670	184 995	1 447 469
Financial assets at amortised cost	475	472 193	220 233	1 664 890	2 536 895	878 075	5 772 761
Loans and advances	458 692	1 671 967	855 562	2 842 448	7 082 936	11 313 012	24 224 617
Total Assets	4 989 448	2 149 014	1 132 824	4 966 714	10 402 908	12 525 172	36 166 080
Derivatives							
Financial liabilities held for trading		3 930	7 340	4 326	22 762	102 987	141 345
Hedge accounting		3 470	10 181	26 244	6 530	17 299	63 724
Financial liabilities at amortised cost							
Deposits							
Central Banks					4 394 239		4 394 239
Credit Institutions	114 884	512 107	16 672	141	459 998	6 275	1 110 077
Customers	17 525 800	977 550	1 060 211	3 504 793	2 938 893	1 306	26 008 553
Debt securities issued							
Mortgage bonds					1 050 000		1 050 000
Fixed rate bonds		162			450 344		450 506
Other subordinated bonds						304 345	304 345
Other financial liabilities	137 873	11 702	8 553	144 210	72 863	3 378	378 579
Total Liabilities	17 778 557	1 508 921	1 102 957	3 679 714	9 395 629	435 590	33 901 368
Of which wholesale funding:					1 500 344	304 345	1 804 851
Assets minus Liabilities	**(12 789 109)**	**640 093**	**29 867**	**1 287 000**	**1 007 279**	**12 089 582**	**2 264 712**

Note: Does not include future interest cash flows, except accrued interest.

Term to maturity of operations at 31 December 2019

	Consolidated						
	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	1 068 261						1 068 261
Derivatives							
Financial assets held for trading		1 299	4 970	5 560	17 051	104 318	133 198
Hedge accounting		988	1 266	5 405	17 965	5 085	30 709
Debt securities							
Financial assets held for trading				5 010	8 924		13 934
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				1 027		61 818	62 845
Financial assets at fair value through other comprehensive income			225 243	200 356	747 822	203 623	1 377 044
Financial assets at amortised cost	438	455 574	305 778	712 989	1 888 852	666 046	4 029 677
Loans and advances	550 585	1 375 509	1 147 169	2 533 443	6 538 213	11 264 588	23 409 507
Total Assets	**1 619 284**	**1 833 370**	**1 684 426**	**3 463 790**	**9 218 827**	**12 305 478**	**30 125 175**
Derivatives							
Financial liabilities held for trading		1 182	4 932	6 409	20 629	113 015	146 167
Hedge accounting		50	30	6 696	15 738	50 285	72 799
Financial liabilities at amortised cost							
Deposits							
Central Banks					1 374 229		1 374 229
Credit Institutions	175 805	665 895	84 637	1 398	10 007	465 150	1 402 892
Customers	14 621 995	1 244 458	1 109 261	3 478 112	2 775 947	1 818	23 231 591
Debt securities issued							
Mortgage bonds					800 000	250 000	1 050 000
Fixed rate bonds					4 259		4 259
Other subordinated bonds						304 440	304 440
Other financial liabilities	65 075	1 865	24 994	2 304	101 415	77 314	272 967
Total Liabilities	**14 862 875**	**1 913 450**	**1 223 854**	**3 494 919**	**5 102 224**	**1 262 022**	**27 859 344**
Of which wholesale funding:					800 000	554 440	1 354 440
Assets minus Liabilities	**(13 243 591)**	**(80 080)**	**460 572**	**(31 129)**	**4 116 603**	**11 043 456**	**2 265 831**

Note: Does not include future interest cash flows, except accrued interest.

Term to maturity of operations at 31 December 2019

	Individual						
	On demand	**< 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Cash and cash balances at central banks and other demand deposits	1 058 700						1 058 700
Derivatives							
Financial assets held for trading		1 299	4 970	5 560	17 051	104 318	133 198
Hedge accounting		988	1 266	5 405	17 965	5 085	30 709
Debt securities							
Financial assets held for trading				5 010	8 924		13 934
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				1 027		61 818	62 845
Financial assets at fair value through other comprehensive income			225 243	200 356	747 822	203 623	1 377 044
Financial assets at amortised cost	438	455 574	305 778	712 989	1 888 925	666 046	4 029 750
Loans and advances	550 573	1 375 480	1 147 145	2 533 389	6 538 076	11 264 352	23 409 015
Total Assets	1 609 711	1 833 341	1 684 402	3 463 736	9 218 763	12 305 242	30 115 195
Derivatives							
Financial liabilities held for trading		1 182	4 932	6 409	20 629	113 015	146 167
Hedge accounting		50	30	6 696	15 738	50 285	72 799
Financial liabilities at amortised cost							
Deposits							
Central Banks					1 374 229		1 374 229
Credit Institutions	175 805	665 895	84 637	1 398	10 007	465 150	1 402 892
Customers	14 621 995	1 244 458	1 109 261	3 478 112	2 775 947	1 818	23 231 591
Debt securities issued							
Mortgage bonds					800 000	250 000	1 050 000
Fixed rate bonds					4 259		4 259
Other subordinated bonds						304 440	304 440
Other financial liabilities	65 011	1 864	24 969	2 301	101 315	77 238	272 698
Total Liabilities	14 862 811	1 913 449	1 223 829	3 494 916	5 102 124	1 261 946	27 859 075
Of which wholesale funding:					800 000	554 440	1 354 440
Assets minus Liabilities	**(13 253 100)**	**(80 108)**	**460 573**	**(31 180)**	**4 116 639**	**11 043 296**	**2 256 120**

Note: Does not include future interest cash flows, except accrued interest.

3.4. Risks of financial activity

3.4.1 Credit risk

Overview

BPI shares with the CaixaBank Group the principles and policies that support credit risk management, which may be summarised as follows:

- An adequate relationship between income and the commitments assumed by the consumers.
- Documentary proof of the information provided by the borrower concerning its solvency.
- Adequate pre-contractual information about the personal circumstances and characteristics of each Customer and operation.
- Adequate independent assessment of real estate collateral.

Concerning BPI's commercial activity, the Bank gears its lending activity towards meeting the financing needs of families (consumer and residential mortgage loans) and businesses, seeking to maintain a medium-low risk profile, as established in the RAF and the 2019- 2021 Strategic Plan.

At 31 December 2020 and 2019 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Consolidated			
	31-12-2020		31-12-2019	
	Maximum exposure to credit risk	Impairment	Maximum exposure to credit risk	Impairment
Cash balances in other Credit Institutions[1]	246 615		116 795	
Financial assets held for trading				
Debt securities	5 773		13 934	
Non-trading financial assets mandatorily at fair value through profit or loss				
Debt securities	52 314		62 845	
Financial assets at fair value through other comprehensive income				
Debt securities	1 447 469		1 377 044	
Financial assets at amortised cost				
Debt securities	5 784 013	(11 252)	4 036 017	(6 340)
Loans and advances - Central Banks and other Credit Institutions	1 595 011	(18)	1 452 753	(66)
Loans and advances - Customers	23 116 113	(479 897)	22 347 267	(390 317)
Trading derivatives and hedge accounting[2]	174 908		182 268	
Total active exposure	32 422 216	(491 167)	29 588 923	(396 723)
Total guarantees given and commitments[3]	4 823 959	(16 704)	4 329 685	(18 736)
Total	37 246 175	(507 871)	33 918 608	(415 459)

[1] Does not include cash and cash balances in Central Banks.
[2] The maximum exposure to credit risk for derivatives is the exposure value according to the mark-to-market method, it does not reflect the netting carried out for the book values. As of 31 December 2020 and 2019, the value of the adjustment for counterparty credit risk (Credit Valuation Adjustment) associated with the derivatives portfolio is (8 531) th.euros and (13 436) th.euros, respectively.
[3] CCF – Credit Conversion Factor for guarantees given and credit commitments. At 31 December 2020 and 2019, total guarantees and commitments, considering the respective CCF, were 3 875 Me. and 3 503 Me. respectively.

At 31 December 2020 and 2019 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Individual			
	31-12-2020		31-12-2019	
	Maximum exposure to credit risk	Impairment	Maximum exposure to credit risk	Impairment
Cash balances in other Credit Institutions[1]	241 657		107 236	
Financial assets held for trading				
Debt securities	5 773		13 934	
Non-trading financial assets mandatorily at fair value through profit or loss				
Debt securities	52 314		62 845	
Financial assets at fair value through other comprehensive income				
Debt securities	1 447 469		1 377 044	
Financial assets at amortised cost				
Debt securities	5 784 013	(11 252)	4 036 090	(6 340)
Loans and advances - Central Banks and other Credit Institutions	1 588 530	(18)	1 452 753	(66)
Loans and advances - Customers	23 116 002	(479 897)	22 346 645	(390 317)
Trading derivatives and hedge accounting[2]	174 908		182 268	
Total active exposure	32 410 666	(491 167)	29 578 815	(396 723)
Total guarantees given and commitments[3]	4 823 959	(16 704)	4 329 685	(18 736)
Total	37 234 625	(507 871)	33 908 500	(415 459)

[1] Does not include cash and cash balances in Central Banks.
[2] The maximum exposure to credit risk for derivatives is the exposure value according to the mark-to-market method, it does not reflect the netting carried out for the book values. As of 31 December 2020 and 2019, the value of the adjustment for counterparty credit risk (Credit Valuation Adjustment) associated with the derivatives portfolio is (8 531) th.euros and (13 436) th.euros, respectively.
[3] CCF – Credit Conversion Factor for guarantees given and credit commitments. At 31 December 2020 and 2019, total guarantees and commitments, considering the respective CCF, were 3 875 Me. and 3 503 Me. respectively.

The maximum exposure to credit risk is the gross carrying amount, except in the case of derivatives, where it is the exposure value according to the mark-to-market method, which is calculated as the sum of current and potential exposures:

- **Current exposure:** the highest value between zero and the market value of an operation or of a portfolio of operations with a counterparty which can be offset in the event of default by the counterparty, assuming that nothing from the value of the operations will be recovered in the event of insolvency or liquidation of the counterparty, except for the collateral received.
- **Potential risk:** change in the credit exposure as a result of future changes in the valuation of an operation or in the valuation of operations that can be offset with a counterparty during the residual term to maturity.

In terms of total guarantees and commitments, considering the Credit Conversion Factor (CCF), the exposure was 3 875 million euros and 3 503 million euros as at 31 December 2020 and 2019, respectively.

Credit risk cycle

Credit risk management at BPI covers the entire life of the transactions. The process is designed to follow best market practices and is aligned with CaixaBank and the regulators' recommendations.

Loan approval and granting

The credit risk-taking process is based on the collection of information, in order to assess the Customer's reimbursement capacity without resorting to collateral, involving the assessment of aspects such as knowledge about the Customer and the industry sector in which it operates/obtains income, the experience gained in similar operations and the purpose and other characteristics of the operations. To this end, the credit risk-taking processes involves a delegation of powers, including with respect to the relevant information to be assessed. The definition of the level responsible for the approval of operations essentially depends on four elements:

- **Amount** – the contracted and potential exposure of the Customer or risk group;
- **Guarantee** – comprises the set of collaterals required to provide for additional situations of risk of default;
- **Specific risk policies** – set of Policies that establish specific risk-taking criteria, such as restructurings, incidents, rejection boundaries, etc.
- **Term –** the operation's intended maturity, depending on the intended purpose.

Credit risk-taking policies were naturally reviewed in the course of 2020, and adjustments were made as necessary in the current environment, and in particular with regard to clients with moratoria.

Credit risk-taking at Banco BPI is independent from the business areas, with the Credit Risk Division (CRD) being essentially responsible for the analysis and granting of loans.

The CRD is organised into specialised teams according to the segment of each operation / customer:

- **Individuals –** mortgage and consumer loan risk centres;
- **Entrepreneurs, Small Businesses and Private Banking** – exposure to individual entrepreneurs, individuals with business purposes, private banking Clients, micro-companies and small companies;
- **Medium-sized Companies**
- **Large Companies, Structured Finance, Institutional Clients, Countries and Financial Institutions,** which includes Risk Centres specialising in exposure to:
  - Project finance;
  - Financial entities, insurers (except non-life), sovereign risk and country risk;
  - State business sector, Regional Administration, Municipalities, Catholic Church and Foundations (except Parish Councils).
- **Industry sector specialisation -** risk centres specialising in agriculture, tourism, and residential real estate;
- **Environment -** area responsible for control of environmental risk.

The CRD Risk Centres are centralised in Lisbon and Porto. For the Small Businesses, Private Banking, Medium-sized Companies and Large Companies segments, the Clients monitored by each Risk Centre are distributed by regions, in line with the organisation of the Bank's commercial structure.

This organisation ensures independence and at the same time close proximity with the specific dynamics of the regions, industry sectors and Clients, which is achieved through annually scheduled meetings with the commercial areas (which include training on credit risk issues) and with the Clients.

The analysis of the Customer risk and the approval of the loan is based on a system of internal ratings for each counterparty, taking into account the following:

- The probability of default by counterparties and guarantors for the maturities in question;
- The loss in case of default, taking into account any collateral;

- The global value of the exposure in case of default, taking into account all on- and off-balance sheet transactions with the counterparty;
- An historical and forward-looking analysis of the Client to assess its capacity to generate sufficient funds for the timely service of the debt;
- The Clients global indebtedness to Banco BPI and in the financial system.

The most important bodies with delegated credit decision powers are the Credit Board and the Permanent Credit Committee (PCC). The Board of Directors (BD) also delegates powers to the Executive Committee of the Board of Directors (ECBD). This scheme ensures the approval of the largest exposures at the highest level of the organisation.

The delegation of decision powers for lower exposures is parametrised according to the global value of the exposure of the Customer in question, and also depends on the counterparty's rating, the existence of incidents and instances of default, and the individual value of the transactions and respective maturity. These powers are concentrated in the CRD.

Credit management, except for individual clients, is always undertaken from the perspective of Exposure Limits. These reflect a critical analysis of the Client's reimbursement capacity and the maximum credit involvement which, bearing in mind the commercial area's proposed credit relationship, Banco BPI deems acceptable to have with that Client, always based on prudent risk criteria.

The credit workflow is supported, from origination to contracting, by an analysis and decision software application that concentrates, discriminating the origin, all the information about the Client, the proposal, the analysis and the decisions of the competent bodies. The decision level is automatically established in accordance with each specific proposal by means of an algorithm that factors in the approval rules in force.

Exposure Limits are approved or renewed for a maximum period of one year, this period depending on the Client's rating. The Credit Risk Division is thus always called in to assess the exposure to each Client at least once a year, while at the same time the Bank has in place monitoring tools and early warnings of a deterioration in the risk of Customers or transactions, which, among others, may trigger a revision of the Exposure Limit. Given the current context, BPI has been reinforcing the procedures to review and control the use of these Limits, in order to mitigate the credit risk to which it is exposed.

This ensures an integrated vision of the relationship with the Client and the centralisation in the credit risk decision of the various factors - counterparty, amount, duration and guarantees for each category (of credit risk products considered homogeneous) and for special operations (which, on account of their specific characteristics, are not included in these categories, namely medium-and long term operations).

Moreover, this permits maximum flexibility and speed by the Commercial Divisions in the implementation of the operations throughout the duration of the Exposure Limit.

The pricing of the transactions is the responsibility of the Commercial Divisions, which for the purpose use tools that measure the Risk Adjusted Return (RAR) for each Client and transaction, bearing in mind market conditions.

Risk mitigation

Lending is always based on the assessment of the Client's capacity to generate sufficient funds for the timely service of the debt, and on a risk-adjusted pricing policy. The requirement of personal or real guarantees, as a risk mitigator, is always considered at the time of granting a loan.

In the decision to require guarantees, several factors are weighted, namely the rating assigned to the Client, and the nature and term of the operations. The term in particular is one of the more sensitive factors due to the uncertainty it entails, which is why medium and long-term transactions usually have associated real guarantees.

Banco BPI receives, among others, the following collateral within the scope of its loan granting business:

- Mortgages on own housing;
- Other real estate mortgages;
- Deposit of assets;
- Pledge of securities;
- Guarantees provided by other credit institutions

The rules on the acceptance of guarantees, control of their formalisation, and monitoring of their value during the transaction's lifetime, through regular evaluations and their release are set out in specific internal regulations.

The guarantees foreseen in the internal regulations are those typified in the law, the most usual being personal guarantees (of individuals or companies) by endorsement or security, and in the case of real guarantees, the mortgage, the pledge of assets and the financial pledge. Financial instruments such as derivatives or repos are covered by standard agreements that establish the daily exchange of collaterals, guaranteeing coverage of the counterparty risk.

All guarantees are recorded in a dedicated software application. The funds are only made available to the Client after or upon verification of the guarantees provided.

The classification by stage of loans to Customers and associated guarantees is as follows:

	Consolidated					
	31-12-2020			31-12-2019		
	Gross amount	Allowance for Impairment loss	Guarantees[1]	Gross amount	Allowance for Impairment loss	Guarantees[1]
Stage 1:	**20 585 501**	**(79 922)**	**11 514 973**	**20 252 703**	**(33 577)**	**11 044 009**
No associated collateral	6 772 677	(59 558)		6 641 534	(17 937)	
With real estate collateral	12 258 996	(13 890)	11 187 951	11 739 579	(9 628)	10 653 821
With other collateral	1 553 828	(6 474)	327 022	1 871 590	(6 012)	390 188
Stage 2:	**1 899 234**	**(86 911)**	**1 021 939**	**1 240 750**	**(47 709)**	**668 541**
No associated collateral	482 071	(44 445)		289 974	(15 091)	
With real estate collateral	1 221 010	(32 745)	1 001 449	757 828	(23 438)	653 454
With other collateral	196 153	(9 721)	20 490	192 948	(9 180)	15 087
Stage 3:	**584 521**	**(309 552)**	**182 714**	**737 880**	**(306 153)**	**299 722**
No associated collateral	222 843	(177 916)		171 785	(102 220)	
With real estate collateral	306 251	(98 028)	182 210	489 083	(154 738)	298 412
With other collateral	55 427	(33 608)	504	77 012	(49 195)	1 310
	23 069 256	**(476 385)**	**12 719 626**	**22 231 333**	**(387 439)**	**12 012 272**

[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan net of impairments.

	Individual					
	31-12-2020			31-12-2019		
	Gross amount	Allowance for Impairment loss	Guarantees[1]	Gross amount	Allowance for Impairment loss	Guarantees[1]
Stage 1:	**20 585 390**	**(79 922)**	**11 514 973**	**20 252 802**	**(33 577)**	**11 044 009**
No associated collateral	6 772 566	(59 558)		6 641 633	(17 937)	
With real estate collateral	12 258 996	(13 890)	11 187 951	11 739 579	(9 628)	10 653 821
With other collateral	1 553 828	(6 474)	327 022	1 871 590	(6 012)	390 188
Stage 2:	**1 899 234**	**(86 911)**	**1 021 939**	**1 240 750**	**(47 709)**	**668 541**
No associated collateral	482 071	(44 445)		289 974	(15 091)	
With real estate collateral	1 221 010	(32 745)	1 001 449	757 828	(23 438)	653 454
With other collateral	196 153	(9 721)	20 490	192 948	(9 180)	15 087
Stage 3:	**584 521**	**(309 552)**	**182 714**	**737 880**	**(306 153)**	**299 722**
No associated collateral	222 843	(177 916)		171 785	(102 220)	
With real estate collateral	306 251	(98 028)	182 210	489 083	(154 738)	298 412
With other collateral	55 427	(33 608)	504	77 012	(49 195)	1 310
	23 069 145	**(476 385)**	**12 719 626**	**22 231 432**	**(387 439)**	**12 012 272**

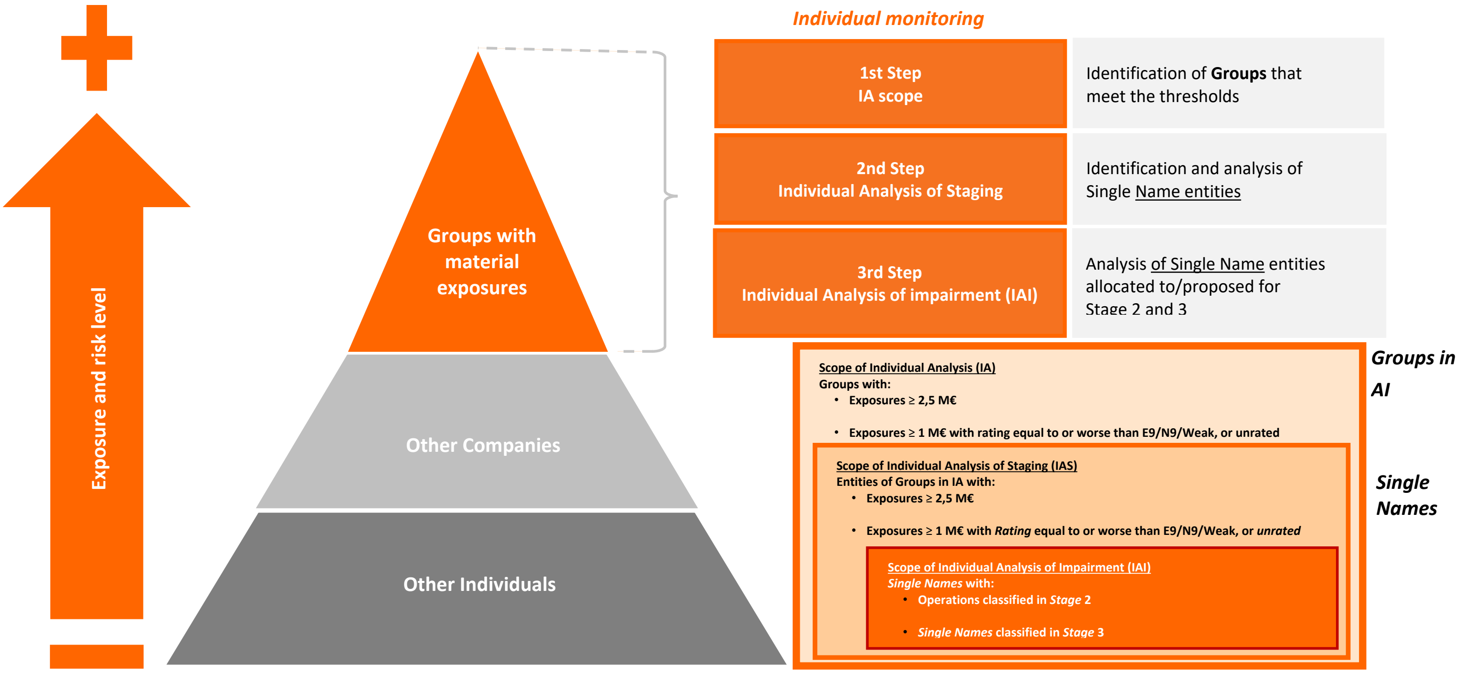
[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan net of impairments.

Monitoring and measurement of credit risk

The purpose of the monitoring process is to assess the quality of the risk taken in lending operations to a borrower and to decide on any actions that need to be taken, including the estimation of impairment. The targets of risk monitoring are borrowers that bear credit risk, with the results being set as a reference for the future lending policy.

The situation we are currently living has called for relevant changes in the tools used to monitor credit risk in Banco BPI's portfolio. These include, among others, the establishment of specific reporting to the Bank's Governing Bodies on loans with moratoria, the strengthening of the credit risk monitoring tools with additional alerts not usually captured by the models, and the performance of sector-specific analyses for companies' credit risk.

The monitoring of exposures is mainly performed according to the exposure and the risk level of the operations/borrowers, being segregated into different areas in accordance with the analysis methodology, as shown below:



1. Customised monitoring process

The customised monitoring procedures are applied in portfolios with material risk exposures and/or which have specific characteristics. These procedures consist of drafting regular reports on the borrowers' economic groups with the aim of assessing the existence of objective evidence of impairment and/or a significant increase in credit risk (SICR) since the initial recognition.

The triggers of a significant increase in credit risk (SICR) and/or default are grouped into the following categories:

- Financial difficulties of the issuer or debtor (rating deterioration, financial status deterioration, defaults registered in the Banco de Portugal's Central Credit Register, lawsuits brought by third parties, etc.);
- Breach of contract clauses, non-payments or delays in the payment of interest or principal on loans contracted with the Bank;
- Restructuring or expected restructuring of the debtor's exposures due to risk deterioration;
- Other indicators identified in specific Clients through the monitoring of their activity.

Whenever Clients with objective evidence of impairment and/or a significant increase in credit risk since the initial recognition are identified, a specific impairment is established (Individual Analysis of Impairment). For Clients classified as in default, individual impairment is determined on a going concern or gone concern basis, depending on the expectations of recovery for each borrower.

2. Quantification and classification of credit risk

Credit risk parameters

Risk measurement is based on the segmentation of risk and on the factors associated with the calculation of the expected loss:

- **Exposure:** Exposure at default (EAD) provides an estimate of the outstanding debt in the event of default. This measurement is significant for financial instruments with a repayment structure that varies according to customer drawdowns (credit accounts, credit cards and, in general, any revolving credit product).

The estimate is based on the observation of historical data for defaulting borrowers, comparing the drawdown levels between the time of default and during the 12 preceding months. This permits to estimate future drawdown levels according to product type, current drawdown levels and credit ceilings.

- **Probability of default:** the Bank uses management tools covering virtually all its loan portfolios and main risk segments to help predict the probability of default (PD) associated with each borrower.

These tools are an integral part of the credit granting and monitoring process, having been developed and calibrated in accordance with the Bank's past experience of defaults.

- Product-oriented tools are used mainly within the scope of authorisation of new loans to individuals and take account the debtor’s characteristics, information on the relationship with the Customer, internal and external warnings, and the specific characteristics of the transaction - Admission Scoring.
- The monitoring tools for lending operations to individual Customers are also product-oriented, taking into account relationship variables relating to the Bank and the financial system - Behavioural Scoring.

Rating tools for companies and small businesses vary considerably depending on the risk segment. The assessment process for medium-sized Companies is based on a hybrid model that combines two components: (i) a quantitative algorithm that mainly draws information from the financial statements, and (ii) an expert analysis component that takes into account other quantitative and qualitative aspects, namely management quality, market position, and others.

For large companies, the Bank uses models that seek to replicate the ratings assigned by rating agencies and require the expert criteria of rating analysts. In view of the lack of sufficient statistical frequency of internal default delinquency in this segment, the models were built in line with Moody's methodology.

Individual clients’ operations are scored on a monthly basis in order to keep the credit rating up-to-date. Companies’ ratings are updated at least annually, and whenever significant events occur that can alter the borrower's credit quality. In this segment, qualitative information and information about the financial statements is updated on a regular basis so as to achieve the maximum level of coverage and update of the internal rating.

- **Loss given default (LGD):** LGD is the percentage of debt that cannot be recovered in the event of default by the Client.

LGD is calculated based on internal historical information, taking into account the cash flows associated with contracts from the moment of default until the default has been corrected or until there cease to exist any relevant expectations of recovery. This calculation also includes estimates of loan recovery costs.

3. Determination of accounting classification

The accounting classification of operations with credit risk into the different IFRS 9 Stages is established according to whether there has been a significant increase in credit risk since the operation's initial recognition, and/or whether a default event has occurred.

A significant increase in credit risk, and consequent classification of the transaction in Stage 2, is deemed to have occurred, when there are indications of difficulties or weaknesses that could justify an expectation of significantly higher losses than at the time the credit was granted.

In the case of individually significant Clients (Single Names) the classification in Stage 2 (or 3) results from a case-by-case analysis of their financial situation, as part of the credit monitoring process of these Clients or groups of Clients. This process involves the ongoing assessment of evidence or indications of a deterioration in credit risk, namely a significant increase in risk since initial recognition. The monitoring process and corresponding staging of the operations is supported by a set of triggers associated to the Client or the transaction, which may represent indications of a deterioration of the asset. The analysts should value these indications and, on this basis, classify or not the operations in Stage 2 or 3.

Save in duly justified situations, the following operations are classified in Stage 2: i) Credit operations restructured due to financial difficulties, but not classified as in default (Stage 3); (ii) Operations with material arrears of more than 30 days; (iii) Operations with a significant increase in the PD; iv) Operations with Clients with significant arrears communicated through Banco de Portugal's Central Credit Register; v) Operations with Clients in watchlist or showing a series of early warning signals permitting to perceive a significant increase in credit risk.

Operations that no longer meet the conditions for classification in Stage 2 are reclassified to Stage 1.

An event of default is considered to have occurred (leading to the classification of the Client exposure in Stage 3) when there are significant amounts overdue and unsettled for more than 90 days.

In addition to the criterion for reclassification referred above, the following operations are classified in Stage 3: i) of Clients in litigation with the Bank; ii) of Clients that are insolvent or in "Special Revitalisation Process" or subject to lawsuits brought by third parties which signal a deterioration in credit risk; iii) of Clients with material amounts of credit written off from assets; iv) that were restructured due to economic difficulties, leading to a significant economic loss; v) that were restructured due to economic difficulties and classified as non-performing (or in probation period) with overdue and unsettled material amounts for more than 30 days; vi) that were restructured due to economic difficulties and classified as non-performing (or in probation period) and benefit from new restructuring measures due to financial difficulties; vii) other restructurings that fall within the internal definition of default, such as the introduction of atypical payment plans and viii) in other situations indicating a high probability of defaulting on the conditions contracted.

Except for the Retail segments (residential mortgage loans, personal loans, etc), the classification of default is propagated to all the other operations of the same borrower. In the Retail segments, the other operations of the borrowers are classified in default whenever the portion that meets the above-mentioned criteria exceeds 20% of the total exposure of the operations in which the Client is involved as the holder.

From the moment each of the criteria for classification in Stage 3 cease to apply, the operations shall maintain the classification of default (Stage 3) for a minimum remedial period (of 4 to 12 months).

4. Determination of impairment coverage

In accordance with the IFRS9 requirements for a significant change in credit quality, expected credit losses in operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including forward looking information, must be recognised.

Principles for measuring expected credit losses for the purpose of determining impairment coverage

The coverage or provision calculated is defined as the difference between the gross carrying amount of the operation and the present value of expected future cash flows, discounted at the effective interest rate of the operation and considering the guarantees received that are deemed effective.

The Bank estimates the expected credit losses of an operation so that these losses reflect:

- an amount weighted for the unbiased probabilities of occurrence of a series of possible future results (probabilities of occurrence in the baseline, optimistic and pessimistic scenarios);
- the time value of money; and
- reasonable and sustainable information that is available at the reference date, at no disproportionate cost or effort, on past events, current conditions and forecasts of future economic conditions.

Under the applicable rules, the coverage calculation method is determined according to whether the borrower is individually significant or not and in accordance with its accounting category (operations staging).

- If, in addition to being individually significant, the customer has operations in default or in Stage 2, the specific impairment allowances for these operations are estimated through a detailed analysis of the Customer's capacity to generate cash flows through its activity (going concern approach) or of the cash flows that may result from the enforcement of the guarantees received from the Client (gone concern approach).
- In all other cases, impairment coverage is estimated collectively using internal methodologies, based on past experience of portfolio defaults and recoveries, including recoveries obtained through the enforcement of guarantees received.

Collective credit impairment is calculated using probability of default (PD) estimation models, loss given default (LGD) estimation models, models to estimate drawdowns on credit ceilings, and adjustments to factor in lifetime and forward-looking effects.

The models used are re-estimated or updated at least once a year and executed monthly so as to factor in at all times the economic context at the time and the credit performance. This makes it possible to reduce the differences between estimated loss and recent observations. The models include a forward-looking perspective to determine the expected loss, taking into account the more relevant macroeconomic factors: i) GDP growth, ii) the unemployment rate, iii) the 6-month EURIBOR, and iv) the evolution of home prices. Following on from this, the Group generates a baseline scenario, as well as a range of potential scenarios that make it possible to adjust the estimated expected loss, by weighting the probability of its occurrence.

The calculation process is structured in two steps:

Determination of the basis subject to impairment: Corresponds to the sum of the gross carrying amount of the operation at the time of calculation plus off-balance sheet amounts (available ceiling and guarantees) that could be expected to be disbursed when the Client is classified as impaired (stage 3).

Determination of the coverage to apply to the basis subject to impairment: This calculation is made based on the probability of the borrower defaulting on the operation obligations, and the expected loss in case of default (loss given default), Loss given default reflects, namely in the case of residential real estate collateral, the expected recoverable amount on the future sale of that collateral minus the costs incurred up to that sale.

For portfolios that are not materially relevant, or when past experience is not significant, the expected loss estimation approach is simplified.

In the specific case of exposures that, due to the nature of the borrower or guarantor, are classified as having low credit risk, the impairment coverage rate may be 0% (on the risk hedged). To this effect, operations considered as of low credit risk are those contracted with:

- Central Banks
- Public Administrations (European Union countries)
- Central Governments (European Union countries, Switzerland, United States, Canada, Japan, Australia and New Zealand)
- Deposit guarantee funds and resolution funds (which, on account of their credit quality, are comparable to funds from European Union countries)
- Credit institutions and credit financial institutions (European Union countries, Switzerland, United States, Canada, Japan, Australia and New Zealand)
- Mutual Guarantee Societies and Public Bodies or Companies having as main activity credit insurance or endorsement (European Union countries, Switzerland, United States, Canada, Japan, Australia and New Zealand)
- Non-financial public companies

The coverages estimated individually or collectively must be consistent in terms of the stages in which the operations may be classified. Thus, the coverage level for an operation must be equal to or higher than the coverage level it would have if it were classified in a lower credit risk category.

Any necessary improvements detected during the model revision exercises, namely through backtesting and benchmarking exercises, are introduced in the model. The models developed are documented so they can be replicated by a third party. The documentation contains key definitions, information regarding the process of data collection and processing, the methodological criteria adopted and the results obtained.

Banco BPI has a total of 56 models, in order to obtain the necessary parameters to calculate coverages based on a collective analysis.For each of the risk parameters, different models can be used according to each type of exposure.

The existing models are detailed below:

- 12 Scoring and Rating parameter models
- 12 PD parameter models
- 1 CCF parameter model
- 8 LGD parameter model
- 8 LGD in default parameter models
- 1 Haircut parameter model
- 14 forward looking PD and LGD macroeconomic models

Segments that do not have their own models are, broadly speaking, the State Business Sector (SBS), Specialized credit (SC), Financial companies (F), Insurers (I), Start-UPs (SU), among others.It should be noted, however, that PD and LGD is estimated for these segments.

Incorporation of forward-looking information into the expected loss models

The projections of the main macroeconomic variables used in the bank's projection models are as follows:

Forward looking macroeconomic indicators [1] (31-12-2020)

	2021	2022	2023
GDP growth			
Baseline scenario	4.9%	3.1%	1.8%
Upside scenario	6.9%	3.5%	2.0%
Downside scenario	-0.3%	4.2%	3.3%
Unemployment rate			
Baseline scenario	9.1%	7.7%	6.9%
Upside scenario	8.3%	7.0%	6.3%
Downside scenario	10.1%	8.3%	7.3%
6M Euribor [2]			
Baseline scenario	-0.49%	-0.42%	-0.27%
Upside scenario	-0.46%	-0.36%	-0.15%
Downside scenario	-0.56%	-0.52%	-0.44%
Spread OT			
Baseline scenario	86.1	97.4	104.8
Upside scenario	62.9	81.0	95.2
Downside scenario	196.1	199.4	198.8
Home prices evolution			
Baseline scenario	-6.1%	-0.9%	1.6%
Upside scenario	-3.3%	0.8%	2.1%
Downside scenario	-9.0%	-3.2%	1.5%

[1] Source: BPI Economic and Financial Studies Unit

[2] Source: CaixaBank. The 6-month Euribor rate corresponds to the value at the end of the period.

Based on the three aforementioned scenarios, new risk parameters for the impairment models were estimated, and the impairments resulting from use thereof were calculated. The new forward-looking parameters were estimated based on the methodologies in force at BPI, except for the LGD in Residential Mortgage Loans. In this case, the impacts considered result from the introduction of a forward looking model for greater sensitivity to the expected macroeconomic evolution and convergence to LGD 100% for older defaults (10th year onward), taking into account the high degree of uncertainty.

Based on the estimated impairment for each scenario weighted for the respective probability of occurrence, BPI booked a non-allocated impairment of 74 449 th.euros in 2020.

Forward looking macroeconomic indicators [1] (31-12-2019)

	2020	2021	2022
GDP growth			
Baseline scenario	1.7%	1.6%	1.4%
Upside scenario	2.8%	2.4%	1.9%
Downside scenario	0.1%	0.2%	0.3%
Unemployment rate			
Baseline scenario	6.1%	6.0%	5.8%
Upside scenario	5.4%	4.6%	4.5%
Downside scenario	7.9%	8.3%	8.3%
6M Euribor [2]			
Baseline scenario	-0.34%	-0.05%	0.35%
Upside scenario	-0.24%	0.15%	0.65%
Downside scenario	-0.34%	-0.34%	-0.05%
Home prices evolution			
Baseline scenario	6.1%	3.8%	2.7%
Upside scenario	8.5%	6.1%	3.2%
Downside scenario	1.3%	0.3%	1.3%

[1] Source: BPI Economic and Financial Studies Unit

[2] Source: CaixaBank.

The probabilities of occurrence of the forecasts of the macroeconomic indicators as of December 31, 2020 were as follows:

Probability of occurrence of the forecast scenarios

	Baseline Scenario	Upside Scenario	Downside Scenario
Portugal	60%	20%	20%

The probabilities of occurrence of the forecast scenarios as of 31 December 2019 were as follows:

Probability of occurrence of the forecast scenarios

	Baseline Scenario	Upside Scenario	Downside Scenario
Portugal	40%	30%	30%

A sensitivity analysis of the expected loss was performed based on changes in the key hypotheses applied separately to calculate the expected loss. The estimated sensitivity to a change in GDP projected growth in the next twelve months is shown below:

Exposure sensitivity analysis

(million euros)	Change in Expected Loss
GDP growth	
+1%	(12)

The following table shows the estimated sensitivity to a 1% drop in GDP, as well as to a 10% drop in the price of real estate assets, in the expected losses due to credit risk on 31 December 2020, broken down by type of portfolio:

	Expected loss increase	
(million euros)	1% decrease in GDP	10% decrease in real estate assets valuation
Public sector	1.4	
Non-financial corporations and individual entrepreneurs	9.6	
Specialized financing	0.9	
Other specialized financing	0.9	
Purposes other than specialized financing	8.7	
Large companies	0.4	
Small and medium-sized companies	7.8	
Individual entrepreneurs	0.5	
Households (excluding individual entrepreneurs)	1.4	6.5
Home loans	0.5	6.5
For the acquisition of habitual residence	0.5	6.5
Consumer spending	0.7	
Consumer spending	0.7	
Other	0.2	
Total	12.4	6.5

NPL management

The identification, as soon as possible, of indicators of financial difficulties of clients to which BPI has credit exposure has been a priority for the Bank. In a first phase, it is the commercial network that takes action when a Client shows indications of financial difficulties, as, due to its capillarity and specialisation, it in a better position to know the client, detect the first indications of deterioration and promptly propose adequate measures.

Once these Clients have been identified, there are specific mechanisms for regularly reporting, by Client or portfolio, to specific Committees of Banco BPI. The purpose is to ensure that the Bank acts as soon as possible in order to maximise the amount of recovery.

When necessary, responsibility for monitoring the Client and the recovery process is transferred to a specialised unit (Credit Recovery Division), which uses an integrated model covering all the phases of recovery, including the management of the foreclosed assets.

In the case of loans to Companies or Small Businesses, as a rule the Bank seeks non-judicial restructuring of the debt which, when credible, may involve extending the maturity and possibly even a moratoria on principal with the payment of interest in arrears and reinforced security. Also as a rule, the Bank does not increase its exposure, accept payment in kind or convert debt into capital.

In the case of recovery of loans to Individuals, restructuring or renegotiation agreements are also a preferred path for recovery providing that there is the minimum prospect of their being complied with. The choice is largely dependent on the length of default and on the loan product, and it could involve extending the maturity and implementing a payment plan of outstanding and unpaid instalments, amongst other solutions.

Once a restructuring operation has been completed, the process is duly monitored. Non-compliance with the agreed plan sets into motion the judicial recovery of the debt. Where the debt restructuring is not feasible, the loan is subjected to judicial execution.

The information on the status of the recovery process and likelihood of its success is factored into the determination of individual impairment, considered the worst prospect for recovery.

Restructuring policies

A description of the restructuring policies is given in Note 2.8. Refinancing and restructuring operations.

Restructured loans:

The breakdown of refinancing by industry sector is as follows:

31-12-2020

	Consolidated / Individual						
	Total						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered		
					Real estate mortgage	Other collateral	
Public administrations							
Other financial corporations and individual entrepreneurs (financial business)	9	168					(102)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 132	99 159	212	163 310	51 882	41 242	(100 995)
Individuals	2 618	24 219	4 636	160 216	157 500	455	(41 235)
Total	**3 759**	**123 546**	**4 848**	**323 526**	**209 382**	**41 697**	**(142 332)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered		
					Real estate mortgage	Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	5	117					(101)
Non-financial corporations and individual entrepreneurs (non-financial business)	844	66 357	159	75 278	25 421	3 463	(91 658)
Individuals	1 788	17 997	3 043	99 241	96 895	265	(39 879)
Total	**2 637**	**84 471**	**3 202**	**174 519**	**122 316**	**3 728**	**(131 638)**

Note: Includes securitised loans, Customer loans and guarantees at stage 3

31-12-2019

	Consolidated / Individual						
	Total						
	Without collateral		With collateral				Impairment
					Maximum amount of the collateral that can be considered		
	Number of transactions	Exposure	Number of transactions	Exposure	Real estate mortgage	Other collateral	
Public administrations	2	350	1	6 600		6 601	
Other financial corporations and individual entrepreneurs (financial business)	8	180					(75)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 428	101 327	250	211 066	98 882	54 472	(123 271)
Individuals	3 671	26 795	5 950	200 852	197 266	444	(57 797)
Total	**5 109**	**128 652**	**6 201**	**418 518**	**296 148**	**61 517**	**(181 143)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
					Maximum amount of the collateral that can be considered		
	Number of transactions	Exposure	Number of transactions	Exposure	Real estate mortgage	Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	5	163					(75)
Non-financial corporations and individual entrepreneurs (non-financial business)	952	57 267	143	118 015	71 752	20 973	(113 805)
Individuals	2 045	16 579	4 691	154 726	151 596	179	(55 905)
Total	**3 002**	**74 009**	**4 834**	**272 741**	**223 348**	**21 152**	**(169 785)**

Note: Includes securitised loans, customer loans and guarantees at stage 3.

Concentration Risk

In Banco BPI's Risk Catalogue concentration risk is conceptually included within credit risk, and is calculated according to CaixaBank Group's best practices.

Banco BPI's Risk Appetite Framework (RAF) uses metrics to systematically identify overall exposure to a particular Customer, geography and economic sector, as well as appetite limits to concentration risk.

Concentration in customers or in "large exposures"

As part of the risk-taking process, the Bank monitors compliance with the regulatory limits (25% of own funds) as well as with limits to concentration risk appetite. At the end of 2020, there was no breach of the defined limits.

Concentration by geographic location

The breakdown of risk of financial assets and guarantees and sureties provided, by geographical location, is as follows:

31-12-2020

	Consolidated			
	Total	**Portugal**	**Other EU countries**	**Other world countries**
Central Banks and credit institutions	6 338 685	4 543 909	1 227 459	567 317
Public sector	6 781 772	4 591 576	2 048 664	141 532
Central government	2 596 313	406 117	2 048 664	141 532
Other public administrations	4 185 459	4 185 459		
Other financial corporations and individual entrepreneurs (financial business)	535 793	378 587	99 556	57 650
Non-financial corporations and individual entrepreneurs (non-financial business)	11 151 239	10 826 686	291 056	33 497
Real estate development	164 270	164 080	160	30
Civil construction	705 993	692 128	13 808	57
Other	10 280 976	9 970 478	277 088	33 410
Large companies	4 455 635	4 219 912	221 882	13 841
Small and medium-sized companies	5 825 341	5 750 566	55 206	19 569
Individuals	13 304 641	13 256 329	14 389	33 923
Homes	11 875 261	11 864 043	2 172	9 046
Consumer spending	1 416 238	1 379 260	12 178	24 800
Other	13 142	13 026	39	77
Total	**38 112 130**	**33 597 087**	**3 681 124**	**833 919**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2019 Restated

	Consolidated			
	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	2 764 270	1 035 394	1 008 548	720 328
Public sector	5 110 878	2 921 896	2 007 302	181 680
Central government	3 625 051	1 436 069	2 007 302	181 680
Other public administrations	1 485 827	1 485 827		
Other financial corporations and individual entrepreneurs (financial business)	770 505	426 182	272 412	71 911
Non-financial corporations and individual entrepreneurs (non-financial business)	10 751 903	10 247 103	466 744	38 056
Real estate development	184 486	184 296	160	30
Civil construction	629 501	614 422	14 394	685
Other	9 937 916	9 448 385	452 190	37 341
Large companies	4 341 898	3 964 416	361 505	15 977
Small and medium-sized companies	5 596 018	5 483 969	90 685	21 364
Individuals	12 598 962	12 546 715	15 078	37 169
Homes	11 251 617	11 241 142	1 883	8 592
Consumer spending	1 325 993	1 284 777	12 731	28 485
Other	21 352	20 796	464	92
Total	**31 996 518**	**27 177 290**	**3 770 084**	**1 049 144**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.
Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

31-12-2020

	Individual			
	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	6 253 807	4 515 933	1 227 459	510 415
Public sector	6 781 772	4 591 576	2 048 664	141 532
Central government	2 596 313	406 117	2 048 664	141 532
Other public administrations	4 185 459	4 185 459		
Other financial corporations and individual entrepreneurs (financial business)	468 170	308 278	99 556	60 336
Non-financial corporations and individual entrepreneurs (non-financial business)	11 151 128	10 826 575	291 056	33 497
Real estate development	164 270	164 080	160	30
Civil construction	705 993	692 128	13 808	57
Other	10 280 865	9 970 367	277 088	33 410
Large companies	4 455 635	4 219 912	221 882	13 841
Small and medium-sized companies	5 825 230	5 750 455	55 206	19 569
Individuals	13 304 641	13 256 329	14 389	33 923
Homes	11 875 261	11 864 043	2 172	9 046
Consumer spending	1 416 238	1 379 260	12 178	24 800
Other	13 142	13 026	39	77
Total	**37 959 518**	**33 498 691**	**3 681 124**	**779 703**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2019 Restated

	Individual			
	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	2 666 366	1 013 443	1 008 548	644 375
Public sector	5 110 878	2 921 896	2 007 302	181 680
Central government	3 625 051	1 436 069	2 007 302	181 680
Other public administrations	1 485 827	1 485 827		
Other financial corporations and individual entrepreneurs (financial business)	708 835	361 765	272 412	74 658
Non-financial corporations and individual entrepreneurs (non-financial business)	10 751 354	10 246 554	466 744	38 056
Real estate development	184 486	184 296	160	30
Civil construction	629 501	614 422	14 394	685
Other	9 937 367	9 447 836	452 190	37 341
Large companies	4 341 250	3 963 768	361 505	15 977
Small and medium-sized companies	5 596 117	5 484 068	90 685	21 364
Individuals	12 598 962	12 546 715	15 078	37 169
Homes	11 251 617	11 241 142	1 883	8 592
Consumer spending	1 325 993	1 284 777	12 731	28 485
Other	21 352	20 796	464	92
Total	**31 836 395**	**27 090 373**	**3 770 084**	**975 938**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.
Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

Concentration by industry sector

Risk concentration by economic sector is subject to BPI’s RAF limits (level 1), differentiating between private sector economic activities and public sector financing.

At 31 December 2020 and 2019, the breakdown of credit by industry sector, type of collateral and loan to value (LTV) was as follows:

31-12-2020

	Consolidated							
				Collateralised loans Carrying amount based on latest available appraisal (LTV)				
	Balance net of impairments	**Of which: real estate mortgage secured**	**Of which: other collateral**	**≤ 40 %**	**> 40 % ≤ 60 %**	**> 60 % ≤ 80 %**	**> 80 % ≤ 100 %**	**> 100%**
Central Banks and credit institutions	1 559 271							
Public sector	1 218 367	3 195	264 673	78 426	54 472	62 130	51 890	20 950
Central government	298 696		6 712					6 712
Other public administrations	919 671	3 195	257 961	78 426	54 472	62 130	51 890	14 238
Other financial corporations and individual entrepreneurs (financial business)	78 059	15 254	921	14 164	885	1 069	7	50
Non-financial corporations and individual entrepreneurs (non-financial business)	7 992 211	1 791 451	1 288 546	873 682	560 011	380 837	343 505	921 962
Real estate development	155 049	146 230	2 999	140 699	3 771	601	2 138	2 020
Civil construction	389 642	40 052	58 993	19 188	9 853	6 978	15 394	47 632
Other	7 447 520	1 605 169	1 226 554	713 795	546 387	373 258	325 973	872 310
Large companies	2 277 347	302 202	851 746	291 850	110 040	61 403	123 433	567 222
Small and medium-sized companies	5 170 173	1 302 967	374 808	421 945	436 347	311 855	202 540	305 088
Individuals	13 304 237	11 831 693	201 466	3 552 941	4 378 611	3 308 941	722 350	70 316
Homes	11 874 870	11 831 539	48 548	3 545 359	4 361 153	3 269 601	658 513	45 461
Consumer spending	1 416 226	154	152 528	7 238	17 458	39 340	63 791	24 855
Other	13 141		390	344			46	
Total	**24 152 145**	**13 641 593**	**1 755 606**	**4 519 213**	**4 993 979**	**3 752 977**	**1 117 752**	**1 013 278**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

31-12-2019 Restated

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Consolidated — Collateralised loans Carrying amount based on latest available appraisal (LTV) ≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	1 400 685							
Public sector	1 282 395	3 537	295 333	70 017	61 745	91 625	63 451	12 032
Central government	336 656		8 054					8 054
Other public administrations	945 739	3 537	287 279	70 017	61 745	91 625	63 451	3 978
Other financial corporations and individual entrepreneurs (financial business)	248 996	16 235	987	5 250	939	11 013		20
Non-financial corporations and individual entrepreneurs (non-financial business)	7 713 975	1 599 334	1 553 153	853 620	453 417	390 036	318 660	1 136 754
Real estate development	164 602	155 397	3 506	134 990	8 482	12 719	939	1 773
Civil construction	341 761	40 921	69 365	24 151	13 826	7 771	7 780	56 758
Other	7 207 612	1 403 016	1 480 282	694 479	431 109	369 546	309 941	1 078 223
Large companies	2 387 938	211 814	1 045 126	283 980	60 666	75 510	88 739	748 045
Small and medium-sized companies	4 819 674	1 191 202	435 156	410 499	370 443	294 036	221 202	330 178
Individuals	12 598 528	11 179 581	227 690	2 611 875	3 707 721	4 182 979	822 197	82 499
Homes	11 251 301	11 179 458	53 293	2 603 184	3 688 072	4 137 267	747 496	56 732
Consumer spending	1 325 981	123	171 297	7 746	18 036	45 575	74 697	25 366
Other	21 246		3 100	945	1 613	137	4	401
Total	**23 244 579**	**12 798 687**	**2 077 163**	**3 540 762**	**4 223 822**	**4 675 653**	**1 204 308**	**1 231 305**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications). Map built based on commercial segmentation.
Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

31-12-2020

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Individual Collateralised loans Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	1 552 791							
Public sector	1 218 367	3 195	264 673	78 426	54 472	62 130	51 890	20 950
Central government	298 696		6 712					6 712
Other public administrations	919 671	3 195	257 961	78 426	54 472	62 130	51 890	14 238
Other financial corporations and individual entrepreneurs (financial business)	78 059	15 254	921	14 164	885	1 069	7	50
Non-financial corporations and individual entrepreneurs (non-financial business)	7 992 100	1 791 451	1 288 546	873 682	560 011	380 837	343 505	921 962
Real estate development	155 049	146 230	2 999	140 699	3 771	601	2 138	2 020
Civil construction	389 642	40 052	58 993	19 188	9 853	6 978	15 394	47 632
Other	7 447 409	1 605 169	1 226 554	713 795	546 387	373 258	325 973	872 310
Large companies	2 277 347	302 202	851 746	291 850	110 040	61 403	123 433	567 222
Small and medium-sized companies	5 170 062	1 302 967	374 808	421 945	436 347	311 855	202 540	305 088
Individuals	13 304 237	11 831 693	201 466	3 552 941	4 378 611	3 308 941	722 350	70 316
Homes	11 874 870	11 831 539	48 548	3 545 359	4 361 153	3 269 601	658 513	45 461
Consumer spending	1 416 226	154	152 528	7 238	17 458	39 340	63 791	24 855
Other	13 141		390	344			46	
Total	**24 145 554**	**13 641 593**	**1 755 606**	**4 519 213**	**4 993 979**	**3 752 977**	**1 117 752**	**1 013 278**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications). Map built based on commercial segmentation.

31-12-2019 Restated

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Individual — Collateralised loans Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	1 400 685							
Public sector	1 282 395	3 537	295 333	70 017	61 745	91 625	63 451	12 032
Central government	336 656		8 054					8 054
Other public administrations	945 739	3 537	287 279	70 017	61 745	91 625	63 451	3 978
Other financial corporations and individual entrepreneurs (financial business)	248 996	16 235	987	5 250	939	11 013		20
Non-financial corporations and individual entrepreneurs (non-financial business)	7 714 074	1 599 334	1 553 153	853 620	453 417	390 036	318 660	1 136 754
Real estate development	164 602	155 397	3 506	134 990	8 482	12 719	939	1 773
Civil construction	341 761	40 921	69 365	24 151	13 826	7 771	7 780	56 758
Other	7 207 711	1 403 016	1 480 282	694 479	431 109	369 546	309 941	1 078 223
Large companies	2 387 938	211 814	1 045 126	283 980	60 666	75 510	88 739	748 045
Small and medium-sized companies	4 819 773	1 191 202	435 156	410 499	370 443	294 036	221 202	330 178
Individuals	12 598 528	11 179 581	227 690	2 611 875	3 707 721	4 182 979	822 197	82 499
Homes	11 251 301	11 179 458	53 293	2 603 184	3 688 072	4 137 267	747 496	56 732
Consumer spending	1 325 981	123	171 297	7 746	18 036	45 575	74 697	25 366
Other	21 246		3 100	945	1 613	137	4	401
Total	**23 244 678**	**12 798 687**	**2 077 163**	**3 540 762**	**4 223 822**	**4 675 653**	**1 204 308**	**1 231 305**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.
Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

Concentration by interest rate type and arrears status

The tables below show the detail of loans and advances to Customers and respective impairment by stage.
The breakdown of loans and advances to Customers (net of impairments) is as follows:

	Consolidated					
	31-12-2020			31-12-2019 Restated		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
By industry sector	**20 545 550**	**1 813 639**	**277 027**	**20 330 037**	**1 193 936**	**432 977**
Public sector	1 204 680	25 021		1 257 492	33 936	
Other financial corporations and individual entrepreneurs (financial business)	105 220	821	20	298 048	172	122
Non-financial corporations and individual entrepreneurs (non-financial business)						
Real estate development	155 039	11		152 294	55	12 260
Civil engineering	356 832	29 292	3 606	323 489	16 036	2 241
Other						
Large companies	1 987 650	256 760	34 916	2 158 942	198 012	32 770
Small and medium-sized companies	4 705 871	406 131	59 707	4 622 159	194 212	55 749
Individuals						
Home loans	10 756 603	966 549	152 109	10 288 841	658 253	304 522
Consumer spending	1 261 353	128 596	26 288	1 208 702	92 733	24 557
Other	12 302	458	381	20 070	527	756
By interest rate type	**20 545 550**	**1 813 639**	**277 027**	**20 330 037**	**1 193 936**	**432 977**
Fixed rate	3 849 503	270 269	48 185	3 614 472	149 727	45 699
Variable rate	16 696 047	1 543 370	228 842	16 715 565	1 044 209	387 278
By number of days in arrears	**20 545 550**	**1 813 639**	**277 027**	**20 330 037**	**1 193 936**	**432 977**
Up to 30 days[1]	20 543 355	1 789 006	59 427	20 317 957	1 161 806	148 338
30 to 60 days	1 149	11 062	5 184	10 682	24 186	25 495
61 to 90 days	273	3 889	4 881	691	5 461	18 684
91 days to 6 months	278	3 794	17 154	381	1 925	39 771
6 to 12 months	325	4 769	29 654	87	49	27 654
More than 1 year	170	1 119	160 727	239	509	173 035

[1] Includes regular credit (with no days of arrears).

Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The breakdown of loans and advances to Customers (net of impairments) is as follows:

	Individual					
	31-12-2020			31-12-2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
By industry sector	**20 545 439**	**1 813 639**	**277 027**	**20 329 415**	**1 193 936**	**432 977**
Public sector	1 204 680	25 021		1 257 492	33 936	
Other financial corporations and individual entrepreneurs (financial business)	105 220	821	20	298 048	172	122
Non-financial corporations and individual entrepreneurs (non-financial business)						
Real estate development	155 039	11		152 294	55	12 260
Civil construction	356 832	29 292	3 606	323 489	16 036	2 241
Other						
Large companies	1 987 650	256 760	34 916	2 158 221	198 012	32 770
Small and medium-sized companies	4 705 760	406 131	59 707	4 622 258	194 212	55 749
Individuals						
Home loans	10 756 603	966 549	152 109	10 288 841	658 253	304 522
Consumer spending	1 261 353	128 596	26 288	1 208 702	92 733	24 557
Other	12 302	458	381	20 070	527	756
By interest rate type	**20 545 439**	**1 813 639**	**277 027**	**20 329 415**	**1 193 936**	**432 977**
Fixed rate	3 849 503	270 269	48 185	3 613 751	149 727	45 699
Variable rate	16 695 936	1 543 370	228 842	16 715 664	1 044 209	387 278
By number of days in arrears	**20 545 439**	**1 813 639**	**277 027**	**20 329 415**	**1 193 936**	**432 977**
Up to 30 days[1]	20 543 244	1 789 006	59 427	20 317 334	1 161 806	148 338
30 to 60 days	1 149	11 062	5 184	10 683	24 186	25 495
61 to 90 days	273	3 889	4 881	691	5 461	18 684
91 days to 6 months	278	3 794	17 154	381	1 925	39 771
6 to 12 months	325	4 769	29 654	87	49	27 654
More than 1 year	170	1 119	160 727	239	509	173 035

[1] Includes regular credit (with no days of arrears).

Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The breakdown of Customer loan impairments by calculation method is as follows:

	Consolidated / Individual					
	31-12-2020			31-12-2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Impairments determined individually / collectively						
Specific identified individually		(41 835)	(101 429)		(15 096)	(118 904)
Collective	(80 030)	(45 094)	(211 509)	(33 999)	(32 622)	(189 696)

Concentration on non-financial corporations by economic activity

At 31 December 2020, the breakdown of loans and advances to non-financial corporations by economic activity was as follows:

	Consolidated / Individual		
	Gross amount	Of which: Stage 3	Impairment
Agriculture forestry and fishing	383 029	8 170	(11 820)
Mining and quarrying	18 060	377	(488)
Manufacturing	1 614 224	43 657	(48 373)
Electricity gas steam and air conditioning supply	609 673		(8 653)
Water supply	218 089	108	(6 408)
Construction	558 443	12 130	(16 579)
Wholesale and retail trade	1 299 108	36 883	(33 801)
Transport and storage	701 751	51 034	(37 925)
Accommodation and food service activities	625 418	23 645	(32 840)
Information and communication	106 529	5 054	(5 279)
Financial and insurance activities	215 112	26 704	(29 442)
Real estate activities	745 623	27 217	(25 794)
Professional scientific and technical activities	311 552	9 795	(7 930)
Administrative and support service activities	248 131	3 452	(6 755)
Public administration and defence compulsory social security	128		(5)
Education	35 200	935	(1 769)
Human health services and social work activities	218 623	2 187	(8 070)
Arts entertainment and recreation	101 855	1 395	(3 313)
Other services	32 016	1 484	(2 966)
Total	**8 042 564**	**254 227**	**(288 210)**

Concentration by credit quality

The methodology used to assign credit quality is based on:

Fixed income instruments (debt securities): pursuant to the banking regulatory criteria resulting from the CRD IV and CRR capital requirements regulations, and in case more than two credit assessments by external rating are available, the second-best rating is chosen among those available.

Loans and advances to Central Banks and Credit Institutions: pursuant to the banking regulatory criteria resulting from the CRD IV and CRR capital requirements regulations, and in case more than two credit assessments by external rating are available, the second-best rating is chosen among those available.

Loans and advances to Customers: if a credit assessment by external rating is available, the rules resulting from the CRD IV and CRR capital requirement regulations are followed. Where no credit assessment by external rating is available, the classification is based on internal risk assessments approved by the Bank.

As at 31 December 2020 and 2019, Portugal's sovereign debt rating was BBB.

The tables below show the concentration of credit risk by rating of exposures in debt securities and loans and advances held by the Bank:

Credit risk quality (rating)

The breakdown of debt securities by rating at 31 December 2020 and 2019 is as follows:

31-12-2020

	Consolidated				
	Financial assets held for trading	**Non-trading financial assets mandatorily at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**	**TOTAL**
A+/A/A-	19			34 168	34 187
BBB+/BBB/BBB-	3 008	977	1 447 469	3 580 233	5 031 687
"Investment grade"	**3 027**	**977**	**1 447 469**	**3 614 401**	**5 065 873**
	52%	2%	100%	63%	70%
BB+/BB/BB-		46 391			46 391
No rating	2 746	4 946		2 158 360	2 166 053
"Non-investment grade"	**2 746**	**51 338**		**2 158 360**	**2 212 444**
	48%	98%		37%	30%
	5 773	**52 314**	**1 447 469**	**5 772 761**	**7 278 318**

31-12-2019

	Consolidated				
	Financial assets held for trading	**Non-trading financial assets mandatorily at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**	**TOTAL**
A+/A/A-				42 166	42 166
BBB+/BBB/BBB-	2 009	1 027	1 377 044	1 747 835	3 127 916
"Investment grade"	**2 009**	**1 027**	**1 377 044**	**1 790 001**	**3 170 082**
	14%	2%	100%	44%	58%
BB+/BB/BB-		56 414		299 684	356 097
No rating	11 925	5 404		1 939 992	1 957 321
"Non-investment grade"	**11 925**	**61 818**		**2 239 675**	**2 313 418**
	86%	98%		56%	42%
	13 934	**62 845**	**1 377 044**	**4 029 677**	**5 483 500**

31-12-2020

	Individual				
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
A+/A/A-	19			34 168	34 187
BBB+/BBB/BBB-	3 008	977	1 447 469	3 580 233	5 031 687
"Investment grade"	**3 027**	**977**	**1 447 469**	**3 614 401**	**5 065 873**
	52%	2%	100%	63%	70%
BB+/BB/BB-		46 391			46 391
No rating	2 746	4 946		2 158 360	2 166 053
"Non-investment grade"	**2 746**	**51 338**		**2 158 360**	**2 212 444**
	48%	98%		37%	30%
	5 773	**52 314**	**1 447 469**	**5 772 761**	**7 278 318**

31-12-2019

	Individual				
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
A+/A/A-				42 166	42 166
BBB+/BBB/BBB-	2 009	1 027	1 377 044	1 747 835	3 127 916
"Investment grade"	**2 009**	**1 027**	**1 377 044**	**1 790 001**	**3 170 082**
	14%	2%	100%	44%	58%
BB+/BB/BB-		56 414		299 684	356 097
No rating	11 925	5 404		1 940 065	1 957 394
"Non-investment grade"	**11 925**	**61 818**		**2 239 748**	**2 313 491**
	86%	98%		56%	42%
	13 934	**62 845**	**1 377 044**	**4 029 750**	**5 483 573**

The breakdown of loans and advances to central banks and other credit institutions by rating class is as follows:

			Consolidated				Individual			
			31-12-2020		31-12-2019		31-12-2020		31-12-2019	
Exposures			**1 594 993**		**1 452 687**		**1 588 512**		**1 452 687**	
	External Rating	AAA to AA-	135 458	8%	147 025	10%	128 974	8%	147 025	10%
		A+ to A-	735 266	46%	736 096	51%	735 577	46%	736 096	51%
		BBB+ to BBB-	665 179	42%	533 680	37%	664 870	42%	533 680	37%
		BB+ to BB-	56 374	4%	35 848	2%	56 374	4%	35 848	2%
		B+ to B-			38	0%			38	0%
		< B-	2 716	0%			2 716	0%		
			1 594 993	**100%**	**1 452 687**	**100%**	**1 588 512**	**100%**	**1 452 687**	**100%**

The breakdown of loans and advances to Customers by rating class is as follows:

		Consolidated				Individual			
		31-12-2020		31-12-2019		31-12-2020		31-12-2019	
Exposures *Non-Default*		**22 308 208**	**99%**	**21 521 530**	**98%**	**22 308 097**	**99%**	**21 520 908**	**98%**
External Rating	AAA to AA-	63 437	0%	131 849	1%	63 437	0%	131 849	1%
	A+ to A-	408	0%	1 167	0%	408	0%	1 167	0%
	BBB+ to BBB-	877 829	4%	956 137	4%	877 829	4%	956 137	4%
	BB+ to BB-	29 561	0%	35 560	0%	29 561	0%	35 560	0%
	B+ to B-	122 818	1%	227 223	1%	122 818	1%	227 223	1%
	< B-	58 069	0%	223	0%	58 069	0%	223	0%
Master Scale	[0 - 3.1]	7 036 590	31%	4 657 119	21%	7 036 590	31%	4 657 119	21%
	] 3.1 - 4.6]	4 942 358	22%	4 927 243	22%	4 942 358	22%	4 927 243	22%
	] 4.6 - 5.8]	3 858 695	17%	5 849 147	27%	3 858 695	17%	5 849 147	27%
	] 5.8 - 7.3]	3 662 397	16%	2 044 474	9%	3 662 397	16%	2 044 474	9%
	] 7.3 - 9.5]	605 757	3%	1 063 669	5%	605 757	3%	1 063 669	5%
No rating		1 050 289	5%	1 627 719	7%	1 050 178	5%	1 627 097	7%
Exposures *Default*		**328 008**	**1%**	**435 420**	**2%**	**328 008**	**1%**	**435 420**	**2%**
		22 636 216	**100%**	**21 956 950**	**100%**	**22 636 105**	**100%**	**21 956 328**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest)

CRR default criterion (Regulation (EU) 575/2013)

Concentration by sovereign risk

Banco BPI's exposure to entities with sovereign risk is subject to the general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile. Therefore, metrics and limits of exposure to the Portuguese public sector and to the public sector of all other countries were established in the Risk Appetite Framework. The Bank's exposure to entities with sovereign risk is for the most part concentrated in Portugal, Spain and Italy.

Exposure to entities with sovereign risk

The table below shows the breakdown of BPI's exposure to sovereign debt:

31-12-2020

		Consolidated / Individual		
		Financial assets held for trading	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost[1]**
Country	**Residual maturity**			
Portugal	Less than 3 months		50 065	7 042
	3 months to 1 year	457	150 507	540 828
	1 to 2 years	364	132 078	331 746
	2 to 3 years			616 771
	3 to 5 years		320 687	449 240
	5 to 10 years			834 101
	More than 10 years			528 697
		821	**653 337**	**3 308 425**
Spain	3 months to 1 year		303 232	704 994
	1 to 2 years		305 905	
			609 137	**704 994**
Italy	3 months to 1 year			100 157
	3 to 5 years			438 347
	5 to 10 years		184 995	
			184 995	**538 504**
Other	1 to 2 years			4 841
	3 to 5 years			57 660
	More than 10 years			78 145
				140 646
		821	**1 447 469**	**4 692 569**

[1] Does not include interest receivable.

31-12-2019

		Consolidated / Individual		
		Financial assets held for trading	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost[1]**
Country	**Residual maturity**			
Portugal	Less than 3 months		225 243	4 676
	3 months to 1 year		200 355	53 426
	1 to 2 years	1 195		528 827
	2 to 3 years	367	134 501	77 590
	3 to 5 years			94 227
	5 to 10 years		29 189	529 404
	More than 10 years			562 306
		1 562	**589 288**	**1 850 456**
Spain	1 to 2 years		306 527	707 578
	2 to 3 years		306 795	
			613 322	**707 578**
Italy	3 months to 1 year			400 465
	1 to 2 years			100 408
	5 to 10 years		174 434	
			174 434	**500 873**
Other	1 to 2 years			24 717
	2 to 3 years			7 230
	5 to 10 years			70 522
	More than 10 years			78 199
				180 668
		1 562	**1 377 044**	**3 239 575**

[1] Does not include interest receivable.

Relevant information regarding financing for property development, home purchasing, and foreclosed assets.

Relevant information regarding financing for property development, home purchasing, and foreclosed assets is provided in the following section.

Financing for real estate development

The tables below show the level of financing provided to real estate development (does not include advances).

31-12-2020

	Consolidated / Individual			
	Gross amount	Impairment	Value net of impairments	Excess over the maximum recoverable value of collateral
Real estate development	156 447	(1 398)	155 049	6 306

31-12-2019 Restated

	Consolidated / Individual			
	Gross amount	Impairment	Value net of impairments	Excess over the maximum recoverable value of collateral
Real estate development	194 642	(30 040)	164 602	6 192
Of which: Stage 3	40 972	(28 712)	12 260	225

Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The following table presents the value of financial guarantees given for real estate development, which indicates the maximum level of exposure to credit risk (i.e. the amount the Bank would have to pay if the guarantee were called on).

	Consolidated / Individual			
	31-12-2020		31-12-2019 Restated	
	Gross amount	Impairments and provisions	Gross amount	Impairments and provisions
Guarantees provided				
Real estate development	9 221	57	8 909	55

Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The table below provides information on guarantees received for real estate development loans:

	Consolidated / Individual			
	31-12-2020		31-12-2019 Restated	
	Real estate mortgage	Other collateral	Real estate mortgage	Other collateral
Real estate development	**434 040**	**35 164**	**471 276**	**37 355**
of which: Non-performing			55 102	468

Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

Home loans

The table below shows the evolution of home loans:

	Consolidated / Individual			
	31-12-2020 [2]		31-12-2019 Restated [2]	
	Value	%	Value	%
Not real estate mortgage secured	89 251	1%	71 843	1%
Of which: Default [1]	16 109		877	
Real estate mortgage secured	11 831 539	99%	11 179 458	99%
Of which: Default [1]	177 522		303 645	
Total home loans	**11 920 790**	**100%**	**11 251 301**	**100%**

[1] CRR default criterion (Regulation (EU) 575/2013)

[2] Exposure net of impairments (the amounts shown include accrued interest). In 31 December 2020 does not include impairments not allocated in the amount of 45 920 t.euros.
Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The table below shows the amount of residential mortgage loans, by LTV brackets:

	Consolidated / Individual			
	31-12-2020 [1]		31-12-2019 Restated [1]	
	Total	Of which: Default [2]	Total	Of which: Default [2]
LTV ≤ 40%	3 544 432	35 566 0	2 602 252	47 972
40% < LTV ≤ 60%	4 357 218	52 282 0	3 682 663	73 879
60% < LTV ≤ 80%	3 257 552	47 142 0	4 124 676	107 518
80% < LTV ≤ 100%	632 257	22 623 0	716 034	42 272
LTV > 100%	40 080	19 909 0	53 833	32 004
Total home loans	**11 831 539**	**177 522**	**11 179 458**	**303 645**

[1] Exposure net of impairments (the amounts include accrued interest).

[2] CRR default criterion (Regulation (EU) 575/2013).

Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The table below shows the book value and impairment of property foreclosed for the payment of debt:

	Consolidated / Individual					
	31-12-2020			31-12-2019		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Homes	7 631	1 787	5 844	11 835	2 033	9 802
Other	4 682	2 751	1 931	13 032	8 308	4 724
Total	**12 313**	**4 538**	**7 775**	**24 867**	**10 341**	**14 526**

Counterparty credit risk due to derivatives, repurchase agreements and settlement operations

Control of exposures in derivatives and repos at Banco BPI is an integral part of control of exposure to credit risk. In the case of derivatives, where exposure changes according to the change in the market price of the underlying asset, the characteristics of the operation are adapted to the system, by considering the maximum potential exposure (calculated with a statistical confidence level of 95%) and considering the derivative, for limits control purposes, as equivalent to a credit with the same value, maturity, counterparty and other characteristics. An additional control is made to determine whether the effective exposure remains within the limits through the lifetime of the operation.

The value of the maximum potential exposure in derivatives is reviewed periodically (for the main counterparties), or at request, in order to update the limits. In normal circumstances this revision will release limits in so far as, save in case of very strong market fluctuations, the potential exposure decreases with time.

Sales with repurchase agreement (reverse repos) are treated as applications and deposits for which there are associated guarantees, with limits being allocated at net value, taking into account the applicable haircuts.

For both derivatives and repos, it is legally possible to offset the value of the operations, providing there is an agreement to this effect between the two parties. In accordance with Banco BPI's policy, the derivative and repo agreements entered into by the Bank provide for this offsetting, i.e., even in case of bankruptcy, the amounts payable by the Bank to the counterparty correspond to the algebraic sum of the amounts payable or receivable for the set of transactions included in the agreement (therefore the normal obligation of paying immediately the amount of the operations for which the Bank is the debtor and entering the list of creditors in order to receive the amount of the operations for which it is the creditor does not exist).

In the case of repos and derivatives with other banks, the Bank enters collateral exchange agreements that allow the exposure to be maintained at a pre-set level. Receivable and payable collaterals for derivatives and repos are controlled on a daily basis, which permits to maintain a strict control of the exposure in those products and counterparties (the most important in terms of the Bank's exposure).

Finally, compliance with the European Market Infrastructure Regulation also plays a role in the mitigation of the counterparty credit risk in the derivatives portfolio, as it imposes that a significant part of over-the-counter (OTC) operations be made with central counterparties (CCP) and establishes strict control rules for OTC derivatives traded with all other counterparties.

The policies on the control and mitigation of credit risk arising from OTC derivative and repo trading with other banks or professional counterparties are based on the use of solid contractual instruments, such as:

ISDA contracts: Standard contract that regulates trading in the OTC derivatives market, usually used between two professional parties (such as two banks or possible one bank and a large company). ISDA contracts provide for the possibility referred above of offsetting the flows of outstanding collections and payments between the parties.

Credit support annex (CSA) to ISDA contract: Annex to the ISDA contract whereby each of the parties undertakes to provide collateral (usually a cash deposit) to the other as security for the net counterparty risk position arising from the set of derivatives traded between them under the CSA, on the basis of a prior close-out netting agreement included in the clauses of the ISDA contracts.

GMRA/ CME/ GMSLA contracts: standard contracts that regulate sale and repurchase agreements and reverse repurchase agreements (repos). These contracts also include exposure offsetting clauses as well as clauses on the exchange of collaterals to hedge the net remaining exposure.

Central Counterparties (CCP) The use of CCPs in derivatives and repo transactions permits a substantial reduction in the associated counterparty risk, as these entities act as intermediaries between the two parties to the transaction, with the Bank absorbing the CCP risk and not the risk of a less creditworthy entity. The EMIR regulations set forth, among others, an obligation, for certain OTC derivatives, to transfer the counterparty credit risk to a CCP.

For other counterparties (with which there is no interprofessional relationship), the Bank uses derivatives Framework Contracts, which were developed internally and are subject to Portuguese law. In certain situations an ISDA agreement may be entered into. As referred, the policy on derivatives trading is similar to the lending policy in terms of the control of exposure, for which it is the Bank's practice to require guarantees or collateral, which in this case hedge not only the credit exposure but also the derivatives exposure.

Risk associated with investee portfolio

The risk of the investee portfolio is the risk associated with the possibility of incurring losses in the book value of equity holdings in portfolio within a medium to long term horizon as a result of fluctuations in macroeconomic conditions or in the specific financial situation of each investee.

In the case of investees with which there is a credit relationship and therefore credit risk, the Bank makes an analysis of the risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of the counterparties' capacity to honour their commitments.

Control and financial analysis of the main investees are also performed through specialists exclusively responsible for monitoring changes in economic and financial data, based on documents provided by the companies in question. Regulatory changes and competition in the geographical areas and industry sectors where the investees operate are also analysed. This analysis is made in cooperation with other departments of the Bank, namely the Economic and Financial Studies Unit ("UEEF"), and in close collaboration with the areas in CaixaBank responsible for monitoring investees. As far as possible, the analysis is also supported by third-party documentation (from research houses, rating agencies or consultancy firms) in order to obtain an overall perspective of the possible risks to the value of the investees.

Banco BPI's equity holdings are registered in three major investee groups: Non-trading financial assets mandatorily accounted for at fair value through profit or loss, Financial assets at fair value through other comprehensive income, and Investments in subsidiaries, joint ventures and associates. For the more relevant investees, DCF and/or market multiples periodic valuations are made, in accordance with the nature of each investee, and also impairment tests to be recorded in the Bank's accounts.

COVID-19 Impact

In the specific context of the COVID-19 pandemic and its economic consequences going forward, the public and private sectors have taken several measures to support families and companies, the most important being: (i) the launch of support lines to the economy and (ii) giving families and companies the possibility to request the temporary suspension of loan payments (moratoria).

BPI has been supporting its Clients in light of the present exceptional economic situation, in alignment to the Risk Policies of the Group of which it is part. In addition, BPI has been granting moratoria to its Clients under (i) the provisions of Decree-Law no. 10-J/2020 of 26 March, with subsequent amendments, the last by means of Decree-Law no. 107/2020 of 31 December, on legislative moratoria on corporate and retail loan repayments, and (ii) the protocol on general private moratoria to be applied in the context of COVID-19, entered into by several Financial Institutions and the Portuguese Banking Association ("APB"). Support has also been provided by the Portuguese State through a set of economy support lines, granted via the Financial Institutions, with partial guarantee from the Mutual Guarantee Societies.

As per the conditions set for the legal and APB moratoria, clients could opt for the full moratoria (principal and interest) or the moratoria on principal only. Barring any changes that may occur, the legal moratoria will remain in force until 30 September 2021 and the APB moratoria until 31 March 2021. Under the aforementioned legislation, the following are eligible to take the Legal Moratoria until 31 March 2021: credit operations contracted until 26 March 2020 and which on 1 October 2020 (i) did not benefit from the legal moratoria or (ii) benefited or had benefited from the legal moratoria for a period of application of effects of less than nine months.

On 2 December of the current year, recognising the impacts of the second wave of the pandemic, the European Banking Authority reactivated its Guidelines on moratoria (EBA/GL/2020/15), allowing new accessions up to 31 March 2021, for a moratoria period of up to nine months from the date of accession, not to be automatically classified as forborne or in default.

The table below presents the detail of state-guaranteed credit facilities:

Covid credit lines - Detail of financing with public guarantee:

(million euros)	31-12-2020
Corporations and individual entrepreneurs	**551**
Real estate development	1
Civil Construction	36
Other	514
Large companies	26
SME and individual entrepreneurs	488
	551

At 31 December 2020 the credit moratoria detail is as follows:

(million euros)	Number of operations covered	Amount[1]	Of which Stage 1	Stage 2	Stage 3	Residual Maturity <= 6 months	6-12 months
Public sector	**4**	**32**	**32**				**32**
Corporations and individual entrepreneurs	**30 576**	**2 764**	**2 234**	**466**	**64**	**15**	**2 749**
Real estate development	59	158	158				158
Civil construction	1 484	105	82	23	1		105
Other	29 033	2 501	1 995	443	63	15	2 486
Large companies	1 170	403	259	144	0	1	403
SME	26 049	1 990	1 644	283	62	7	1 982
Individual entrepreneurs	1 814	108	91	15	1	7	101
Individuals	**66 908**	**2 824**	**2 174**	**614**	**37**	**1 327**	**1 497**
Homes	39 233	2 495	1 934	531	30	999	1 496
Consumer spending	27 675	329	240	83	6	328	1
Total	**97 488**	**5 620**	**4 439**	**1 079**	**101**	**1 342**	**4 278**

[1] Amount corresponds to equity exposures

In this context, the following criteria are used to calculate impairment of customer loans:

- Stage 2 and 3 classification criteria:

In the processing of loan moratoria there occurred some situations of technical non-compliance beyond the clients' control.

Therefore, in order to mitigate the risk of incorrect classification of the loans, the Bank suspended the application of the Stage 2 and 3 classification criteria that depended exclusively on the observation of days in arrears. This suspension only applies to loans with moratoria in force. At the end of 2020, all other Stage 2 and 3 classification criteria were being applied to loans with moratoria.

During 2020, the signals of significant deterioration of credit risk were made stricter, given the prevailing context where there are quite a number of loans with moratoria, and their effects in terms of the signals captured by the impairment calculation models. In this context, clients with pre- and post-COVID alerts were also considered as showing a significant deterioration in credit risk:

- Pre-COVID alerts: Clients in (i) default or stage 2 transactions between February 2019 and February 2020 or (ii) ratings in a rejection zone in February 2020;
- COVID Alerts: Clients with (i) ratings in rejection zone, (ii) a rating downgrade since February 2020, (iii) an estimated affordability rate above 50%, or (iv) debts to the Social Security or Tax Authority.

- Treatment of expected moratoria:

In a moratoria scheme, the repayment of loans is deferred, i.e., the financial institutions suspend this payment for a given period of time.

- Identification of forborne operations:

The loans with approved moratoria requests were not identified as forborne loans due to deterioration of risk. The moratoria currently in place were applied (i) under Decree-Law 10-J/2020 or Decree-Law 26/2020 or (ii) under the interbank protocol endorsed by the Bank, promoted by the Portuguese Banking Association (APB).

- Sector-specific reviews:

In view of the economic fall-out, BPI has been making individual reviews to the material exposures to each of the more impacted sectors, in order to identity cases of material deterioration in credit risk. Where justified, individual impairments have been increased.

- Updating of macroeconomic scenarios:

During 2020 BPI updated the macroeconomic scenarios considered for purposes of determining the Expected Credit Loss (ECL) under IFRS9, namely factoring in the estimated economic effects of the COVID-19 pandemic and the economic and social aids deployed by the Portuguese State. Accordingly, BPI's Economic and Financial Studies Unit, in alignment with CaixaBank Group, have outlined three macroeconomic scenarios and respective probability of occurrence:

- Baseline scenario, with probability of 60%;
- Upside scenario, with probability of 20%;
- Downside scenario, with probability of 20%;

3.4.2 Impairment risk of other assets

The risk of impairment of other assets relates to the reduction in the book value of the Bank's equity holdings and non-financial assets. This type of risk is managed separately according to the nature of the risk: equity holdings and deferred tax assets (DTA).

The risk of the investee portfolio corresponds to the risk associated with the possibility of incurring losses in the book value of equity positions in portfolio within a medium to long time horizon as a result of fluctuations in macroeconomic conditions or in the specific financial situation of each investee. Equity positions may result from explicit management decisions of investment, from the integration of other entities or from the restructuring or enforcement of guarantees in the context of credit operations.

These equity holdings are managed and monitored in the framework of Banco BPI's strategic objectives. This monitoring focuses on the evolution of the investees' economic and financial data, based on documents provided by the investee companies. Regulatory changes and competition in the geographical areas and industry sectors where the investees operate are also analysed For the more relevant investees, DCF and/or market multiples periodic valuations are made, in accordance with the nature of each investee, and also impairment tests to be recorded in the Bank's accounts.

Deferred tax assets (DTA) correspond to assets generated as a result of temporary differences mainly arising from i) the application of rules for the calculation of the accounting result that are different from those used to calculate the tax result, and from ii) tax losses generated either within the Group or as a result of integration/merger processes.

3.4.3 Actuarial risk

Overview

Banco BPI's Pension Fund is managed by BPI Vida e Pensões (management company). Banco BPI, as a member, defines the Pension Fund's Risk Management Policy, which provides the framework for the management company's activity, while also monitoring and supervising this company's activity and independently validating the actuarial assumptions defined for the Fund.

Actuarial risk cycle

Monitoring, measurement and mitigation of actuarial risk

The risk in the Pension Fund of Banco BPI, managed by BPI Vida e Pensões, is followed and monitored at level 1 and level 2 of the risk appetite framework (RAF), with tolerance objectives and ranges being defined.

The Pension Fund's risks are analysed and measured continuously and jointly so as to monitor the Fund's funding level (the funding risk is that with the greatest impact on the Member), both by the risk team of BPI Vida e Pensões (as the Management Company) and by Banco BPI, which monitors the risks and quantifies their impacts on the Member, annually factoring them in in the ICAAP exercise, and determining whether or not it is necessary to allocate economic capital to the Pension Fund. The ICAAP analyses the Pension Fund's asset and liability risk.

In so far as the Fund's asset portfolio basically comprises shares, bonds (mostly public debt), mutual fund participation units (investment funds and exchange traded funds), and real estate, the risks inherent in the Fund's assets are those specifically inherent in the various types of investment (credit risk, market risk, liquidity risk, etc.). The Fund's liabilities, which are liabilities for the payment of pensions, are subject to various risks that may have a negative impact on their value: inflation rate, growth of salaries and pensions, increase in the average life expectancy, discount rate.

Thus, active management of the investment portfolio risks and prudent management of the Pension Fund's actuarial assumptions (defined annually within the scope of the actuarial valuation), both from a long-term perspective and in accordance with the duration of the Fund's liabilities, are the most effective tools for correct mitigation of the Fund's underlying risks. Both assets and liabilities must be managed in accordance with the existing risk policies of both the Management Company and the Member.

3.4.4 Market risk

Overview

The market risk perimeter covers Banco BPI's trading portfolio as defined for risk purposes in accordance with regulatory recommendations.

Market risk cycle

Monitoring and measurement of market risk

On a daily basis, the responsible departments realise and monitor the transactions in portfolio, calculate how changes in the market will affect the positions held (daily marked-to-market results), quantify the market risk taken and monitor compliance with the established limits. The results of these activities are compiled into daily position reports, which include the quantification of risks and the utilisation of risk limits, and these are distributed to the various levels in the hierarchy.

As a general rule, there are two types of measurements which constitute a common denominator and market standard for the measurement of market risk:

Sensitivity

Sensitivity represents risk as the impact a slight change in risk factors has on the value of positions, without providing any assumptions about the probability of such a change (e.g. one of the most common methods used to measure interest rate sensitivity is to project a change of one basis point in the interest rates curve).

Value-at-risk (VaR)

The benchmark market risk measurement is VaR, with a confidence level of 99% and a two-week (10 business days) time horizon based on a parametric model where the return on the risk factors considered follow a zero average normal distribution and the standard deviation is obtained from an historical series of values observed over one year. The diversification effect is considered based on correlations between the returns of the various factors considered (interest rates, exchange rates, equity prices). Total VaR results from the aggregation of VaR arising from fluctuations in interest rates, exchange rates and equity prices, taking into account the diversification effect.

The table below shows the values of average VaR at 99% with a time horizon of two weeks (10 business days) in accordance with BPI's different risk factors. As can be seen, the value of the risk is immaterial, given the limited expression of open positions in the trading book.

	Total	Interest Rate	Exchange Rate	Share prices
2020 average VAR	241	123	70	166
2019 average VAR	194	165	56	41

In 2020 the average and the maximum value of the VaR at 99% with a time horizon of two weeks in BPI's trading activities was 0.241 and 4.2 million euros, respectively.

Capital requirements for market risk are determined based on the standardised approach, in accordance with Regulation (EU) 575/2013 of 26 June 2013, of the European Parliament and of the Council. The values calculated are insignificant, given the low representativeness of the portfolio, except for foreign-exchange risk. It should be noted that BPI's foreign-exchange risk mainly derives from its equity holdings in financial institutions outside the Eurozone and not from its current activity.

Mitigation of market risk

BPI's trading portfolio is mainly composed of open positions arising from its regular commercial relationship with clients, which are hedged by the Bank in the market. The necessary monitoring and control of the market risks assumed involve a structure of risk limits that are controlled by means of indicators such as Value at Risk (VaR) or Value of a basis point (Vo1).

The risk factors are managed using economic hedges on the basis of the return/risk ratio determined by market conditions and expectations, always within the assigned limits. Many of these hedges are back-to-back.

Beyond the trading portfolio, hedge accounting is used, which eliminates potential accounting mismatches in the balance sheet and the income statement caused by the different treatment of hedged instruments and those used to hedge in the market. Limits are established and monitored for each hedge, normally expressed as the ratio between the sensitivity of the hedging items and the sensitivity of the hedged items.

3.4.5 Banking book interest rate

Structural interest rate risk

The management of this market risk by Banco BPI seeks to i) optimise the net interest income and ii) preserve the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the risk appetite framework in terms of the volatility of the net interest income and the sensitivity of economic value. These objectives are defined in accordance with the policies established at CaixaBank Group level. Where no contractual maturity or repricing dates exist (notably in the case of sight deposits), modelling is carried out (in accordance with the relevant EBA guidelines), for use in the management of Interest Rate Risk in the Banking Book (IRRBB). This model produces the time distributions of interest rate maturities/repricing shown in the tables below.

This risk is analysed considering a broad set of market interest rate scenarios, analysing the impact of the inherent shocks on possible sources of structural interest rate risk, i.e. repricing risk, curve risk, base risk and optionality risk. Optionality risk considers automatic optionality, related to the behaviour of interest rates, and the optionality of customer behaviour, which is not only dependent on interest rates.

Banco BPI applies best market practices and the recommendations of regulators in measuring the interest rate risk of the banking book, using various measurement techniques that make it possible to analyse its positioning and risk situation. These notably include:

- *Static gap*: it shows the contractual distribution of maturities and interest rate repricings for applicable balance sheet and/or off-balance sheet aggregates at a particular date. GAP analysis is based on comparison of the values of assets and liabilities that are repriced or mature in the same particular period.
- Sensitivity of net interest income: Sensitivity is measured by comparing the net interest income at 12 and 24 months, calculated for a baseline scenario, and for extreme scenarios of interest rate changes (instantaneous and progressive parallel shock with different intensities, and changes in slope of interest rate curves). The most likely scenario, which is obtained using the implicit market rates, including the business trend and hedge management forecasts, is compared with other scenarios of rising or falling interest rates with parallel and non-parallel movements in the slope of the curve. The difference between these stressed net interest income figures compared to the baseline scenario give us a measure of the sensitivity, or volatility, of net interest income.

- Balance sheet economic value: it is calculated as the sum of i) the fair value of net interest-rate sensitive assets and liabilities on the balance sheet; ii) the fair value of off-balance sheet products (derivatives); and iii) the net carrying amounts of non interest-rate sensitive asset and liability items.
- Economic value sensitivity: The economic value of interest-rate sensitive on- and off-balance sheet items is calculated at the current market rates (baseline scenario) and under different stressed interest-rate scenarios. The difference between the values obtained in the baseline scenario and those obtained in the stressed scenarios permit to assess the sensitivity of economic value to interest rate changes.

To mitigate the banking book interest rate risk, the Bank actively manages this risk through hedging operations contracted in the financial markets which permit to correct situations where hedging is not provided naturally through operations carried out with the Clients or other counterparties.

The table below shows, using a static gap, the distribution of contractual maturities and interest rate repricings of interest-rate sensitive amounts in the banking book, at 31 December 2020:

	Consolidated / Individual						
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**	**TOTAL**
ASSETS							
Interbank and Central Banks	5 474 443						5 474 443
Loans and advances to Customers	20 753 742	933 206	506 826	381 624	300 475	1 169 631	24 045 503
Fixed income portfolio	2 869 086	709 668	518 236	44 456	1 109 153	695 757	5 946 356
Total Assets	**29 097 271**	**1 642 874**	**1 025 062**	**426 079**	**1 409 628**	**1 865 388**	**35 466 302**
LIABILITIES							
Interbank and Central Banks	5 478 010						5 478 010
Customer deposits	12 335 616	3 510 266	2 217 692	1 661 064	1 660 475	4 621 604	26 006 717
Own issues	850 162			775 000	450 000		2 075 162
Total Liabilities	**18 663 788**	**3 510 266**	**2 217 692**	**2 436 064**	**2 110 475**	**4 621 604**	**33 559 890**
Assets minus Liabilities	**10 433 484**	**(1 867 392)**	**(1 192 631)**	**(2 009 985)**	**(700 847)**	**(2 756 216)**	**1 906 412**
Hedges	**(2 630 593)**	**1 915 571**	**562 056**	**390 480**	**228 032**	**(527 867)**	**(62 320)**
Total difference	**7 802 890**	**48 179**	**(630 575)**	**(1 619 504)**	**(472 815)**	**(3 284 083)**	**1 844 093**

The table below shows, using a static gap, the distribution of contractual maturities and interest rate repricings of interest-rate sensitive amounts in the banking book, at 31 December 2019:

	Consolidated / Individual						
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**	**TOTAL**
ASSETS							
Interbank and Central Banks	1 976 868						1 976 868
Loans and advances to Customers	20 116 376	829 275	411 020	283 617	224 454	1 125 718	22 990 460
Fixed income portfolio	1 719 741	1 607 126	459 894	18 461	34 682	496 094	4 335 998
Total Assets	**23 812 985**	**2 436 401**	**870 914**	**302 078**	**259 136**	**1 621 812**	**29 303 326**
LIABILITIES							
Interbank and Central Banks	2 451 463	500 000					2 951 463
Customer deposits	11 405 767	2 573 543	2 467 002	1 379 508	1 379 345	3 841 330	23 046 495
Own issues	856 382	162			775 000		1 631 544
Total Liabilities	**14 713 612**	**3 073 705**	**2 467 002**	**1 379 508**	**2 154 345**	**3 841 330**	**27 629 502**
Assets minus Liabilities	**9 099 373**	**(637 304)**	**(1 596 088)**	**(1 077 430)**	**(1 895 209)**	**(2 219 518)**	**1 673 824**
Hedges	**(1 614 917)**	**747 802**	**1 406 853**	**(230 468)**	**392 255**	**(699 768)**	**1 757**
Total difference	**7 484 456**	**110 498**	**(189 235)**	**(1 307 898)**	**(1 502 954)**	**(2 919 286)**	**1 675 581**

The sensitivity of net interest income and economic value are complementary measures that provide an overview of structural interest rate risk, which is more focused on the short and medium term in the first case and on the medium and long term in the second.

The table below shows the sensitivity of the net interest income and the economic value of interest rate-sensitive assets and liabilities to a 200 basis points interest rate instantaneous increase and decrease, in 31 December 2020:

	Consolidated / Individual	
Amounts as % of baseline scenario	+200 bp	-200 bp[3]
Net interest income [1]	26.5%	-10.9%
Asset value (banking book)[2]	3.0%	6.8%

[1] Net interest income sensitivity at 1 year

[2] Economic value baseline sensitivity

[3] In the case of falling-rate scenarios the applied internal methodology allows for a negative floor, which at most corresponds to the historical minimum verified in interest rates plus -1%, allowing negative interest rates values for the various periods of the curve. For example, considering EONIA verified historical minimum of approx. -0.40%, the interest rate levels reached after the shock on the curve could be as low as -1.40%.

Structural exchange rate risk

Banco BPI has foreign currency assets and liabilities in its balance sheet, mainly as a result of its commercial activity, including foreign currency assets and liabilities deriving from the transactions carried out to mitigate exchange rate risk in that activity. The Bank also has some foreign currency structural positions related to equity holdings in financial Institutions outside the Eurozone.

At 31 December 2020, the equivalent euro value of all foreign currency assets and liabilities was as follows:

	Consolidated			
	USD	AKZ	MZN	Other currencies
Cash and cash balances at central banks and other demand deposits	58 479	13 393		145 016
Financial assets held for trading	(11 643)			77 396
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	51 289			
Financial assets at fair value through other comprehensive income	5 325	334 200		101
Financial assets at amortised cost	952 541			78 260
Derivatives - Hedge accounting	20 529			58
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6 593			
Investments in subsidiaries, joint ventures and associates			85 116	
Tangible assets				157
Tax assets				10
Other assets	15			3 001
Total Assets	**1 083 128**	**347 593**	**85 116**	**303 999**
Financial liabilities held for trading	(211 671)			7 152
Financial liabilities at amortised cost	1 899 594			280 794
Derivatives - Hedge accounting	(623 562)			(3 222)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 958			43
Tax liabilities			9 631	
Other liabilities	1 262			937
Foreign exchange operations pending settlement and forward position operations	9 436			5 245
Total Liabilities	**1 077 017**		**9 631**	**290 949**

	Individual		
	USD	AKZ	Other currencies
Cash and cash balances at central banks and other demand deposits	58 337	13 393	140 361
Financial assets held for trading	(11 643)		77 396
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	51 288		
Financial assets at fair value through other comprehensive income	5 326	334 200	101
Financial assets at amortised cost	952 541		71 717
Derivatives - Hedge accounting	20 529		58
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6 593		
Investments in subsidiaries, joint ventures and associates	660		
Other assets	15		97
Total Assets	**1 083 646**	**347 593**	**289 730**
Financial liabilities held for trading	(211 671)		7 152
Financial liabilities at amortised cost	1 900 291		280 710
Derivatives - Hedge accounting	(623 562)		(3 222)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 958		43
Other liabilities	1 261		(10)
Foreign exchange operations pending settlement and forward position operations	9 436		5 245
Total Liabilities	**1 077 713**		**289 918**

The exchange rate risk in the Bank's regular activity may be hedged through on-balance sheet operations (deposits or foreign currency investments) or through financial derivatives that mitigate the risk of positions in foreign currency. It should be noted that the nominal value of derivatives is not reflected directly in the balance sheet but in off-balance sheet accounts. The approach to foreign-exchange risk management at Banco BPI is to seek to minimise the positions assumed, which explains the Bank's low exposure to this risk.

The relevant foreign exchange positions held by Banco BPI result from the equity holdings in financial institutions of countries outside the Eurozone, notably in Banco de Fomento de Angola (position in Angolan Kwanzas) and Banco Comercial e de Investimentos S.A. (Positions in Mozambique Metical) [1]. BFA's fair value estimate factors in a projection of the foreign exchange devaluation of the Kwanza (Note 39.1), and in the case of the equity holdings, the impact of foreign exchange changes also depends on the composition of the balance sheet of each of those companies.

In 2020, the Metical fell by approximately -25% against the Euro, leading to the recognition in Banco BPI's consolidated accounts of a negative exchange rate difference of 26 537 th.euros, under the heading "Other comprehensive income" (Note 24).

Excluding the foreign currency positions in Kwanza and Metical resulting from the equity holdings in BFA and BCI, BPI's exposure and sensitivity to exchange rate risk is not significant, taking into account the existing hedges.

[1] In the individual balance sheet, investments in subsidiaries and associated companies in foreign currency (non-monetary items valued at historical cost) are translated at the historical exchange rate on the date of acquisition, and therefore the exposure to MZN is not presented.

At 31 December 2019, the value in thousand euros of all foreign currency assets and liabilities was as follows:

	Consolidated			
	USD	AKZ	MZN	Other currencies
Cash and cash balances at central banks and other demand deposits	20 338	19 774		44 012
Financial assets held for trading	9 780			484
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	61 771			
Financial assets at fair value through other comprehensive income	10 039	413 747		102
Financial assets at amortised cost	1 083 608			80 548
Derivatives - Hedge accounting	6 144			138
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3 861			
Investments in subsidiaries, joint ventures and associates			106 045	
Tangible assets				257
Tax assets				27
Other assets	169		4 691	3 997
Foreign exchange operations pending settlement and forward position operations	729 766			66 533
Total Assets	**1 925 476**	**433 521**	**110 736**	**196 098**
Financial liabilities held for trading	2 428			459
Financial liabilities at amortised cost	1 907 574			182 466
Derivatives - Hedge accounting	3 818			6
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 695			(36)
Tax liabilities			9 295	
Other liabilities	1 447			2 181
Total Liabilities	**1 916 962**		**9 295**	**185 076**

	Individual		
	USD	AKZ	Other currencies
Cash and cash balances at central banks and other demand deposits	20 246	19 774	34 916
Financial assets held for trading	9 780		484
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	61 771		
Financial assets at fair value through other comprehensive income	10 039	413 747	102
Financial assets at amortised cost	1 082 887		80 460
Derivatives - Hedge accounting	6 144		138
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3 861		
Investments in subsidiaries, joint ventures and associates	721		
Other assets	233		4 867
Foreign exchange operations pending settlement and forward position operations	729 766		66 533
Total Assets	**1 925 448**	**433 521**	**187 500**
Financial liabilities held for trading	2 428		459
Financial liabilities at amortised cost	1 907 575		182 275
Derivatives - Hedge accounting	3 818		6
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 695		(36)
Other liabilities	1 549		163
Total Liabilities	**1 917 065**		**182 867**

3.5. Operational and reputational risk

3.5.1. Operational risk

Overview

BPI has adopted the definition of operational risk provided in the regulation in force (Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013): "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk." This definition excludes strategy and reputational risks. In BPI's catalogue of risks, as indicated in the Internal Control Policy, operational risk is broken down into several subcategories, which, on account of their specific nature, justify the establishment of specialised areas responsible for their management: legal and regulatory, conduct, technological, reliability of the financial information and other operational risks.

Recognising the importance of managing the risks to which financial entities are exposed, BPI has a strict management policy whose principles are enshrined in the general risk management policies. The operational risk management model has the following specific objectives:

- to identify and pre-empt the existing operational risks arising from internal and external factors, so as to increase control over BPI's results (reducing volatility), by adopting measures to sustainably mitigate and reduce operational losses;
- to ensure BPI's long-term continuity, namely through business continuity and technological contingency plans, managing the factors that may pose a risk to its survival;
- to promote the establishment of continuous improvement systems for operational processes and in the control structure in place at BPI, so as to facilitate decision-taking on risk;
- to promote a culture of management of operational risk based on risk awareness, responsibility, commitment and service quality;
- to comply with the regulatory framework and the requirements for application of the chosen management and calculation models, including the capital consumption requirements.

Operational risk management cycle

Operational risk management at BPI is supported by risk-sensitive policies, processes, tools and methodologies, and carried out in accordance with best market practices, at three interconnecting fronts:

- identification and assessment of operational risk;
- operational risk events;
- mitigation of operational risk.

Each Division under the aegis of the Executive Committee is responsible for identifying the operational risk inherent in the activities carried out by the respective areas by means of a self-assessment process.

The materialisation of operational risks (operational risk events) should be taken into account for the purpose of new identification of risks or reassessment of risks already identified and considered under a critical perspective for purposes of identification of mitigation measures.

Therefore, within the scope of the identification and monitoring of operational risk events, all the Bank's Divisions and Units, as the first line of defence, have as main responsibilities to i) promptly record these events in the internal database, and ii) incorporate the knowledge obtained through the critical analysis of these occurrences into the risk management cycle.

BPI's operational risk management model establishes that it is the responsibility of Divisions to detect any situations that trigger the need to assess whether it is pertinent, opportune and feasible to devise risk Mitigation Measures. These measures are planned and implemented to reduce or eliminate the probability of a future occurrence of a certain risk and/or the severity of its impacts.

The operational risk management area, integrated in the Risk Management Division, is responsible, as the second line of defence, for assisting the Divisions in the assessment of operational risk, monitoring the corresponding processes and centralising the collection of inputs on specific operational risk categories, which will enrich the operational risk evaluation process carried out by the Divisions. This area is also responsible for assessing the consistency of the records of occurrences, compiling and making a critical analysis of the information to enhance the quality of the analysis of the pattern of events with a view to improving risk management, monitoring and following up on the mitigation measures up to their implementation, and assisting the first line of defence in the assessment, monitoring and follow-up of Operational Risk Indicators (KPIs).

Risks of an operational nature

The risks in the Corporate Catalogue of Risks of an operational nature, and identified as such in the regulatory framework, are described below.

Conduct risk

The risk of conduct and compliance is defined as the risk arising from the application by BPI of action principles that are contrary to the interests of its Clients or other stakeholders, or actions or omissions by the Bank that are not compliant with the legal and regulatory framework or the internal policies, standards and procedures. The objective of BPI is to minimise the probability of this risk occurring and, if it does, to promptly detect, report and address the weaknesses.

The management of compliance and conduct risk is undertaken across the entire institution, which, through its employees, must ensure compliance with the regulations in force and applying appropriate procedures to the activity they perform.

In order to manage compliance and conduct risk, the values and principles set out in the Code of Ethics and Conduct of BPI are actively promoted both to its Employees and to the Members of the Governing Bodies, who must assume compliance therewith as a guiding principle of their day-to-day activities.

Legal and regulatory risk

Legal and regulatory risk is defined as the possibility of potential losses or reduction in the Bank's profitability as a result of legislative changes, an incorrect implementation of said legislation in BPI's processes, its inadequate interpretation in different operations, the incorrect management of judicial or administrative requests or complaints and complaints received.

In the realm of legal and regulatory risks mitigation, the following deserve particular attention: the analysis of the legal framework and the identification of any misalignments with the regulations; the analysis of the likelihood of changes in the legal/regulatory framework and their consequences; the clarification of the nature of contractual relationships and their interpretation by the counterparties; the analysis of products and their legal status; and the identification and proposal of measures capable of reducing possible litigation risks.

In this context, the main legal and regulatory changes with impact on the Group are Decree-Law no. 10-J/2020 of 26 March, establishing exceptional measures to protect the credit of families, companies, private charitable institutions and other social economy entities, and a special scheme of State personal guarantees within the scope of the COVID-19 pandemic (as well as its subsequent amendments[2]).

On the other hand, with regard to ongoing administrative proceedings, it is worth noting, due to its materiality, the infringement proceedings initiated by the Competition Authority (CA) in 2012, related to the alleged exchange of sensitive information (volumes and spreads) between banks on home loans and other forms of credit, where the Competition Authority considers that such exchange of information constitutes a concerted practice between companies contrary to the law, under which the Bank was sentenced, in September 2019, to a single fine of €30 million. It should be noted that this fine was challenged in the third quarter of 2019, Banco BPI having lodged an appeal with the Competition, Regulation and Supervision Court, and maintaining the belief that it will be cleared of the aforementioned conviction.

The Group has in place policies, rules, analysis and monitoring procedures, as well as specific periodic controls to identify and update the provisions required to cover present obligations arising from past events from which may result material loss, when it is considered that such loss is likely to occur as a result of unfavourable, judicial or extrajudicial, decisions, in the context of civil, criminal, tax or administrative litigation.

---

[2] To date:

- Law no. 8/2020, of 10 April, which made the first amendment, following parliamentary consideration, to Decree-Law no. 10-J/2020, of 26 March, which establishes exceptional measures to protect the credit of families, companies, private charitable institutions and other social economy entities, and a special scheme of State personal guarantees within the scope of the COVID-19 pandemic.
- Decree-Law no. 26/2020, of 16 June, which amends the exceptional measures of protection of the credit of families, companies, private charitable institutions and other social economy entities, as well as the special scheme of State personal guarantees.
- Law no. 27-A/2020, of 24 July, which makes the second amendment to Law no. 2/2020, of 31 March (State Budget for 2020), and amends several other laws; and
- Decree-Law no. 78-A/2020, of 29 September, which alters the COVID-19 related exceptional and temporary measures.

Technological risk

Within the framework of regulatory operational risk, technology risk is defined as the risk of material or potential loss due to inadequate or failed technology infrastructure, due to cyber-attacks or other circumstances, and the inability to make changes to the ICT in a timely and cost-effective manner, compromising the availability, integrity, accessibility and security of infrastructure and data. This risk is divided into 5 categories: 1) Availability and continuity of Information and Communication Technologies (ICT); 2) Security of ICT; 3) Changes to ICT; 4) Integrity of IT Data; 5) Governance and ITC strategy.

BPI is currently implementing a technology risk management and control methodology based on the 3 lines of defence internal governance model. This methodology is formally written into the technology risk policy, created from the adaptation of the same corporate policy.

Technology risk will be measured by means of a regularly monitored RAF indicator, calculated on the basis of individual indicators related to the different categories of technology risk.

To prevent impacts caused by failures in IT infrastructures, BPI has implemented recovery mechanisms based on high availability solutions for both the hardware and the software applications and data. These solutions' speed and efficacy of response is systematically gauged through an annual testing plan.

Specifically, business continuity refers to the capability of an organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident. Therefore, Business Continuity management at BPI consists in identifying potential threats to the organisation and its activity, providing a framework for building organisational resilience and the capability for an effective response that safeguards the interests of its key stakeholders, its reputation, brand, and value - creating activities.

Accordingly, BPI has decided to align its Business Continuity Management System (BCMS) to the international standard ISO 22301:2012.

Banco BPI maintains emergency plans, internal regulations and controls covering the various aspects of Information Security, in key areas such as: 1) cybersecurity; 2) the fight against Customer fraud and internal fraud; 3) data protection; 4) internal awareness raising about security; and 5) Supplier security.

Risk of reliability of financial reporting

The risk of reporting reliability is defined as the risk of there being deficiencies in the accuracy and integrity of and the criteria for the preparation of the data required to assess Bank BPI's financial situation and assets, or the information made available to stakeholders and disclosed to the market as a holistic view of the Bank's positioning in terms of environmental sustainability, which is directly related to environmental, social and governance issues (ESG Principles).

Banco BPI's Board of Directors has approved a Policy on the management of the Risk of reliability of financial reporting, which establishes:

- The risk control and management framework;
- The criteria for control and verification prior to the disclosure of information, for a certain perimeter of information to be disclosed;
- The Financial Information Internal Control System (FIICS), which establishes the set of processes that are carried out to provide reasonable assurance regarding the reliability of the information.

Regarding financial information, the management of this risk includes assessing whether the information produced complies with the following principles:

- The transactions and other events reflected in the financial information in fact exist and were recorded at the right time (existence and occurrence);
- The information includes the totality of transactions and other events in which Banco BPI is the affected party (completeness);
- The transactions and other events are recorded and valued in accordance with applicable standards (valuation);
- The transactions and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, detail and comparability);
- The financial information shows, at reporting date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

The following are the main control activities performed by the three lines of defence with regard to the risk of reporting reliability:

- First line of defence: (i) definition of the accounting circuits that encode the contribution of BPI's different applications for automatic integration into the accounting application, (ii) review of the reasonableness of judgements and estimates as well as the evolution of accounting magnitudes, (iii) liaison with CaixaBank's *Departamento de Políticas Contables* for application of the accounting policies, (iv) control of the accounting originating in the different applications and manual processes, and (v) analysis of the reasonableness of consolidated results and equity.
- Second line of defence: (i) monitoring and management of the FIICS, (ii) advising on and/or defining criteria for the identification, monitoring, implementation and assessment of information controls, (iii) preparation and review of compliance with policies, and (iv) identification of weaknesses and follow-up of action plans established to overcome the weaknesses identified.
- Third line of defence: review of the reliability and integrity of information, including the effectiveness of the FIICS.

Model risk

The Corporate Model Risk Management Policy, approved by Caixabank's Board of Directors in January 2021, defines model risk as the possible adverse consequences for the entity that could arise from decisions based primarily on the results of internal models, due to errors in the construction, application or use of these models.

In particular, the following sub-risks identified under model risk are subject to management and control

- Quality risk: potential detrimental impact due to the models' poor predictability capacity, either due to defects in construction or failure to update the models over time.
- Governance Risk: potential detrimental impact due to an inadequate governance of Model Risk (e.g., models not formalised in committees, relevant models without second line of defence opinion, models that are not properly inventoried, etc.).
- Control Environment Risk: potential detrimental impact due to deficiencies in the models' control environment (e.g., models with expired recommendations, mitigation plans not implemented, etc.).

To meet the overall Model Risk Strategy, the model risk management function performs active management that is based on the three classical pillars of Risk management:

- Identification of the Model Risk, using the Corporate Inventory of Models as a key element to set the scope of the models. To manage model risk, it is necessary to identify the existing models, their quality and how they are used by the Entity. It is necessary to have a single model registry, that unifies the model concept and defines a homogeneous taxonomy that includes – among other attributes – their relevance and assessment.
- Model Governance, which addresses key aspects such as:
  - The identification of the most relevant phases in a model's life cycle, and the definition of functions and minimum standards to carry out these activities.
  - The concept of tier-based management, or, in other words, the way in which the models' control framework can be modulated according to the relevance of the model, in general terms. This attribute will determine the model's control environment, such as the type and frequency of validation, the type and frequency of model monitoring, the body that must approve the use of the model, the level of internal supervision or the level of senior management involvement.
  - The governance and management of changes to the models from a transversal perspective, offering different model owners the necessary flexibility and agility to change affected models in line with the most suitable governance in each case.
  - The definition of Internal Validation standards that guarantee the adequate application of controls for an independent unit to assess a model.
- Monitoring, using a control framework with a preemptive approach to Model Risk, which makes it possible to keep the risk within the parameters laid down in the Entity's Risk Appetite Framework, by regularly calculating appetite metrics and other indicators specific to model risk.

In November 2020, model risk was raised to risk level 1 in the Corporate Risk Catalogue, with a view to ensuring an adequate and consistent control framework, as well as active model risk management.

Model Risk management will be gradually deployed at Banco BPI, namely involving

- the adaptation of the Model Risk Validation Methodology in corporate alignment, to accommodate the Entity's different Model Validation Functions, with a view to standardising model risk management criteria;

- definition of a three-year project plan, starting in 2021;
- subscription to the Corporate Policy for Model Risk Management, in the first quarter of 2021;
- progressive inventorying of models and their uses;
- definition of RAF metrics to be monitored to keep model risk within the limits established in the Risk Appetite Framework.

Other operational risks

Within the context of Operational Risk, this is defined as the risk of losses or damage caused by operational errors in processes related to BPI's activity, due to external events beyond its control, or provoked by third parties, either accidentally or fraudulently. It includes, among others, risk factors related to external events or external fraud. Operational risk that arises from operating processes and external events is managed across all areas of BPI. This implies identifying, assessing, managing, controlling and reporting the operational risks of their activity and cooperating with the Bank's operational risk management area in the implementation of the management model.

3.5.2. Reputational risk

Reputational risk is the risk of loss of competitive capacity due to the deterioration of trust in BPI by its stakeholders, as a result of their perception of actions or omissions attributed to BPI or its Management or Governance Bodies.

The risk is monitored using internal and external selected reputational indicators from various sources of stakeholder expectations and perception analysis. The indicators are weighted according to their strategic importance and are grouped in a balanced reputation scorecard that enables a Global Reputation Index (GRI) to be obtained. This metric permits to monitor the perception of the different stakeholders concerning the institution on a semi-annual and annual basis, to make comparisons with the competition, and to define the tolerance ranges in accordance with the Bank's risk appetite, thus enabling a more effective management of reputation.

Control and mitigation of reputational risk involve the development of policies that engage different areas of BPI.

4. SOLVENCY MANAGEMENT

The global regulatory framework for supervision and prudential rules on solvency, known as Basel III, came into force in the European Union through Directive 2013/36 (CRD IV) and Regulation 575/2013 (CRR).

Furthermore, the Supervisory Review and Evaluation Process (SREP), which configures Pillar II of the Basel regulatory framework, consists of an ongoing supervision process to evaluate the adequacy of capital, liquidity, corporate governance, and risk management and control, harmonised at European level by the EBA. The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses specifically detected. The SREP seeks to assess the individual viability of entities, considering cross-cutting analyses and comparisons against their peers. Any potential additional capital requirements are complemented by combined capital buffer requirements.

The following table shows the composition of Banco BPI own funds on a consolidated and individual basis on 31 December 2020 and 2019[1]:

	Consolidated				Individual			
	31-12-2020		31-12-2019		31-12-2020		31-12-2019	
	Amount	%	Amount	%	Amount	%	Amount	%
CET1 instruments	**3 015 135**		**3 039 011**		**2 869 480**		**2 886 249**	
Accounting shareholders' equity (without TIER1)	2 981 286		3 161 137		2 835 630		3 008 375	
Dividends payable	(13 173)		(116 549)		(13 173)		(116 549)	
AVA adjustments and gains/(losses)	47 023		(5 577)		47 023		(5 577)	
CET1 Deductions	**(486 555)**		**(633 671)**		**(345 653)**		**(481 076)**	
Intangible assets	(36 887)		(78 654)		(24 082)		(65 848)	
Deferred taxes assets and financial investments	(386 480)		(487 817)		(258 384)		(348 028)	
Other deductions	(63 187)		(67 201)		(63 187)		(67 201)	
CET1	**2 528 581**	**14.1%**	**2 405 340**	**13.4%**	**2 523 827**	**14.0%**	**2 405 173**	**13.4%**
TIER1 Instruments	275 000		275 000		275 000		275 000	
TIER 1	**2 803 581**	**15.6%**	**2 680 340**	**14.9%**	**2 798 827**	**15.6%**	**2 680 173**	**15.0%**
TIER2 Instruments	300 000		300 000		300 000		300 000	
TIER2	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**
TOTAL CAPITAL	**3 103 581**	**17.3%**	**2 980 340**	**16.6%**	**3 098 827**	**17.2%**	**2 980 173**	**16.6%**
Other instruments eligible for MREL[2]	450 000							
MREL[3]	**3 553 581**	**19.8%**	**2 980 340**	**16.6%**				
RWA	**17 990 610**		**17 949 330**		**17 984 768**		**17 921 965**	

[1] The ratios for 31 December 2020 reflect the phasing-in of IFRS9 and consider the Board of Directors' proposal for the distribution of dividends relating to 2020 (13 million euros).

[2] In the first half of 2020 Banco BPI issued non-preferred senior debt in the amount of 450 million, fully subscribed by the sole shareholder, CaixaBank.

[3] On 4 February 2021 the Bank of Portugal notified Banco BPI about the minimum requirement for own funds and eligible liabilities (MREL). Under the new Bank Recovery and Resolution Directive (BRRD2), as from 1 January 2022, BPI, on a sub-consolidated basis, must comply with the MREL requirement of 19.05% of RWA (including CBR - combined buffer requirement) and 5.91% of the total leverage ratio exposure (LRE), and, as from 1 January 2024, with the MREL requirement of 23.95% of RWA (including CBR). As at 31 December 2020, the MREL ratio to the LRE is 9.3%.

Note: unaudited amounts

Following the flexibility measures introduced by the ECB as a result of the COVID-19 pandemic, and in alignment with CaixaBank, in 2020 BPI adopted the transitional arrangements for IFRS9 (phasing-in).

Considering these transitional arrangements, at 31 December 2020, Banco BPI had a Common Equity Tier 1 (CET1) ratio of 14.1%, a Tier 1 ratio of 15.6% and a total ratio of 17.3%, on a consolidated basis, considering the results for the period and the distribution of a dividend of 15% of the individual net profit. On an individual basis and using the same criteria, Banco BPI had a CET1 ratio of 14.0%, a Tier1 ratio of 15.6% and a Total ratio 17.2%.

At 31 December 2020, the impact of adoption of the prudential transitional arrangements for IFRS9 is 28 bps, i.e., the fully loaded CET1 is 13.8% on a consolidated basis and 13.5% on an individual basis.

The following chart sets out a summary of the minimum regulatory capital requirements on a consolidated basis at 31 December 2020 and 2019:

	31-12-2020[1]		31-12-2019	
	Amount	%	Amount	%
BAS III minimum requirements[2]				
CET1	1 529 202	8.50%	1 660 313	9.25%
Tier1	1 866 526	10.38%	1 929 553	10.75%
Total Capital	2 316 291	12.88%	2 288 540	12.75%

[1] For 31 December 2020 the figures reflect the phasing-in of IFRS9 and consider the Board of Directors' proposal for the distribution of dividends relating to 2020 (13 million euros).

[2] Includes the minimum required under Pillar 1, of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively; Pillar 2 requirement of 2% (in 2020 after anticipation of the possibility of breaking down P2R, pursuant to art. 104-A of Directive (EU) 2019/878 of 20 May (CRD V): 1.125% for CET1, 1.5% for Tier 1 and 2% for Total Capital); the capital conservation buffer (2.5% in 2019 and 2020); the O-SII (other systemically important institution) buffer of 0.25% in 2019 and 0.375% in 2020.

The following table shows the breakdown of the leverage ratio of BPI on 31 December 2020 and 2019[1]:

	Consolidated				Individual			
	31-12-20201		31-12-2019		31-12-20201		31-12-2019	
	Amount	%	Amount	%				
Exposure	38 324 509		32 087 379		38 309 017		32 092 953	
Leverage ratio		**7.3%**		**8.4%**		**7.3%**		**8.4%**

[1] For 31 December 2020 the figures reflect the phasing-in of IFRS9 and consider the Board of Directors' proposal for the distribution of dividends relating to 2020 (13 million euros).

Note: Unaudited amounts

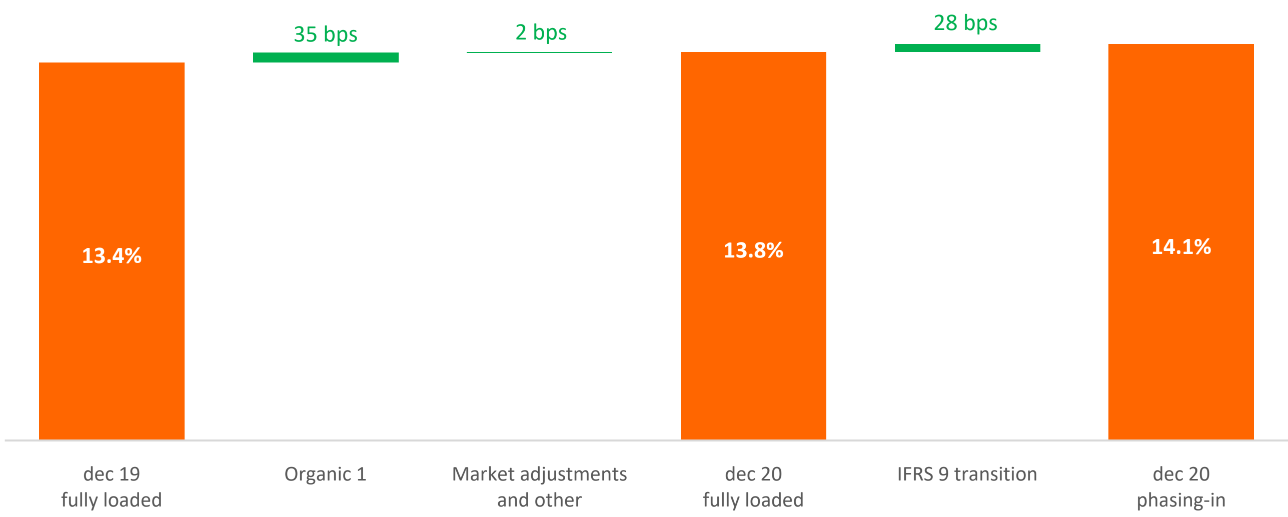
The changes in own funds are as follows:

Change in own funds

	Consolidated				Individual			
	31-12-2020		31-12-2019		31-12-2020		31-12-2019	
	Amount	%	Amount	%	Amount	%	Amount	%
CET1 at beginning of year	**2 405 340**	**13.4%**	**2 335 038**	**13.8%**	**2 405 173**	**13.4%**	**2 276 796**	**13.3%**
Changes in CET1 instruments	(23 875)		(21 716)		(16 769)		(17 030)	
Profit/(loss)	104 771		327 854		87 822		342 113	
Dividends payable	(13 173)		(116 549)		(13 173)		(116 549)	
Reserves	(168 073)		(232 670)		(144 018)		(242 355)	
AVA and IFRS 9 adjustments	52 600		(352)		52 600		(240)	
Changes in CET1 deductions	147 116		92 018		135 424		145 407	
Intangible assets and goodwill	41 766		(11 750)		41 766		(10 811)	
Financial investments	107 082		97 593		96 467		143 672	
Deferred tax assets	(5 746)		27 946		(6 823)		34 318	
Other CET1 deductions	4 014		(21 772)		4 014		(21 772)	
CET1 at end of year	**2 528 581**	**14.1%**	**2 405 340**	**13.4%**	**2 523 827**	**14.0%**	**2 405 173**	**13.4%**
Additional Level 1 own funds at beginning of year	**275 000**	**1.5%**			**275 000**	**1.5%**		
AT1 instruments movement			275 000				275 000	
Additional Level 1 own funds at end of year	**275 000**		**275 000**		**275 000**		**275 000**	
Level 2 own funds at beginning of year	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**
Changes in TIER2 instruments								
TIER2 at end of year	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**

Note: Unaudited amounts

Evolution of the CET1 ratio in 2020:



[1] Considers the income from the banking and insurance businesses in Portugal and the change in credit risk weighted assets.

In 2020, the CET1 ratio increased by 65 bps, from 13.4% to 14.1%, which essentially reflects: the phased transition to IFRS9 (impact of +28 bps); organic generation (impact of +35 bps), that incorporates the net income from the activity in Portugal, net of dividends, and the change in credit risk weighted assets; market adjustments and other (impact of +2 bps b.), which essentially include the contribution of BFA (impact of +23 bps), the regulatory change in the prudential treatment of software resulting from the introduction of CRR 2.5 (impact of +34 bps), and negative actuarial deviations (impact of -49 bps).

The detail of risk weighted assets and breakdown by calculation method is given below:

Detail of risk-weighted assets by method

	Consolidated				Individual			
	31-12-2020		31-12-2019		31-12-2020		31-12-2019	
	Risk-weighted assets	%	Risk-weighted assets	%	Risk-weighted assets	%	Risk-weighted assets	%
Credit risk								
Standardised Approach	15 533 350	86%	15 529 104	87%	15 537 060	86%	15 534 315	87%
Equity holdings risk								
Simple method	889 621	5%	843 057	5%	875 714	5%	833 460	5%
Market risk								
Standardised Approach	224 085	1%	256 261	1%	246 121	1%	271 400	2%
Operational risk								
Standardised Approach	1 343 554	7%	1 320 908	7%	1 325 874	7%	1 282 790	7%
	17 990 610	**100%**	**17 949 330**	**100%**	**17 984 768**	**100%**	**17 921 965**	**100%**

Note: Unaudited amounts

5. DIVIDEND DISTRIBUTION

Dividend policy

In line with the articles of association of Banco BPI (Article 26- 3): "The General Shareholders' Meeting shall decide on the long-term dividend policy proposed by the Board of Directors, which shall justify any deviations from that policy."

For compliance with this statutory rule, Banco BPI's long-term dividend policy was approved on 31 January 2019, as follows:

1. General Principle

Subject to a proposal to be submitted by the Board of Directors to the General Meeting, distribution of an annual dividend tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, with the exact amount to be proposed being defined in accordance with a prudent judgement that balances the situation of the Bank at the time with the need to maintain at all times adequate levels of liquidity and solvency.

2. Conditioning factors

The provisions of point 1 above represent a mere principle, which, as such, is not binding upon the General Meeting, which can at any time, not only change it, but also resolve on a percentage of distribution below the minimum 30% threshold or above the maximum 50% threshold therein referred, or on no distribution at all.

The provisions of item 1 are therefore only intended to:

i) give the shareholders and third parties a medium/long term perspective of the company's objectives in terms of dividend distribution;

ii) impose on the Board of Directors, when it intends to propose a dividend distribution outside the thresholds therein established, the duty of substantiating this option.

In addition, the distribution principle set out in the previous paragraph shall be subject to:

a) Compliance with the capital ratios at any time applicable to the Bank, whether under Pillar 1 or Pillar 2, as well as with other applicable legal provisions, namely those governing what is considered the "maximum distributable amount ";

b) When the net income determined in the individual accounts includes dividends from companies that have not yet been paid to the Bank, the Board of Directors shall exclude the amount of these dividends from the base used for the definition of the dividends to be distributed, whenever a prudent judgement so advises;

c) Respect for the findings and guidelines of the Bank's ICAAP and RAF at any time in force;

d) the absence of exceptional circumstances that justify, in the Board of Directors reasoned opinion, submitting to the Shareholders' deliberation the distribution of a dividend below the 30% threshold or above the 50% threshold.

The dividend distribution proposal of 116 548 th.euros on the 2019 results was approved by the sole shareholder on 27 March 2020. On 14 April 2020, faced with the exceptional circumstances arising from the spread of COVID-19, Banco BPI and CaixaBank decided the suspend the payment of these dividends.

The proposed appropriation of profit for the year of 2020 is as follows:

	2020
Net income reported in the individual accounts of Banco BPI	87 822
Net profit for dividend distribution purposes	**87 822**
Proposed appropriation of 2020 individual net profit	
To dividends	13 173
To legal reserve	8 782
To other reserves	65 867
Individual profit of Banco BPI in 2020	**87 822**
Payout ratio for dividend distribution purposes	**15.0%**

This proposal takes into consideration the guidelines of the supervisory authorities to the effect that decisions on the payment of dividends relating to financial year 2020, to be taken by 30 September 2021, should be marked by extreme prudence, and, accordingly, should not surpass 15% of the net profit.

6. EARNINGS PER SHARE

Basic and diluted earnings per share, as per the consolidated profit of Banco BPI attributable to its shareholders, are calculated as follows:

	Consolidated		**Individual**	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
Numerator (in thousand euros)				
Profit or (-) loss after tax and minority interests from continuing operations	104 771	327 854	87 822	342 113
Interest cost of perpetual subordinated bonds (Additional Tier 1) [1]	(17 780)	(5 114)	(17 780)	(5 114)
Profit or (-) loss for the period attributable to owners of the parent, adjusted	**86 991**	**322 740**	**70 042**	**336 999**
Denominator (in thousand shares)				
Average number of outstanding shares[2]	1 456 924	1 456 924	1 456 924	1 456 924
Basic earnings per share	**0.060**	**0.222**	**0.048**	**0.231**
Diluted earnings per share[3]	**0.060**	**0.222**	**0.048**	**0.231**

[1] Recorded directly in equity.

[2] In the indicated periods, Banco BPI or its subsidiaries did not hold Banco BPI shares in portfolio (treasury shares).

[3] There were no dilutive effects on earnings per share in 31-12-2020 and 31-12-2019. Perpetual subordinated bonds (Additional Tier 1) have an automatic mechanism for absorbing losses ("temporary write-down") if there is a deterioration of the consolidated or individual CET1 ratio for a value less than 5.125% ("trigger").

7. SEGMENTS

The objective of business segment reporting is to allow internal supervision and management of BPI’s activity and consolidated income. The information is broken down into the various lines of business according to the Bank’s organizational structure. To define and segregate segments, the inherent risks and management characteristics of each segment are considered. The information reporting used by management is essentially prepared on an accounting basis supported by the IFRS. Their preparation relies on i) the same presentation principles used for the Bank's management information, and ii) the same accounting principles and policies used to prepare the annual financial statements.

At 31 December 2020, BPI's segment reporting considers the following segments:

- Domestic operations: includes the commercial banking business in Portugal and the equity holdings activity.
- Equity holdings in BFA and BCI: corresponds to the activity developed in Mozambique by Banco Comercial e de Investimentos, S.A.R.L. and the results associated to the equity holding in Banco de Fomento Angola, classified in the portfolio of equity instruments at fair value through other comprehensive income.

Commercial Banking

Banco BPI’s operations are focused mainly on commercial banking in Portugal, making an extensive offer of financial products and services available to retail, corporate and institutional Customers. Commercial banking includes:

- Individuals, Businesses, Premier and InTouch Banking: commercial operations with individual clients, individual entrepreneurs and small businesses, developed through a multi-channel distribution network comprising traditional branches (serving mass-market clients, entrepreneurs and small businesses), premier centres (serving high net worth Clients or Clients with potential for wealth accumulation) and intouch centres (which offer individual clients a dedicated account manager accessible by telephone or digital channels, during an extended timetable).
- Private Banking: serving Individual Clients with larger financial assets. Provides discretionary management and financial advisory specialised services, and comprises the activity of a fully-held subsidiary in Switzerland - BPI Suisse.
- Corporate and Institutional Banking: specialised service to companies and institutions, provided through corporate centres, institutional centres (for public sector and state business sector bodies and enterprises), real estate business centres (provide specialised support to developers and builders involved in large residential real estate projects) and corporate and investment banking centres (for the largest national business groups, insurance companies and subsidiaries of the largest Spanish companies).

This segment also includes the Bank’s residual activity, comprising segments that represent individually less than 10% of the Bank's total income, net profit and assets.

Equity holdings

This segment essentially comprises the income generated by associated companies and joint ventures in Portugal (Cosec, Allianz, Unicre and Inter-Risco) as well as the income associated to participation units in credit recovery and private equity funds, and to investments in shares.

The amount of inter-segment transactions is presented based on the effective conditions of the transactions and in accordance with the accounting policies used to prepare BPI’s consolidated financial statements.

At 31 December 2020, the income statement by business segment of BPI consolidated was as follows: [1]

	Domestic Activity			Equity holdings in BFA and BCI			Banco BPI consolidated
	Commercial Banking	Equity holdings	Total	Angola	Mozambique	Total	
1.Interest income	494 810	827	**495 637**				**495 637**
2.Interest expense	(45 499)		**(45 499)**				**(45 499)**
3.Net interest income [1+2]	**449 311**	**827**	**450 138**				**450 138**
4.Dividend income	76	2 283	**2 359**	40 247		**40 247**	**42 606**
5.Equity accounted income		18 546	**18 546**		9 148	**9 148**	**27 694**
6.Fee and commission income	266 351		**266 351**				**266 351**
7.Fee and commission expenses	(21 449)		**(21 449)**				**(21 449)**
8.Net fee and commission income [6+7]	**244 902**		**244 902**				**244 902**
9.Gains/(losses) on financial assets and liabilities and other	10 434	(13 372)	**(2 938)**	(9 382)		**(9 382)**	**(12 320)**
10.Other operating income and expenses	(14 741)		**(14 741)**	(3 220)		**(3 220)**	**(17 961)**
11.Gross income [3+4+5+8+9+10]	**689 982**	**8 284**	**698 266**	**27 645**	**9 148**	**36 793**	**735 059**
12.Staff expenses	(264 364)		**(264 364)**				**(264 364)**
13.Other administrative expenses	(138 249)		**(138 249)**				**(138 249)**
14.Depreciation and amortisation	(48 663)		**(48 663)**				**(48 663)**
15.Operating expenses [12+13+14]	**(451 276)**		**(451 276)**				**(451 276)**
16.Net operating income [11+15]	**238 706**	**8 284**	**246 990**	**27 645**	**9 148**	**36 793**	**283 783**
17.Impairment losses and other provisions	(151 470)		**(151 470)**				**(151 470)**
18.Other impairments and provisions	(7 737)		**(7 737)**				**(7 737)**
19.Gains and losses in other assets	290		**290**				**290**
20.Net income before income tax [16+17+18+19]	**79 789**	**8 284**	**88 073**	**27 645**	**9 148**	**36 793**	**124 866**
21.Income tax	(25 820)	3 932	(21 888)	2 571	(778)	1 793	(20 095)
22.Net income [20+21]	**53 969**	**12 216**	**66 185**	**30 216**	**8 370**	**38 586**	**104 771**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 31 December 2019, the income statement by business segment of BPI consolidated was as follows: [1]

	Domestic Activity				Equity holdings in BFA and BCI			**Banco BPI consolidated**
	Commercial Banking	Equity holdings	Inter-segment transactions	**Total**	Angola	Mozambique	**Total**	
1.Interest income	524 838	700		**525 538**				**525 538**
2.Interest expense	(89 264)			**(89 264)**				**(89 264)**
3.Net interest income [1+2]	**435 574**	**700**		**436 274**				**436 274**
4.Dividend income	131	3 217		**3 348**	46 003		**46 003**	**49 351**
5.Equity accounted income		20 276		**20 276**		20 450	**20 450**	**40 726**
6.Fee and commission income	281 016		(37)	**280 979**				**280 979**
7.Fee and commission expenses	(23 116)		37	**(23 079)**				**(23 079)**
8.Net fee and commission income [6+7]	**257 900**			**257 900**				**257 900**
9.Gains/(losses) on financial assets and liabilities and other	21 930	(11 148)		**10 782**	(18 225)		**(18 225)**	**(7 443)**
10.Other operating income and expenses	(21 204)			**(21 204)**	(4 600)		**(4 600)**	**(25 804)**
11.Gross income [3+4+5+8+9+10]	**694 331**	**13 045**		**707 376**	**23 178**	**20 450**	**43 628**	**751 004**
12.Staff expenses	(246 093)			**(246 093)**				**(246 093)**
13.Other administrative expenses	(148 060)	(1)		**(148 061)**				**(148 061)**
14.Depreciation and amortisation	(53 906)			**(53 906)**				**(53 906)**
15.Operating expenses [12+13+14]	**(448 059)**	**(1)**		**(448 060)**				**(448 060)**
16.Net operating income [11+15]	**246 272**	**13 044**		**259 316**	**23 178**	**20 450**	**43 628**	**302 944**
17.Impairment losses and other provisions	43 236			**43 236**				**43 236**
18.Other impairments and provisions	(6 448)			**(6 448)**				**(6 448)**
19.Gains and losses in other assets	3 631	1 028		**4 659**				**4 659**
20.Net income before income tax [16+17+18+19]	**286 691**	**14 072**		**300 763**	**23 178**	**20 450**	**43 628**	**344 391**
21.Income tax	(73 204)	2 666		(70 538)	55 739	(1 738)	54 001	(16 537)
22.Net income [20+21]	**213 487**	**16 738**		**230 225**	**78 917**	**18 712**	**97 629**	**327 854**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 31 December 2020, the income statement by business segment of BPI individual was as follows: [1]

	Domestic Activity			Equity holdings in BFA and BCI		Banco BPI
	Commercial Banking	Equity holdings	**Total**	Angola	**Total**	
1.Interest income	495 010	827	**495 837**			**495 837**
2.Interest expense	(45 940)		**(45 940)**			**(45 940)**
3.Net interest income [1+2]	**449 070**	**827**	**449 897**			**449 897**
4.Dividend income	75	11 419	**11 494**	40 247	**43 622**	**55 116**
5.Fee and commission income	258 711		**258 711**			**258 711**
6.Fee and commission expenses	(21 441)		**(21 441)**			**(21 441)**
7.Net fee and commission income [5+6]	**237 270**		**237 270**			**237 270**
8.Gains/(losses) on financial assets and liabilities and other	10 469	(13 372)	**(2 903)**	(9 382)	**(9 382)**	**(12 285)**
9.Other operating income and expenses	(14 741)		**(14 741)**	(3 220)	**(3 558)**	**(18 299)**
10.Gross income [3+4+7+8+9]	**682 143**	**(1 126)**	**681 017**	**27 645**	**30 682**	**711 699**
11.Staff expenses	(260 669)		**(260 669)**			**(260 669)**
12.Other administrative expenses	(136 882)		**(136 882)**			**(136 882)**
13.Depreciation and amortisation	(48 540)		**(48 540)**			**(48 540)**
14.Operating expenses [11+12+13]	**(446 091)**		**(446 091)**			**(446 091)**
15.Net operating income [10+14]	**236 052**	**(1 126)**	**234 926**	**27 645**	**30 682**	**265 608**
16.Impairment losses and other provisions	(151 470)		**(151 470)**			**(151 470)**
17.Other impairments and provisions	(7 737)		**(7 737)**			**(7 737)**
18.Gains and losses in other assets	290		**290**			**290**
19.Net income before income tax [15+16+17+18]	**77 135**	**(1 126)**	**76 009**	**27 645**	**30 682**	**106 691**
20.Income tax	(17 508)	(3 932)	(21 440)	2 571	2 571	(18 869)
21.Net income [19+20]	**59 627**	**(5 058)**	**54 569**	**30 216**	**33 253**	**87 822**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 31 December 2019, the income statement by business segment of BPI individual was as follows: [1]

	Domestic Activity			Equity holdings in BFA and BCI			Banco BPI
	Banca comercial	Equity holdings	**Total**	Angola	Mozambique	**Total**	
1.Interest income	528 582	700	**529 282**				**529 282**
2.Interest expense	(89 470)		**(89 470)**				**(89 470)**
3.Net interest income [1+2]	**439 112**	**700**	**439 812**				**439 812**
4.Dividend income	16 141	10 969	**27 110**	45 997	5 078	**51 075**	**78 185**
5.Fee and commission income	272 845		**272 845**				**272 845**
6.Fee and commission expenses	(23 107)		**(23 107)**				**(23 107)**
7.Net fee and commission income [5+6]	**249 738**		**249 738**				**249 738**
8.Gains/(losses) on financial assets and liabilities and other	50 935	(11 148)	**39 787**	(18 225)		**(18 225)**	**21 562**
9.Other operating income and expenses	(21 117)		**(21 117)**	(4 600)	(508)	**(5 108)**	**(26 225)**
10.Gross income [3+4+7+8+9]	**734 809**	**521**	**735 330**	**23 172**	**4 570**	**27 742**	**763 072**
11.Staff expenses	(241 314)		**(241 314)**				**(241 314)**
12.Other administrative expenses	(146 691)	(1)	**(146 692)**				**(146 692)**
13.Depreciation and amortisation	(53 732)		**(53 732)**				**(53 732)**
14.Operating expenses [11+12+13]	**(441 737)**	**(1)**	**(441 738)**				**(441 738)**
15.Net operating income [10+14]	**293 072**	**520**	**293 592**	**23 172**	**4 570**	**27 742**	**321 334**
16.Impairment losses and other provisions	43 236		**43 236**				**43 236**
17.Other impairments and provisions	(6 448)		**(6 448)**				**(6 448)**
18.Gains and losses in other assets	7 105		**7 105**				**7 105**
19.Net income before income tax [15+16+17+18]	**336 965**	**520**	**337 485**	**23 172**	**4 570**	**27 742**	**365 227**
20.Income tax	(81 516)	2 666	(78 850)	55 736		55 736	(23 114)
21.Net income [19+20]	**255 449**	**3 186**	**258 635**	**78 908**	**4 570**	**83 478**	**342 113**

[1] Income statement structure presented in accordance with Banco BPI management information.

8. DISCLOSURE OF THE REMUNERATION OF THE CORPORATE BODIES

CaixaBank in 29 April 2019, as the sole shareholder of BPI, approved the "Remuneration Policy of Banco BPI applicable to the members of the Board of Directors and of the Supervisory Board" (hereinafter the "Remuneration Policy").

In accordance with Banco BPI's Articles of Association, the members of the corporate bodies shall have a fixed remuneration and the members of the Executive Committee may receive, in addition to a fixed remuneration, a variable remuneration determined in accordance with the criteria defined in the remuneration policy for the members of the supervision and management bodies.

The remuneration of the elected members of the corporate bodies shall be fixed, after consultation with the Nominations, Evaluation and Remuneration Committee with respect to the remuneration of the members of the Executive Committee, by a Remuneration Committee.

The Remuneration Policy defines the limits for the total annual remuneration attributable to the members of the management and supervision bodies. The Remuneration Policy approved by the General Meeting of 20 April 2018 establishes the following limits:

a) Non-executive Directors (not including, for this purpose, attendance fees): 1 600 000 euros;

b) Executive Directors:

   — fixed component: 5 500 000 euros

   — variable component: (variable remuneration in the form of a bonus): 1 550 000 euros

c) Members of the Supervisory Board: Chairman 80 000 euros; members (each) 70 000 euros.

The remuneration of the Executive Directors is made up of a fixed component and a variable component, the latter in the form of a bonus. The variable component in the form of a bonus is in turn composed of a part in cash and another part in financial instruments, preferably CaixaBank shares, attributed in the framework and under the terms of the Remuneration Policy.

One part of the variable remuneration is paid immediately after its award, i.e., the cash and instruments that compose this non-deferred portion of the variable remuneration are transferred to the Executive Director.

The other part of the variable remuneration (the deferred part) is subject to a deferral period, phased in under the following terms:

a) On the date of payment of the variable remuneration, its non-deferred portion must be paid (hereinafter "Initial Payment Date"), i.e., the cash and instruments included in that non-deferred portion of the variable remuneration must be transferred to the Executive Director. Half of this non-deferred portion of the variable remuneration is paid in cash and the remaining half is paid in instruments.

b) Provided that the reduction assumptions set forth in Section 5.2. of the Remuneration Policy do not materialise, the deferred portion of the risk-adjusted variable remuneration shall be paid in five tranches, the amounts and dates of which are as follows:

   - 1/5 12 months after the Initial Payment Date
   - 1/5 24 months after the Initial Payment Date
   - 1/5 36 months after the Initial Payment Date
   - 1/5 48 months after the Initial Payment Date
   - 1/5 60 months after the Initial Payment Date

The cash and instruments whose award is subject to the deferral period shall only be transmitted to the Executive Director after the end of the respective phase of the deferral period.

The percentage of deferral that applies to the variable remuneration of the Executive Directors is 60 percent. This percentage of deferral may be changed if the competent authorities set absolute or relative limits for the calculation of "particularly high variable remuneration amounts", pursuant to the provisions of the EBA Guidelines.

Fixed remuneration earned in 2020

In 2020, the overall fixed remuneration of the members of the Board of Directors totalled 6 045 959 euros.

Over and above this amount there were attendance fees of 402 900 euros for their participation in the meetings of the advisory and support committees of the Board of Directors foreseen in the Articles of Association.

Board of Directors	Fixed Remuneration	Attendance Fees
Fernando Ulrich	750 000	
Pablo Forero	942 697	
António José Cabral	55 000	77 700
António Lobo Xavier	81 000	58 800
Alexandre Lucena e Vale	429 908	
António Farinha Morais	542 232	
Cristina Rios Amorim	60 000	40 700
Elsa Roncon Santos	5 300	
Fátima Barros	60 000	44 400
Francisco Manuel Barbeira	498 625	
Gonzalo Gortázar Rotaeche	60 000	
Ignacio Alvarez-Rendueles	824 961	
Javier Pano Riera	60 000	40 700
João Pedro Oliveira Costa	499 045	
José Pena do Amaral	497 046	
Lluís Vendrell	60 000	81 400
Manuel Ramos Sebastião	6 100	
Natividad Capella Pifarre	60 000	22 200
Pedro Barreto	499 045	
Tomas Jervell	55 000	37 000

Variable remuneration

General Features

As referred, the members of the Board of Directors who are members of the Executive Committee may be entitled to receive a variable remuneration. This variable remuneration is dependent upon the performance of the members of the Executive Committee during a given year, and its attribution is usually decided and made during the first half of the following year.

Under the terms of the applicable Remuneration Policy, this variable remuneration is subject to deferral, i.e., one part thereof is paid in the year in which it is attributed and another over subsequent years.

Variable remuneration relative to the performance of the members of the Executive Committee in 2020

The members of the Executive Committee of the Board of Directors waived their bonuses relative to performance in 2020, taking into account the crisis created by the Covid-19 pandemic.

Variable remuneration relative to the performance of the members of the Executive Committee in financial years before 2020

With regard to performance in 2019, the Remuneration Committee, as per minutes no. 40, of 24 April 2020, and subsequent to a favourable opinion of the Appointments, Assessment and Remuneration Committee, as per minutes no. 34 of 22 April 2020, and pursuant to the transitory provision set out in No. 28 (5) of the Articles of Association, approved the attribution of the following variable remuneration:

Variable remuneration relative to 2019

(Amounts in euros)	Amount attributed	Amount paid in 2020	Deferred amount with payment phased in from 2021 to 2025 (one fifth in each year)
Pablo Forero	207 202	82 881	124 321
Alexandre Lucena e Vale	87 414	34 966	52 448
António Farinha Morais	127 281	50 912	76 369
Francisco Manuel Barbeira	105 735	42 294	63 441
Ignácio Alvarez-Rendueles	172 260	68 904	103 356
João Oliveira e Costa	181 260	72 504	108 756
José Pena do Amaral	120 631	48 252	72 379
Pedro Bissaia Barreto	172 260	68 904	103 356

The amounts referred to in the table above are paid half in cash and half in kind (in this case in Caixabank shares, valued at 1.5803 euros per share) and in a phased manner.

One part of the variable remuneration is paid immediately after its award, i.e., the cash and instruments that compose this non-deferred portion of the variable remuneration are transferred to the Executive Director.

The other part of the variable remuneration (the deferred part) is subject to a phased deferral period, under the terms provided for in deferral Period. The cash and instruments whose award is subject to the deferral period shall only be transmitted to the Executive Director after the end of the respective phase of the deferral period.

The percentage of deferral that applies to the variable remuneration of the Executive Directors is 60 percent.

Furthermore, portions of variable remuneration attributed to the members of the Executive Committee for their performance in years prior to 2019, the payment of which was subject to deferral under the terms referred to hereinabove, were paid in 2018. This remuneration therefore relates to performance in previous years that was paid in 2020 due to the rules on deferral set forth in the Remuneration Policy.

Accordingly, the then members of the Executive Committee received in 2020 the following amounts of variable remuneration relative to their performance in 2016, 2017 and 2018:

In equity instruments (CaixaBank shares)

(Amounts in euros)	**2017**	**2018**
Pablo Forero	12 000	13 200
Alexandre Lucena e Vale	6 628	7 948
António Farinha Morais	7 980	9 000
Francisco Manuel Barbeira	6 383	11 340
Ignacio Alvarez-Rendueles	10 661	12 240
João Pedro Oliveira Costa	12 329	14 691
José Pena do Amaral	6 780	7 980
Pedro Barreto	12 329	13 754

In cash

(Amounts in euros)	**2016**	**2017**	**2018**
Fernando Ulrich	232 733		
Pablo Forero		12 000	13 200
Alexandre Lucena e Vale	101 970	6 628	7 948
António Farinha Morais	56 805	7 980	9 000
Francisco Manuel Barbeira		6 383	11 340
Ignacio Alvarez-Rendueles		10 661	1 224
João Pedro Oliveira Costa	164 323	12 329	14 691
José Pena do Amaral	164 323	6 780	7 980
Manuel Ferreira da Silva	164 323		
Maria Celeste Hagatong	164 323		
Pedro Barreto	164 323	12 329	13 754

Long-term incentives

General Features

Banco BPI, in alignment with CaixaBank, has implemented a conditional variable remuneration scheme (Long-term Incentives Plan) linked to the 2019-2021 Strategic Plan for the Executive Board Members and a restricted group of Key Employees. The Plan's recipients are called the Beneficiaries.

Objective

- To drive the new Strategic Plan, by motivating the Beneficiaries to reach its Objectives. To retain the Beneficiaries.
- To be competitive and adapt to the trends followed by comparable credit institutions, maintaining a remuneration system pegged to a multi-annual objective, as provided for in the legislation applying to credit institutions.
- To make the remuneration of the Beneficiaries of the Plan coincide with the interest of the shareholders, in the long term.
- To reinforce the link between variable remuneration and risk appetite.
- To comply with the recommendations on corporate governance issued by the European Union, the National Securities Market Commission, proxy advisors and institutional investors, to the effect of having a Multi-Year Variable Remuneration System.

The Plan

The Plan consists in a Variable Remuneration Scheme that combines short and long-term metrics based on the Strategic Plan. It provides for the allocation of a certain number of Units to each beneficiary, free of charge and multi-annually (2019, 2020 and 2021), which will subsequently serve as a basis to determine the number of Shares to be delivered, providing the requirements set forth in the Regulation are met.

The allocation of Units does not by itself give the Beneficiaries the status of shareholders of the Company, as it does not imply the attribution of economic, political or other rights resulting from the status of shareholder. Under the current Plan the status of shareholder results from the holding of Shares.

Beneficiaries

The beneficiaries are members of the Executive Committee of the Board of Directors who are invited to participate by the Remuneration Committee. The beneficiaries also include certain Key Employees of Banco BPI, who are invited to participate in the Plan by the Board of Directors, upon the opinion of the Appointments, Assessment and Remuneration Committee, and accept to participate, in accordance with the established procedure.

The maximum number of Beneficiaries of the Plan and of Shares to be allocated for each cycle will be that approved by the Remuneration Committee, for the Executive Board Members, and by the Board of Directors, for the Employees. These numbers already include any possible new inclusions of Beneficiaries in the Plan during its period of validity. In no case may the number of proposed Beneficiaries exceed the maximum number authorised by each of the said bodies.

The target incentive defined for the 2020 plan was the following:
Chairman of the Executive Committee of the Board of Directors – 100 000 euros
Other members of the Executive Committee of the Board of Directors – 50 000 euros per member

As was the case with variable remuneration, in 2020 the members of the Executive Committee of the Board of Directors waived the long-term bonus corresponding to the 2nd cycle of the plan associated to the 2019-2021 Strategic Plan.

Remuneration of the members of the Supervisory Board in 2020

The overall remuneration of the members of the Supervisory Board in 2020 totalled 209 140 euros. The individual amounts were as follows:

(Amounts in euros)	**Fixed Remuneration**
Manuel Ramos Sebastião	67 100
Rui Campos Guimarães	58 300
Ricardo Filipe Pinheiro	25 440
Elsa Roncon Santos	58 300

Remuneration of the Chairman of the General Meeting in de 2020

In 2020, the overall amount of the remuneration awarded to Carlos Osório de Castro, as Chairman of the General Meeting, was 13 200 euros, paid in 11 instalments. On 30 November Carlos Osório de Castro ended his mandate and on 1 December Alexandre Lucena e Vale took over as Chairman of the Presiding Board of the General Meeting, receiving no additional remuneration for his work given that he is a member of Banco BPI's staff.

Supplementary pensions or early retirement schemes

The members of the management body who are or have been Executive Directors (or, under the previous governance model, members of the Management body) benefit from the pension plan applicable to Banco BPI's Employees in general under the same circumstances, to the extent that they were Banco BPI Employees before holding those positions and their employment suspended was suspended, under the terms of the law.

The members of the management body who were Executive Directors in the 2014/2016 term of office or who were members of this body (or, under the previous governance model, members of the Management body) in earlier terms of office, also enjoy a defined benefit scheme, a supplementary retirement benefit, as approved at the Bank's General Council meeting of 25 July 1995, which provides them with a retirement supplement the monthly amount of which depends on their monthly income as Executive Directors and on the number of years served in said positions.

The rules which govern the aforesaid benefit are set out in the Retirement Entitlement Regulations for the Members of the Management Board, approved at the above-mentioned General Council meeting.

There is a provision that the pensions paid under the Social Security which fall within any one of the following three categories shall be deducted from the pensions paid under the Executive Directors' plan:

- those relating to functions performed at BPI;
- those relating to functions performed at third party entities at BPI's indication and which BPI has recognised for that purpose;
- the pensions paid under other BPI pension plans.

Executive Directors are also entitled to a defined contribution supplementary pension benefit.

The members of the management and supervision bodies who are not nor have ever been Executive Directors (or, under the previous governance model, members of the Management body) are not entitled to any retirement benefit attributed by the Bank.

A sum of 7 782 th.euros, corresponding to the present value of past service liabilities, was allocated to the Executive members of the Board of Directors who at 31 December 2020 are beneficiaries of a defined contribution pension plan:

(Amounts in thousand euros)	**Amount**
Pedro Barreto	2 037
João Oliveira e Costa	1 962
António Farinha Morais	3 783

For Executive Director Francisco Manuel Barbeira, who benefit from a pension scheme under the Collective Wage Agreement and/or the Social Security, the sum allocated, corresponding to the present value of past service liabilities, was 384 th.euros:

(Amounts in thousand euros)	**Amount**
Francisco Manuel Barbeira	384

On 30 November 2020 José Pena Amaral and Alexandre Lucena e Vale ended their mandates as members of the Board of Directors, and of the Executive Committee of the Board of Directors. José Pena Amaral retired under the terms of the Regulations on the Right to Retirement of Board Members and Alexandre Lucena e Vale became General Manager of the Legal Department.

In 2020, the annual cost of retirement and survivor's pensions calculated based on the actuarial evaluation of 31 December 2019 was 276 th.euros, broken down as follows:

(Amounts in thousand euros)	**Normal cost**
Pedro Barreto	111
João Oliveira e Costa	141
António Farinha Morais	24

9. CASH AND CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

The detail of this heading is as follows:

	Consolidated		**Individual**	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
Cash	266 112	324 936	266 107	324 934
Demand deposits at Bank of Portugal	4 023 028	626 530	4 023 028	626 530
Other demand deposits	246 614	116 795	241 657	107 236
Interest on demand deposits at Bank of Portugal	(511)		(511)	
	4 535 243	**1 068 261**	**4 530 281**	**1 058 700**

The caption 'demand deposits at Bank of Portugal' includes deposits made to comply with the Minimum Cash Reserve requirements of the Eurosystem The component of these deposits made to comply with the Minimum Cash Reserve requirements is currently remunerated at 0% and the surplus funds up to 6 times the minimum reserve also have a 0% remuneration rate. For surplus funds above this amount the remuneration rate is -0.5%. The minimum cash reserve corresponds to 1% of the amount of deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum cash reserve system and the liabilities to the European Central Bank and national central banks that participate in the euro.

10. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Financial assets held for trading

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Trading derivatives	131 412	133 198
Equity instruments		
Shares in Portuguese companies	60 290	87 344
Debt securities		
Bonds issued by Portuguese government entities	821	1 562
Bonds issued by other foreign entities	4 952	12 372
	5 773	**13 934**
	197 475	**234 476**

Financial assets held for trading are measured at fair value, which includes credit risk and related losses, and represents the Bank's maximum exposure to credit risk.

At 31 December 2020 and 2019, the caption Equity Instruments corresponds to shares to hedge equity swaps transactions carried out with Customers (Note 30).

Financial liabilities held for trading

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Trading derivatives	141 345	146 167
	141 345	**146 167**

10.1. Trading derivatives (assets and liabilities)

The detail of this heading is as follows:

	Consolidated / Individual					
	31-12-2020			31-12-2019		
	Notional value	Book value		Notional value	Book value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency purchase / sale						
Foreign currency purchases against euros	411 559	579	8 640	144 490	662	3
Foreign currency purchases against foreign currencies	480	3	3	891	4	4
Sale of foreign currencies against euros	149 173	7 104	168	99 558	6	627
Financial futures on shares and interest rates						
Bought	213		3	2 512	9	
Share options						
Issued	2 500	96		1 250	12	
Interest rate options						
Bought	497 964	6 057		472 848	3 544	
Issued	511 668	265	6 054	488 317	197	3 582
Collar				53 409	181	123
Currency options						
Bought	65 059	670		147 655	1 115	
Issued	51 660	161	329	133 742		1 108
Collar	547 544	3 001	3 188	662 751	972	1 031
Other share and interest rate transactions						
Share swaps	437 781	7 918	6 567	566 216	5 551	5 310
Interest rate swaps	2 364 156	105 558	116 393	2 605 779	120 945	134 379
	5 039 757	**131 412**	**141 345**	**5 379 418**	**133 198**	**146 167**
Of which: contracted in organised markets	2 713	96	3	3 762	20	
Of which: contracted in non-organised markets	5 037 045	131 316	141 342	5 375 656	133 178	146 167

The Bank usually hedges the market risk associated with derivatives contracted with customers by contracting symmetric derivatives on the market and records both in the trading portfolio. Thus, the market risk of these operations can be considered to be insignificant.

At 31 December 2020 and 2019, the trading derivatives balance sheet captions include 8 885 th.euros and 13 946 th.euros of Credit Valuation Adjustments (CVAs) and 354 th.euros and 510 th.euros of Debit Valuation Adjustments (DVAs), respectively (Note 39.1).

11. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	**31-12-2019**
Equity instruments		
Shares in portuguese companies	7 794	4 786
Shares in foreign companies	1 064	1 102
Participation units of portuguese issuers	100 586	119 942
Participation units of foreign issuers	15 703	17 391
	125 147	**143 221**
Debt securities		
Bonds issued by other Portuguese entities	49	48
Bonds issued by other foreign entities	52 265	62 797
	52 314	**62 845**
	177 461	**206 066**

At 31 December 2020 and 2019 the portfolio of debt securities not designated for trading compulsorily measured at fair value through profit or loss includes 46 391 th.euros and 56 414 th.euros, respectively, in perpetual debt.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This caption is made up as follows:

	Consolidated / Individual	
	31-12-2020	**31-12-2019**
Equity instruments		
Shares in Portuguese companies	93 886	82 866
Shares in foreign companies	342 186	426 302
	436 072	**509 168**
Debt securities		
Bonds issued by Portuguese government entities	653 337	589 289
Treasury Bills	200 572	425 599
Treasury Bonds	452 765	163 690
Bonds issued by foreign government entities	794 132	787 755
	1 447 469	**1 377 044**
	1 883 541	**1 886 212**

In 2020 the movement in the caption 'equity instruments at fair value through other comprehensive income' was as follows:

	Consolidated / Individual					
	31-12-2019	**Purchases**	**Sales**	**Gains/(losses) recognised under other comprehensive income (Note 24)**	**Potential Gains/(losses) recognised under other comprehensive income and exchange variation (Note 24)**	**31-12-2020**
Banco de Fomento Angola, S.A.	413 747				(79 547)	334 200
SIBS	62 500				8 800	71 300
Other	32 921	1 910	(11 409)	7 076	74	30 572
	509 168	1 910	(11 409)	7 076	(70 673)	436 072

The estimated valuation values for BFA and SIBS were obtained based on a methodology of discounted future cash flows, combined with comparable multiples methodology.

The reduction in the value of the stake in BFA in 2020 was essentially the result of:

- evolution of the Angolan macroeconomic scenario, and in particular of the exchange rate scenario (sharper devaluation of the kwanza and depreciation of the dollar against the euro);
- reinforcement of impairments for public debt and state-guaranteed loans, following the downgrade of the Republic of Angola's rating.

In 2019 the movement in BPI' consolidated balance sheet caption 'equity instruments at fair value through other comprehensive income' was as follows:

	Consolidated					
	31-12-2018	Purchases	Sales	Gains/(losses) recognised under other comprehensive income (Note 24)	Potential Gains/(losses) recognised under other comprehensive income and exchange variation (Note 24)	31-12-2019
Banco de Fomento Angola, S.A.	522 000				(108 253)	413 747
SIBS	50 000				12 500	62 500
Other	25 740	3 881	(4 319)	625	6 994	32 921
	597 740	3 881	(4 319)	625	(88 759)	509 168

In 2019 the movement in BPI' individual balance sheet caption 'equity instruments at fair value through other comprehensive income' was as follows:

	Individual						
	31-12-2018	Purchases	Sales	Gains/(losses) recognised under other comprehensive income (Note 24)	Potential Gains/(losses) recognised under other comprehensive income and exchange variation (Note 24)	Impact of Banco Português de Investimento and BPI Private Equity merger, and BPI Madeira liquidation (Note 24)	31-12-2019
Banco de Fomento Angola, S.A.	521 935				(108 253)	65	413 747
SIBS	50 000				12 500		62 500
Other	19 588	3 881	(4 319)	625	7 003	6 143	32 921
	591 523	3 881	(4 319)	625	(88 750)	6 208	509 168

The financial information on the most relevant equity holdings classified as 'Financial assets at fair value through other comprehensive income - equity instruments' is as follows:

	Registered Office	BPI ownership (%)	Voting rights (%)	Book value at 31-12-2020	Investee financial data (100%)	
					Equity	Net profit / (loss)
Banco de Fomento Angola, S.A.[1]	Angola	48.1%	48.1%	334 200	623 696	148 411
SIBS [2]	Portugal	15.0%	15.9%	71 300	161 317	31 082

[1] Equity values (unaudited accounts) converted to euros at the exchange rate of 31 December 2020 and net income converted monthly at the end of month exchange rate.

[2] Equity and net profit/(loss) values for 31-12-2019.

In 31 December 2020 the movement in the caption ''Debt securities at fair value through other comprehensive income'' was as follows:

	Consolidated / Individual			
	Quantity (unit value)	Acquisition value	Book value	Net gain/(loss)
Debt securities				
Bonds issued by Portuguese government entities				
Treasury Bills	200 000 000	200 660	200 572	215
Treasury Bonds	400 000 000	447 729	452 765	13 609
Bonds issued by foreign government entities	750 000 000	784 752	794 132	16 608
		1 433 141	**1 447 469**	**30 432**

In 31 December 2019 the movement in the caption ''Debt securities at fair value through other comprehensive income'' was as follows:

	Consolidated / Individual			
	Quantity (unit value)	Acquisition value	Book value	Net gain/(loss)
Debt securities				
Bonds issued by Portuguese government entities				
Treasury Bills	425 000 000	426 446	425 599	153
Treasury Bonds	150 000 000	164 315	163 690	1 475
Bonds issued by foreign government entities	750 000 000	784 752	787 755	4 574
		1 375 513	**1 377 044**	**6 202**

In 2020 the movement in the caption 'Debt securities at fair value through other comprehensive income' was as follows:

	Consolidated / Individual
	Total[1]
Balance at 31-12-2019	**1 377 044**
Purchases	484 074
Gains/(losses) recognised under other comprehensive income	24 383
Sales and redemptions	(426 447)
Gains/(loses) recognised as profit/(loss)	(153)
Accrued interest and other	(11 433)
Balance at 31-12-2020	**1 447 469**

[1] The totality of the assets that make up this heading are in Stage 1.

At 31 December 2020, Banco BPI holds a medium and long-term public debt portfolio with a nominal value of 1 350 billion euros, with an average residual maturity of approximately 3 years. The sovereign debt portfolio is made up of Spanish and Italian public debt securities.

In 2019 the movement in the caption 'Debt securities at fair value through other comprehensive income' was as follows:

	Consolidated
	Total[1]
Balance at 31-12-2018	**1 277 420**
Purchases	1 069 235
Gains/(losses) recognised under other comprehensive income	4 332
Sales and redemptions	(986 689)
Gains/(loses) recognised as profit/(loss)	(785)
Accrued interest and other	13 531
Balance at 31-12-2019	**1 377 044**

[1] The totality of the assets that make up this heading are in Stage 1.

In 2019 the movement in the caption 'Debt securities at fair value through other comprehensive income' was as follows:

	Individual
	Total[1]
Balance at 31-12-2018	**1 277 370**
Purchases	1 069 235
Gains/(losses) recognised under other comprehensive income	4 332
Sales and redemptions	(986 639)
Gains/(loses) recognised as profit/(loss)	(785)
Accrued interest	13 531
Balance at 31-12-2019	**1 377 044**

[1] The totality of the assets that make up this heading are in Stage 1.

13. FINANCIAL ASSETS AT AMORTISED COST

The detail of financial assets at amortised cost at 31 December 2020 and 31 December 2019, respectively, is as follows:

31-12-2020

	Consolidated				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	5 849 220	34 528	(99 735)	(11 252)	5 772 761
Loans and advances					
Central Banks and credit institutions	1 594 635	376		(18)	1 594 993
Customers	23 044 130	71 983		(479 897)	22 636 216
	30 487 985	**106 887**	**(99 735)**	**(491 167)**	**30 003 970**

In 2020, impairments on assets at amortized cost include 97 409 th.euros of non-allocated impairments resulting from the review of the macroeconomic variables in the context of COVID-19 (Note 3.4.1), the identification of customers with alerts not captured by the Rating models (bottom-up approach), and the uncertainty resulting from the new period of confinement.

31-12-2019

	Consolidated				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	4 057 465	22 187	(43 635)	(6 340)	4 029 677
Loans and advances					
Central Banks and credit institutions	1 452 464	289		(66)	1 452 687
Customers	22 324 485	22 782		(390 317)	21 956 950
	27 834 414	**45 258**	**(43 635)**	**(396 723)**	**27 439 314**

31-12-2020

	Individual				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	5 849 220	34 528	(99 735)	(11 252)	5 772 761
Loans and advances					
Central Banks and credit institutions	1 588 154	376		(18)	1 588 512
Customers	23 044 130	71 872		(479 897)	22 636 105
	30 481 504	**106 776**	**(99 735)**	**(491 167)**	**29 997 378**

31-12-2019

	Individual				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	4 057 538	22 187	(43 635)	(6 340)	4 029 750
Loans and advances					
Central Banks and credit institutions	1 452 464	289		(66)	1 452 687
Customers	22 323 764	22 881		(390 317)	21 956 328
	27 833 766	**45 357**	**(43 635)**	**(396 723)**	**27 438 765**

13.1. Debt securities

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
Sovereign debt				
Portuguese sovereign debt	1 914 294	536 970	1 914 294	536 970
Foreign sovereign debt	1 243 498	1 210 865	1 243 498	1 210 865
	3 157 792	**1 747 835**	**3 157 792**	**1 747 835**
Customer debt				
Other Portuguese public issuers	452 492	331 122	452 492	331 122
Other Portuguese issuers	2 134 136	1 926 128	2 134 136	1 926 201
Other foreign issuers	39 593	30 932	39 593	30 932
	2 626 221	**2 288 182**	**2 626 221**	**2 288 255**
Impairment	**(11 252)**	**(6 340)**	**(11 252)**	**(6 340)**
	5 772 761	**4 029 677**	**5 772 761**	**4 029 750**

The detail of debt securities at amortised cost at 31 December 2020 is as follows:

	Consolidated / Individual		
	Quantity	Acquisition value	Book value
Sovereign debt			
Portuguese sovereign debt	1 750 000 000	1 976 262	1 914 294
Foreign sovereign debt	1 200 000 000	1 255 092	1 243 498
	2 950 000 000	**3 231 354**	**3 157 792**
Customer debt			
Other Portuguese public issuers	450 455 000	450 455	452 492
Other Portuguese issuers	2 139 781 319	2 128 002	2 134 136
Other foreign issuers	38 286 456	39 410	39 593
	2 628 522 775	**2 617 867**	**2 626 221**
			5 784 013
Impairment			**(11 252)**
	5 578 522 775	**5 849 221**	**5 772 761**

The detail of debt securities at amortised cost at 31 December 2019 is as follows:

	Consolidated / Individual		
	Quantity	Acquisition value	Book value
Sovereign debt			
Portuguese sovereign debt	500 000 000	558 433	536 970
Foreign sovereign debt	1 200 000 000	1 218 863	1 210 865
	1 700 000 000	**1 777 296**	**1 747 835**
Customer debt			
Other Portuguese public issuers	329 155 000	329 155	331 122
Other Portuguese issuers[1]	1 927 447 249	1 920 246	1 926 128
Other foreign issuers	29 016 261	30 770	30 932
	2 285 618 510	**2 280 171**	**2 288 182**
			4 036 017
Impairment			**(6 340)**
	3 985 618 510	**4 057 467**	**4 029 677**

[1] Acquisition value and book value on an individual basis of 1 920 319 th.euros and 1 926 201 th.euros respectively.

In 31 December 2020, Banco BPI holds medium and long-term public debt portfolio with a nominal amount of 2.95 billion euros with an average residual maturity of approximately 1 year. The foreign sovereign debt portfolio is made up of Spanish and Italian public debt securities.

Customer debt securities at amortised cost include essentially issues of commercial paper and bonds of Corporate Banking, Project Finance and Institutional Banking Customers associated to Banco BPI's commercial loans portfolio.

The portfolio of Customer debt securities at amortised cost includes securities designated as interest rate hedged assets, the fair value change of which at 31 December 2020 and 2019 amounted to 19 064 th.euros and 12 975 th.euros, respectively.

At 31 December 2020 and 2019, Customer debt securities included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 20), namely 41 684 th.euros and 40 734 th.euros, respectively, allocated as collateral for public sector bonds.

In 2020 the movement in the caption Debt securities at amortised cost was as follows:

	Consolidated				Individual			
	Debt securities	Of which:			Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2019	**4 036 017**	**4 016 326**	**5 954**	**13 737**	**4 036 090**	**4 016 399**	**5 954**	**13 737**
Exposure increases / reductions	1 747 996	1 697 937	51 283	(1 224)	1 747 923	1 697 864	51 283	(1 224)
Transfers:								
From stage 1		(46 269)	46 269			(46 269)	46 269	
Balance at 31-12-2020	**5 784 013**	**5 667 994**	**103 506**	**12 513**	**5 784 013**	**5 667 994**	**103 506**	**12 513**

In 2019 the movement in the caption Debt securities at amortised cost was as follows:

	Consolidated				Individual			
	Debt securities	Of which:			Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2018	**3 521 342**	**3 492 443**	**16 334**	**12 565**	**7 560 823**	**7 531 924**	**16 334**	**12 565**
Exposure increases / reductions	514 675	523 883	(9 408)	200	(3 524 733)	(3 515 525)	(9 408)	200
Transfers:								
From stage 2			(972)	972			(972)	972
Balance at 31-12-2019	**4 036 017**	**4 016 326**	**5 954**	**13 737**	**4 036 090**	**4 016 399**	**5 954**	**13 737**

In 2020 the movement in impairments due to expected loss on securities at amortised cost was as follows:

	Consolidated / Individual			
	Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2019	**(6 340)**	**(1 424)**	**(62)**	**(4 854)**
Increase / (reversal) of impairments	(4 912)	(3 466)	(2 333)	887
Transfers:				
Stage 1		**2 719**	**(2 719)**	
Balance at 31-12-2020	**(11 252)**	**(2 171)**	**(5 114)**	**(3 967)**

In 2019 the movement in impairments due to expected loss on securities at amortised cost was as follows:

	Consolidated / Individual			
	Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2018	**(4 528)**	**(452)**	**(306)**	**(3 770)**
Increase / (reversal) of impairments	(1 812)	(972)	1 216	(2 056)
Transfers:				
Stage 2			(972)	972
Balance at 31-12-2019	**(6 340)**	**(1 424)**	**(62)**	**(4 854)**

13.2. Loans and advances

Loans and advances - Central Banks and other Credit Institutions

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
Loans and advances to the Bank of Portugal	4 000	5 900	4 000	5 900
Loans and advances to Credit Institutions in Portugal				
Very short term applications	52 970	35 606	52 970	35 606
Cheques for collection	30 774	40 054	30 774	40 054
Loans	368 394	268 225	368 394	268 225
Other	55	417	55	417
Other loans and advances	11 114	7 874	11 114	7 874
Interest receivable and commissions relating to amortised cost	259	178	259	178
	463 566	352 354	463 566	352 354
Loans and advances to other Credit Institutions abroad				
Very short term applications	96 934	126 627	96 934	126 627
Deposits	390 312	409 471	383 831	409 471
Cheques for collection	303	1 180	303	1 180
Reverse repurchase agreements	327 143	397 916	327 143	397 916
Other loans and advances	308 028	148 776	308 028	148 776
Interest receivable and commissions relating to amortised cost	117	111	117	111
Debtors for futures operations	4 608	10 418	4 608	10 418
	1 127 445	1 094 499	1 120 964	1 094 499
Impairment	(18)	(66)	(18)	(66)
	1 594 993	**1 452 687**	**1 588 512**	**1 452 687**

As of 31 December 2020 and 2019, the detail of securities received as collateral associated with repurchase agreements is as follows:

	31-12-2020			31-12-2019		
	Nominal amount	**Valuation**	**Fair value**	**Nominal amount**	**Valuation**	**Fair value**
Securities received as collateral	296 145	29 894	326 039	368 064	29 422	397 486

Loans and advances - Customers

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2020	**31-12-2019 Restated[1]**	**31-12-2020**	**31-12-2019 Restated[1]**
Loans to Customers				
Companies				
Loans	6 861 546	6 496 180	6 861 435	6 496 279
Loans on current account	456 886	574 469	456 886	574 469
Demand deposits - overdrafts	203 584	369 669	203 584	369 669
Invoices received – factoring	964 412	925 359	964 412	925 359
Finance leases	380 182	367 505	380 182	367 505
Real estate leasing	440 748	441 093	440 748	441 093
Car finance	249 505	250 350	249 505	250 350
Other loans	31 975	42 770	31 975	42 770
Individuals	13 480 993	12 764 661	13 480 993	12 764 661
Other loans and advances [2]	46 282	115 211	46 282	114 490
Impairment	(479 897)	(390 317)	(479 897)	(390 317)
	22 636 216	**21 956 950**	**22 636 105**	**21 956 328**

[1] Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

[2] The caption "Other loans and advances" essentially refers to margin accounts.

At 31 December 2020 and 2019, the caption 'Loans and advances to Customers' included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 20), namely:

- 8 595 981 th.euros and 8 522 977 th.euros, respectively, allocated as collateral to mortgage bonds;
- 746 853 th.euros and 736 508 th.euros, respectively, allocated as collateral to public sector bonds.

The portfolio of Loans to Customers includes Loans designated as interest rate hedged assets, the fair value change of which at 31 December 2020 and 2019 amounted to 60 794 th.euros and 35 843 th.euros, respectively.

Loans and advances - Customers

In the consolidated balance sheet of BPI, the breakdown of loans and advances to Customers by activity is as follows:

	Consolidated			
	31-12-2020		31-12-2019 Restated[1]	
	Gross amount	**Impairment**	**Gross amount**	**Impairment**
Public sector	1 230 044	(343)	1 291 665	(238)
Other financial corporations and individual entrepreneurs (financial business)	106 811	(750)	298 678	(335)
Non-financial corporations and individual entrepreneurs (non-financial business)	8 298 265	(302 451)	7 992 263	(224 043)
Real estate development	156 449	(1 399)	194 649	(30 040)
Civil construction	401 913	(12 182)	353 533	(11 767)
Other	7 739 903	(288 870)	7 444 081	(182 236)
Large companies	2 372 425	(93 100)	2 458 772	(69 047)
Small and medium-sized companies	5 367 478	(195 770)	4 985 309	(113 189)
Individuals	13 480 993	(176 353)	12 764 661	(165 701)
Homes	12 008 743	(133 482)	11 377 762	(126 146)
Consumer spending	1 458 249	(42 011)	1 364 771	(38 779)
Other	14 001	(860)	22 128	(776)
	23 116 113	**(479 897)**	**22 347 267**	**(390 317)**

[1] Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

In the individual balance sheet of BPI, the breakdown of loans and advances to Customers by activity is as follows:

	Individual			
	31-12-2020		31-12-2019 Restated[1]	
	Gross amount	**Impairment**	**Gross amount**	**Impairment**
Public sector	1 230 044	(343)	1 291 665	(238)
Other financial corporations and individual entrepreneurs (financial business)	106 811	(750)	298 678	(335)
Non-financial corporations and individual entrepreneurs (non-financial business)	8 298 154	(302 451)	7 991 641	(224 043)
Real estate development	156 449	(1 399)	194 649	(30 040)
Civil construction	401 913	(12 182)	353 533	(11 767)
Other	7 739 792	(288 870)	7 443 459	(182 236)
Large companies	2 372 425	(93 100)	2 458 051	(69 047)
Small and medium-sized companies	5 367 367	(195 770)	4 985 408	(113 189)
Individuals	13 480 993	(176 353)	12 764 661	(165 701)
Homes	12 008 743	(133 482)	11 377 762	(126 146)
Consumer spending	1 458 249	(42 011)	1 364 771	(38 779)
Other	14 001	(860)	22 128	(776)
	23 116 002	**(479 897)**	**22 346 645**	**(390 317)**

[1] Banco BPI altered the segmentation rules following the revision of the rating and Scoring models. These led to the application of international regulations on this matter, with the following changes relative to the previous segmentation criteria: (i) segmentation according to the size of each entity (previously the analysis focused on the Group's size), (ii) revision of the assets and turnover thresholds, and (iii) introduction of the number of employees as a segmentation factor. To ensure the comparability of the Information, the amounts for 31 December 2019 were restated in accordance with the new segmentation rules.

The movement in the caption Loans and advances to Customers in 2020 was as follows:

	Consolidated				Individual			
	Loans and advances	Of which: Stage 1	Stage 2	Stage 3	Loans and advances	Of which: Stage 1	Stage 2	Stage 3
Balance at 31-12-2019	**22 347 267**	**20 364 038**	**1 241 654**	**741 575**	**22 346 645**	**20 363 416**	**1 241 654**	**741 575**
Exposure increases / reductions	**884 000**	**1 022 501**	**(83 603)**	**(54 898)**	**884 510**	**1 023 012**	**(83 603)**	**(54 898)**
Transfers								
From stage 1:		(1 143 500)	1 092 767	50 733		(1 143 500)	1 092 767	50 733
From stage 2:		382 312	(453 122)	70 810		382 312	(453 122)	70 810
From stage 3:		16 519	102 873	(119 392)		16 519	102 873	(119 392)
Write-offs	(37 387)	(1)	(1)	(37 385)	(37 387)	(1)	(1)	(37 385)
Sales	(77 767)	(16 289)		(61 478)	(77 767)	(16 289)		(61 478)
Balance at 31-12-2020	**23 116 113**	**20 625 580**	**1 900 568**	**589 965**	**23 116 002**	**20 625 468**	**1 900 568**	**589 965**

The movement in the caption Loans and advances to Customers in 2019 was as follows:

	Consolidated				Individual			
	Loans and advances	Of which: Stage 1	Stage 2	Stage 3	Loans and advances	Of which: Stage 1	Stage 2	Stage 3
Balance at 31-12-2018	**21 897 593**	**19 404 057**	**1 473 238**	**1 020 298**	**21 891 166**	**19 397 630**	**1 473 238**	**1 020 298**
Exposure increases / reductions	**608 064**	**963 370**	**(235 397)**	**(119 909)**	**613 869**	**969 175**	**(235 397)**	**(119 909)**
Transfers								
From stage 1:		(550 538)	497 486	53 052		(550 538)	497 486	53 052
From stage 2:		532 287	(599 584)	67 297		532 287	(599 584)	67 297
From stage 3:		14 866	105 914	(120 780)		14 866	105 914	(120 780)
Write-offs	(58 988)	(4)	(2)	(58 982)	(58 988)	(4)	(2)	(58 982)
Sales	(99 402)		(1)	(99 401)	(99 402)		(1)	(99 401)
Balance at 31-12-2019	**22 347 267**	**20 364 038**	**1 241 654**	**741 575**	**22 346 645**	**20 363 416**	**1 241 654**	**741 575**

In 2020 the movement in impairments due to expected loss on Loans and advances to Customers was as follows:

	Consolidated / Individual			
	Impairments for loans and advances	Of which: Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2019	**(390 317)**	(33 999)	(47 718)	(308 600)
Impairment / reversal of impairment due to changes in credit risk	(173 161)	(37 594)	(40 229)	(95 338)
Impairment allowance for new financial assets[1]	(64 948)	(22 259)	(3 723)	(38 966)
Reversal of impairments due to reimbursements and recoveries[1]	74 452	13 877	4 740	55 835
Net impairment [2]	(163 657)	(45 976)	(39 212)	(78 469)
Write-offs	37 387	1	1	37 385
Sales	36 739			36 739
Transfers and other	(49)	(55)		6
Balance at 31-12-2020	**(479 897)**	**(80 029)**	**(86 929)**	**(312 939)**

[1] Includes automatically renewed operations.

[2] Includes 2 957 th.euros related to impairments to offset part of the interest on credits in stage 3, included in net interest income.

In 2019 the movement in impairments due to expected loss on Loans and advances to Customers was as follows:

	Consolidated				Individual			
	Impairments for loans and advances	Of which: Stage 1:	Stage 2:	Stage 3:	Impairments for loans and advances	Of which: Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2018	**(533 123)**	**(25 186)**	**(52 878)**	**(455 059)**	**(533 119)**	**(25 186)**	**(52 878)**	**(455 055)**
Impairment / reversal of impairment due to changes in credit risk	(27 808)	(1 038)	1 994	(28 764)	(27 808)	(1 038)	1 994	(28 764)
Impairment allowance for new financial assets[1]	(46 222)	(13 702)	(1 624)	(30 896)	(46 222)	(13 702)	(1 624)	(30 896)
Reversal of impairments due to reimbursements and recoveries[1]	90 795	5 923	4 788	80 084	90 795	5 923	4 788	80 084
Net impairment [2]	16 765	(8 817)	5 158	20 424	16 765	(8 817)	5 158	20 424
Write-offs	58 988	4	2	58 982	58 988	4	2	58 982
Sales	67 053			67 053	67 053			67 053
Transfers and other					(4)			(4)
Balance at 31-12-2019	**(390 317)**	**(33 999)**	**(47 718)**	**(308 600)**	**(390 317)**	**(33 999)**	**(47 718)**	**(308 600)**

[1] Includes automatically renewed operations.

[2] Includes 1 343 th.euros related to impairments to offset part of the interest on credits in stage 3, included in net interest income.

13.3. Written-off loans

Written-off loans

The movement in loans written off from assets in 2020 and 2019 was as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Balance at beginning of the year	**1 032 408**	**1 114 459**
Increases:		
Value correction due to depreciation of assets	37 387	58 988
Other		201
Decreases:		
Recovery of written-off principal and interest	(8 201)	(13 941)
Amount received on sale of written-off loans	(4 335)	(8 627)
Remission of written-off credits due to disposals	(53 098)	(113 933)
Other	(3 590)	(4 739)
Balance at end of the year	**1 000 571**	**1 032 408**

Written-off loans because its recovery was deemed to be remote are recognised under the off-balance sheet caption “Written-off loans”.

In the 4th quarter of 2020, Banco BPI sold a portfolio of non-performing loans for a global amount of 73 million euros, of which 57 million euros in written-off loans (recognised in off-balance sheet items) and 16 million euros in loans net of impairments (recognised in the balance sheet), of which the gross amount was 54 million euros and the impairment 38 million euros (Note 34).

In the 4th quarter of 2019, Banco BPI sold a portfolio of non-performing loans for a global amount of 138 million euros, of which 123 million euros in written-off loans (recognised in off-balance sheet items) and 15 million euros in loans net of impairments (recognised in the balance sheet), of which the gross amount was 84 million euros and the impairment 69 million euros.

14. DERIVATIVES – HEDGE ACCOUNTING

The detail of hedging derivatives is as follows:

	Consolidated / Individual					
	31-12-2020			31-12-2019		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Interest rates	8 239 140	1 453	63 724	8 187 218	30 709	72 799
By type of counterparty:						
Of which: OTC - credit institutions	757 937	1 395	63 724	921 014	9 802	27 443
Of which: OTC - other financial companies	7 481 203	58		7 266 204	20 907	45 356

As of 31 December 2020, 26 556 th.euros and 71 375 th.euros were offset against hedging derivatives assets and liabilities, respectively, relating to operations with central clearinghouse, reflected in the caption OTC - other financial companies. The notional amounts of the transactions are not compensated.

From 2020 onwards, the offsetting criteria provided for in IAS 32 for the accounting of assets and liabilities of derivative transactions cleared through the central clearing house have been met (Note 2.4). At 31 December 2020, 26 556 th.euros and 71 375 th.euros were of hedging derivative assets and liabilities, respectively, were offset, relating to centrally cleared transactions, reflected in the caption OTC - other financial companies. The notional amounts of the operations are not offset.

The residual time to maturity of hedging items at 31 December 2020, was as follows:

	Consolidated / Individual					
	Notional Amount					
	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Fair value hedges	**245 221**	**453 065**	**1 810 964**	**5 076 815**	**653 075**	**8 239 140**
Credit	19 475	8 000	103 000	1 098 770	651 075	1 880 320
Term Deposits	225 746	445 065	1 707 964	3 028 045	2 000	5 408 820
Debt issues				950 000		950 000

The residual time to maturity of hedging items at 31 December 2019 was as follows:

	Consolidated / Individual					
	Notional Amount					
	< 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Fair value hedges	**287 311**	**419 875**	**2 059 384**	**4 608 737**	**811 911**	**8 187 218**
Credit	5 000	11 200	79 171	1 077 179	809 911	1 982 462
Term Deposits	282 311	403 675	1 977 213	3 031 558	2 000	5 696 756
Debt issues		5 000	3 000	500 000		508 000

Hedging items - Fair value hedges

				Consolidated / Individual									
				31-12-2020			2020		31-12-2019			2019	
				Hedging instrument value			Fair value change in hedging instruments in the period	Gains/(losses) from hedge accounting, net	Hedging instrument value			Fair value change in hedging instruments in the period	Gains/(losses) from hedge accounting, net
	Hedged risk	Hedging instrument used	Hedged item	Nominal	Assets	Liabilities			Nominal	Assets	Liabilities		
Macro-hedges	Transformation from fixed to floating	Interest rate swaps	Credit (loans and securities)	1 880 320	998	20 745	(32 119)	(1 079)	1 982 462	6 754	67 754	(21 483)	618
			Fixed rate securities in portfolio									6 384	(34)
			Term deposits	5 408 820	455	42 979	6 638	(746)	5 696 756	19 154	5 045	2 124	2 558
			Debt issues	950 000			6 557	(144)	508 000	4 801		5 573	(27)
				8 239 140	**1 453**	**63 724**	**(18 925)**	**(1 969)**	**8 187 218**	**30 709**	**72 799**	**(7 402)**	**3 115**

Hedged items - Fair value hedges

				31-12-2020				2020	31-12-2019				2019
				Hedged instrument		Accumulated fair value adjustments in the hedged item		Fair value change in hedged items in the period	Hedged instrument		Accumulated fair value adjustments in the hedged item		Fair value change in hedged items in the period
	Hedged risk	Hedging instrument used	Hedged item	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities	
Macro-hedges	Transformation from fixed to floating	Interest rate swaps	Credit (loans and securities)	1 776 537		79 858		31 040	1 923 721		48 818		22 101
			Fixed rate securities in portfolio										(6 418)
			Term Deposits		5 232 905		12 029	(7 384)		5 205 567		4 022	434
			Debt issues		961 613		12 334	(6 701)		510 866		5 634	(5 600)
				1 776 537	**6 194 518**	**79 858**	**24 363**	**16 956**	**1 923 721**	**5 716 433**	**48 818**	**9 656**	**10 517**

In 2020 and 2019, changes in the fair value of the hedged items under the heading '' Term deposits '' include, respectively, 1 720 th.euros and 2 575 th.euros relating to capital gains on the early settlement of term deposits.

15. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The detail of investments in joint ventures and associates is as follows:

	Effective holding (%)		Consolidated Book value		Individual Book value	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Investments in joint ventures						
BPI Incorporated	100.0%	100.0%			4	4
BPI Suisse, S.A.	100.0%	100.0%			2 022	2 022
Investments in associates						
Banco Comercial e de Investimentos, S.A.	35.7%	35.7%	85 116	106 045	39 651	39 651
Companhia de Seguros Allianz Portugal, S.A.	35.0%	35.0%	81 211	75 580	41 680	41 680
Cosec – Companhia de Seguros de Crédito, S.A.	50.0%	50.0%	37 660	37 345	7 051	7 051
Unicre - Instituição Financeira de Crédito, S.A.	21.0%	21.0%	33 827	27 801	5 850	5 850
Inter-Risco – Sociedade de Capital de Risco, S.A.[1]	49.0%	49.0%	365	419	196	196
			238 179	**247 190**	**96 454**	**96 454**
BPI INC - Cauções					660	721
			238 179	**247 190**	**97 114**	**97 175**

Note: Book values net of impairments

The movement that occurred in investments in joint ventures and associates during 2020 was as follows:

	Consolidated			
	Book Value	Goodwill	Impairment[1]	Total
Balance at 31-12-2019	**234 384**	**18 467**	**(5 661)**	**247 190**
Net profit / (loss) for the year	27 694			
Dividends distributed [2]	(12 510)			
Exchange difference	(26 537)			
Changes in associates' other comprehensive income	2 342			
Balance at 31-12-2020	**225 373**	**18 467**	**(5 661)**	**238 179**

[1] Impairment for Unicre equity holding.

[2] Corresponds to dividends from Allianz and BCI.

The movement that occurred in investments in joint ventures and associates during 2019 was as follows:

	Consolidated			
	Book Value	Goodwill	Impairment[1]	Total
Balance at 31-12-2018	**197 366**	**18 467**	**(6 689)**	**209 144**
Net profit / (loss) for the year	40 726		1 028	
Dividends distributed [2]	(12 830)			
Exchange difference	1 837			
Changes in associates' other comprehensive income	7 808			
Other	(523)			
Balance at 31-12-2019	**234 384**	**18 467**	**(5 661)**	**247 190**

[1] Impairment for Unicre equity holding.

[2] Corresponds to dividends from BCI, Cosec and Unicre.

Faced with the exceptional circumstances arising from the spread of COVID-19, Cosec and Unicre decided the suspend the dividend payment relative to financial year 2019.

In the consolidated accounts, the amount of goodwill resulted from the acquisition of equity holdings in Unicre (13 194 th.euros) and BCI Moçambique (5 273 th.euros).

The breakdown of profit or loss of investments in joint ventures and associates accounted for using the equity method is as follows:[1]

	Consolidated	
	31-12-2020	31-12-2019
Banco Comercial e de Investimentos, S.A.R.L.	9 148	20 450
Companhia de Seguros Allianz Portugal, S.A.	13 423	13 326
Cosec – Companhia de Seguros de Crédito, S.A.	82	4 613
InterRisco - Sociedade de Capital de Risco, S.A.	(53)	(43)
Unicre - Instituição Financeira de Crédito, S.A.	5 094	2 380
	27 694	**40 726**

[1] Banco BPI's subsidiaries and associates contribution to the consolidated profit or loss is detailed in Note 38.

At 31 December 2020 the financial information relating to BPI's associated companies is broken down as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Banco Comercial e de Investimentos, S.A.[1]	1 180 317	904 847	1 661 766	199 231
Companhia de Seguros Allianz Portugal, S.A.	278 072	1 186 894	534 829	707 927
Cosec – Companhia de Seguros de Crédito, S.A.	133 481	4 383	85 399	391
Inter-Risco - Sociedade de Capital de Risco, S.A.	887	180	287	34
Unicre - Instituição Financeira de Crédito, S.A.	123 162	245 213	190 544	67 695

	Net income from continuing operations	Net profit/(loss) from continuing operations	Other comprehensive income	Total comprehensive income[2]
Banco Comercial e de Investimentos, S.A.[1]	165 896	29 028	(1 123)	27 905
Companhia de Seguros Allianz Portugal, S.A.	n.d.	36 571	7 803	44 374
Cosec – Companhia de Seguros de Crédito, S.A.	n.d.	2 373	2 602	4 975
Inter-Risco - Sociedade de Capital de Risco, S.A.	1 098	(112)	0	(112)
Unicre - Instituição Financeira de Crédito, S.A.	76 845	23 919	4 101	28 020

[1] Amounts converted to euros at the exchange rate of 31 December 2020

[2] Corresponds to the sum of net profit/(loss) from continuing operations and other comprehensive income.

At 31 December 2019 the financial information relating to BPI's associated companies is broken down as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Banco Comercial e de Investimentos, S.A.[1]	1 249 180	1 165 072	2 002 494	129 271
Companhia de Seguros Allianz Portugal, S.A.	133 039	1 258 060	163 720	1 023 443
Cosec – Companhia de Seguros de Crédito, S.A.	117 797	4 217	72 020	600
Inter-Risco - Sociedade de Capital de Risco, S.A.	883	279	263	44
Unicre - Instituição Financeira de Crédito, S.A.	121 622	252 858	196 389	81 403

	Net income from continuing operations	Net profit/(loss) from continuing operations	Other comprehensive income	Total comprehensive income[2]
Banco Comercial e de Investimentos, S.A.[1]	196 092	58 184	(2 125)	56 059
Companhia de Seguros Allianz Portugal, S.A.	n.d.	40 604	15 396	56 000
Cosec – Companhia de Seguros de Crédito, S.A.	n.d.	7 049	2 235	9 284
Inter-Risco - Sociedade de Capital de Risco, S.A.	1 099	(79)	0	(79)
Unicre - Instituição Financeira de Crédito, S.A.	69 173	16 194	1 903	18 098

[1] Amounts converted to euros at the exchange rate of 31 December 2019

[2] Corresponds to the sum of net profit/(loss) from continuing operations and other comprehensive income.

16. TANGIBLE ASSETS

The movement in tangible assets during 2020 and 2019 was as follows:

	Consolidated									
	2020					2019				
	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total
Gross amount										
Balance at beginning of the year	72 152	336 384	32 023	111 333	551 892	73 630	316 216	32 992		422 838
Acquisitions		3 048	13 415	6 614	23 077		5 475	16 253	3 967	25 695
Disposals and write-offs	(1 025)	(5 985)		(7 299)	(14 309)	(2 084)	(4 721)		(1 210)	(8 015)
Transfers and other	12 495	4 855	(19 994)	2 077	(567)	606	19 347	(17 222)	108 576 [1]	111 307
Foreign exchange differences		9			9		67			67
Balance at end of the year	83 622	338 311	25 444	112 725	560 102	72 152	336 384	32 023	111 333	551 892
Depreciation										
Balance at beginning of the year	60 825	296 983		24 520	382 328	62 507	292 433			354 940
Depreciation in the year	2 472	8 938		24 812	36 222	397	8 639		24 951	33 987
Disposals and write-offs	(1 015)	(5 455)		(4 860)	(11 330)	(2 079)	(4 146)		(431)	(6 656)
Foreign exchange differences		7			7		57			57
Balance at end of the year	62 282	300 473		44 472	407 227	60 825	296 983		24 520	382 328
Impairments										
Balance at beginning of the year							646			646
Allowances							(646)			(646)
Balance at end of the year										
Net value at end of the year	**21 340**	**37 838**	**25 444**	**68 253**	**152 875**	**11 327**	**39 401**	**32 023**	**86 813**	**169 564**

[1] Corresponds to the initial adjustment resulting from the application of IFRS 16.

The movement in tangible assets during 2020 and 2019 was as follows:

	Individual									
	2020					2019				
	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total
Gross amount										
Balance at beginning of the year	72 152	334 525	32 023	111 333	550 033	73 561	313 383	32 992		419 936
Merger (BI and PE)						70	1 142			1 212
Acquisitions		3 028	13 415	6 613	23 056		5 372	16 253	3 967	25 592
Disposals and write-offs	(1 025)	(5 985)		(7 299)	(14 309)	(2 084)	(4 721)		(1 210)	(8 015)
Transfers and other	12 495	4 855	(19 994)	2 077	(567)	605	19 349	(17 222)	108 576 [1]	111 308
Balance at end of the year	83 622	336 423	25 444	112 724	558 213	72 152	334 525	32 023	111 333	550 033
Depreciation										
Balance at beginning of the year	60 825	295 381		24 520	380 726	62 436	290 067			352 503
Merger (BI and PE)						71	995			1 066
Depreciation in the year	2 472	8 815		24 812	36 099	397	8 465		24 951	33 813
Disposals and write-offs	(1 015)	(5 455)		(4 860)	(11 330)	(2 079)	(4 146)		(431)	(6 656)
Balance at end of the year	62 282	298 741		44 472	405 495	60 825	295 381		24 520	380 726
Impairments										
Balance at beginning of the year							646			646
Allowances							(646)			(646)
Balance at end of the year										
Net value at end of the year	**21 340**	**37 682**	**25 444**	**68 252**	**152 718**	**11 327**	**39 144**	**32 023**	**86 813**	**169 307**

[1] Corresponds to the initial adjustment resulting from the application of IFRS 16.

In 2020, the Bank entered into a promissory agreement to rent a new Building in Lisbon where it plans to concentrate part of its central services, for a period of 10 years with estimated start date in the 2nd half of 2021, depending on the date of delivery of the building in the agreed conditions. As provided for in IFRS 16, this concentration process entailed a review of the estimated duration of the lease contracts for the premises currently occupied by the Bank, leading to a reduction of 4 910 th.euros in the amount of Rights of use in the first half of 2020.

The coming into force of IFRS 16 on 1 January 2019 implied the recognition of a right of use in the amount of 108 576 th.euros.

In 2019, Banco BPI revised the estimated useful life of "equipment - hardware and means of payment", changing the amortisation periods to between 3 and 10 years, taking into account the changes in the Bank's investment policies in the last two years. This change was applied prospectively starting in 1 January 2019, in accordance with IAS 8, having no significant impact on depreciation and amortisation expenses.

17. INTANGIBLE ASSETS

The movement in intangible assets during 2020 and 2019 was as follows:

	Consolidated / Individual							
	2020				2019			
	Automatic data processing software	Intangible assets in progress	Other intangible assets	Total	Automatic data processing software	Intangible assets in progress	Other intangible assets	Total
Gross amount								
Balance at beginning of the year	169 774	12 957	14 667	197 398	135 285	16 044	16 646	167 975
Acquisitions	2 868	32 042		34 910	4 559	29 687		34 246
Disposals and write-offs			(251)	(251)			(1 979)	(1 979)
Transfers and other	35 154	(36 506)		(1 352)	29 930	(32 774)		(2 844)
Balance at end of the year	207 796	8 493	14 416	230 705	169 774	12 957	14 667	197 398
Depreciation								
Balance at beginning of the year	116 883		14 667	131 550	96 966		14 857	111 823
Depreciation in the year	12 441			12 441	19 917		1	19 918
Disposals and write-offs			(251)	(251)			(191)	(191)
Balance at end of the year	129 324		14 416	143 740	116 883		14 667	131 550
Impairments								
Balance at beginning of the year							1 026	1 026
Allowances							(1 026)	(1 026)
Balance at end of the year								
Net value at end of the year	**78 472**	**8 493**		**86 965**	**52 891**	**12 957**		**65 848**

In the first half of 2020, Banco BPI, with the assistance of an independent expert, carried out an evaluation exercise on the useful lives of its internally developed software. As a result of this analysis, the average estimated useful life of software was increased from 3 to 6 years, to be applied prospectively from 1 January 2020, as set out in IAS 8. Amortisation and depreciation for the year for automatic data processing systems were 12 441 th.euros in 2020 and 19 917 th.euros in 2019.

18. OTHER ASSETS

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Accrued income				
Fees for Allianz's profit sharing	27 019	23 178	27 019	23 178
Other accrued income	46 620	29 590	43 929	25 617
	73 639	**52 768**	**70 948**	**48 795**
Deferred expenses				
Rents	1 962	1 349	1 962	1 349
Other deferred expenses	4 395	5 243	4 395	5 243
	6 357	**6 592**	**6 357**	**6 592**
Other assets	5 581	4 132	5 370	4 040
Foreign exchange transactions pending settlement		1 959		1 959
Securities transactions pending settlement - stock exchange transactions	3		3	
Assets pending settlement	64 090	62 626	64 090	80 131
	69 674	**68 717**	**69 463**	**86 130**
	149 670	**128 077**	**146 768**	**141 517**

At 31 December 2020 and 2019, the caption other income receivable includes 36 741 th.euros and 15 783 th.euros, respectively, relating to income receivable from group companies.

In 2020, the amounts of forward exchange transactions pending settlement implicit in FX derivatives were reclassified from "Other assets" or "Other liabilities" to the captions "Financial assets - derivative instruments with positive fair value" and "Financial liabilities - derivative instruments with negative fair value".

The amount in the caption 'Credit operations pending settlement' includes:

- At 31 December 2020 and 2019, 13 613 th.euros and 3 757 th.euros, respectively, relating to taxes paid but which were challenged by Banco BPI, of which:
  - 9 856 th.euros recognised in 2020 for VAT-related legal proceedings already decided in favour of Banco BPI and pending receipt of the sums in question;
  - 2 172 th.euros relating to proceedings paid under Decree-Law 248-A/02 of 14 November, and 1 585 th.euros relating to other proceedings (tax processes of various types) prior to the merger carried out in 2002.
- At 31 December 2020 and 2019, 5 572 th.euros and 30 675 th.euros, respectively, concerning transactions pending settlement in respect of services provided to other CaixaBank Group companies.
- At 31 December 2020 and 2019, 1 494 th.euros and 3 324 th.euros, respectively, concerning mortgage loans pending settlement.
- At 31 December 2020 and 2019, 14 961 th.euros and 6 897 th.euros, respectively, in cheques issued for mortgage loan deeds.

19. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	**31-12-2019**
Assets received in settlement of defaulting loans and other tangible assets		
Buildings	12 313	24 867
Equipment	172	179
Other	1	1
Impairment	(4 597)	(10 486)
	7 889	**14 561**

The amounts recognised in this caption are valued in accordance with the accounting policy described in Notes 2.16 and 39.2.

The changes in assets received in settlement of defaulting loans and other tangible assets in 2020 were as follows:

	Consolidated / Individual									
	Balance at 31-12-2019			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Balance at 31-12-2020		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	24 867	(10 339)	14 528	2 814	(15 368)	5 706	95	12 313	(4 538)	7 775
Equipment	179	(146)	33	969	(976)	95	(7)	172	(58)	114
Other	1	(1)						1	(1)	
	25 047	**(10 486)**	**14 561**	**3 783**	**(16 344)**	**5 801**	**88**	**12 486**	**(4 597)**	**7 889**

The changes in assets received in settlement of defaulting loans and other tangible assets in 2019 were as follows:

	Consolidated									
	Balance at 31-12-2018			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Balance at 31-12-2019		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	51 605	(18 879)	32 726	6 435	(33 173)	7 193	1 347	24 867	(10 339)	14 528
Equipment	225	(151)	73	271	(317)	30	(25)	179	(146)	33
Other	61	(61)			(60)	55	5	1	(1)	
Other tangible assets										
Buildings	1 274	(178)	1 096		(1 274)	177	1			
	53 165	**(19 269)**	**33 895**	**6 706**	**(34 824)**	**7 455**	**1 328**	**25 047**	**(10 486)**	**14 561**

The changes in assets received in settlement of defaulting loans and other tangible assets in 2019 were as follows:

	Individual									
	Balance at 31-12-2018			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment[1]	Balance at 31-12-2019		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	51 312	(18 706)	32 606	6 728	(33 173)	7 196	1 171	24 867	(10 339)	14 528
Of which: Banco Português de Investimento merger by incorporation				293			(176)			
Equipment	226	(148)	78	271	(318)	27	(25)	179	(146)	33
Other	61	(61)			(60)	55	5	1	(1)	
Other tangible assets										
Buildings	562	(73)	489	712	(1 274)	176	(103)			
Of which: Banco Português de Investimento merger by incorporation				712			(105)			
	52 161	**(18 988)**	**33 173**	**7 711**	**(34 825)**	**7 454**	**1 048**	**25 047**	**(10 486)**	**14 561**

[1] Includes transfers resulting from the merger by incorporation of Banco Português de Investimento.

In November 2019, Banco BPI sold a 119 buildings portfolio, integrated into the sale of a non-performing loan portfolio, whose gross book value amounted to 14.1 million euros and with impairments amounted to 6.4 million euros. This operation generated a net gain of 1.7 million euros, accounted during the second semester of 2019.

At 31 December 2020, the detail of real estate received in settlement of defaulting loans is as follows:

		Buildings[1]			Land		
		Housing	Commercial	Other[1]	Urban	Rural	Total
No. of properties		103	31	18	7	2	**161**
Fair value		10 372	1 346	2 794	557	8	**15 077**
Book value		**5 741**	**655**	**1 345**	**34**		**7 775**
No. of years in portfolio	< 1 year	531	471	1 106			**2 108**
	>= 1 year and < 2.5 years	1 482	86	196			**1 764**
	>= 2.5 years and < 5 years	2 347	65	43			**2 455**
	>= 5 years	1 381	33		34		**1 448**

[1] This category includes all buildings that are not exclusively commercial or housing buildings.

At 31 December 2019, the detail of real estate received in settlement of defaulting loans is as follows:

		Buildings[1]			Land		
		Housing	Commercial	Other[1]	Urban	Rural	Total
No. of properties		166	28	29	18	2	**243**
Fair value		15 550	1 555	5 499	1 218	8	**23 830**
Book value		**9 731**	**827**	**3 507**	**463**		**14 528**
No. of years in portfolio	< 1 year	2 828	251	1 776	43		**4 898**
	>= 1 year and < 2.5 years	2 225	410	363			**2 998**
	>= 2.5 years and < 5 years	3 268	23	40			**3 331**
	>= 5 years	1 410	143	1 328	420		**3 301**

[1] This category includes all buildings that are not exclusively commercial or housing buildings.

20. FINANCIAL LIABILITIES AT AMORTISED COST

The detail of financial liabilities at amortised cost at 31 December 2020 and 2019, respectively, is as follows:

31-12-2020

	Consolidated				Individual			
	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value
Deposits								
Central Banks	4 420 000	(25 761)		4 394 239	4 420 000	(25 761)		4 394 239
Credit Institutions	1 110 081	(5)		1 110 076	1 110 081	(5)		1 110 076
Customers	25 995 848	12 705		26 008 553	25 995 848	12 705		26 008 553
Debt securities issued	1 800 162	8 550	(3 860)	1 804 852	1 800 162	8 550	(3 860)	1 804 852
Other financial liabilities	377 997	5		378 002	378 574	5		378 579
	33 704 088	**(4 506)**	**(3 860)**	**33 695 722**	**33 704 665**	**(4 506)**	**(3 860)**	**33 696 299**

31-12-2019

	Consolidated				Individual			
	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value
Deposits								
Central Banks	1 380 000	(5 771)		1 374 229	1 380 000	(5 771)		1 374 229
Credit Institutions	1 402 664	215		1 402 879	1 402 664	215		1 402 879
Customers	23 215 362	16 051		23 231 413	23 215 362	16 051		23 231 413
Debt securities issued	1 356 544	5 361	(3 206)	1 358 699	1 356 544	5 361	(3 206)	1 358 699
Other financial liabilities	272 953	14		272 967	272 684	14		272 698
	27 627 523	**15 870**	**(3 206)**	**27 640 187**	**27 627 254**	**15 870**	**(3 206)**	**27 639 918**

20.1. Deposits - Central Banks and Credit Institutions

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	**31-12-2019**
Deposits - Central Banks		
Deposits	4 420 000	1 380 000
Interest payable	(25 761)	(5 771)
	4 394 239	**1 374 229**
Deposits - Credit Institutions		
Loans and advances to credit institutions in Portugal		
Deposits	19 078	44 672
Interest payable	9	1
	19 087	**44 673**
Funds of credit institutions abroad		
International financial organisations	466 308	466 833
Very short-term funds	29 272	38 458
Deposits	585 976	485 861
Debt securities sold with repurchase agreement		306 839
Other funds	9 447	60 001
Interest payable	(14)	186
Commissions relating to amortised cost		28
	1 090 989	**1 358 206**
	1 110 076	**1 402 879**
	5 504 315	**2 777 108**

In 2020, considering the favourable conditions offered by the European Central Bank in the context of the Covid-19 pandemic, BPI decided to use all the funds made available under the TLTRO3 (Note 3.3.3). These conditions make it possible to ensure better financing conditions for BPI's Clients and society in general.

As of 31 December 2019, the detail of securities delivered as collateral associated with repurchase agreements (Note 26) is as follows:

	31-12-2019		
	Nominal amount	**Appreciation**	**Fair value**
Securities delivered as collateral	300 000	6 795	306 795

20.2. Deposits - Customers

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
By type				
Demand deposits	17 481 423	14 568 006	17 481 423	14 568 006
Term deposits	8 435 637	8 350 338	8 435 637	8 350 338
Saving accounts	47 757	47 853	47 757	47 853
Compulsory deposits	19 048	14 500	19 048	14 500
Debt securities sold with repurchase agreement		222 783		222 783
Other Customer resources	11 983	11 882	11 983	11 882
Interest payable	12 705	16 042	12 705	16 042
Commissions relating to amortised cost, net		9		9
	26 008 553	**23 231 413**	**26 008 553**	**23 231 413**
By sector				
Public sector	636 522	538 431	636 522	538 431
Private sector	25 372 031	22 692 982	25 372 031	22 692 982
	26 008 553	**23 231 413**	**26 008 553**	**23 231 413**

The portfolio of Customer deposits at amortised cost includes deposits designated as interest rate hedged liabilities, the fair value change of which at 31 December 2020 and 2019 amounted to (12 029) th.euros and (4 022) th.euros, respectively.

As of 31 December 2019, the detail of securities delivered as collateral associated with repurchase agreements (Note 26) is as follows:"

	31-12-2019		
	Nominal amount	**Appreciation**	**Fair value**
Securities delivered as collateral	205 000	17 768	222 768

As of 31 December 2020, there are no securities delivered as collateral associated with repurchase agreements with Customers.

20.3. Debt securities issued

The detail of this heading is as follows:

	Consolidated / Individual							
	31-12-2020				31-12-2019			
	Issues	**Repurchased**	**Balance**	**Average interest rate**	**Issues**	**Repurchased**	**Balance**	**Average interest rate**
Covered bonds	7 900 000	(6 850 000)	1 050 000	0.0%	7 900 000	(6 850 000)	1 050 000	0.3%
Senior non-preferred bonds	450 000		450 000	0.9%				
Fixed-rate bonds	332	(170)	162	0.4%	7 751	(1 207)	6 544	0.3%
Interest payable			4 205				921	
Commissions relating to amortised cost, net			(3 860)				(3 206)	
			1 500 507				**1 054 259**	
Other subordinated bonds	300 000		300 000	5.3%	300 000		300 000	5.4%
Interest payable			4 345				4 440	
			304 345				**304 440**	
			1 804 852				**1 358 699**	

The portfolio of debt issued at amortised cost includes securities designated as interest rate hedged liabilities, the fair value change of which at 31 December 2020 and 2019 amounted to (12 334) th.euros and (5 634) th.euros, respectively.

In 2020 Banco BPI issued senior non-preferred bonds in the amount of 450 000 th.euros, fixed coupon of 0.875% and maturity in 2025, fully subscribed by the shareholder CaixaBank.

In 2019 the securitisation operations of mortgage loans and loans to SMEs were reimbursed in advance.

The detail of subordinated debt issuance is as follows:

Issue date	Maturity date	Nominal amount	Interest rate	Amount pending redemption 31-12-2020	Amount pending redemption 31-12-2019
24-03-2017	24-03-2027	300 000 [1]	6 month Euribor + 5.74%	300 000	300 000

[1] This issue was fully subscribed by CaixaBank.

The movement in debt securities issued by BPI in 2020 was as follows:

	Covered bonds	**Senior non-preferred bonds[1]**	**Fixed rate bonds**	**Other subordinated bonds[1]**	**Total**
Balance at 31 December 2019	**1 050 000**		**6 544**	**300 000**	**1 356 544**
Debt issues in the period		450 000			450 000
Issues redeemed			(6 382)		(6 382)
Balance at 31 December 2020	**1 050 000**	**450 000**	**162**	**300 000**	**1 800 162**

[1] This issues were fully subscribed by CaixaBank.

The movement in debt securities issued by BPI in 2019 was as follows:

	Covered bonds	**Fixed rate bonds**	**Other subordinated bonds[1]**	**Total**
Balance at 31 December 2018	**550 000**	**18 293**	**300 000**	**868 293**
Debt issues in the period	1 900 000			1 900 000
Issues retained	(1 400 000)			(1 400 000)
Issues redeemed		(11 638)		(11 638)
Repurchases (net of resales)		(111)		(111)
Balance at 31 December 2019	**1 050 000**	**6 544**	**300 000**	**1 356 544**

[1] This issue was fully subscribed by CaixaBank.

Covered Bonds

BPI has two covered bond programmes under the terms of Decree-Law 59 / 2006. Under these programmes, BPI has issued mortgage bonds and public sector bonds, as described below.

In accordance with this law, the holders of covered bonds benefit from a special creditor privilege over the cover pool which acts as guarantee for the debt to which the bondholders will have access in the event of the issuer's insolvency.

Mortgage bonds

The mortgage bonds programme was set up for up to a maximum of 9 000 000 th.euros.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute a cover pool.

Assets allocated to the cover pool may include mortgage loans for housing or commercial purposes located in a European Union Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits at financial institutions with ratings equal to or greater than "A-" and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- The total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets allocated to the bonds;
- The average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets allocated to the bonds;
- The total amount of interest payable on the mortgage bonds cannot exceed, at any time, the amount of interest receivable on the mortgage loans and other assets allocated to the mortgage bonds;
- The present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral of these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve.
- The credit institutions' risk exposure, except for positions with residual maturity of less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At 31 December 2020, the detail of mortgage bonds issued by BPI was as follows:

Issue	Issue date	Maturity date	Nominal amount	Coupon	Interest payment frequency	Reimbursement	Rating	Repurchases
OH-Serie 9	21-05-2010	21-05-2025	350 000	Euribor 3 m + 0.65%	Quarterly	Full on expiration date	Aaa/-/-/-	350 000
OH-Serie 14	30-03-2015	27-03-2025	1 250 000	Euribor 3 m + 0.50%	Quarterly	Full on expiration date	Baa2/-/-/-	1 250 000
OH-Serie 16	30-05-2016	30-05-2023	500 000	Euribor 3 m + 0.80%	Quarterly	Full on expiration date	A3/-/-/A(High)	500 000
OH-Serie 17	22-02-2017	22-02-2024	700 000	Euribor 3 m + 1.00%	Quarterly	Full on expiration date	A2/-/-/A(High)	700 000
OH-Serie 18	25-07-2017	25-07-2022	1 750 000	Euribor 3 m + 0.60%	Quarterly	Full on expiration date	A2/-/-/A(High)	1 750 000
OH-Serie 19	02-03-2018	02-03-2023	300 000	Euribor 3 m + 0.40%	Quarterly	Full on expiration date	A1/-/-/A(High)	300 000
OH-Serie 20	26-09-2018	26-09-2025	250 000	Euribor 6 m + 0.30%	Quarterly	Full on expiration date	A1/-/-/AA(Low)	
OH-Serie 21	13-12-2018	13-12-2022	300 000	Euribor 6 m + 0.30%	Quarterly	Full on expiration date	Aa3/-/-/AA(Low)	
OH-Serie 22	22-03-2019	22-03-2024	500 000	Fixed rate 0.25%	Annual	Full on expiration date	Aa3/-/-/AA(Low)	
OH-Serie 23	20-12-2019	20-12-2024	1 400 000	Euribor 3 m + 0.30%	Quarterly	Full on expiration date	Aa3/-/-/AA(Low)	1 400 000

At 31 December 2020 and 2019, the cover pool allocated to the mortgage bonds amounted to 8 622 607 th.euros and 8 556 268 th.euros, respectively, of which 8 595 981 th.euros and 8 522 977 th.euros corresponded to credit and accrued interest (Note 13.2).

Public sector bonds

The public sector bonds programme was set up for up to a maximum of 2 000 000 th.euros.

The public sector bonds are secured by a portfolio of loans to public sector entities and other assets that together constitute a cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to the public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of public sector bonds is 100%.

At 31 December 2020, the detail of public sector bonds issued by BPI was as follows:

Issue	Issue date	Maturity date	Nominal amount	Coupon	Interest payment frequency	Reimbursement	Rating	Repurchases
OSP-Serie 3	07-10-2015	07-10-2022	100 000	Euribor 3 m + 0.65%	Quarterly	Full on expiration date	Baa1/-/-	100 000
OSP-Serie 4	15-06-2016	15-06-2023	150 000	Euribor 3 m + 0.80%	Quarterly	Full on expiration date	Baa1/-/-	150 000
OSP-Serie 5	20-10-2017	20-10-2022	350 000	Euribor 3 m + 0.50%	Quarterly	Full on expiration date	A3/-/-	350 000

At 31 December 2020 and 2019, the cover pool allocated to the public sector bonds amounted to 793 594 th.euros and 783 862 th.euros, respectively, of which 788 538 th.euros and 777 241 th.euros corresponded to credit and accrued interest (Note 13.2).

The coverage level of the mortgage bonds and public sector bonds is detailed as follows:

	31-12-2020	31-12-2019
Covered bonds issued **(A)**	**1 050 000**	**1 050 000**
Portfolio of loans and mortgage loans pending reimbursement	9 384 524	9 300 226
Covered bonds repurchased	(6 850 000)	(6 850 000)
Portfolio of loans and mortgage loans used as collateral for bond issuance **(B)**	**2 534 524**	**2 450 226**
Collateralisation **(B)/(A)**	**241%**	**233%**
Overcollateralisation **[(B)/(A)-1]**	**141%**	**133%**

20.4. Other financial liabilities

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Other Customer funds				
Checks and orders payable	49 142	44 085	49 142	44 085
Guaranteed rate deposits	871	1 625	871	1 625
Interest payable	5	14	5	14
Creditors and other resources				
Creditors for futures operations	4 532	12 171	4 532	12 171
Consigned resources	35 580	30 814	35 580	30 814
Captive account resources	3 176	3 599	3 176	3 599
Guarantee account resources	2 214	2 501	2 214	2 501
Public sector				
VAT payable	1 615	140	1 564	4
Tax withheld at source	12 210	13 843	12 210	13 843
Contributions to the Social Security	3 245	3 258	3 229	3 201
Other	2 741	2 740	2 741	2 740
Dividends payable	116 549		116 549	
Contributions to other healthcare systems	1 335	1 349	1 335	1 349
Creditors for factoring agreements	31 377	21 139	31 377	21 139
Creditors for the supply of goods	4 113	6 238	4 113	6 238
Subscribed but not paid-up capital in venture capital funds				
Fundo de Recuperação, FCR	8 048	8 273	8 048	8 273
Fundo InterRisco II CI	4 181	4 672	4 181	4 672
Fundo InterRisco II - Fundo de Capital de Risco	1 027	1 331	1 027	1 331
Fundo de Reestruturação Empresarial, FCR	228	308	228	308
Fundo Pathena SCA Sicar	2 356	3 173	2 356	3 173
Other funds		635		635
Sundry creditors	24 728	23 868	25 372	23 792
Lease liabilities (IFRS 16)	68 729	87 191	68 729	87 191
	378 002	**272 967**	**378 579**	**272 698**

At 31 December 2020, the caption Sundry creditors includes dividends payable on the 2019 results in the amount of 116 549 th.euros, the payment of which was suspended given the exceptional circumstances caused by the expansion of COVID-19 (Note 1.5).

In 2020, the Bank entered into a promissory agreement to rent a new Building in Lisbon where it plans to concentrate part of its central services, for a period of 10 years with estimated start date in the second half of 2021, depending on the date of delivery of the building in the agreed conditions. As provided for in IFRS 16, this concentration process entailed a review of the estimated duration of the lease contracts for the premises currently occupied by the Bank, leading to a 5 139 th.euros reduction in the amount of Lease liabilities in the first half of 2020.

The caption “Other financial liabilities - lease liabilities (IFRS 16)” shows the present values of future payments to be made by the Bank during the period of the operational leasing agreements. The movement in this heading during the year is as follows:

	31-12-2019	Increases/ (Reductions)	Updates	Payments	31-12-2020
Usage rights (IFRS 16)	87 191	3 459	542	(22 462)	68 729

21. PROVISIONS AND CONTINGENT LIABILITIES

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	**31-12-2019**
Pending legal issues and tax litigation		
VAT Recovery processes	3 762	3 962
Tax contingencies and other	27 944	21 694
Impairment and provisions for guarantees and commitments (Note 26)	16 704	18 736
Other provisions	298	
	48 708	**44 392**

The movement in provisions in 2020 was as follows:

	Consolidated / Individual				
	Balance at 31-12-2019	**Increases**	**Decreases / Reversals**	**Amounts used**	**Balance at 31-12-2020**
Pending legal issues and tax litigation	25 656	8 078	(639)	(1 389)	31 706
Commitments and guarantees given	18 736	3 703	(5 735)		16 704
Other provisions		298			298
	44 392	**12 079**	**(6 374)**	**(1 389)**	**48 708**

The movement in provisions in 2019 was as follows:

	Balance at 31-12-2018	Increases	Restitutions/ Reversals	Amounts used	Balance at 31-12-2019
Pending legal issues and tax litigation	42 245	6 560	(112)	(23 037)	25 656
Commitments and guarantees given	23 212	2 660	(6 835)	(301)	18 736
	65 457	**9 220**	**(6 947)**	**(23 338)**	**44 392**

21.1. Provisions for pending legal issues and tax litigation

Banco BPI is party to several legal and administrative proceedings arising from the normal course of its business, including claims in connection with lending activities, relationships with employees and other commercial or tax matters.

Based on available information, Banco BPI considers that it had reliably estimated the obligations arising from each case under litigation and that it has recognised, where appropriate, sufficient provisions to reasonably cover the liabilities that may arise as a result of these tax and legal situations. It also considers that any responsibility arising from the said proceedings will not, as a whole, have a material adverse effect on the Bank's businesses, financial position or results of operations.

21.2. Provisions for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given (Note 26).

21.3. Contingent liabilities

Competition Authority

In 2012, the Portuguese Competition Authority (CA), under the powers legally attributed to it, opened administrative infraction proceedings against 15 banks operating in the Portuguese market, including BPI, due to alleged competition restrictive practices. On 1 June 2015 Banco BPI was served the corresponding notice of illicit act. On 27 September 2017 the Bank presented its defence. Furthermore during the process, and whenever appropriate, Banco BPI appealed against several interlocutory rulings issued by the Competition Authority, which the Bank considered as susceptible of violating its rights.

On 9 September 2019, the CA notified BPI and the other banks of its ruling whereby they had been found guilty. The penalty imposed on BPI was 30 million euros.

In its ruling, the CA:

a) Accuses BPI, as well as the other banks, of having engaged in exchanges of information during the period from May 2002 to March 2013 concerning (i) mortgage loan and consumer loan production volumes, and (ii) the commercial conditions for these types of loans and for loans to small businesses and SME, including spread tables;

b) Considers that such an exchange constitutes an infringement by object, i.e., an infringement which is deemed to have been committed irrespective of whether or not the conduct in question had negative effects on the competition, and therefore it is not necessary to prove such effects; in other words, for the infringement to be deemed as committed, it is sufficient to prove that the conduct is, in the abstract, capable of having adverse effects on competition.

Banco BPI argues that it did not commit the infringement of which it was accused by the CA, and on October 2019, appealed against the aforementioned decision to the Competition, Regulation and Supervision Court, from where the appeal will be filed with the Lisbon Court of Appeal.

In addition to disputing that the exchange of information took place in the manner alleged in the decision imposing the sanction, BPI considers that the information allegedly exchanged, either on account of its form and the time at which such exchange occurred, or on account of its content, was not capable of producing negative effects on the competition, there being no grounds for the assumptions on which the existence of an infringement by object, and therefore the decision imposing the sanction, were based. It is also the understanding of BPI that the alleged exchange of information did not have any negative effects on the market or on consumers, but on the contrary, at least in part, that it had pro-competitive effects

In May 2020, the Court of Santarém issued an order ruling that the appeal lodged by Banco BPI and the other banks did not suspend the CA's decision, and therefore it could be enforced (although with a provisional nature, given that an appeal against the CA's decision was pending). Following that order, and in the same month, Banco BPI filed a request to provide a guarantee security, having been presented on 21 December. It should also be noted that this decision of the Court of Santarém has no impact on the substance of Banco BPI's appeal and on the arguments put forward therein concerning the alleged anti-competitive practices and is therefore a purely procedural decision.

Notwithstanding its request to provide a guarantee, BPI appealed from the said Court ruling. The Court considered that the decision in question could not be appealed, and as such did not admit the appeal, but BPI filed a complaint against that non-admission of an appeal, the outcome of which is awaited.

It is based on this framework of non-existent grounds for the decision and sentencing being maintained by a final court ruling, that the Bank's Executive Committee of the Board of Directors, backed by the substantiated opinion of external legal consultants, believes that the probabilities of the process ending without the Bank having to pay a fine are higher than the reverse occurring, and therefore no provision for this process has been recognised in the Bank's financial statements as at 31 December 2020.

National Resolution Funds

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) pursuant to paragraph b) of number 1 of article 145 C of the General Regulation of Credit Institutions and Financial Companies (RGICSF), in the form of a partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated by a decision of Banco de Portugal on the same date. As part of this process, the Resolution Fund made a capital contribution to Novo Banco in the amount of 4 900 000 th.euros, becoming the sole shareholder.

In this context, the Resolution Fund contracted loans amounting to 4 600 000 th.euros, of which 3 900 000 th.euros granted by the Portuguese State and 700 000 th.euros, to which BPI contributed with 116 200 th.euros, by a banking syndicate.

On 29 December 2015, Banco de Portugal issued a public announcement informing that it had " (…) made a final adjustment to the perimeter of the assets, liabilities, off-balance-sheet items and assets under management transferred to Novo Banco, namely including:

a. Clarification that no liabilities have been transferred to Novo Banco that were contingent or unknown on the date the resolution measure was applied to Banco Espírito Santo, S.A.;

b. Retransfer to Banco Espírito Santo, S.A. of the shareholding in BES Finance, which is necessary to ensure full compliance with and application of the resolution measure as regards the non-transfer to Novo Banco of subordinated debt instruments issued by Banco Espírito Santo, S.A.;

c. Clarification that it is the Resolution Fund's responsibility to make neutral for Novo Banco – through compensatory measure – potential negative effects of future decisions, resulting from the resolution process and giving rise to liabilities or contingencies."

On 7 July 2016, the Resolution Fund stated that it would analyse and evaluate the necessary steps to be taken following the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of BES.

Pursuant to applicable law, if at the completion of BES's winding-up, it is concluded that creditors, whose credits have not been transferred to Novo Banco, suffered a loss higher than the loss they would have hypothetically suffered if BES had initiated its winding up process immediately before the resolution measure was adopted, such creditors will have the right to receive the difference from the Resolution Fund.

Finally, it has surfaced in the media that judicial proceedings against the Resolution Fund have been initiated.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal declared that Banif was failing or likely to fail and decided to start the institution's urgent resolution process through the total or partial sale of its business, which led to Banif's business being sold to Banco Santander Totta, S.A. (BST), on 20 December 2015, for 150 000 th.euros.

Most of the assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, the sole shareholder of which is the Resolution Fund. As a way of financing this transfer, Oitante issued debt securities for an initial amount of 746 000 th.euros, to which the Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee.

The operation involved additional support of around 2 255 000 th.euros to cover future contingencies, of which 489 000 th.euros were provided by the Resolution Fund and 1 766 000 th.euros directly by the Portuguese State. The referred state support is net of the amount due by BST for the acquisition of the set of assets, liabilities and business of the former Banif. The 489 000 th.euros provided by the Resolution Fund was funded under a loan agreement with the Portuguese State.

General matters

In order to reimburse the loans obtained by the Resolution Fund and any other responsibilities that the Resolution Fund may have to take on with respect to the above-mentioned resolution measures, the Resolution Fund is entitled essentially to the contributions of the participating credit institutions (including the Bank) and to the banking sector contribution ("contribuição sobre o setor bancário").

By a public statement on 28 September 2016, the Resolution Fund announced that it had agreed with the Portuguese Ministry of Finance to revise the terms of the 3 900 000 th.euros loan originally granted by the Portuguese State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the capacity of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Portuguese Minister of Finance also announced that increases in liabilities arising from the materialisation of future contingencies would determine maturity adjustment to the Portuguese State and bank loans to the Resolution Fund in order to maintain the current levels of the required effort regarding the contributions from the banking sector.

In addition, according to the communication of the Resolution Fund on 21 March 2017:

- "The terms of the loans obtained by the Fund to finance the resolution measures applied to Banco Espirito Santo, S.A. and Banif – Banco Internacional do Funchal, S.A. were changed." These loans amount to 4 953 million euros, of which 4 253 million euros granted by the Portuguese State and 700 million euros granted by a banking syndicate, of these, 116 million euros were granted by the Bank.
- "Those loans now mature in December 2046, without prejudice to the possibility of early redemption based on the use of proceeds from the Resolution Fund. The maturity will be adjusted in such terms as guarantee the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need for special contributions or any other extraordinary contributions." The liabilities arising from contracts entered into by the Resolution Fund with the Portuguese State and a syndicate of banks in accordance with the resolution measures of BES and Banif rank *pari passu* with each other.
- "The revision of the terms of the loans aimed to ensure the sustainability and financial balance of the Resolution Fund, on the basis of a stable, predictable and sustainable burden for the banking sector".
- "The new conditions allow for the full payment of the Resolution Fund's liabilities and respective remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

On 31 March 2017, the Bank of Portugal made a communication in which it referred, among others, the following:

- "The Bank of Portugal has today selected LONE STAR to complete the sale of Novo Banco and the Resolution Fund has signed the operation's contract documents."
- "Through the capital injection to be realised, LONE STAR will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital."
- The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in case certain cumulative conditions are met related to: i) the performance of a specific portfolio of assets of Novo Banco and ii) the capitalisation levels of the bank going forward.
- "The agreed conditions also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives, as well as supervision mechanisms, notwithstanding the limitations arising from the application of State aid rules."

- "The completion of the sale is conditional on the customary regulatory approvals (including by the European Central Bank and the European Commission), and on a liability management exercise, subject to acceptance of the bondholders, which will cover the non-subordinated bonds of Novo Banco, and, through the issuance of new bonds, generate at least 500 million euros of eligible own funds for the calculation of the CET1 ratio."

On 2 October 2017, the Council of Ministers approved a resolution by which it authorised the conclusion by the Portuguese State, in its role of ultimate guarantor of financial stability, of a framework agreement with the Resolution Fund, for the provision of financial resources to the Resolution Fund, if and when considered necessary for the fulfilment of its contractual obligations under the sale of the 75% stake in Novo Banco, S.A.

The abovementioned framework agreement was signed on the same date and determines that additional funds are to be made available when necessary to ensure compliance with the responsibilities assumed within the scope of the sale process of Novo Banco, while also establishing that the refund of any such funds will be scheduled taking into consideration that one of the objectives of this framework agreement is to ensure the stability of the contributive burden that falls on the banking sector, i.e., to ensure that no special contributions or any other extraordinary contributions are required from the participants of the Resolution Fund.

On 18 October 2017 Banco de Portugal and the Resolution Fund announced the conclusion of the sale of Novo Banco to Lone Star.

On 1 March 2019, after Novo Banco's capital call relative to 2018 had been made public, the Minister for Finance issued a communication where it confirmed *"(...) its commitment to the targets assumed and to promoting the stability of the banking sector to allow reaching these targets."*

Currently it is not possible to predict the possible effects for the Resolution Fund arising from: (i) the sale of the holding in Novo Banco; (ii) the application of the principle that no creditor of the credit institution under resolution may incur in a loss greater than that it would incur if the institution had entered into liquidation; (iii) the guarantee provided to the bonds issued by Oitante; and (iv) other liabilities which the Resolution Fund may have to assume.

Notwithstanding the possibility of collection of special contributions provided for in the applicable legislation, considering the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a syndicate of banks, where the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which indicate that this possibility will not be used, the financial statements as of 31 December 2020 reflect the BPI' expectation that will not be required to make any special or extraordinary contribution to finance the resolution measures applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund.

Possible changes regarding these issues may have relevant implications on the Bank's financial statements.

22. OTHER LIABILITIES

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Liabilities for pensions and other benefits				
Past service liabilities (Note 23)	1 964 278	1 862 164	1 964 278	1 862 164
Pension fund assets (Note 23)	(1 838 131)	(1 824 131)	(1 838 131)	(1 824 131)
	126 147	**38 033**	**126 147**	**38 033**
Expenses payable				
Staff Expenses	79 985	74 255	79 569	73 730
Other administrative expenses	39 604	50 264	39 550	50 205
Interest payable on Additional Tier 1 issue	539	635	539	635
Other	1 484	2 585	1 006	973
	121 612	**127 739**	**120 664**	**125 543**
Deferred income				
From guarantees given and other contingent liabilities	1 600	1 640	1 600	1 640
Other	13	53	13	53
	1 613	**1 693**	**1 613**	**1 693**
Other adjustment accounts				
Foreign exchange transactions pending settlement	276		276	
Securities transactions pending settlement-stock exchange transactions		13		13
Liabilities pending settlement	55 611	124 516	55 611	124 516
Other transactions pending settlement	226 974	152 981	226 974	170 488
	282 861	**277 510**	**282 861**	**295 017**
	532 233	**444 975**	**531 285**	**460 286**

In 2020, the amounts of forward exchange transactions pending settlement implicit in FX derivatives were reclassified from "Other assets" or "Other liabilities" to the captions "Financial assets - derivative instruments with positive fair value" and "Financial liabilities - derivative instruments with negative fair value".

The main actuarial assumptions used to calculate liabilities for end-of-career bonuses and for medical services (SAMS) of former Employees of the Bank are the same as those used to calculate employee pension liabilities (Note 23). In 2020 and 2019, (1 037) th.euros and (2 998) th.euros, respectively, were recognised for actuarial deviations arising from the change in the financial and demographic assumptions used to calculate these liabilities.

The caption 'Stock exchange transactions pending settlement' relates to the acquisition of securities for which settlement only occurred in the following month.

The caption 'Liabilities pending settlement' includes:

- At 31 December 2020 and 2019, 18 668 th.euros and 72 452 th.euros, respectively, relating to ATM transactions pending settlement;
- At 31 December 2020 and 2019, 32 375 th.euros and 36 267 th.euros, respectively, relating to transactions with SIBS pending settlement;

At 31 December 2020 and 2019, the caption 'Other transactions pending settlement' includes 143 334 th.euros and 128 596 th.euros, respectively, relating to transfers under SEPA (Single Euro Payment Area) and 64 839 th.euros and 5 034 th.euros respectively, relating to securities operations pending settlement.

23. LIABILITIES FOR PENSIONS AND OTHER BENEFITS

Past service liabilities for Pensioners, Employees and Directors that are, or have been, at the service of BPI, are calculated in accordance with IAS 19.

Benefits established by BPI are defined benefits based on the last salary earned and length of service, providing for the payment of benefits in the event of retirement due to old age or disability, death and end-of-career bonuses. The rules used to calculate these benefits are mainly drawn from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector. There is also a restricted group of management staff that is covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of Decree-Law no. 1-A / 2011 of 3 January, from 1 January 2011 all banking sector employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme, being henceforth covered by this scheme for old-age pensions as well as for maternity, paternity and adoption allowances, which the Bank ceased to support. Given the complementary nature of the scheme under the rules of the Collective Labour Agreement for the Portuguese Banking Sector ("ACT"), the Bank continues to cover the difference relative to the amount of the benefits paid under the General Social Security Regime for the eventualities covered and the benefits established in the ACT.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of past service liabilities remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única - TSU) at the rate of 23.6%.

Disability and survivor pensions and sick leave for these Employees continue to be the Bank's responsibility.

Decree-Law 127/2011 of 31 December established the transfer to the Social Security of liabilities for retirement and survivor pensions of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pillar 1), as well as the transfer to the Portuguese State of the corresponding pension fund assets covering these liabilities. Since the transfer to the Social Security corresponded to a settlement, extinguishing the corresponding liability of Banco BPI, the negative difference (99 507 th.euros) between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI was fully recognised as a cost in 2011/12. For tax purposes, this cost is recognised over a period of 18 years.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates to the pensions mentioned above, according to the criteria set out in the ACT; (ii) the complementary benefits to the retirement and survivor pensions assumed by the ACT; (iii) the fixed contribution to the Social and Medical Support Services (SAMS); (iv) death allowance; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pension due to the family member of a retired Employee, in which the conditions for being granted occurred as from 1 January 2012.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liabilities, as well as for managing the respective Pension Funds.

The "Projected Unit Credit" method was used to calculate the normal cost and past service liabilities due to old age, and the "Single Successive Premiums" method was used to calculate the cost of the disability and survivor benefits.

The commitments assumed in the regulations of Banco BPI Pension Plans are funded by Pension Funds and therefore Banco BPI is exposed to risks resulting from the valuation of the liabilities and the value of the related pension funds. Banco BPI's Pension Funds are disclosed in Note 40.

The funding scheme of the Pension Fund is defined in Bank of Portugal Notice no. 4/2005, which establishes the requirement to fully fund (100%) the liabilities with pensions under payment and a minimum of 95% of the past service liabilities for current personnel.

The main actuarial assumptions used to calculate the pension liabilities of the employees are as follows:

	31-12-2020	31-12-2019
Demographic assumptions:		
Mortality Table	TV 88/90-H TV 88/90-M - 3 years [1]	TV 88/90-H TV 88/90-M - 3 years [1]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	by mortality	by mortality
Financial assumptions		
Discount rate		
Start of the year	1.3%	2.0%
Year-end	1.0%	1.3%
Pensionable salaries growth rate [2]	0.9%	0.9%
Pensions growth rate	0.4%	0.4%

[1] Life expectancy considered for women was three years longer than considered in the mortality table used.

[2] The mandatory promotions under the current ACT and the projected seniority payments are considered separately, i.e., directly in the estimate of salaries evolution, corresponding to an increase of approximately 0.5%.

The actual results obtained in relation to the main financial assumptions were:

	31-12-2020	31-12-2019
Pensionable salaries growth rate [1]	1.74%	2.43%
Pensions growth rate [2]	0.30%	0.80%
Pension fund assets' return rate	2.74%	12.60%

[1] Calculated based on average pensionable salary changes for current Employees present at the beginning and at the end of the year (includes changes in remuneration levels, the effect of mandatory promotions due to time of service and seniority payments and does not consider new admissions and leavers).

[2] Corresponds to the ACT table update rate.

At 31 December 2020 and 2019, the number of pensioners and Employees covered by the pension plans funded by the pension funds was as follows:

	31-12-2020	31-12-2019
Retired pensioners		
Retired pensioners	7 387	7 375
Survivor pensioners	1 668	1 626
Current Employees	4 777	5 030
Former Employees (clause 98 of the ACT)	3 418	3 357
	17 250	**17 388**

The past service liabilities for Pensioners and Employees of BPI and respective coverage by the Pension Fund show the following evolution over the last five years:

	Consolidated				
	31-12-2020	31-12-2019	31-12-2017	31-12-2016	31-12-2015
Total past service liabilities	(1 907 391)	(1 803 833)	(1 639 393)	(1 601 350)	(1 463 137)
Net assets of the Pension Fund	1 782 477	1 766 672	1 612 353	1 564 913	1 355 356
Contributions to be transferred to the Pension Fund	90 068	3 810	5 547	9 010	75 455
Coverage surplus/(shortfall)	(34 846)	(33 351)	(21 493)	(27 427)	(32 326)
Coverage ratio of liabilities	98%	98%	99%	98%	98%

	Individual				
	31-12-2020	31-12-2019	31-12-2017	31-12-2016	31-12-2015
Total past service liabilities	(1 907 391)	(1 803 833)	(1 629 103)	(1 590 694)	(1 449 559)
Net assets of the Pension Fund	1 782 477	1 766 672	1 602 146	1 553 812	1 342 774
Contributions to be transferred to the Pension Fund	90 068	3 810	5 400	9 010	74 655
Coverage surplus/(shortfall)	(34 846)	(33 351)	(21 557)	(27 872)	(32 130)
Coverage ratio of liabilities	98%	98%	99%	98%	98%

In accordance with Decree-Law 12/2006 of 20 January, only in very special conditions is it possible to return excess funding, so it is assumed that any excess will be used to reduce future contributions.

In 2020 the movement in the present value of past service liabilities and in the Employee's pension fund was as follows:

	Consolidated / Individual		
	Total past service liabilities	Net assets of the pension fund	Net (Assets)/Liabilities for pensions and other benefits
Amount at 31 December 2019	**(1 803 833)**	**1 766 672**	**(37 161)**
Recognised as profit/(loss) (Note 32)	**(34 728)**	**24 697**	**(10 031)**
Current service cost	5 904		5 904
Liabilities' interest cost	(25 253)		(25 253)
Income on plan assets computed based on the discount rate (Note 32)		24 697	24 697
Early retirements	(16 419)		(16 419)
Voluntary terminations	1 040		1 040
Recognised in shareholders' equity (Note 24)	**(125 515)**	**23 664**	**(101 851)**
Deviation in pension funds return		23 561	23 561
Update increase in ACTV table above expected increase	3 100		3 100
Change in financial and demographic assumptions			
Change in discount rate	(105 711)		(105 711)
Impact on ACT table from the national minimum wage increase	(14 286)		(14 286)
Deviation in pensions paid		103	103
Other deviations	(8 618)		(8 618)
Other	**56 685**	**(32 556)**	**24 129**
Employee contributions	(3 545)	3 545	
BPI contributions		23 810	23 810
Pensions payable (estimate)	56 276	(56 276)	
Transfer of Banco BPI Employees to BPI Gestão de Activos	(92)	92	
Transfer of Banco BPI Employees to CaixaBank branch in Portugal	4 046	(3 727)	319
Amount at 31 December 2020	**(1 907 391)**	**1 782 477**	**(124 914)**

In 2019 the movement in the present value of past service liabilities and in the Employee's pension fund was as follows:

	Consolidated		
	Total past service liabilities	Net assets of the pension fund	Net (Assets)/Liabilities for pensions and other benefits
Amount at 31 December 2018	**(1 639 393)**	**1 612 353**	**(27 040)**
Recognised as profit/(loss) (Note 32)	**(22 792)**	**26 280**	**3 488**
Current service cost	6 668		6 668
Liabilities' interest cost	(27 187)		(27 187)
Income on plan assets computed based on the discount rate		26 280	26 280
Early retirements	(2 997)		(2 997)
Voluntary terminations	724		724
Recognised in shareholders' equity (Note 24)	**(193 839)**	**174 683**	**(19 156)**
Deviation in pension funds return		176 174	176 174
Update increase in ACTV table above expected increase	(9 169)		(9 169)
Change in financial and demographic assumptions			
Change in mortality table	(196 497)		(196 497)
Change in salary and pension growth rates	43 878		43 878
Impact on ACT table from the national minimum wage increase	(18 575)		(18 575)
Deviation in pensions paid		(1 491)	(1 491)
Other deviations	(13 476)		(13 476)
Other	**52 191**	**(46 644)**	**5 547**
Employee contributions	(3 568)	3 568	
BPI contributions		5 547	5 547
Pensions payable (estimate)	55 034	(55 034)	
Transfer of Banco BPI Employees to BPI Gestão de Activos	725	(725)	
Amount at 31 December 2019	**(1 803 833)**	**1 766 672**	**(37 161)**

	Individual		
	Total past service liabilities	Net assets of the pension fund	Net (Assets)/Liabilities for pensions and other benefits
Amount at 31 December 2018	**(1 629 103)**	**1 602 146**	**(26 957)**
Recognised as profit/(loss) (Note 32)	**(22 792)**	**26 280**	**3 488**
Current service cost	6 668		6 668
Liabilities' interest cost	(27 187)		(27 187)
Income on plan assets computed based on the discount rate		26 280	26 280
Early retirements	(2 997)		(2 997)
Voluntary terminations	724		724
Recognised in shareholders' equity (Note 24)	**(193 839)**	**174 683**	**(19 156)**
Deviation in pension funds return		176 174	176 174
Update increase in ACTV table above expected increase	(9 169)		(9 169)
Change in financial and demographic assumptions			
Change in mortality table	(196 497)		(196 497)
Change in salary and pension growth rates	43 878		43 878
Impact on ACT table from the national minimum wage increase	(18 575)		(18 575)
Deviation in pensions paid		(1 491)	(1 491)
Other deviations	(13 476)		(13 476)
Other	**41 901**	**(36 437)**	**5 464**
Employee contributions	(3 568)	3 568	
BPI contributions		5 547	5 547
Pensions payable (estimate)	55 034	(55 034)	
Transfer of Banco BPI Employees to BPI Gestão de Activos	725	(725)	
Merger of Banco Português de Investimento and BPI Private Equity	(10 290)	10 207	(83)
Amount at 31 December 2019	**(1 803 833)**	**1 766 672**	**(37 161)**

The movement in deviations in 2019 and 2020 was as follows:

	Consolidated	Individual
Amount at 31 December 2018	**(212 528)**	**(207 663)**
Merger of Banco Português de Investimento and BPI Private Equity		(4 865)
Deviation in pension funds return	176 174	176 174
Update increase in ACTV table above expected increase	(9 169)	(9 169)
Change in discount rate	(196 497)	(196 497)
Change in salary and pension growth rates	43 878	43 878
Impact on ACT table from the national minimum wage increase	(18 575)	(18 575)
Deviation in pensions paid	(1 491)	(1 491)
Other deviations	(13 476)	(13 476)
Amount at 31 December 2019	**(231 684)**	**(231 684)**
Deviation in pension funds return	23 561	23 561
Update increase in ACTV table above expected increase	3 100	3 100
Change in discount rate	(105 711)	(105 711)
Impact on ACT table from the national minimum wage increase	(14 286)	(14 286)
Deviation in pensions paid	103	103
Other deviations	(8 618)	(8 618)
Amount at 31 December 2020	**(333 535)**	**(333 535)**

At 31 December 2020 and 2019, Banco BPI's Employees' Pension Funds comprised the following assets:

	31-12-2020		31-12-2019	
	Value	%	Value	%
Liquidity	34 464	1.9%	28 410	1.6%
Fixed-rate bonds	1 012 777	56.9%	1 022 581	57.9%
Variable-rate bonds listed	89 340	5.0%	85 343	4.8%
Shares listed	219 316	12.3%	199 648	11.3%
Real Estate	392 847	22.0%	389 131	22.0%
Other listed	33 733	1.9%	41 559	2.4%
	1 782 477	**100.0%**	**1 766 672**	**100.0%**

The sensitivity analysis to a change in the main financial assumptions for the entire period covered by the actuarial valuation (and not just a change in a given year) would result in the following impact on the present value of past service liabilities [1]:

	(decrease)/increase	
	%	Amount
Change in discount rate		
0.25% increase	-4.3%	(81 532)
0.25% decrease	4.6%	87 107
Change in salaries growth rate [2]		
0.25% increase	1.3%	25 707
Change in pensions growth rate [3]		
0.25% increase	4.8%	91 371
Mortality Table		
+1 year	3.8%	72 774

[1] The calculation method and assumptions were the same as used for the calculation of the liabilities, except for the assumption under analysis.
[2] The change in the increase in salaries applies only to the pensionable salaries component of the pension plan foreseen in ACT, there being no change in the growth rate of the pensionable salaries for Social Security pension purposes, since what is considered is the maximum risk in the wage evolution component.
[3] The change in the pension increase applies to pensions and supplements provided by the Bank, as well as to pensions transferred to the Social Security, for whose future revisions the Bank remain responsible.

The average duration of the pension liability for Banco BPI Employees is 18 years, including both current and retired Employees.

The estimated Employee contributions to the pension plan in 2021 amount to 3 298 th.euros.

The Members of the Executive Committee of the Board of Directors of Banco BPI, S.A. and the former Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan, the funding coverage of which is ensured through a pension fund.

The main actuarial assumptions used to calculate the pension liabilities of Board members are as follows:

	31-12-2020	31-12-2019
Demographic assumptions:		
Mortality Table	TV 88/90-H TV 88/90-M - 3 years [1]	TV 88/90-H TV 88/90-M - 3 years [1]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	by mortality	by mortality
Financial assumptions:		
Discount rate		
Start of the year	1.3%	2.0%
Year-end	1.0%	1.3%
Pensionable salaries growth rate	0.4%	0.4%
Pensions growth rate [2]	0.4%	0.4%

[1] Life expectancy considered for women was three years longer than considered in the mortality table used.
[2] Rate of increase corresponds to Consumer Price Index rate of change, as per the pension plan rules.

The liabilities for past services of Board members and respective coverage by the Pension Fund show the following evolution in the last five years:

	Consolidated				
	31-12-2020	31-12-2019	31-12-2018	31-12-2017	31-12-2016
Present value of past service liabilities	(56 887)	(58 331)	(56 103)	(55 980)	(52 266)
Net assets of the Pension Fund	55 654	57 459	50 005	51 219	41 790
Contributions to be transferred to the Pension Fund	588	89	5 413	4 132	8 900
Coverage surplus/(shortfall)	(645)	(783)	(685)	(629)	(1 576)
Coverage ratio of liabilities	99%	99%	99%	99%	97%

	Individual				
	31-12-2020	31-12-2019	31-12-2018	31-12-2017	31-12-2016
Present value of past service liabilities	(56 887)	(58 331)	(49 263)	(49 158)	(46 706)
Net assets of the Pension Fund	55 654	57 459	43 965	45 882	36 953
Contributions to be transferred to the Pension Fund	588	89	4 739	2 770	8 380
Coverage surplus/(shortfall)	(645)	(783)	(559)	(506)	(1 373)
Coverage ratio of liabilities	99%	99%	99%	99%	97%

The return of the pension fund in 2020 was 1%.

In 2020 the movement in the present value of past service liabilities for Directors and in the pension fund was as follows:

	Consolidated / Individual		
	Total past service liabilities	**Net assets of the pension fund**	**Net (Assets)/Liabilities for pensions and other benefits**
Amount at 31 December 2019	**(58 331)**	**57 459**	**(872)**
Recognised as profit/(loss) (Note 32)	**(1 373)**	**789**	**(584)**
Current service cost	(545)		(545)
Liabilities' interest cost	(828)		(828)
Income on plan assets computed based on the discount rate		789	789
Recognised in shareholders' equity (Note 24)	**148**	**(14)**	**134**
Deviation in pension funds return		(235)	(235)
Change in financial and demographic assumptions			
Change in discount rate	(2 112)		(2 112)
Deviation in pensions paid		221	221
Other deviations	2 260		2 260
Other	**2 669**	**(2 580)**	**89**
BPI contributions		89	89
Pensions payable (estimate)	2 669	(2 669)	
Amount at 31 December 2020	**(56 887)**	**55 654**	**(1 233)**

In 2019 the movement in the present value of past service liabilities for Directors and in the pension fund was as follows:

	Consolidated		
	Total past service liabilities	**Net assets of the pension fund**	**Net (Assets)/Liabilities for pensions and other benefits**
Amount at 31 December 2018	**(56 103)**	**50 005**	**(6 098)**
Recognised as profit/(loss) (Note 32)	**(1 445)**	**884**	**(561)**
Current service cost	(534)		(534)
Liabilities' interest cost	(911)		(911)
Income on plan assets computed based on the discount rate		884	884
Recognised in shareholders' equity (Note 24)	**(3 608)**	**3 982**	**374**
Deviation in pension funds return		3 631	3 631
Change in financial and demographic assumptions			
Change in mortality table	(4 434)		(4 434)
Change in salary and pension growth rates	703		703
Deviation in pensions paid		351	351
Other deviations	123		123
Other	**2 825**	**2 588**	**5 413**
BPI contributions		5 413	5 413
Pensions payable (estimate)	2 825	(2 825)	
Amount at 31 December 2019	**(58 331)**	**57 459**	**(872)**

In 2019 the movement in the present value of past service liabilities for Directors and in the pension fund was as follows:

	Individual		
	Total past service liabilities	**Net assets of the pension fund**	**Net (Assets)/Liabilities for pensions and other benefits**
Amount at 31 December 2018	**(49 263)**	**43 965**	**(5 298)**
Recognised as profit/(loss) (Note 32)	**(1 445)**	**884**	**(561)**
Current service cost	(534)		(534)
Liabilities' interest cost	(911)		(911)
Income on plan assets computed based on the discount rate		884	884
Recognised in shareholders' equity (Note 24)	**(3 608)**	**3 982**	**374**
Deviation in pension funds return		3 631	3 631
Change in financial and demographic assumptions			
Change in mortality table	(4 434)		(4 434)
Change in salary and pension growth rates	703		703
Deviation in pensions paid		351	351
Other deviations	123		123
Other	**(4 015)**	**8 628**	**4 613**
BPI contributions		5 413	5 413
Pensions payable (estimate)	2 825	(2 825)	
Merger of Banco Português de Investimento and BPI Private Equity	(6 840)	6 040	(800)
Amount at 31 December 2019	**(58 331)**	**57 459**	**(872)**

The movement in deviations in 2019 and 2020 was as follows:

	Consolidated	Individual
Amount at 31 de dezembro de 2018	**(17 247)**	**(15 877)**
Merger of Banco Português de Investimento and BPI Private Equity		(1 370)
Deviation in pension funds return	3 631	3 631
Change in financial and demographic assumptions		
Change in discount rate	(4 434)	(4 434)
Change in salary and pension growth rates	703	703
Deviation in pensions paid	351	351
Other deviations	123	123
Amount at 31 December 2019	**(16 873)**	**(16 873)**
Deviation in pension funds return	(235)	(235)
Change in financial and demographic assumptions		
Change in discount rate	(2 112)	(2 112)
Deviation in pensions paid	221	221
Other deviations	2 260	2 260
Amount at 31 December 2020	**(16 739)**	**(16 739)**

At 31 December 2020 and 2019, the Pension Funds of BPI's Directors comprised the following assets:

	31-12-2020		31-12-2019	
	Value	**%**	**Value**	**%**
Liquidity	2 280	4.1%	2 713	4.7%
Fixed-rate bonds listed	26 345	47.3%	33 125	57.6%
Variable-rate bonds listed	9 590	17.2%	2 878	5.0%
Shares listed	15 568	28.1%	15 316	26.7%
Real Estate	512	0.9%	564	1.0%
Other listed	1 359	2.4%	2 863	5.0%
	55 654	**100.0%**	**57 459**	**100.0%**

The sensitivity analysis to a change in the main financial assumptions for the entire period covered by the actuarial valuation (and not just a change in a given year) would result in the following impact on the present value of past service liabilities [1] :

	(decrease)/increase	
	%	**Value**
Change in discount rate		
0.25% increase	-2.8%	(1 612)
0.25% decrease	3.0%	1 690
Change in salaries growth rate [2]		
0.25% increase	0.1%	35
Change in pensions growth rate [3]		
0.25% increase	3.0%	1 719
Mortality Table		
+1 year	4.0%	2 263

[1] The calculation method and assumptions were the same as used for the calculation of the liabilities, except for the assumption under analysis.
[2] The change in the increase in salaries applies only to the pensionable salaries component of the pension plan foreseen in ACT, there being no change in the growth rate of the pensionable salaries for Social Security pension purposes, since what is considered is the maximum risk in the wage evolution component.
[3] The change in the pension increase applies to pensions and supplements provided by the Bank, as well as to pensions transferred to the Social Security, for whose future revisions the Bank remains responsible.

The average duration of the pension liability for Banco BPI Directors is 12 years, including both current and retired Directors.

24. SHAREHOLDERS' EQUITY

Capital

At 31 December 2020 and 2019, Banco BPI's share capital was 1 293 063 th.euros, represented by 1 456 924 237 ordinary dematerialised registered shares with no nominal value

Equity instruments issued other than capital

In 2019, Banco BPI issued 275 000 th.euros in Additional Tier 1 Undated Deeply Subordinated Notes - Series 1132 under the EMTN Programme, which qualify as Additional Tier I Capital for the Tier 1 ratio, under the terms of Directive 2013/36/EU (CRD IV – Capital Requirements Directive). These bonds may be reimbursed as from 19 September 2023 (first early reimbursement date) and subsequently on any interest-payment date, subject to the authorisation of the relevant authorities. The interest on these notes is recognised under "Other reserves". The notes were fully purchased by CaixaBank.

Accumulated other comprehensive income

The main movements in Accumulated other comprehensive income are shown in detail in the tables of statements of profit and loss and other comprehensive income.

In 2020 and 2019 the amount of the consolidated other comprehensive income not included in the income for the year was (150 460) th.euros and (91 871) th.euros, respectively.

In 2020 and 2019 the amount of the individual other comprehensive income not included in the income for the year was (126 237) th.euros and (101 921) th.euros, respectively.

Changes in accumulated other comprehensive income - 2020

	Consolidated					
	31-12-2019	Valuation gains / (losses)	Amounts transferred to income statement (before taxes)	Realized gains/(losses) in equity instruments	Taxes	31-12-2020
Items that will not be reclassified to profit or loss	**(335 851)**	**(165 868)**		**(10 643)**	**22 523**	**(489 839)**
Actuarial gains/ (losses) on defined benefit pension plans	(303 951)	(102 755)			22 733	(383 973)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(32 187)	(63 589)		(8 982)	(210)	(104 968)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(416)	476		(1 661)		(1 601)
Tangible assets	703					703
Items that may be reclassified to profit or loss	**(9 422)**	**(324)**	**(153)**		**(6 638)**	**(16 537)**
Foreign currency translation	(33 552)	(26 509)				(60 061)
Debt securities classified as fair value financial assets through other comprehensive income	4 502	24 383	(153)		(6 638)	22 094
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	19 628	1 802				21 430
	(345 273)	**(166 192)**	**(153)**	**(10 643)**	**15 885**	**(506 376)**

In 2020, the realized gains on equity instruments measured at fair value through other comprehensive income were transferred to the equity caption "Retained earnings", of which 8 982 th.euros were realized in 2020.

Changes in accumulated other comprehensive income - 2019

	Consolidated					
	31-12-2018	Valuation gains / (losses)	Amounts transferred to income statement (before taxes)	Realized gains/(losses) in equity instruments	Taxes	31-12-2019
Items that will not be reclassified to profit or loss	**(232 788)**	**(109 086)**		**625**	**5 399**	**(335 851)**
Actuarial gains/ (losses) on defined benefit pension plans	(288 248)	(21 769)			6 067	(303 951)
Fair value changes of equity instruments measured at fair value through other comprehensive income	56 615	(88 759)		625	(668)	(32 187)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(1 858)	1 442				(416)
Tangible assets	703					703
Items that may be reclassified to profit or loss	**(20 614)**	**14 817**	**(2 654)**		**(971)**	**(9 422)**
Foreign currency translation	(35 802)	2 250				(33 552)
Debt securities classified as fair value financial assets through other comprehensive income	1 927	6 200	(2 654)		(971)	4 502
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	13 261	6 367				19 628
	(253 402)	**(94 269)**	**(2 654)**	**625**	**4 428**	**(345 273)**

Changes in accumulated other comprehensive income - 2020

	Individual					
	31-12-2018	Valuation gains / (losses)	Amounts transferred to income statement (before taxes)	Realized gains/(losses) in equity instruments	Taxes	31-12-2019
Items that will not be reclassified to profit or loss	**(335 311)**	**(166 351)**		**(8 982)**	**22 522**	**(488 122)**
Actuarial gains/ (losses) on defined benefit pension plans	(303 951)	(102 755)			22 733	(383 973)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(32 063)	(63 596)		(8 982)	(211)	(104 852)
Tangible assets	703					703
Items that may be reclassified to profit or loss	**4 502**	**24 383**	**(153)**		**(6 639)**	**22 094**
Debt securities classified as fair value financial assets through other comprehensive income	4 502	24 383	(153)		(6 639)	22 094
	(330 809)	**(141 968)**	**(153)**	**(8 982)**	**15 883**	**(466 028)**

In 2020, the realized gains on equity instruments measured at fair value through other comprehensive income were transferred to the equity caption "Retained earnings", of which 8 982 th.euros were realized in 2020.

Changes in accumulated other comprehensive income - 2019

	Individual						
	31-12-2018	Valuation gains / (losses)	Merger of Banco Português de Investimento and BPI Private Equity	Amounts transferred to income statement (before taxes)	Gains / (losses) in equity instruments	Taxes	31-12-2019
Items that will not be reclassified to profit or loss	**(231 495)**	**(110 520)**	**680**		**625**	**5 399**	**(335 311)**
Actuarial gains/ (losses) on defined benefit pension plans	(283 499)	(21 770)	(4 749)			6 067	(303 951)
Fair value changes of equity instruments measured at fair value through other comprehensive income	52 004	(88 750)	4 726		625	(668)	(32 063)
Tangible assets			703				703
Items that may be reclassified to profit or loss	**1 927**	**4 332**		**(785)**		**(972)**	**4 502**
Debt securities classified as fair value financial assets through other comprehensive income	1 927	4 332		(785)		(972)	4 502
	(229 568)	**(106 188)**	**680**	**(785)**	**625**	**4 427**	**(330 809)**

Retained earnings and other reserves

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Retained earnings				
Legal reserve	279 000	244 789	279 000	244 789
Other reserves and retained earnings	1 666 179	1 503 107	1 654 020	1 447 480
Reserves of fully consolidated companies	7 734	6 368		
Profit/(loss) generated on change of accounting policies[1]		15 187		15 187
Profit/(loss) recognised in equity instruments at fair value through other comprehensive income	8 982		8 982	
	1 961 895	**1 769 451**	**1 942 002**	**1 707 456**
Other reserves				
Merger reserve	1 665	1 665	1 665	1 665
Interest payable on Additional Tier 1 issue	(22 894)	(5 114)	(22 894)	(5 114)
Reserves of equity consolidated companies	149 162	119 491		
	127 933	**116 042**	**(21 229)**	**(3 449)**

[1] As of 31 December 2019, it corresponds to the impact of the change in accounting policy used to register the "Banking sector contribution".

In 2020, Profit/(loss) recognised in equity instruments at fair value through other comprehensive income started to be recorded under the equity caption "Retained earnings".

In accordance with Article 97 of the General Law on Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92 of 31 December and amended by Decree-Law no. 201/2002 of 26 September, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

25. TAX POSITION

25.1. Tax assets and liabilities

The breakdown of tax assets and liabilities is as follows:

Tax assets

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Current tax assets	5 157	4 061	5 157	4 061
Recoverable VAT	246	5 665	236	5 638
Deferred tax assets	265 605	262 730	265 595	262 676
	271 008	**272 456**	**270 988**	**272 375**

Tax liabilities

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Current tax liabilities	2 541	2 108	2 540	2 108
Deferred tax liabilities	20 665	15 131	10 995	5 829
	23 206	**17 239**	**13 535**	**7 937**

25.2. Income taxes

At 31 December 2020 and 2019, the cost of income tax recognised in the income statement, as well as the tax burden, measured as the ratio of the tax charge to the Profit or loss (-) from before tax [1], were as follows:

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
Profit or loss (-) before tax (A)	**124 866**	**344 391**	**106 691**	**365 227**
Profit or loss (-) of equity accounted companies (B)	(27 694)	(40 726)		
Profit or loss (-) for the year subject to tax (A)+(B)=(C)	**97 172**	**303 665**	**106 691**	**365 227**
Total tax recognised in the income statement (D)	**(20 095)**	**(16 537)**	**(18 869)**	**(23 114)**
Current taxes	(2 100)	(1 932)	(1 392)	(960)
Deferred taxes	(18 647)	(14 656)	(18 129)	(22 203)
Recognition and reversal of temporary differences	(39 763)	(65 430)	(39 246)	(72 977)
Tax loss carry forwards	21 116	32	21 116	32
Reversal of deferred tax liabilities BFA		50 742		50 742
Corrections of previous years	652	51	652	49
Average tax rate (D)/(C)	**20.7%**	**5.4%**	**17.7%**	**6.3%**
Profit or loss (-) for the year after tax (A)+(D)	**104 771**	**327 854**	**87 822**	**342 113**

[1] Excluding results of companies accounted for using the equity method.

In 31 December 2020 and 2019, BPI consolidated, recorded directly in other comprehensive income, income tax of 15 883 th.euros and 4 428 th.euros, respectively, resulting from actuarial deviations in pensions and end-of-career bonus and from fair value changes in equity instruments and debt securities.

In 31 December 2020 and 2019, BPI individual, recorded directly in other comprehensive income, income tax of 15 883 th.euros and 4 427 th.euros, respectively, resulting from actuarial deviations in pensions and end-of-career bonus and from fair value changes in equity instruments and debt securities.

The reconciliation between the nominal income tax rate and the average tax rate, in accordance with IAS 12, at 31 December 2020 and 2019, as well as the reconciliation between the tax cost/gain and

	Consolidated				Individual			
	31-12-2020		31-12-2019		31-12-2020		31-12-2019	
	Tax rate	**Value**	**Tax rate**	**Value**	**Tax rate**	**Value**	**Tax rate**	**Value**
Net income before income tax[1]		**97 172**		**303 665**		**106 691**		**365 227**
Income tax computed based on the nominal tax rate	28.0%	27 234	28.7%	87 144	27.4%	29 233	27.4%	100 072
Capital gains and impairments in equity holdings, net	0.3%	322	-3.4%	(10 369)	0.3%	322	-2.8%	(10 369)
Non-taxable dividends	-16.3%	(15 857)	-6.8%	(20 688)	-14.9%	(15 857)	-5.7%	(20 688)
Taxable temporary differences (BCI)	1.8%	1 702	-0.5%	(1 391)	0.9%	925	-0.4%	(1 391)
Tax benefits	-0.3%	(324)	-0.3%	(790)	-0.3%	(324)	-0.2%	(790)
Impairment and provisions for loans			3.5%	10 685			0.5%	1 842
Correction of previous years	-0.7%	(652)	0.2%	473	-0.6%	(652)	0.1%	473
Autonomous taxation	1.4%	1 392	0.3%	960	1.3%	1 392	0.3%	960
Banking sector contribution	5.3%	5 141	1.4%	4 189	4.8%	5 141	1.1%	4 189
Remuneration of AT1 instruments issue	-5.0%	(4 872)	-0.5%	(1 401)	-4.6%	(4 872)	-0.4%	(1 401)
Application of the Portugal Angola double taxation agreement to BFA equity holding			-16.7%	(50 742)			-13.9%	(50 742)
Tax rate differential (27.4% vs 21%) on fiscal loss for the year	6.6%	6 435			6.0%	6 435		
Other non-taxable income and expenses	-0.4%	(427)	-0.5%	(1 533)	-2.7%	(2 874)	0.3%	959
	20.7%	**20 095**	**5.4%**	**16 537**	**17.7%**	**18 869**	**6.3%**	**23 114**

[1] Excluding results of companies accounted for using the equity method.

25.3. Deferred tax assets and liabilities

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax losses carried forward and tax credits are also recognised as deferred tax assets.

In accordance with IAS 12, deferred tax assets and liabilities are recognised to the extent that it is probable that taxable profits will be available in the future against which they can be utilised. Accordingly, Banco BPI prepared future taxable income projections to support the deferred tax assets accounted for, namely regarding the consumption of reportable tax losses.

Deferred tax assets and liabilities were measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability settled.

The movement in deferred tax assets during 2020 was as follows:

	Consolidated			
	31-12-2019	**Increases**	**Decreases**	**31-12-2020**
Tax losses	20 398	21 116		41 514
Application of Art. 4 of the regime set forth in Law 61/2014	23 867	27 934		51 801
Taxed provisions and impairments	108 143	2 005	(44 068)	66 080
Tax deferral of the impact of the partial transfer of pension liabilities to the Social Security	15 175		(1 516)	13 659
Pension liabilities	25 914	4 974	(6 306)	24 582
Actuarial deviations	58 063	4 620	(8 947)	53 736
Voluntary terminations programme	3 744	578	(419)	3 903
End-of-career bonus	2 322	305	(33)	2 594
Dividends	1 391	925	(1 391)	925
Financial instruments at fair value	816	85	(268)	633
Other	2 897	6 075	(2 794)	6 178
	262 730	**68 617**	**(65 742)**	**265 605**

The movement in deferred tax assets during 2020 was as follows:

	Individual			
	31-12-2019	**Increases**	**Decreases**	**31-12-2020**
Tax losses	20 398	21 116		41 514
Application of Art. 4 of the regime set forth in Law 61/2014	23 867	27 934		51 801
Taxed provisions and impairments	108 143	2 005	(44 068)	66 080
Tax deferral of the impact of the partial transfer of pension liabilities to the Social Security	15 175		(1 516)	13 659
Pension liabilities	25 914	4 974	(6 306)	24 582
Actuarial deviations	58 062	4 620	(8 947)	53 735
Voluntary terminations programme	3 744	578	(419)	3 903
End-of-career bonus	2 323	305	(33)	2 595
Dividends	1 391	925	(1 391)	925
Financial instruments at fair value	816	85	(268)	633
Other	2 843	6 075	(2 750)	6 168
	262 676	**68 617**	**(65 698)**	**265 595**

At 31 December 2020, BPI's consolidated balance sheet included deferred tax assets in the amount of 265 605 th.euros, of which:

(i) 110 575 th.euros are eligible to benefit from the Special Regime applicable to Deferred Tax Assets approved by Law no.61/2014, of 26 August;

(ii) 155 030 th.euros depend on the existence of future taxable profits (not eligible for the Special Regime), including:

- 27 141 th.euros related to impairments for loans and guarantees;
- 23 017 th.euros relating to other taxed impairments and provisions;
- 63 358 th.euros related to Employee benefits (actuarial deviations, transfer to Social Security, early retirements, end-of-career premium and compensations and other benefits payable under the voluntary termination programme);
- 41 514 th.euros corresponding to tax losses carried forward (2014: 11 981 th.euros, 2016: 7 628 th.euros and 2020: 21 116 th.euros), including tax losses transmitted due to merger operations of Banco Português de Investimento, S.A. and BPI Private Equity – Sociedade de Capital de Risco, S.A. in Banco BPI (788 th.euros). According to Law no. 2/2014, of 16 January, the use of tax losses carried forward in future taxation periods cannot exceed 70% of taxable income in each of those periods, and tax losses carried forward are subject to a preestablished period during which they can be used. With the approval of Law no. 27-A/2020, of 24 July (Supplementary Budget for 2020), the carry-forward period for tax losses effective on 1 January 2020 is suspended during the 2020 and 2021 tax periods on the first day of the 2020 tax period. Tax losses determined in the 2020 and 2021 tax periods are deducted from taxable profits until the end of the 12 subsequent tax periods. The cap on the use of tax losses of 2020 and 2021 is 80% of the taxable profit in the period. With these changes, tax losses of 2014, 2016, 2017 and 2020 lapse in 2028, 2030, 2024 and 2032, respectively. Based on the projections made by the Bank, the existing taxable profits up to the end of the reporting period should permit to fully recover the deferred tax assets originated by those tax losses.

At 31 December 2020, BPI's individual balance sheet included deferred tax assets in the amount of 265 595 th.euros, of which:

(i) 110 575 th.euros are eligible to benefit from the Special Regime applicable to Deferred Tax Assets approved by Law no.61/2014, of 26 August;

(iii) 155 020 th.euros depend on the existence of future taxable profits (not eligible for the Special Regime), including:

- 27 141 th.euros related to impairments for loans and guarantees;
- 23 017 th.euros relating to other taxed impairments and provisions;
- 63 348 th.euros related to Employee benefits (actuarial deviations, transfer to Social Security, early retirements, end-of-career premium and compensations and other benefits payable under the voluntary termination programme);
- 41 514 th.euros corresponding to tax losses carried forward (2014: 11 981 th.euros, 2016: 7 628 th.euros and 2020: 21 116 th.euros), including tax losses transmitted due to merger operations of Banco Português de Investimento, S.A. and BPI Private Equity – Sociedade de Capital de Risco, S.A. in Banco BPI (788 th.euros). According to Law no. 2/2014, of 16 January, the use of tax losses carried forward in future taxation periods cannot exceed 70% of taxable income in each of those periods, and tax losses carried forward are subject to a preestablished period during which they can be used. With the approval of Law no. 27-A/2020, of 24 July (Supplementary Budget for 2020), the carry-forward period for tax losses effective on 1 January 2020 is suspended during the 2020 and 2021 tax periods on the first day of the 2020 tax period. Tax losses determined in the 2020 and 2021 tax periods are deducted from taxable profits until the end of the 12 subsequent tax periods. The cap on the use of tax losses of 2020 and 2021 is 80% of the taxable profit in the period. With these changes, tax losses of 2014, 2016, 2017 and 2020 lapse in 2028, 2030, 2024 and 2032, respectively. Based on the projections made by the Bank, the existing taxable profits up to the end of the reporting period should permit to fully recover the deferred tax assets originated by those tax losses.

The movement in deferred tax liabilities in 2020 was as follows:

	Consolidated			
	31-12-2019	Increases	Decreases	31-12-2020
Taxable temporary differences in subsidiaries and associated companies (BCI)	9 301	330		9 631
Financial instruments at fair value	3 963	6 292	(578)	9 677
Other	1 867	54	(564)	1 357
	15 131	**6 676**	**(1 142)**	**20 665**

	Individual			
	31-12-2019	Increases	Decreases	31-12-2020
Financial instruments at fair value	3 963	6 292	(578)	9 677
Other	1 866	16	(564)	1 318
	5 829	**6 308**	**(1 142)**	**10 995**

Profits distributed to Banco BPI by subsidiaries and associated companies are not taxed in Banco BPI as a result of application of the regime established in article 51 of the Corporation Income Tax Code, which provides for the elimination of double taxation of profits distributed.

In this context, Banco BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in associated companies, since the stake held by BPI has exceeded 10% and been held for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos, in which the deferred tax liabilities relating to taxation in Mozambique, of all the distributable profits, are recognised.

BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future.

26. OFF-BALANCE SHEET ITEMS

This caption is made up as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Loan commitments given		
Irrevocable credit lines	523	317
Securities subscribed	423 202	318 883
Revocable commitments	2 775 448	2 465 000
	3 199 173	**2 784 200**
Financial guarantees given		
Financial guarantees and sureties	170 213	168 624
Financial standby letters of credit	1 289	2 475
Documentary credits	91 121	114 184
	262 623	**285 283**
Other commitments given		
Non-financial guarantees and sureties	1 295 010	1 193 453
Non-financial standby letters of credit	7 275	8 581
Term liabilities for annual contributions to the Deposit Guarantee Fund	38 714	38 714
Term liabilities for annual contributions to the Resolution Fund	11 079	8 713
Potential liability to the Investor Compensation Scheme	9 314	9 804
Other irrevocable commitments	771	937
	1 362 163	**1 260 202**
	4 823 959	**4 329 685**
Assets pledged as collateral		
European System of Central Banks	6 380 052	6 369 270
Deposit Guarantee Fund	43 662	44 467
Investors Compensation Scheme	5 121	5 204
European Investment Bank	588 830	597 944
Repos		529 563
	7 017 665	**7 546 448**
Securities deposit and custody responsibilities	**27 097 217**	**28 899 991**

At 31 December 2020 and 2019, the detail of securities delivered as collateral is as follows:

	31-12-2020			31-12-2019		
	Nominal amount	Appreciation	Fair value	Nominal amount	Appreciation	Fair value
Securities delivered as collateral	6 893 367	117 355	7 010 722	7 401 357	135 676	7 537 033

The breakdown by stage of the exposure and impairment in guarantees and commitments at 31 December 2020 is as follows:

	Consolidated / Individual							
	Exposure				Impairments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments given	3 108 460	82 781	7 932	3 199 173	183	172	2	357
Financial guarantees given	256 065	6 119	439	262 623	591	218	375	1 184
Other commitments given	1 186 785	42 742	73 529	1 303 056	1 084	804	13 275	15 163
	4 551 310	131 642	81 900	4 764 852	1 858	1 194	13 652	16 704

Note: Excludes term liabilities for annual contributions to the deposit guarantee fund and Resolution fund, and potential liability to the investor compensation scheme.

The breakdown by stage of the exposure and impairment in guarantees and commitments at 31 December 2019 is as follows:

	Consolidated / Individual							
	Exposure				Impairments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments given	2 753 257	25 051	5 892	2 784 200	121	1	5	127
Financial guarantees given	281 185	3 430	668	285 283	703	210	430	1 343
Other commitments given	1 085 263	33 210	84 498	1 202 971	755	221	16 290	17 266
	4 119 705	61 691	91 058	4 272 454	1 579	432	16 725	18 736

Note: Excludes term liabilities for annual contributions to the deposit guarantee fund and Resolution fund, and potential liability to the investor compensation scheme.

BPI is only obliged to pay the sum of guarantees and contingent liabilities if the counterparty guaranteed fails to comply with its obligations, at the moment of default. The Bank believes that most of these commitments will reach maturity without materialising.

With respect to contingent commitments given for loans, BPI has undertaken to facilitate funds to Customers through drawdowns on credit lines and other commitments, whenever it is requested to do so and subject to compliance with certain conditions. The Bank believes that a large portion of them will expire prior to drawdown, either because they will not be requested by Customers or because the necessary conditions will not be met by the Customers.

The detail of "Loan commitments given" is as follows:

	Consolidated / Individual			
	31-12-2020		31-12-2019	
	Available	Limits	Available	Limits
Credit institutions	67 787	237 700	34 736	72 875
Public sector	136 208	210 011	110 297	162 378
Other sectors	2 995 178	7 035 223	2 639 167	6 522 496
	3 199 173	**7 482 934**	**2 784 200**	**6 757 749**

The table below details the contractual maturities of the loan commitments given at 31 December 2020 :

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years
Drawable by third parties	1 222 628	374 505	548 234	492 062	561 743

The table below details the contractual maturities of the loan commitments given at 31 December 2019 :

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years
Drawable by third parties	1 185 852	313 285	502 434	341 156	441 473

27. NET INTEREST INCOME

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Interest income				
Financial assets held for trading	25 180	41 664	25 180	41 664
Non-trading financial assets mandatorily at fair value through profit or loss	3 502	4 558	3 502	4 558
Financial assets at fair value through other comprehensive income	2 679	5 046	2 679	5 046
Financial assets at amortised cost				
Debt securities	33 204	28 907	33 131	32 580
Loans and advances - central banks and other credit institutions	7 232	15 139	7 232	15 139
Loans and advances - Customers	388 387	388 722	388 387	388 722
Derivatives - Hedge accounting, interest rate risk[1]				
Asset hedging operations	(14 058)	(3 513)	(14 058)	(3 513)
Liability hedging operations		13 531		13 531
Interest on deposits - Central Banks (liabilities)	28 049	5 510	28 049	5 510
Other	800	1 283	1 164	1 448
Commissions received relating to amortised cost	20 662	24 691	20 571	24 597
	495 637	**525 538**	**495 837**	**529 282**
Interest expense				
Financial liabilities held for trading	(24 350)	(25 906)	(24 350)	(25 906)
Financial liabilities at amortised cost				
Deposits - Credit Institutions	(1 245)	(6 823)	(1 245)	(6 823)
Deposits - Customers	(13 995)	(23 282)	(13 995)	(23 282)
Debt securities issued	(21 856)	(24 341)	(21 856)	(24 341)
IFRS 16 rights of use	(542)	(852)	(542)	(852)
Derivatives - Hedge accounting, interest rate risk[1]				
Asset hedging operations		(15 967)		(15 967)
Liability hedging operations	23 825	13 378	23 825	13 378
Interest on deposits at Banco de Portugal	(6 832)	(4 382)	(6 832)	(4 382)
Other	(99)	(10)	(540)	(216)
Commissions paid relating to amortised cost	(405)	(1 079)	(405)	(1 079)
	(45 499)	**(89 264)**	**(45 940)**	**(89 470)**
Net interest income	**450 138**	**436 274**	**449 897**	**439 812**

[1] Banco BPI complies with the clearing criteria set out in IAS 32 for the accounting of assets and liabilities of transactions with derivative cleared through the clearing house (Note 2.3). The interest associated with the hedging of active operations started to be fully recorded in interest income and the interest associated with the hedging of passive operations started to be fully recorded in interest expense.

The detail of the average return on assets and liabilities is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Average return on assets				
Demand deposits at Banco de Portugal	-0.24%	-0.30%	-0.24%	-0.30%
Financial assets at fair value through other comprehensive income - debt securities	0.18%	0.32%	0.18%	0.32%
Financial assets at amortised cost				
Loans and advances - Credit Institutions	0.46%	1.45%	0.46%	1.45%
Loans and advances - Customers[1]	1.53%	1.67%	1.53%	1.47%
Average return on liabilities				
Financial liabilities at amortised cost				
Deposits - Central Banks	-0.86%	-0.40%	-0.86%	-0.40%
Deposits - Credit Institutions	0.10%	0.40%	0.10%	0.40%
Deposits - Customers	0.06%	0.11%	0.06%	0.11%
Debt securities issued [2]	0.38%	0.71%	0.38%	0.16%
Subordinated liabilities	5.46%	5.54%	5.46%	5.54%

[1] Includes debt securities.

[2] Does not include subordinated liabilities.

28. DIVIDEND INCOME

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Financial assets at fair value through other comprehensive income				
Banco de Fomento Angola, S.A.	40 247	46 003	40 247	45 997
Digitmarket - Sist. Inf. - N	70	44	70	44
SIBS - Sociedade Interbancária de Serviços	1 669	1 573	1 669	1 573
Vialitoral	549	1 447	549	1 447
Conduril		92		92
Other	71	192	71	192
Investments in joint ventures and associates				
BPI Madeira				16 010
Banco Comercial e de Investimentos, S.A.			3 375	5 078
Companhia de Seguros Allianz Portugal, S.A.			9 135	
Cosec - Companhia de Seguros de Crédito, S.A.				2 752
Unicre - Instituição Financeira de Crédito, S.A.				5 000
	42 606	**49 351**	**55 116**	**78 185**

Due to the exceptional circumstances due to COVID-19 expansion, Cosec and Unicre decided to suspend the payment of dividends corresponding to the year of 2019.

29. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Fee and commission income				
On guarantees provided	12 137	13 449	12 137	13 449
On commitments to third parties	2 902	2 454	2 902	2 454
On insurance brokerage services	70 759	67 302	70 759	67 302
On other banking services provided	158 655	172 897	151 016	164 727
On operations performed on behalf of third parties	11 260	10 664	11 260	10 700
Other	639	773	638	773
Refund of expenses	3 587	4 234	3 587	4 234
Income from provision of sundry services	6 412	9 206	6 412	9 206
	266 351	**280 979**	**258 711**	**272 845**
Fee and commission expenses				
For guarantees received	(51)	(42)	(45)	(41)
On financial instruments transactions	(305)	(336)	(305)	(336)
On banking services provided by third parties	(12 488)	(11 598)	(12 486)	(11 590)
On operations performed by third parties	(2 012)	(3 082)	(2 012)	(3 119)
Commission-equivalent expenses	(4 130)	(6 212)	(4 130)	(6 212)
Other	(2 463)	(1 809)	(2 463)	(1 809)
	(21 449)	**(23 079)**	**(21 441)**	**(23 107)**

At 31 December 2020 and 2019, income from insurance or reinsurance brokerage services provided is broken down as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Life		
Savings	14 160	14 540
Housing	22 191	19 747
Consumer	3 063	3 171
Other	10 952	9 175
	50 366	**46 633**
Non-life		
Housing	6 706	6 218
Consumer	3 799	6 106
Other	9 888	8 345
	20 393	**20 669**
	70 759	**67 302**

At 31 December 2020 and 2019, remunerations for insurance brokerage services were fully received in cash, and more than 99% of the fee and commission income relates to insurance brokerage services for Allianz and BPI Vida e Pensões.

30. GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net	**162**	**(94)**	**162**	**28 476**
Financial assets at fair value through other comprehensive income				
Debt securities		34		34
Financial assets at amortised cost				
Debt securities	11	(141)	11	28 429
Financial liabilities at amortised cost	52	12	52	12
Other	99	1	99	1
Gains or (-) losses on financial assets and liabilities held for trading, net	**7 863**	**4 961**	**7 863**	**4 961**
Financial assets held for trading				
Trading derivatives	21 256	(11 167)	21 256	(11 167)
Debt securities	314	1 722	314	1 722
Equity instruments	(13 928)	14 395	(13 928)	14 395
Financial liabilities held for trading	221	11	221	11
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**(18 890)**	**(9 753)**	**(18 890)**	**(9 355)**
Debt securities	(5 444)	1 465	(5 444)	1 465
Equity instruments	(13 446)	(11 218)	(13 446)	(10 820)
Gains or (-) losses from hedge accounting, net	**(1 969)**	**3 115**	**(1 969)**	**3 115**
Hedging derivatives (Note 14)	(18 925)	(7 402)	(18 925)	(7 402)
Hedged items (Note 14)	16 956	10 517	16 956	10 517
Exchange differences [gain or (-) loss], net	**514**	**(5 672)**	**549**	**(5 635)**
	(12 320)	**(7 443)**	**(12 285)**	**21 562**

At 31 December 2020 and 2019, the caption "Gains / (losses) on financial assets and liabilities held for trading – Hedging derivatives includes 13 997 th.euros and (14 382) th.euros, respectively, concerning equity swaps contracted with Clients, which are hedged through a portfolio of equity instruments, in the caption "Gains / (losses) on financial assets and liabilities held for trading - Equity instruments".

31. OTHER OPERATING INCOME AND EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Other operating income				
Service provision agreements with CaixaBank Group companies	11 976	14 397	11 976	14 397
Gains on finance leases	4 753	14 223	4 753	14 222
Other operating income	17 571	4 220	17 571	4 210
	34 300	**32 840**	**34 300**	**32 829**
Other operating expenses				
Contributions to the Deposit Guarantee Fund	(35)	(33)	(35)	(35)
Contribution to the Resolution Fund	(7 291)	(6 970)	(7 291)	(6 970)
Contributions to the Single Resolution Fund	(13 410)	(11 323)	(13 410)	(11 321)
Contribution to the Investor Compensation Scheme	(5)	(7)	(5)	(7)
Losses on finance leases	(3 836)	(13 431)	(3 836)	(13 431)
Other operating expenses	(5 714)	(2 313)	(5 714)	(2 314)
Special tax on banks	(18 761)	(15 289)	(18 761)	(15 289)
Taxes on dividends and interest	(3 209)	(5 201)	(3 547)	(5 201)
Subscriptions and donations		(2 554)		(2 544)
Other taxes		(1 523)		(1 942)
	(52 261)	**(58 644)**	**(52 599)**	**(59 054)**

Banco BPI provides a number of services to different companies of the Caixabank Group operating in Portugal and is compensated for the costs it incurs in the provision of such services, recognising this income as operating income.

In 2020, the caption Other operating income includes 9 669 th.euros relative to VAT-related legal proceedings already decided in favour of Banco BPI, which is still awaiting receipt of the respective amounts (Note 18)

At 31 December 2020 and 2019, the caption "Taxes on dividends and interest" includes 3 220 th.euros and 4 600 th.euros referring to taxes paid in Angola on dividends received from BFA.

In 2020, due to the standardisation of procedures with the Caixabank Group, the costs with membership fees and donations and other taxes were included in the caption "Other administrative expenses" (Note 33).

32. STAFF EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Staff expenses				
Remuneration	(190 653)	(195 607)	(187 470)	(191 634)
Other mandatory social costs	(51 221)	(50 725)	(50 979)	(50 425)
Pension costs				
Current service cost	5 359	6 134	5 359	6 133
Interest cost relating to the liabilities	(26 081)	(28 098)	(26 081)	(28 098)
Income on plan assets computed based on the discount rate	25 486	27 164	25 486	27 164
Other	(485)	(854)	(216)	(347)
Other staff costs	(1 813)	(2 606)	(1 812)	(2 606)
	(239 408)	**(244 592)**	**(235 713)**	**(239 813)**
Costs with early retirements and terminations				
Early retirements	(24 552)	(1 288)	(24 552)	(1 288)
Voluntary terminations	(404)	(213)	(404)	(213)
	(24 956)	**(1 501)**	**(24 956)**	**(1 501)**
	(264 364)	**(246 093)**	**(260 669)**	**(241 314)**

In 2020 Banco BPI recognised costs with early retirements and voluntary terminations totalling 24 956 th.euros under agreements accepted by and entered into with 147 Employees, of whom 124 for early retirement and 23 for contract termination.

In 31 December 2020 and 2019, the average headcount is broken down as follows:"

	Consolidated					
	31-12-2020			31-12-2019		
	Men	Women	Of which: With disability above 33%	Men	Women	Of which: With disability above 33%
Directors[1]	8			8		
Senior management	252	133	9	253	134	9
Other management staff	1777	2451	99	1777	2449	91
Other employees	67	108	12	91	131	13
	2104	**2692**	**120**	**2129**	**2714**	**113**

[1]Executive Directors of Banco BPI.

	Individual					
	31-12-2020			31-12-2019		
	Men	Women	Of which: With disability above 33%	Men	Women	Of which: With disability above 33%
Directors[1]	8			8		
Senior management	248	133	9	248	134	9
Other management staff	1772	2445	99	1771	2445	91
Other employees	64	106	12	88	127	13
	2092	**2684**	**120**	**2115**	**2706**	**113**

[1]Executive Directors of Banco BPI.

In 2020 and 2019, the headcount is broken down as follows:

	Consolidated					
	31-12-2020			31-12-2019		
	Men	**Women**	Of which: With disability above 33%	**Men**	**Women**	Of which: With disability above 33%
Directors[1]	5			8		
Senior management	240	129	9	249	135	8
Other management staff	1 704	2 389	99	1 776	2 455	88
Other employees	56	99	6	90	127	13
	2 005	**2 617**	**114**	**2 123**	**2 717**	**109**

[1] Executive Directors of Banco BPI.

	Individual					
	31-12-2020			31-12-2019		
	Men	**Women**	Of which: With disability above 33%	**Men**	**Women**	Of which: With disability above 33%
Directors[1]	5			8		
Senior management	236	129	9	244	135	8
Other management staff	1 698	2 383	99	1 772	2 451	88
Other employees	54	98	6	87	124	13
	1 993	**2 610**	**114**	**2 111**	**2 710**	**109**

[1] Executive Directors of Banco BPI.

33. OTHER OPERATING INCOME AND EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2020	**31-12-2019**	**31-12-2020**	**31-12-2019**
General administrative expenses				
Supplies				
Water, energy and fuel	(5 261)	(6 831)	(5 245)	(6 819)
Consumables	(2 742)	(2 475)	(2 721)	(2 442)
Other	(487)	(440)	(487)	(440)
Services				
Rents and leases	(9 964)	(10 880)	(9 404)	(10 321)
Communications and IT	(44 187)	(43 315)	(44 120)	(43 215)
Travel, lodging and representation	(1 914)	(4 488)	(1 815)	(4 311)
Advertising and publishing	(7 833)	(9 460)	(7 833)	(9 460)
Maintenance and repairs	(10 390)	(11 087)	(10 377)	(11 071)
Insurance	(1 271)	(1 334)	(1 265)	(1 325)
Fees	(2 817)	(2 804)	(2 612)	(2 444)
Legal expenses	(2 068)	(2 884)	(2 039)	(2 868)
Security and cleaning	(5 508)	(4 701)	(5 508)	(4 700)
Information services	(2 814)	(2 735)	(2 576)	(2 735)
Studies, consultancy and auditing	(11 133)	(15 554)	(11 076)	(15 478)
SIBS	(2 926)	(3 311)	(2 926)	(3 311)
Outsourcing	(14 104)	(14 009)	(14 104)	(14 009)
Training		(1 550)		(1 550)
Subscriptions and donations	(3 626)		(3 618)	
Other taxes	(1 553)		(1 505)	
Other	(7 651)	(10 203)	(7 651)	(10 193)
	(138 249)	**(148 061)**	**(136 882)**	**(146 692)**

In 2020, due to the standardisation of procedures with the Caixabank Group, costs with membership fees and donations and other taxes were included in this caption (until 2019 they were included in the caption “Other operating expenses (Note 31), and training expenses were included in Staff Expenses (Note 32).

The detail of remunerations paid to auditors and respective network[1], according to the nature of the services provided and the company providing them, in 2020, is as follows:

31 December 2020	Banco BPI	Other companies	Total
PwC - SROC fees			
Audit	618		618
Other services			
Other non-audit services required by law	214		214
Other non-audit services	219		219
	1 051		**1 051**
Fees of other companies of the PwC network			
Audit		15	15
Other services			
Other non-audit services required by law		13	13
Other non-audit services	3	25	28
	3	**53**	**56**
CMVM fees	**24**		**24**
	1 078	**53**	**1 131**

[1] In accordance with the definition of network given by the European Commission in its Recommendation no. C(2002) 1873, of 16 May 2002.

The detail of remunerations paid to auditors and respective network[1], according to the nature of the services provided and the company providing them, in 2019, is as follows:

31 December 2019	Banco BPI	Other companies	Total
PwC - SROC fees			
Audit	540	8	548
Other services			
Other non-audit services required by law	180	11	191
Other non-audit services	271		271
	991	**19**	**1 010**
Fees of other companies of the PwC network			
Audit		13	13
Other services			
Other non-audit services required by law		11	11
Other non-audit services	96	26	122
	96	**50**	**146**
CMVM fees	**72**		**72**
	1 159	**69**	**1 228**

[1] In accordance with the definition of network given by the European Commission in its Recommendation no. C(2002) 1873, of 16 May 2002.

The breakdown of payments to suppliers, relating to goods and services acquired in 2020 and 2019 is as follows:

	31-12-2020	31-12-2019
Amounts outstanding	460	2 572
Amount of payments made	284 024	288 117
	284 484	**290 689**
Average supplier payment period in days	30	30

34. IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2020	**31-12-2019**
Financial assets at amortised cost		
Loans and advances		
Net allowances		
Credit Institutions		269
Customers	(160 700)	18 037
Recovery of loans written off from assets	12 537	22 568
Expenses associated with recovery of loans	(427)	
Debt securities		
Net allowances	(4 912)	(1 813)
	(153 502)	**39 061**

In 2020, Banco BPI sold a portfolio of non-performing loans for a global amount of 73 million euros, of which 57 million euros in written-off loans (recognised in off-balance sheet items) and 16 million euros in loans net of impairments (recognised in the balance sheet). This transaction generated a result of 5 254 th.euros, of which 919 th.euros due to the replacement of impairment of financial assets not measured at fair value through profit or loss and 4 335 th.euros due to the recovery of credits written off from assets (Note 13.3).

In 2019, Banco BPI sold a portfolio of non-performing loans for a global amount of 138 million euros, of which 123 million euros in written-off loans (recognised in off-balance sheet items) and 15 million euros in loans net of impairments (recognised in the balance sheet). This transaction generated a result of 22 547 th.euros, of which 13 920 th.euros due to the replacement of impairment of financial assets not measured at fair value through profit or loss and 8 627 th.euros due to the recovery of credits written off from assets (Note 13.3).

35. IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS

The movement in this caption in 2020 and 2019 was as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Tangible assets - Equipment and other		
Net allowances		646
Intangible assets		
Net allowances		1 026
Balance at end of year		**1 672**

36. GAINS OR (-) LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET

The detail of these captions is as follows:

	Consolidated		Individual	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Gains in non-financial assets				
Gains in investments in joint ventures and associates				3 955
Gains in other tangible assets	24	42	24	42
Losses in non-financial assets				
Losses in other tangible assets	(62)	(1 483)	(62)	(1 483)
	(38)	**(1 441)**	**(38)**	**2 514**

37. PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS

This caption is made up as follows:

	Consolidated / Individual	
	31-12-2020	31-12-2019
Profit or (-) loss on assets received in settlement of defaulting loans		
Real Estate	398	1 652
Equipment	(135)	(64)
Impairments on assets received in settlement of defaulting loans		
Real Estate	95	1 347
Equipment and other	(7)	(20)
Impairments on other tangible assets		
Real Estate		1
Other profit/(loss)	(23)	484
	328	**3 400**

38. PROFIT

In 2020 and 2019, the contribution of Banco BPI and its subsidiaries and associates to the consolidated net income was as follows:

	31-12-2020	31-12-2019
Banks		
Banco BPI, S.A.	75 823	287 012
Banco Português de Investimento, S.A.[1]		(36)
Banco Comercial e de Investimentos, S.A.R.L.	8 371	18 712
Asset management		
BPI (Suisse), S.A.	2 035	1 365
Venture / development capital		
BPI Private Equity - Sociedade de Capital de Risco, S.A.[1]		(433)
Inter-Risco - Sociedade de Capital de Risco, S.A.	(53)	(43)
Insurance		
Cosec - Companhia de Seguros de Crédito, S.A.	82	4 613
Companhia de Seguros Allianz Portugal, S.A.	13 423	13 326
Other		
BPI, Inc	(4)	(5)
BPI Madeira, SGPS, Unipessoal, S.A.[2]		(65)
Unicre - Instituição Financeira de Crédito, S.A.	5 094	3 408
	104 771	**327 854**

[1] In July 2019 took place the merger by incorporation of Banco Português de Investimento, S.A. and BPI Private Equity - Sociedade de Capital de Risco, S.A., into Banco BPI, S.A.

[2] In November 2019, the liquidation process of BPI Madeira, SGPS, Unipessoal, S.A. was completed.

39. INFORMATION ON FAIR VALUE

The fair value of financial instruments is estimated, whenever possible, on the basis of prices in an active market. A market is considered active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and where transactions are carried out on a regular basis. For financial instruments for which there is no active market, due to lack of liquidity or regular transactions, valuation methods and techniques are used to estimate fair value.

39.1. Fair value of financial instruments

Financial instruments on the balance sheet at fair value are classified into levels using the hierarchy defined in IFRS 13.

Debt securities and equity instruments

- **Level 1:** This category includes, in addition to financial instruments listed on regulated markets, bonds and participating units in harmonised funds, valued based on prices / quotations in active markets, published in trading platforms, taking into account also the liquidity and quality of the prices.

  The classification of fair value in level 1 is made automatically by SIVA ("Asset Valuation Integrated System") whenever the financial instruments are traded in an active market, considering, for this purpose, that this is the case when:

  (i) financial instruments are priced daily by at least 6 contributors, at least three of them with firm offers, or there is a multi-contributed price (price formed by several firm offers from contributors available in the market) (active market), or;

  (ii) such financial instruments have been classified as level 1, in accordance with the rule referred to in the preceding paragraph, in at least 50% of the last 30 calendar days.

  For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 2:** Financial instruments that have not been traded on an active market or that are valued by reference to valuation techniques based on market data for financial instruments having the same or similar characteristics in accordance with the rules referred to below are considered as level 2. Level 2 fair value classification is determined automatically by SIVA in accordance with the following rules:

  a) Financial instruments are classified daily in Level 2 if they are:

  (i) Quoted by less than 6 contributors, regardless of the type of price, or;

  (ii) valued based on models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates), or;

  (iii) valued based on third party indicative purchase prices, based on observable market data, and

(iv) have been classified as level 1 and level 2, in accordance with the rules mentioned above, in at least 50% of the last 30 calendar days.

b) For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 3:** Financial instruments are classified as Level 3 when they do not meet the criteria to be classified as Level 1 or Level 2, or if their value is the result of inputs not based on observable market data, namely:

  a) financial instruments not admitted to trading on a regulated market, which are valued based on valuation models for which there is no generally accepted market consensus as to the inputs to be used, namely:

  (i) valuation based on Net Asset Value of non-harmonized funds, updated and disclosed by their managing companies;

  (ii) valuation based on indicative prices disclosed by the entities involved in the issue of certain financial instruments, without an active market; or

  (iii) valuation based on impairment tests, using indicators of the performance of the underlying operations (degree of protection by subordination of notes held, delinquency rates of the underlying assets, evolution of ratings, among others).

  b) financial instruments valued at indicative purchase prices based on theoretical models, disclosed by specialized third parties.

Automatic classification proposed by SIVA relating to the level of fair value is made on the day of measurement, being supervised by a specialized team, in order to ensure that the classification of the fair value level is considered the most appropriate, according to the principles set forth herein.

Derivative financial instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (mainly stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- **Level 1:** This category includes futures and options and other derivative financial instruments traded on regulated markets.

- **Level 2:** Level 2 includes derivatives, traded on over-the-counter markets, without an optional component.

  Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- **Level 3:** Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements.

  The valuation of options is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market). The theoretical models used to value derivatives classified in Level 3 are of two types:

  (i) For simpler options the Black-Scholes model and their derivatives is used (commonly used models by the market in the valuation of this type of operation). The unobservable market inputs (implied volatility of the underlying assets) are collected from Bloomberg.

  (ii) For exotic options or complex derivatives incorporating optional elements for which there are no valuation models available, the Bank contracts specialized entities that perform the valuation of these operations based on specific models that they develop using criteria and methodologies generally accepted by the sector for these types of instruments. On 31 December 2018, there were no outstanding operations of this type, therefore the Bank did not use valuations prepared by these entities.

In accordance with the policy defined by the Banco BPI as regards the management of exposures in options, significant open positions are not maintained, the risk being managed mainly through "back-to back" hedges and portfolio hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the Bank's income statement, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences, the models or assumptions are reviewed.

The valuation of the non-optional components, not adjusted for credit risk (cash flows from operations), is made based on discounted cash flows, using a methodology similar to that used for derivatives without an optional component. Nevertheless, the derivative instrument is classified (as a whole) in level 3.

Financial instruments recorded in the balance sheet at amortized cost

The fair value of financial instruments recorded in the balance sheet at amortized cost is determined by Banco BPI through valuation techniques.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Financial assets at amortised cost - Loans and advances to Central Banks and Credit Institutions, and Financial liabilities at amortised cost - deposits from Central Banks and Credit institutions, were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cashflows of which were discounted based on the interest rate curve used by the Bank for senior issuances;
- in operations with Customers (Financial assets at amortised cost - loans and advances to Customers and Financial liabilities at amortised cost - Customer deposits), the weighted average of the reference rates used by the Bank in the previous month to contract similar operations is considered;
- for bonds issued (Financial liabilities at amortised cost - debt securities issued), the Bank considered the reference interest rates and spreads available in the market, considering the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used issuance proposals submitted to the Bank by other credit institutions, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts.

For on demand operations (namely Cash and cash balances at central banks and other demand deposits, deposits included in Financial liabilities at amortised cost) and on the balance sheet's captions Other assets and Other liabilities, fair value corresponds to the respective balance-sheet value.

Note that the fair value presented for these financial instruments may not correspond to their realizable value in a sale or liquidation scenario, as it was not determined for that purpose.

The fair value of the financial assets on the consolidated balance sheet, broken down by levels, is as follows:

	Consolidated									
	31-12-2020					31-12-2019				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		**Total**	Level 1	Level 2	Level 3
Financial assets held for trading	**197 475**	**197 475**	**61 207**	**96 208**	**40 060**	**234 476**	**234 476**	**88 565**	**107 389**	**38 523**
Derivatives	131 412	131 412	96	96 208	35 108	133 198	133 198	20	107 027	26 151
Equity instruments	60 290	60 290	60 290			87 344	87 344	87 344		
Debt securities	5 773	5 773	821		4 952	13 934	13 934	1 201	362	12 372
Non-trading financial assets mandatorily at fair value through profit or loss	**177 461**	**177 461**	**1 064**		**176 397**	**206 066**	**206 066**	**1 102**	**56 414**	**148 550**
Equity instruments	125 147	125 147	1 064		124 083	143 221	143 221	1 102		142 119
Debt securities	52 314	52 314			52 314	62 845	62 845		56 414	6 431
Financial assets at fair value through other comprehensive income	**1 883 541**	**1 883 541**	**1 448 356**		**435 185**	**1 886 212**	**1 886 212**	**1 378 346**	**10 039**	**497 827**
Equity instruments	436 072	436 072	887		435 185	509 168	509 168	1 302	10 039	497 827
Debt securities	1 447 469	1 447 469	1 447 469			1 377 044	1 377 044	1 377 044		
Financial assets at amortised cost	**30 003 970**	**31 959 503**		**1 641 384**	**30 318 119**	**27 439 314**	**29 082 251**		**1 449 370**	**27 632 881**
Debt securities	5 772 761	5 876 133			5 876 133	4 029 677	4 142 593			4 142 593
Loans and advances	24 231 209	26 083 370		1 641 384	24 441 986	23 409 637	24 939 658		1 449 370	23 490 288
Central Banks and Credit Institutions	1 594 993	1 641 384		1 641 384		1 452 687	1 449 370		1 449 370	
Customers	22 636 216	24 441 986			24 441 986	21 956 950	23 490 288			23 490 288
Derivatives - Hedge accounting	**1 453**	**1 453**		**1 453**		**30 709**	**30 709**		**30 709**	
Total	**32 263 900**	**34 219 433**	**1 510 627**	**1 739 045**	**30 969 761**	**29 796 777**	**31 439 714**	**1 468 012**	**1 653 921**	**28 317 781**

The fair value of financial liabilities on the consolidated balance sheet, broken down by levels, is as follows:

	Consolidated									
	31-12-2020					31-12-2019				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		**Total**	Level 1	Level 2	Level 3
Financial liabilities held for trading	**141 345**	**141 345**	**3**	**111 398**	**29 944**	**146 167**	**146 167**		**123 970**	**22 197**
Derivatives	141 345	141 345	3	111 398	29 944	146 167	146 167		123 970	22 197
Financial liabilities at amortised cost	**33 695 722**	**33 461 679**		**4 291 365**	**29 170 314**	**27 640 187**	**27 717 158**		**1 374 229**	**26 342 929**
Deposits	31 512 868	31 414 411		4 291 365	27 123 046	26 008 521	26 022 679		1 374 229	24 648 450
Central Banks	4 394 239	4 291 365		4 291 365		1 374 229	1 374 229		1 374 229	
Credit Institutions	1 110 076	1 100 868			1 100 868	1 402 879	1 404 630			1 404 630
Customers	26 008 553	26 022 178			26 022 178	23 231 413	23 243 820			23 243 820
Debt securities issued	1 804 852	1 669 266			1 669 266	1 358 699	1 421 512			1 421 512
Other financial liabilities	378 002	378 002			378 002	272 967	272 967			272 967
Derivatives - Hedge accounting	**63 724**	**63 724**		**63 724**		**72 799**	**72 799**		**72 799**	
Total	**33 900 791**	**33 666 748**	**3**	**4 466 487**	**29 200 258**	**27 859 153**	**27 936 124**		**1 570 998**	**26 365 126**

The fair value of the financial assets on the individual balance sheet, broken down by levels, is as follows:

	Individual									
	31-12-2020					31-12-2019				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		**Total**	Level 1	Level 2	Level 3
Financial assets held for trading	**197 475**	**197 475**	**61 207**	**96 208**	**40 060**	**234 476**	**234 476**	**88 565**	**107 389**	**38 523**
Derivatives	131 412	131 412	96	96 208	35 108	133 198	133 198	20	107 027	26 151
Equity instruments	60 290	60 290	60 290			87 344	87 344	87 344		
Debt securities	5 773	5 773	821		4 952	13 934	13 934	1 201	362	12 372
Non-trading financial assets mandatorily at fair value through profit or loss	**177 461**	**177 461**	**1 064**		**176 397**	**206 066**	**206 066**	**1 102**	**56 414**	**148 550**
Equity instruments	125 147	125 147	1 064		124 083	143 221	143 221	1 102		142 119
Debt securities	52 314	52 314			52 314	62 845	62 845		56 414	6 431
Financial assets at fair value through other comprehensive income	**1 883 541**	**1 883 541**	**1 448 356**		**435 185**	**1 886 212**	**1 886 212**	**1 378 346**	**10 039**	**497 827**
Equity instruments	436 072	436 072	887		435 185	509 168	509 168	1 302	10 039	497 827
Debt securities	1 447 469	1 447 469	1 447 469			1 377 044	1 377 044	1 377 044		
Financial assets at amortised cost	**29 997 378**	**31 956 606**		**1 589 361**	**30 367 245**	**27 438 765**	**29 081 702**		**1 449 370**	**27 632 332**
Debt securities	5 772 761	5 876 133			5 876 133	4 029 750	4 142 666			4 142 666
Loans and advances	24 224 617	26 080 473		1 589 361	24 491 111	23 409 015	24 939 036		1 449 370	23 489 666
Central Banks and Credit Institutions	1 588 512	1 589 361		1 589 361		1 452 687	1 449 370		1 449 370	
Customers	22 636 105	24 491 111			24 491 111	21 956 328	23 489 666			23 489 666
Derivatives - Hedge accounting	**1 453**	**1 453**		**1 453**		**30 709**	**30 709**		**30 709**	
Total	**32 257 308**	**34 216 536**	**1 510 627**	**1 687 022**	**31 018 887**	**29 796 228**	**31 439 165**	**1 468 012**	**1 653 921**	**28 317 232**

The fair value of financial liabilities on the individual balance sheet, broken down by levels, is as follows:

	Individual									
	31-12-2020					31-12-2019				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		**Total**	Level 1	Level 2	Level 3
Financial liabilities held for trading	**141 345**	**141 345**	**3**	**111 398**	**29 944**	**146 167**	**146 167**		**123 970**	**22 197**
Derivatives	141 345	141 345	3	111 398	29 944	146 167	146 167		123 970	22 197
Financial liabilities at amortised cost	**33 696 299**	**33 462 255**		**4 291 365**	**29 170 890**	**27 639 918**	**27 716 889**		**1 374 229**	**26 342 660**
Deposits	31 512 868	31 414 411		4 291 365	27 123 046	26 008 521	26 022 679		1 374 229	24 648 450
Central Banks	4 394 239	4 291 365		4 291 365		1 374 229	1 374 229		1 374 229	
Credit Institutions	1 110 076	1 100 868			1 100 868	1 402 879	1 404 630			1 404 630
Customers	26 008 553	26 022 178			26 022 178	23 231 413	23 243 820			23 243 820
Debt securities issued	1 804 852	1 669 266			1 669 266	1 358 699	1 421 512			1 421 512
Other financial liabilities	378 579	378 579			378 579	272 698	272 698			272 698
Derivatives - Hedge accounting	**63 724**	**63 724**		**63 724**		**72 799**	**72 799**		**72 799**	
Total	**33 901 368**	**33 667 324**	**3**	**4 466 487**	**29 200 834**	**27 858 884**	**27 935 855**		**1 570 998**	**26 364 857**

In order to determine whether there were significant changes in the estimated fair value of financial instruments classified in level 3 as a result of changes in one or more base parameters of the valuation model, Banco BPI made a sensitivity analysis on the estimated fair value of BFA using the Dividend Discount Method (DDM), as shown below:

Sensitivity analysis to the valuation of BFA (DDM)

	Baseline scenario	Sensitivity scenario (Cost of capital)		Sensitivity scenario (Objective capital ratio)		Sensitivity scenario (Change in AKZ/USD until 2024)	
(in million euros)		**+1p.p.**	**-1p.p.**	**+1p.p.**	**-1p.p.**	**-20%**	**+20%**
Estimated value for 48.1% of BFA	**334**	320	351	326	343	284	384
Change versus baseline scenario		-15	16	-9	9	-50	50

The main valuation techniques, assumptions and inputs used in fair value estimation for levels 2 and 3 by type of financial instruments are as follows:

Valuation methodologies and inputs

		Instrument type	Valuation method	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	Swaps	Discounted cash flow method [2]	Interest rate curves
		Exchange rate options	Black-Scholes model	Implicit volatilities
		Interest rate options	Normal method	Probability of default for calculation of CVA and DVA
	Debt securities		Discounted cash flow method [2]	Interest rate curves Risk premiums Comparable assets[3] Prices observed on the market
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Equity instruments Debt securities		Discounted cash flow method [2]	Interest rate curves Risk premiums Comparable assets[3] Prices observed on the market
Financial assets at fair value through other comprehensive income	Equity instruments Debt securities		Discounted cash flow method [2]	Interest rate curves Risk premiums Comparable assets[3] Net asset value (NAV) Nominal Amount
Financial assets at amortised cost	Debt securities		Discounted cash flow method [2]	Interest rate curves
	Loans and receivables			Spreads
Derivatives - Hedge accounting	Swaps[1]		Discounted cash flow method [2]	Interest rate curves Implicit volatilities Probability of default for calculation of CVA and DVA
Financial liabilities at amortised cost	Term deposits		Discounted cash flow method [2]	Interest rate curves
	Debt securities issued			Spreads

[1] The valuation of derivatives is adjusted to consider the counterparty credit risk when the exposure lies with the Bank, and the Bank's credit risk when the exposure lies with the counterparty (CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).
[2] Discounted cash flow method (net present value): this model uses the cash flows of each instrument, which are established in the different contracts, and discounts them to calculate the present value.
[3] Comparable assets (similar asset prices): comparable financial instrument prices, or market benchmark indices are employed to calculate return from purchase price to current valuation, making subsequent adjustments to take into account the differences between the measured asset and the one taken as reference. It can also be assumed that the price of an instrument is equivalent to the price of another instrument.

Credit Risk Valuation Adjustments

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustment (DVA) are incorporated in the valuation of over-the-counter (OTC) derivatives due to the risk associated to the counterparty's and own credit risk exposure, respectively.

The CVA is calculated bearing in mind the expected exposure with each counterparty in each future maturity. The CVA for an individual counterparty is equal to the sum of the CVA for all maturities. Adjustments are calculated by estimating the counterparty's exposure at default (EAD), probability of default (PD) and loss given default (LGD) for all derivatives traded under the same contract with Banco BPI with close-out netting (under the same netting set). Similarly, DVA is calculated by multiplying the expected negative exposure by the probability of default and by the LGD of Banco BPI.

To calculate PD and LGD, counterparty credit market data are used (Credit Default Swaps), when such information is available. Where such information is not available, PD and LGD are calibrated through market data, using for the purpose the counterparty's rating and sector, or historical PD data.

Changes in the value of the CVA/FVA and DVA/FVA adjustments are recognised in “Gains/(losses) on financial assets and liabilities held for trading” in the income statement. The table below shows the changes to these adjustments.

CVA/FVA and DVA/FVA changes

	Consolidated / Individual			
	2020		2019	
	CVA/FVA	DVA/FVA	CVA/FVA	DVA/FVA
Opening balance	**13 946**	**510**	**15 640**	**133**
Additions/changes in derivatives	(4 489)	(137)	(1 524)	378
Cancellation or maturity of derivatives	(572)	(20)	(170)	(1)
Closing balance	**8 885**	**353**	**13 946**	**510**

The values of CVA and DVA are reflected on the balance sheet (Note 10).

The movement in level 3 financial assets at fair value and financial liabilities held for trading, in 2020 and 2019, was as follows:

	Consolidated									
	31-12-2020					31-12-2019				
	Financial assets and liabilities held for trading		Non-trading financial assets mandatorily at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Financial assets and liabilities held for trading		Non-trading financial assets mandatorily at fair value through profit or loss		Financial assets at fair value through other comprehensive income
	Debt securities	**Trading derivatives[1]**	**Equity instruments**	**Debt securities**	**Equity instruments**	**Debt securities**	**Trading derivatives[1]**	**Equity instruments**	**Debt securities**	**Equity instruments**
Balance at beginning of year	**12 372**	**3 954**	**142 119**	**6 431**	**497 827**	**9 361**	**7 113**	**168 594**	**59 988**	**589 476**
Total profit or (-) loss	104	1 274	(13 605)	(5 598)	(64 710)	402	(1 961)	(12 253)	25	(92 504)
Losses or gains	104	1 274	(13 605)	(5 598)		402	(3 159)	(12 253)	25	
Adjustments to equity					(64 710)		1 198			(92 504)
Purchases	3 257		48		1 911	2 608		3 134	101	1 705
Reclassification to/from level 3				51 938	2 375					
Liquidations and other	(10 781)	(64)	(4 480)	(457)	(2 218)		(1 198)	(17 356)	(53 682)	(850)
Balance at end of year	**4 952**	**5 164**	**124 083**	**52 314**	**435 185**	**12 372**	**3 954**	**142 119**	**6 431**	**497 827**

[1] Net value

Reclassification to level 3 of 'non-trading financial assets mandatorily accounted for at fair value through profit or loss - debt securities' refers to the C8 Capital SPV issue, transferred from level 2 due to the reduction in market liquidity indicators (reduction in the number of contributors available for trading) as laid down in IFRS13's criteria for attribution of fair value level. The reclassification to level 3 of Financial assets at fair value through other comprehensive income - capital instruments refers to the reclassification of the VISA security, transferred from level 2, due to the valuation criteria used that considers non-observable data in an active market, namely the application of prudential haircuts.

	Individual									
	31-12-2020					31-12-2019				
	Financial assets and liabilities held for trading		Non-trading financial assets mandatorily at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Financial assets and liabilities held for trading		Non-trading financial assets mandatorily at fair value through profit or loss		Financial assets at fair value through other comprehensive income
	Debt securities	**Trading derivatives[1]**	**Equity instruments**	**Debt securities**	**Equity instruments**	**Debt securities**	**Trading derivatives[1]**	**Equity instruments**	**Debt securities**	**Equity instruments**
Balance at beginning of year	**12 372**	**3 954**	**142 119**	**6 431**	**497 827**	**9 361**	**7 113**	**154 527**	**283 139**	**583 259**
Total profit or loss	104	1 274	(13 605)	(5 598)	(64 710)	402	(1 961)	(12 253)	25	(92 504)
Losses or gains	104	1 274	(13 605)	(5 598)		402	(3 159)	(12 253)	25	
Adjustments to equity					(64 710)		1 198			(92 504)
Purchases	3 257		48		1 911	2 608		3 134	101	1 705
Reclassifications to/from level 3				51 938	2 375				(53 628)	
Liquidations and other	(10 781)	(64)	(4 480)	(457)	(2 218)		(1 198)	(17 356)	(223 205)	(850)
Impact of the merger of Banco Português de Investimento and BPI Private Equity and the liquidation of BPI Madeira								14 067		6 217
Balance at end of year	**4 952**	**5 164**	**124 083**	**52 314**	**435 185**	**12 372**	**3 954**	**142 119**	**6 431**	**497 827**

[1] Net value

39.2. Fair value of assets received in settlement of defaulting loans

The detail of this heading is as follows:

	31-12-2020	31-12-2019
Gross amount	12 313	24 867
Impairment	4 538	10 339
Book value	7 775	14 528
Fair value	15 077	23 830

External Appraisal Companies

In 2020 the companies that appraised the properties allocated were the following:

Company	% of total assets allocated that were appraised
ESTILOVALOR - Engenharia e Avaliação Imobiliária, LDA	19.2%
EUROVALOR MADEIRA - Engenharia e Consultoria Imobiliária, LDA	0.6%
MENCOVAZ - Consultoria Imobiliária e Avaliação, LDA	30.8%
PVW TINSA - Avaliações Imobiliárias, Lda	22.7%
QUANTIMO - Projetos de Engenharia e Avaliações de Imóveis LDA	15.1%
TERRAVAL - Avaliação e Consultadoria Imobiliária, LDA	11.6%
	100.0%

In 2019 the companies that appraised the properties allocated were the following:

Company	% of total assets allocated that were appraised
CPU - Consultores, Valores Hipotecários, LDA	1.2%
ESTILOVALOR - Engenharia e Avaliação Imobiliária, LDA	17.6%
EUROVALOR - Sociedade Geral Imobiliária LDA	0.8%
EUROVALOR MADEIRA - Engenharia e Consultoria Imobiliária, LDA	0.4%
J.CURVELO, LDA	1.0%
MENCOVAZ - Consultoria Imobiliária e Avaliação, LDA	28.5%
PVW – Price Value and Worth, Lda.	13.5%
QUANTIMO - Projetos de Engenharia e Avaliações de Imóveis LDA	14.9%
TERRAVAL - Avaliação e Consultadoria Imobiliária, LDA	8.0%
TINSA PORTUGAL - Avaliações e Consultoria, S.A	13.1%
VALTECSA - Sociedade de Avaliação de Bens, Lda	1.0%
	100.0%

40. RELATED PARTIES

In accordance with IAS 24, the entities considered to be related to Banco BPI are:

- those in which the Bank has direct or indirect significant influence over their management and financial policies -Associated companies and jointly controlled entities and pension funds;
- those that have direct or indirect significant influence over the management and financial policies of the Bank - Shareholders, this is presumed to happen when the equity holding is greater than 20%;
- the members of the key management personnel of Banco BPI, such being considered for this purpose the executive and nonexecutive members of the Board of Directors and individual persons and companies related with them.

In accordance with these criteria, BPI's related parties at 31 December 2020, are the following

Name of related entity	Sede	Effective holding	Direct holding
Shareholders of Banco BPI			
Grupo CaixaBank	Spain	100.0%	
Associated and jointly controlled entities of Banco BPI			
BPI Incorporated [1]	USA	100.0%	100.0%
BPI (Suisse), S.A. [1]	Switzerland	100.0%	100.0%
Banco Comercial e de Investimentos, S.A.	Mozambique	35.7%	35.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	49.0%
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension Funds of BPI Employees			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	6.6%	
Fundo de Pensões Aberto BPI Valorização	Portugal	33.5%	
Fundo de Pensões Aberto BPI Segurança	Portugal	18.9%	
Fundo de Pensões Aberto BPI Garantia	Portugal	6.9%	
Members of the Board of Directors of Banco BPI			
Fernando Ulrich			
António Lobo Xavier			
António Farinha Morais			
Cristina Rios Amorim			
Elsa Maria Roncon			
Fátima Barros			
Francisco Barbeira			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
Javier Pano Riera			
João Pedro Oliveira e Costa			
Lluís Vendrell			
Manuel Sebastião			
Natividad Capella			
Pedro Barreto			

[1] Transactions with fully consolidated companies are only shown in the tables for Banco BPI - individual basis.

In accordance with these criteria, BPI's related parties at 31 December 2019, were the following:

Name of related entity	Registered office	Effective holding	Direct holding
Shareholders of Banco BPI			
Grupo CaixaBank	Spain	100.0%	
Associated and jointly controlled entities of Banco BPI			
BPI Incorporated[1]	E.U.A.	100.0%	100.0%
BPI (Suisse), S.A.[1]	Suíça	100.0%	100.0%
Banco Comercial e de Investimentos, S.A.	Mozambique	35.7%	35.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	49.0%
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension Funds of BPI Employees			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	7.3%	
Fundo de Pensões Aberto BPI Valorização	Portugal	37.2%	
Fundo de Pensões Aberto BPI Segurança	Portugal	20.2%	
Fundo de Pensões Aberto BPI Garantia	Portugal	7.5%	
Members of the Board of Directors of Banco BPI			
Fernando Ulrich			
Pablo Forero			
António Lobo Xavier			
Alexandre Lucena e Vale			
António Farinha Morais			
António José Cabral			
Cristina Rios Amorim			
Fátima Barros			
Francisco Barbeira			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
Javier Pano Riera			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Lluís Vendrell			
Natividad Capella			
Pedro Barreto			
Tomás Jervell			

[1] Transactions with fully consolidated companies are only shown in the tables for Banco BPI - individual basis.

At 31 December 2020 the total amount of assets, liabilities, capital, results and off-balance sheet commitments relating to transactions with associated and jointly controlled companies, pension funds of BPI Employees, Shareholders of Banco BPI, members of the Board of Directors and companies in which these hold significant influence were broken down as follows:

	Consolidated				
	Shareholders of Banco BPI CaixaBank Group [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	3 097				2 984
Financial assets held for trading	25 519				911
Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	1 064				
Financial assets at fair value through other comprehensive income - equity instruments	560				71325
Financial assets at amortised cost					
Debt securities					121236
Loans and advances - central banks and other credit institutions	226 344	17 239			
Loans and advances - Customers	3 688			**1166**	3023
Derivatives - Hedge accounting	162				
Tangible assets	362				
Intangible assets	11 257				
Other assets	36 741	30 056			
	308 794	**47 295**		**1 166**	**199 479**
Liabilities					
Financial liabilities held for trading	26 137				
Financial liabilities at amortised cost					
Deposits - Customers	202 957	27 493	39 681	6 407	98 296
Deposits - Credit Institutions	4 922	3 997			60
Debt securities issued	756 160				
Other financial liabilities	117 560	(3)		12	
Derivatives - Hedge accounting	39 416				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 606				
Provisions - Commitments and guarantees given					38
Other liabilities	539				
	1 150 297	**31 487**	**39 681**	**6 419**	**98 394**
Capital					
Equity instruments issued other than capital	275 000				
Other equity	(22 895)				
Retained earnings	2 491				
	254 596				
Results					
Net interest income	(6 381)	58		(1)	9
Dividend income					1 668
Fee and commission income	26 202	55 205	35	2	263
Fee and commission expenses	(2 378)	(23)			
Gains or (-) losses on financial assets and liabilities held for trading, net	(31)				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	90				
Gains or (-) losses from hedge accounting, net	(2 527)				
Other operating income	12 515				
Administrative expenses - Other administrative expenses	(28 525)	(979)	(12 461)		
Depreciation	(2 706)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(19)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	(45)				(404)
	(3 786)	**54 261**	**(12 426)**	**1**	**1 517**
Off-balance sheet items					
Loan commitments given					
Revocable commitments	80 915	4 999		35	19 889
Financial guarantees given					
Guarantees and sureties given					21 535
Other commitments given					
Non-financial guarantees and sureties	341	11 113			23 851
Guarantees received					
Liabilities for services provided					
Deposit and safekeeping of valuables	6 696 027	1 206 226	1 706 156	1 620	113 228
Other	25 548				
Foreign exchange transactions and derivative instruments					
Purchase	1 922 855				
Sale	(1 587 757)				
	7 137 929	**1 222 338**	**1 706 156**	**1 655**	**178 503**

[1] Includes the CaixaBank Group and the companies which it controls.
[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

	Individual				
	Shareholders of Banco BPI CaixaBank Group [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	3 097				2 984
Financial assets held for trading	25 519				911
Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	1 064				
Financial assets at fair value through other comprehensive income - equity instruments	560				71 325
Financial assets at amortised cost					
Debt securities					121 236
Loans and advances - central banks and other credit institutions	226 344	17 239			
Loans and advances - Customers	3 688			1 166	3 023
Derivatives - Hedge accounting	162				
Investments in joint ventures and associates		97 114			
Tangible assets	362				
Intangible assets	11 257				
Other assets	36 741	30 056			
	308 794	**144 409**		**1 166**	**199 479**
Liabilities					
Financial liabilities held for trading	26 137				
Financial liabilities at amortised cost					
Deposits - Customers	202 957	27 493	39 681	6 407	98 296
Deposits - Credit Institutions	4 922	3 997			60
Debt securities issued	756 160				
Other financial liabilities	117 560	(3)		12	
Derivatives - Hedge accounting	39 416				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 606				
Provisions - Commitments and guarantees given					38
Other liabilities	539				
	1 150 297	**31 487**	**39 681**	**6 419**	**98 394**
Capital					
Equity instruments issued other than capital	275 000				
Other equity	(22 895)				
Retained earnings	2 491				
	254 596				
Results					
Net interest income	(6 381)	58		(1)	9
Dividend income		12 510			1 668
Fee and commission income	26 202	55 205	35	2	263
Fee and commission expenses	(2 378)	(23)			
Gains or (-) losses on financial assets and liabilities held for trading, net	(31)				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	90				
Gains or (-) losses from hedge accounting, net	(2 527)				
Other operating income	12 515				
Administrative expenses - Other administrative expenses	(28 454)	(979)	(12 461)		
Depreciation	(2 706)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(19)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	(45)				(404)
	(3 715)	**66 771**	**(12 426)**	**1**	**1 517**
Off-balance sheet items					
Loan commitments given					
Revocable commitments	80 915	4 999		35	19 889
Financial guarantees given					
Guarantees and sureties given					21 535
Other commitments given					
Non-financial guarantees and sureties	341	11 113			23 851
Guarantees received					
Liabilities for services provided					
Deposit and safekeeping of valuables	6 696 027	1 206 226	1 706 156	1 620	113 228
Other	25548				
Foreign exchange transactions and derivative instruments					
Purchase	1 922 855				
Sale	(1 587 757)				
	7 137 929	**1 222 338**	**1 706 156**	**1 655**	**178 503**

[1] Includes the CaixaBank Group and the companies which it controls.
[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 31 December 2019, the total amount of assets, liabilities, capital, results and off-balance sheet commitments relating to transactions with associated and jointly controlled companies, pension funds of BPI Employees, Shareholders of Banco BPI, members of the Board of Directors and companies in which these hold significant influence were broken down as follows:

	Consolidated				
	Shareholders of Banco BPI CaixaBank Group [1]	**Associated and jointly controlled entities**	**Pension Funds of BPI Employees**	**Members of the Board of Directors of Banco BPI**	**Companies in which the Members of the Board of Directors of Banco BPI have significant influence[2]**
Assets					
Cash and cash balances at central banks and other demand deposits	2 173				229
Financial assets held for trading	18 938				
Financial assets not designated for trading compulsorily measured at fair value through profit or loss - equity instruments	1 102				62525
Financial assets at fair value through other comprehensive income - equity instruments	648				
Financial assets at amortised cost					
Debt securities					103 750
Loans and advances - central banks and other credit institutions	16 738	28 425			
Loans and advances - Customers	151 635			2 688	44 929
Derivatives - Hedge accounting	7 424				
Tangible assets	229				
Intangible assets	11 486				
Other assets	16 093	27 869			
	226 466	**56 294**		**2 688**	**211 433**
Liabilities					
Financial liabilities held for trading	18 424				
Financial liabilities at amortised cost					
Deposits - Customers	198 499	30 208	38 830	8 187	16 145
Deposits - Credit Institutions	10 156	395			22
Debt securities issued	304 440				
Other financial liabilities	9	(16)		24	
Derivatives - Hedge accounting	2				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	33				
Provisions - Commitments and guarantees given					22
Other liabilities	1 695				
	533 258	**30 587**	**38 830**	**8 211**	**16 189**
Capital					
Equity instruments issued other than equity	275 000				
Other equity	(5 114)				
	269 886				
Results					
Net interest income	927	54	(118)	(4)	482
Dividend income	80				1573
Fee and commission income	43 759	52 948	10	4	201
Fee and commission expenses	(3 212)	(38)			
Gains or (-) losses on financial assets and liabilities held for trading, net	(894)				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	36				
Gains or (-) losses from hedge accounting, net	1 454				
Other operating income	15 272				(600)
Administrative expenses - Other administrative expenses	(19 932)	(973)	(12 771)		
Depreciation	(5 449)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(21)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	(11)			7	(70)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	460				
	32 490	**51 991**	**(12 879)**	**7**	**1 565**
Off-balance sheet items					
Loan commitments given					
Securities subscription					29 375
Revocable commitments	69 611	1 188		36	34618
Financial guarantees given					
Guarantees and sureties given					850
Other commitments given					
Non-financial guarantees and sureties	341	12 109	60	3	26 563
Guarantees received				90	2 331
Liabilities for services provided					
Deposit and safekeeping of valuables	5 927 038	1 132 668	1 452 903	2 322	132685
Other	33 652				18750
Foreign exchange transactions and derivative instruments					
Purchase	2 096 158				
Sale	(1 667 914)				
	6 458 886	**1 145 965**	**1 452 963**	**2 451**	**245 172**

[1] Includes the CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

	Individual				
	Shareholders of Banco BPI CaixaBank Group [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence[2]
Assets					
Cash and cash balances at central banks and other demand deposits	2 173				229
Financial assets held for trading	18 938				
Financial assets not designated for trading compulsorily measured at fair value through profit or loss - equity instruments	1 102				62 525
Financial assets at fair value through other comprehensive income - equity instruments	648				
Financial assets at amortised cost					
Debt securities					103 823
Loans and advances - central banks and other credit institutions	16 738	28 425			
Loans and advances - Customers	151 635			2 688	44 929
Derivatives - Hedge accounting	7 424				
Investments in joint ventures and associates		97 175			
Tangible assets	229				
Intangible assets	11 486				
Other assets	16 093	27 869			
	226 466	**153 469**		**2 688**	**211 506**
Liabilities					
Financial liabilities held for trading	18 424				
Financial liabilities at amortised cost					
Deposits - Customers	198 499	30 208	38 830	8 187	16 145
Deposits - Credit Institutions	10 156	395			22
Debt securities issued	304 440				
Other financial liabilities	9	(16)		24	
Derivatives - Hedge accounting	2				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	33				
Provisions - Commitments and guarantees given					22
Other liabilities	1 695				
	533 258	**30 587**	**38 830**	**8 211**	**16 189**
Capital					
Equity instruments issued other than equity	275 000				
Other equity	(5 114)				
	269 886				
Results					
Net interest income	927	54	(118)	(4)	482
Dividend income	80	28 839			1573
Fee and commission income	43 759	52 948	10	4	201
Fee and commission expenses	(3 212)	(75)			
Gains or (-) losses on financial assets and liabilities held for trading, net	(894)				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	36				
Gains or (-) losses from hedge accounting, net	1 454				
Other operating income	15 272				-600
Administrative expenses - Other administrative expenses	(19 932)	(978)	(12 771)		
Depreciation	(5 449)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					-21
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	(11)			7	-70
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	460				
	32 490	**80 788**	**(12 879)**	**7**	**1 565**
Off-balance sheet items					
Loan commitments given					
Securities subscription					29 375
Revocable commitments	69 611	1 188		36	34 618
Financial guarantees given					
Guarantees and sureties given					850
Other commitments given					
Non-financial guarantees and sureties	341	12 109	60	3	26 563
Guarantees received				90	2 331
Liabilities for services provided					
Deposit and safekeeping of valuables	5 927 038	1 132 668	1 452 903	2 322	132 685
Other	33 652				18 750
Foreign exchange transactions and derivative instruments					
Purchase	2 096 158				
Sale	(1 667 914)				
	6 458 886	**1 145 965**	**1 452 963**	**2 451**	**245 172**

[1] Includes the CaixaBank Group and the companies which it controls.
[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

Operations with CaixaBank Group companies are part of the Bank's regular business activity and are carried out on arm's length terms. The most significant operations carried out in 2020 and 2019, (included in this note) are the following:

- In September 2019 Banco BPI issued undated deeply subordinated notes - Additional Tier 1 (AT1) capital instruments for a nominal amount of 275 000 th.euros. The issue, whose conditions are described in Note 24, was fully subscribed by CaixaBank, S.A. The value of this operation is recognised in the caption "Equity instruments issued, except for share capital", and its remuneration is recognised under "Other reserves (Note 24).
- In 2018 Banco BPI approved a loan on current account to Caixabank Payments & Consumer E.F.C. E.P., S.A. up to the amount of 200 000 th.euros at an interest rate equivalent to the 12-month EURIBOR + 0.99%. In July 2019 a new agreement was entered into that changed the loan on current account to a contracted overdraft, with a commitment fee of 0.40% and interest rate at the 12-month Euribor + 0.80%. In December 2019 the ceiling on the contracted overdraft was changed to 175 000 th.euros. At 31 December 2020 and 2019 the amount of this transaction was 126 836 th.euros and 138 337 th.euros, respectively, being recognised under the caption "Financial assets at amortised cost - loans and advances". At 31 December 2020 and 2019 the unused amount of the credit amounted to 48 240 th.euros and 36 707 th.euros, respectively, and was recognised in the off-balance sheet caption "revocable commitments".
- In March 2017 Banco BPI made a 300 000 th.euros issue of subordinated bonds, at a rate equivalent to the 6-months EURIBOR + 5.74%, that was fully subscribed by CaixaBank. This operation is recognised in the caption Financial liabilities at amortised cost – debt securities issued, and at 31 December 2020 and 2019 amounts to 304 345 th.euros and 304 440 th.euros respectively. (Note 20.3).
- In March 2020 Banco BPI issued senior non-preferred debt in the amount of 450 000 th.euros, with a coupon of 0.875% and yield equivalent to the 5-year swap rate plus a spread of 130 basis points, fully subscribed by CaixaBank. This transaction was booked under 'financial liabilities measured at amortised cost - debt securities issued', in the amount of 453 229 th.euros at 31 December 2020 (Note 20.3).
- In April 2020 Banco BPI and the CaixaBank Group decided to suspend the distribution of dividends on Banco BPI's 2019 results. This amount, 116 549 th.euros, is recognised in the caption 'Financial liabilities measured at amortised cost - other financial liabilities'.

The fees charged by the Bank for guarantees provided to related entities vary between 0% and 4%, and are recognised in the caption "Fee and commission income". At 31 December 2020 and 2019 amount to 392 th.euros and 330 th.euros respectively.

For compliance with article 447 of the Portuguese Commercial Code, at 31 December 2020 and 2019, the members of the Board of Directors held no Banco BPI shares or share options.

41. SUBSEQUENT EVENTS

In January 2021, Banco BPI concluded the sale of a portfolio of non-performing loans with a gross value of 296 M euros, of which 90% were loans already written off from assets. This operation generated a gain of 26 million euros (before taxes), of which 2 million euros resulted from the reversal of impairments allocated to stage 3 loans, made in December 2020, and 24 million euros related to loans written off from assets recognised in January 2021.

42. NOTE ADDED FOR TRANSLATION

These consolidated and individual financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards (IFRS) as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statutory Audit Report and Auditors' Report

(Free translation from a report originally issued in Portuguese language. In case of doubt, the Portuguese version will always prevail)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Banco BPI S.A. ("Group", "Banco BPI" or "Bank"), which comprise the consolidated balance sheet as at December 31, 2020 (which shows total assets of Euros 37.785.587 thousand and total shareholders' equity of Euros 3.256.286 thousand including a net profit of Euros 104.771 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco BPI, S.A. as at December 31, 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Impairment losses on financial assets at amortized cost – Loans and Advances to Customers *<u>Measurement and disclosures related to impairment losses on loans and advances to customers presented in notes 2.7, 13.2 and 34 attached to the consolidated financial statements of the Bank</u>* The constitution of this key matter for the purposes of our audit is justified by the significant expression of financial assets at amortized cost and impairment losses. This process requires a set of complex assumptions and judgments from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount. As at December 31, 2020, the gross amount of loans and advances to customers amounted to Euros 23.116.113 thousand and the corresponding impairment losses recognized at that date amounted to Euros 479.897 thousand. Impairment losses on loans and advances to customers are determined by management on an individual basis, through a case-by-case analysis of a significant component of the total impairment losses of the loans portfolio, and for the remaining portfolio impairment is determined through a collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an individual impairment measurement analysis. The individual impairment analysis is only performed for exposures classified as stage 3, in which the amount of impairment is determined through a detailed analysis of the economic and financial position of each individual customer, having as reference (i) the estimated cash flows that may be generated in the future for the fulfilment of their responsibilities; or (ii) the evaluation attributed to the collateral received in the scope of the	The audit procedures developed included the identification, understanding and evaluation of policies and procedures established by the Bank for the impairment losses on the loans and advances to customers portfolio determination process as well as the key controls related to the approval, recording and monitoring of credit risk, moratorium and State guarantees granting process in the context of COVID-19 pandemic, and to the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the individual staging analysis and in the individual impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its methodology. For a sample of exposures representative of the credit population subject to individual analysis classified in stage 3 by the Bank as of December 31, 2020, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verify the adequacy of the cash flows used to determine impairment with those reflected in the contractual support; (iii) analysing the contractual support and the most relevant collaterals and confirming the registration of them in favour of the Bank; (iv) analysing the available appraisals of collaterals ; (v) to examine the criteria for determining the significant increase in credit risk (stage 2) and

Key Audit Matter	***Summary of the Audit Approach***
loan granted, whenever the recovery is anticipated through the lieu, foreclosure and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the requirements of IFRS 9, which include namely the classification of exposures in different stages according to the evolution of their credit risk since the date of its recognition, and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the evolution of Euribor; and / or (iv) the prospects for the real estate market. Taking into account these macroeconomic data, potential scenarios are developed that allow estimating the expected loss in each segment based on a probability of occurrence. The specific context of the COVID-19 pandemic which includes several support measures granted to families and companies, namely the introduction of credit facilities to the economy and temporary payment holidays on loan instalments (moratoriums) led to an increase in the complexity of identifying significant increase in credit risk and default indicators. In these circumstances, the internal impairment models developed by the Bank were adapted in order to incorporate new criteria and other assumptions such as (i) the introduction of temporary flexibility measures to avoid stage deterioration and/or flagging as restructured those operations with approved moratoriums in line with the supervisors' guidelines, (ii) the development of individual analysis for significant exposures included in the economic sectors most affected by the pandemic in order to identify significant deterioration in credit risk; and (iii) update of the macroeconomic scenarios in order to determine the expected credit loss taking into account the	classification under impairment (stage 3) on an individual basis; (vi) review the incorporation of forward looking information; (vii) analysing the discounted cash flows underlying the impairment determination; (viii) assessing the evolution of exposures; and (ix) understanding the views of the Bank's responsible regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as the prospects of collectability of credits. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed a set of specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio. We have performed namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) analysis of the documentation regarding the risk parameters backtesting exercise; (iii) review and testing of portfolio segmentation; (iv) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria and the sectoral analysis developed by the Bank for the economic sectors most affected by the current pandemic; (v) review and testing of the main risk parameters, as well as the available forward looking information and its update through the estimated economic effects of the COVID-19 pandemic; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default), including the test of historical recoveries incorporated in this calculation, on a sampling basis; and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to December 31, 2020. Our audit procedures included the review of the disclosures regarding loans and advances to

Key Audit Matter	*Summary of the Audit Approach*
potential economic effects of the COVID-19 pandemic. In this context, changes in the assumptions or methodologies used by the Bank in the analysis and in the quantification of impairment losses of loans and advances to customers, as well as different recovery strategies, may condition the estimation of recovery flows and timing of their receipt and may have a material impact on the impairment losses amount recognized in each moment.	customers, as well as their respective impairment losses, presented on the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Recoverability of deferred tax assets *Measurement and disclosures related to deferred tax assets presented in notes 2.13 and 25.3 attached to the consolidated financial statements of the Bank* In the Bank's balance sheet as of December 31, 2020, the deferred tax assets amounted to Euros 265.605 thousand, of which the recoverability of Euros 155.030 thousand depends on the ability to generate future taxable income, namely: (i) Euros 27.141 thousand related to the impairment losses for loans and guarantees; (ii) Euros 23.017 thousand related to other taxed impairment losses and provisions; (iii) Euros 63.358 thousand related to employee benefits and; (iv) Euros 41.514 thousand related to reportable tax losses related to the individual activity of Banco BPI, mostly originated in 2014, 2016 and 2020. According to ISA 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Management performed the analysis of the recoverability of the deferred tax assets based on Bank's business plan for the period from 2021 to 2024. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates, considering the economic consequences of the COVID-19 pandemic; (ii) long-term growth rates; (iii) investments' rates of return; and (iv)	The audit procedures developed included the identification and understanding of key controls established by the Bank. Those controls relate to (i) identification of deductible temporary differences in accordance with the applicable tax legislation; (ii) the analysis of the recoverability of deferred tax assets recognized in the consolidated financial statements and (iii) identification of the main assumptions considered by the management to estimate the generation of future taxable profits that allow the recovery of deferred tax assets recognized in the balance sheet. We performed an understanding and analysis of the main assumptions considered relevant to the elaboration of the projections, in order to assess the recoverability of the deferred tax assets recognized on the Bank's consolidated financial statements at December 31, 2020. The reasonableness of the projections used was also analyzed based on pre-tax results presented in previous years, the future taxable income in the Bank's projections for 2021-2024, future prospects presented by the Board of Directors at those dates and other available information on this matter, namely the economic impacts of the COVID-19 pandemic. Our audit procedures have also included a review of disclosures related to the deferred tax assets in the accompanying notes to the Bank's consolidated

Key Audit Matter	Summary of the Audit Approach
discount rates. Any changes in the assumptions used in the estimation of future results or in the interpretation of tax legislation may have relevant impacts on the recoverability of deferred tax assets recognized in the Bank's consolidated financial statements as of December 31, 2020. As a result, for the purposes of our audit this was considered as a key matter.	financial statements, taking into account applicable and current accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy *Measurement and disclosures related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presented in the note 39.1 attached to the consolidated financial statements.* Due to its relevance on the Bank's consolidated financial statements context and its degree of judgement, the assessment of the fair value of financial instruments not listed in an active market was considered a key matter in our audit. As of December 31, 2020, the balance sheet's asset value of such financial instruments amounted to Euros 749.303 thousand and the balance sheet's liability value amounted to Euros 205.066 thousand, from which Euros 651.642 thousand and Euros 29.944 thousand, respectively, are valued based on techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy. The financial instruments thus classified are composed by(i) debt securities with either a "hold to collect and sale" or trading business models, (ii) derivatives classified as trading or hedging derivatives, (iii) equity instruments; and (iv) assets and liabilities subject to fair value changes due to the recognition of accounting hedges, namely the customers' loans and deposits portfolio and other responsibilities represented by securities accounted at amortized cost. From the mentioned assets, the investment on Banco de Fomento Angola, S.A. stands out, classified as a "financial assets at fair value through other comprehensive income – equity instruments" and	Our audit procedures included the identification and comprehension of key controls implemented by the Bank underlying the fair value assessment methodologies and the selection and determination of the main assumptions and inputs used in the fair value assessment for financial instruments not quoted in an active market and classified as level 3 of the fair value hierarchy. For a sample of financial instruments whose measurement consisted substantially on non-observable data (level 3), our procedures included (i) the understanding of methodologies and main assumptions used by the Bank; (ii) a reasonableness evaluation whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances, by comparing the observed data with market information collected from external and independent sources, when available, and (iii) the analytical review of the fair value of those financial instruments, comparing it with the previous period and with the latest financial information and the respective audit reports, whenever available. Our audit procedures also included the review of the disclosures regarding financial instruments not listed in an active market and classified as level 3 of the fair value hierarchy,presented on the notes attached to the consolidated financial statements, taking into account the applicable accounting

Key Audit Matter	*Summary of the Audit Approach*
its fair value, determined with the dividend discount methodology, amounted for Euros 334.200 thousand, at December 31, 2020. For these financial instruments classified at level 3 of the fair value hierarchy, and when observable market data is not available, the Bank determines fair value using estimates, namely through the use of valuation models based on discount cash flows techniques, which usually involve a high degree of judgment by the management in defining the assumptions and inputs to be used. In this context, any change in the assumptions and measurement techniques used by the management may have material impacts on the assessment of financial instruments' fair value recognized on the consolidated Bank's financial statements.	standards.
Employees post-employment benefits <u>*Measurement and disclosures related to employees' post-employment benefits presented in notes 2.11, 22, 23 and 32 attached to the Bank's consolidated financial statements*</u> As of December 31, 2020, the liabilities resulting from past services of the Group in relation to its directors, employees and pensioners amounted to Euros 1.964.278 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit , in particular those forseen in the Collective Bargaining Agreement ("Acordo Coletivo de Trabalho") for the banking sector. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority ("ASF"). These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, inflation rate, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behaviour of these variables. In the specific case of the discount rate used in	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the fund's assets fair value estimation process. The audit work included meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the main financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the main assumptions, comparing them with the data that, independently, we were able to obtain. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of plan cuts or liquidations,

Key Audit Matter	*Summary of the Audit Approach*
the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. This subject was considered a key matter for the purposes of our audit.	of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the fund's assets, calculating it independently, whenever possible, for a sample of assets. Finally, we have developed a detailed analysis of the actuarial study prepared with reference to December 31, 2020, based on the results of the procedures mentioned above. The audit procedures included the review of the disclosures on the post-employment benefits of directors, employees and pensioners in the notes to the consolidated financial statements of the Bank, taking into account applicable and current accounting standards.
Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 2.19 and 21.3 attached to the Bank's consolidated financial statements* From the contingent liabilities disclosed in note 21.3 attached to the Bank's consolidated financial statements as of December 31, 2020, we would like to highlight the following ones: *Resolution Fund* The resolution measures applied in 2014 to Banco Espírito Santo, S.A. – process that originated the creation of Novo Banco S.A. ("Novo Banco") - and in 2015 to Banif – Banco Internacional do Funchal, S.A. ("Banif) created uncertainty regarding the eventual lack of the Resolution Fund's resources to ensure the fulfilment of its responsibilities, particularly the short-term redemption of the loans contracted to meet this purpose. Those uncertainties have highlighted a greater significance underlying the assumed responsibilities and contingent liabilities, namely: (i) of the effects of the application of the principle that any creditor of the financial institution under resolution can assume a loss higher than the one it would assume if such institution went into liquidation; (ii) of the legal proceedings initiated against the Resolution Fund; (iii) of the negative	The audit procedures developed for this matter included the identification and understanding of the processes and key controls implemented by the Bank, regarding the identification and monitorization of the contingent liabilities. Given the relevance and complexity of the judgements required to management, we performed in our audit, among others, the following procedures regarding the Resolution Fund: (i) monitorization of the most important changes on the Resolution Fund's simplified cash flow projections model presented by the Bank when the renegotiation of the granted loans took place, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) appreciation of the relevant public communications regarding the responsibilities and contingent liabilities assumed by the Resolution Fund and/or Portuguese State; (iii) analysis of the evolution of the Bank's exposures with the Resolution Fund; and (iv) understanding of the perception Bank's responsible bodies regarding the Resolution Fund's financial and economic situation and the predictability of the expected cashflows of its regular revenue.

Key Audit Matter	***Summary of the Audit Approach***
impacts of responsibilities or additional contingencies to Novo Banco and Banif, resulting from the resolution process, that must be neutralised by the Resolution Fund and (iv) of the contingent capitalisation mechanism related to the Novo Banco's sale process to Lone Star, under the terms in which the Resolution Fund, as a Novo Banco's shareholder, may be called to perform capital injections, if certain conditions regarding to the performance of a group of Novo Banco's assets and the evolution of its capitalisation levels are verified. *Competition Authority* In 2012, the Competition Authority initiated an administrative infraction proceeding against a group of banks, including Banco BPI, due to alleged competition restrictive practices. On September 9 2019, the Competition Authority notified the banks of its decision, in which it is decided for their conviction, resulting in a penalty attributed to Banco BPI of Euros 30 million. The Bank considers that it did not commit this infringement, having appealed against the aforementioned decision to the Competition, Regulation and Supervision Court on October 23, 2019. In May 2020, by decision of the aforementioned Court, Banco BPI provided a guarantee of part of the penalty attributed, which is provisional in nature, providing that it is pending a decision on the judicial impugnation presented by the Bank. The consolidated financial statements as of December 31, 2020 reflect the expectation of management that special contributions or any type of extraordinary contributions to finance the resolution matters applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund will not be demanded to Banco BPI, as a participating entity of the Resolution Fund. Additionally, the Board of Directors believes that the probabilities of the process ending without the Bank having to pay a penalty are higher than the alternative scenario. The contingent liabilities may evolve differently from the originally expected, given that they are subject to a continuous revision in order to assess if the possibility of a cash outflow became probable. In these circumstances, the	We also analyzed the available information regarding the developments on these matters that occurred as from December 31, 2020. Our audit procedures also included the review of the disclosures regarding contingent liabilities, presented on the Bank's attached notes to the consolidated financial statements, taking into account the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
assessment of these contingent liabilities implies that the Bank's management uses estimates and complex judgements regarding the probability of materialisation and measurement of the responsibilities that may arise from the litigations and contingencies in which the Bank is involved and, therefore, this matter was considered relevant to our audit.	

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may be perceived as threats to our independence and, where applicable, actions taken to eliminate threats or the safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Non-financial information

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Director's report the non-financial statement set forth in article No. 508-G of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banco BPI, S.A. in the Shareholders' General Meeting of April 26, 2017 for the period from 2018 to 2020.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. In the planning and execution of our audit in accordance with ISAs, we have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board on this same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

March 15, 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Manuel Henriques Bernardo, R.O.C.

Statutory Audit Report and Auditors' Report

(Free translation from a report originally issued in Portuguese language. In case of doubt, the Portuguese version will always prevail)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Banco BPI S.A. ("Banco BPI" or "Bank"), which comprise the balance sheet as at December 31, 2020 (which shows total assets of Euros 37.629.889 thousand and total shareholders' equity of Euros 3.110. 630 thousand including a net profit of Euros 87.822 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Banco BPI, S.A. as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of Banco BPI and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Impairment losses on financial assets at amortized cost – Loans and Advances to Customers *<u>Measurement and disclosures related to impairment losses on loans and advances to customers presented in notes 2.7, 13.2 and 34 attached to the financial statements of the Bank</u>*	
The constitution of this key matter for the purposes of our audit is justified by the significant expression of financial assets at amortized cost and impairment losses. This process requires a set of complex assumptions and judgments from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount. As at December 31, 2020, the gross amount of loans and advances to customers amounted to Euros 23.116.002 thousand and the corresponding impairment losses recognized at that date amounted to Euros 479.897 thousand. Impairment losses on loans and advances to customers are determined by management on an individual basis, through a case-by-case analysis of a significant component of the total impairment losses of the loans portfolio, and for the remaining portfolio impairment is determined through a collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an individual impairment measurement analysis. The individual impairment analysis is only performed for exposures classified as stage 3, in which the amount of impairment is determined through a detailed analysis of the economic and financial position of each individual customer, having as reference (i) the estimated cash flows that may be generated in the future for the fulfilment of their responsibilities; or (ii) the evaluation attributed to the collateral received in the scope of the loan granted, whenever the recovery is	The audit procedures developed included the identification, understanding and evaluation of policies and procedures established by the Bank for the impairment losses on the loans and advances to customers portfolio determination process as well as the key controls related to the approval, recording and monitoring of credit risk, moratorium and State guarantees granting process in the context of COVID-19 pandemic, and to the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the individual staging analysis and in the individual impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its methodology. For a sample of exposures representative of the credit population subject to individual analysis classified in stage 3 by the Bank as of December 31, 2020, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verify the adequacy of the cash flows used to determine impairment with those reflected in the contractual support; (iii) analysing the contractual support and the most relevant collaterals and confirming the registration of them in favour of the Bank; (iv) analysing the available appraisals of collaterals ; (v) to examine the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an

Key Audit Matter	Summary of the Audit Approach
anticipated through the lieu, foreclosure and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the requirements of IFRS 9, which include namely the classification of exposures in different stages according to the evolution of their credit risk since the date of its recognition, and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the evolution of Euribor; and / or (iv) the prospects for the real estate market. Taking into account these macroeconomic data, potential scenarios are developed that allow estimating the expected loss in each segment based on a probability of occurrence. The specific context of the COVID-19 pandemic which includes several support measures granted to families and companies, namely the introduction of credit facilities to the economy and temporary payment holidays on loan instalments (moratoriums) led to an increase in the complexity of identifying significant increase in credit risk and default indicators. In these circumstances, the internal impairment models developed by the Bank were adapted in order to incorporate new criteria and other assumptions such as (i) the introduction of temporary flexibility measures to avoid stage deterioration and/or flagging as restructured those operations with approved moratoriums in line with the supervisors' guidelines, (ii) the development of individual analysis for significant exposures included in the economic sectors most affected by the pandemic in order to identify significant deterioration in credit risk; and (iii) update of the macroeconomic scenarios in order to determine the expected credit loss taking into account the potential economic effects of the COVID-19	individual basis; (vi) review the incorporation of forward looking information; (vii) analysing the discounted cash flows underlying the impairment determination; (viii) assessing the evolution of exposures; and (ix) understanding the views of the Bank's responsible regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as the prospects of collectability of credits. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed a set of specific procedures with the objective of evaluating how the assumptions considered by management include the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio. We have performed namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) analysis of the documentation regarding the risk parameters backtesting exercise; (iii) review and testing of portfolio segmentation; (iv) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria and the sectorial analysis developed by the Bank for the economic sectors most affected by the current pandemic; (v) review and testing of the main risk parameters, as well as the available forward looking information and its update through the estimated economic effects of the COVID-19 pandemic; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default), including the test of historical recoveries incorporated in this calculation, on a sampling basis; and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to December 31, 2020. Our audit procedures included the review of the disclosures regarding loans and advances to customers, as well as their respective impairment

Key Audit Matter	***Summary of the Audit Approach***
pandemic. In this context, changes in the assumptions or methodologies used by the Bank in the analysis and in the quantification of impairment losses of loans and advances to customers, as well as different recovery strategies, may condition the estimation of recovery flows and timing of their receipt and may have a material impact on the impairment losses amount recognized in each moment.	losses, presented on the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 2.13 and 25.3 attached to the financial statements of the Bank</u>* In the Bank's balance sheet as of December 31, 2020, the deferred tax assets amounted to Euros 265.595. thousand, of which the recoverability of Euros 155.020 thousand depends on the ability to generate future taxable income namely: (i) Euros 27.141 thousand related to the impairment losses for loans and guarantees; (ii) Euros 23.017 thousand related to other taxed impairment losses and provisions; (iii) Euros 63.348 thousand related to employee benefits and; (iv) Euros 41.514 thousand related to reportable tax losses related to the individual activity of Banco BPI, mostly originated in 2014, 2016 and 2020. According to ISA 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Management performed the analysis of the recoverability of the deferred tax assets based on Bank's business plan for the period from 2021 to 2024. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates, considering the economic consequences of the COVID-19 pandemic; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Any changes in the assumptions used in the	The audit procedures developed included the identification and understanding of key controls established by the Bank. Those controls relate to (i) identification of deductible temporary differences in accordance with the applicable tax legislation; (ii) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (iii) identification of the main assumptions considered by the management to estimate the generation of future taxable profits that allow the recovery of deferred tax assets recognized in the balance sheet. We performed an understanding and analysis of the main assumptions considered relevant to the elaboration of the projections, in order to assess the recoverability of the deferred tax assets recognized on the Bank's financial statements at December 31, 2020. The reasonableness of the projections used was also analyzed based on pre-tax results presented in previous years, the future taxable income in the Bank's projections for 2021-2024, future prospects presented by the Board of Directors at those dates and other available information on this matter, namely the economic impacts of the COVID-19 pandemic. Our audit procedures have also included a review of disclosures related to the deferred tax assets in the accompanying notes to the Bank's financial statements, taking into account applicable and current accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
estimation of future results or in the interpretation of tax legislation may have relevant impacts on the recoverability of deferred tax assets recognized in the Bank's consolidated financial statements as of December 31, 2020. As a result, for the purposes of our audit this was considered as a key matter.	
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy *Measurement and disclosures related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presented in the note 39.1 attached to the financial statements.* Due to its relevance on the Bank's financial statements context and its degree of judgement, the assessment of the fair value of financial instruments not listed in an active market was considered a key matter in our audit. As of December 31, 2020, the balance sheet's asset value of such financial instruments amounted to Euros 749.303 thousand and the balance sheet's liability value amounted to Euros 205.066 thousand, from which Euros 651.642 thousand and Euros 29.944 thousand, respectively, are valued based on techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy. The financial instruments thus classified as are composed by (i) debt securities with either a "hold to collect and sale" or trading business models, (ii) derivatives classified as trading or hedging derivatives, (iii) equity instruments; and (iv) assets and liabilities subject to fair value changes due to the recognition of accounting hedges, namely the customers' loans and deposits portfolio and other responsibilities represented by securities accounted at amortized cost. From the mentioned assets, the investment on Banco de Fomento Angola, S.A. stands out, classified as a "financial assets at fair value through other comprehensive income – equity instruments" and its fair value, determined with the dividend discount methodology, amounted for Euros 334.200 thousand, at December 31, 2020.	Our audit procedures included the identification and comprehension of key controls implemented by the Bank underlying the fair value assessment methodologies, and the selection and determination of the main assumptions and inputs used in the fair value assessment for financial instruments not quoted in an active market and classified as level 3 of the fair value hierarchy. For a sample of financial instruments whose measurement consisted substantially on non-observable data (level3), our procedures included (i) the understanding of methodologies and main assumptions used by the Bank; (ii) a reasonableness evaluation whether the models developed by the Bank, and the data and assumptions used are reasonable in the circumstances, by comparing the observed data with market information collected from external and independent sources, when available, and (iii) the analytical review of the fair value of those financial instruments, comparing it with the previous period and with the latest financial information and the respective audit reports, whenever available. Our audit procedures also included the review of the disclosures regarding financial instruments not listed in an active market and classified as level 3 of the fair value hierarchy, presented on the notes attached to the financial statements, taking into account the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
For these financial instruments classified at level 3 of the fair value hierarchy, and when observable market data is not available, the Bank determines fair value using estimates, namely through the use of valuation models based on discount cash flows techniques, which usually involve a high degree of judgment by the management in defining the assumptions and inputs to be used. In this context, any change in the assumptions and measurement techniques used by the management may have material impacts on the assessment of financial instruments' fair value recognized on the Bank's financial statements.	
Employees post-employment benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 2.11, 22, 23 and 32 attached to the Bank's financial statements* As of December 31, 2020, the liabilities resulting from past services of the Bank in relation to its directors, employees and pensioners amounted to Euros 1.964.278 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit , in particular those forseen in the Collective Bargaining Agreement ("Acordo Coletivo de Trabalho") for the banking sector. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority ("ASF"). These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, inflation rate, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behaviour of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the fund's assets fair value estimation process. The audit work included meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the main financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the main assumptions, comparing them with the data that, independently, we were able to obtain. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of plan cuts or liquidations, of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the fund's assets, calculating it independently,

Key Audit Matter	*Summary of the Audit Approach*
similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. This subject was considered a key matter for the purposes of our audit.	whenever possible, for a sample of assets. Finally, we have developed a detailed analysis of the actuarial study prepared with reference to December 31, 2020, based on the results of the procedures mentioned above. The audit procedures included the review of the disclosures on the post-employment benefits of directors, employees and pensioners in the notes to the financial statements of the Bank, taking into account applicable and current accounting standards.
Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 2.19 and 21.3 attached to the Bank's financial statements* From the contingent liabilities disclosed in note 21.3 attached to the Bank's financial statements as of December 31, 2020, we would like to highlight the following ones: *Resolution Fund* The resolution measures applied in 2014 to Banco Espírito Santo, S.A. – process that originated the creation of Novo Banco S.A. ("Novo Banco") - and in 2015 to Banif – Banco Internacional do Funchal, S.A. ("Banif) created uncertainty regarding the eventual lack of the Resolution Fund's resources to ensure the fulfilment of its responsibilities, particularly the short-term redemption of the loans contracted to meet this purpose. Those uncertainties have highlighted a greater significance underlying the assumed responsibilities and contingent liabilities, namely: (i) of the effects of the application of the principle that any creditor of the financial institution under resolution can assume a loss higher than the one it would assume if such institution went into liquidation; (ii) of the legal proceedings initiated against the Resolution Fund; (iii) of the negative impacts of responsibilities or additional contingencies to Novo Banco and Banif, resulting from the resolution process, that must be neutralised by the Resolution Fund and (iv) of the contingent capitalisation mechanism related to the Novo	The audit procedures developed for this matter included the identification and understanding of the processes and key controls implemented by the Bank, regarding the identification and monitorization of the contingent liabilities. Given the relevance and complexity of the judgements required to management, we performed in our audit, among others, the following procedures regarding the Resolution Fund: (i) monitorization of the most important changes on the Resolution Fund's simplified cash flow projections model presented by the Bank when the renegotiation of the granted loans took place, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) appreciation of the relevant public communications regarding the responsibilities and contingent liabilities assumed by the Resolution Fund and/or Portuguese State; (iii) analysis of the evolution of the Bank's exposures with the Resolution Fund; and (iv) understanding of the perception Bank's responsible bodies regarding the Resolution Fund's financial and economic situation and the predictability of the expected cashflows of its regular revenue. We also analyzed the available information regarding the developments on these matters that occurred as from December 31, 2020.

Key Audit Matter	*Summary of the Audit Approach*
Banco's sale process to Lone Star, under the terms in which the Resolution Fund, as a Novo Banco's shareholder, may be called to perform capital injections, if certain conditions regarding to the performance of a group of Novo Banco's assets and the evolution of its capitalisation levels are verified. <u>*Competition Authority*</u> In 2012, the Competition Authority initiated an administrative infraction proceeding against a group of banks, including Banco BPI, due to alleged competition restrictive practices. On September 9 2019, the Competition Authority notified the banks of its decision, in which it is decided for their conviction, resulting in a penalty attributed to Banco BPI of Euros 30 million. The Bank considers that it did not commit this infringement, having appealed against the aforementioned decision to the Competition, Regulation and Supervision Court on October 23, 2019. In May 2020, by decision of the aforementioned Court, Banco BPI provided a guarantee of part of the penalty attributed, which is provisional in nature, providing that it is pending a decision on the judicial impugnation presented by the Bank. The financial statements as of December 31, 2020 reflect the expectation of management that special contributions or any type of extraordinary contributions to finance the resolution matters applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund will not be demanded to Banco BPI, as a participating entity of the Resolution Fund. Additionally, the Board of Directors believes that the probabilities of the process ending without the Bank having to pay a penalty are higher than the alternative scenario. The contingent liabilities may evolve differently from the originally expected, given that they are subject to a continuous revision in order to assess if the possibility of a cash outflow became probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management uses estimates and complex judgements regarding the probability of materialisation and measurement of the responsibilities that may arise from the litigations	Our audit procedures also included the review of the disclosures regarding contingent liabilities, presented on the Bank's attached notes to the financial statements, taking into account the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
and contingencies in which the Bank is involved and, therefore, this matter was considered relevant to our audit.	

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may be perceived as threats to our independence and, where applicable, actions taken to eliminate threats of the safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Non-financial information

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Director's report the non-financial statement set forth in article No. 66-B of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banco BPI, S.A. in the Shareholders' General Meeting of April 26, 2017 for the period from 2018 to 2020.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. In the planning and execution of our audit in accordance with ISAs, we have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board on this same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Bank in conducting our audit.

March 15, 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Manuel Henriques Bernardo, R.O.C.

REPORT AND OPINION OF THE AUDIT COMMITTEE

- 2020 -

(THIS REPORT IS A FREE TRANSLATION TO ENGLISH FROM THE ORIGINAL PORTUGUESE VERSION)

For compliance with the provisions of Article 423-F 1-g) of the Commercial Companies Code (CCC), the Audit Committee of Banco BPI, S.A. (Banco BPI or Bank), as the supervisory body, hereby issues:

- the Report on its supervision activity conducted during 2020; and
- the Opinion on the Report, Accounts (individual and consolidated) and Proposals presented by the Board of Directors of Banco BPI relative to the 2020 financial year.

1. Report on its supervision activity conducted during 2020

As a preliminary point, it should be noted that on 30 November 2020, Banco BPI approved a redrafting of its articles of association whereby, among others, the governance model was changed to the effect of entrusting the Bank's supervision to an Audit Committee set up within the Board of Directors, instead of the Supervisory Board, as was the case until then.

In this context, during 2020, the supervisory body held 11 meetings, 10 of which as Supervisory Board and 1 as Audit Committee, which were attended by most of its members.

Besides these meetings, the members of the (then) Supervisory Board attended the 11 meetings of the Audit and Internal Control Committee ("AICC") of Banco BPI held during the year (until the extinction of this Committee on 30 November 2020), which enabled them to:

- analyse all the documentation distributed as support to the works of the AICC;
- hear the presentations and clarifications provided by the heads of each of the areas whose matters were reviewed;
- put questions and ask for clarifications concerning the documents analysed; and
- monitor directly the evolution of BPI's operations, paying special attention to compliance with legal requirements and the Company's articles of association and regulations.

Several of the meetings of the supervisory body were attended by, as invited guests, the Chairman of the Board of Directors, the PwC partners responsible for the audit team assigned to Banco BPI, as well as the heads of several of the bank's departments, namely the Accounting and Budget Management Division ("ABMD"), Risk Management Division ("RMD"), Compliance Division ("CD") and Internal Audit Division ("IAD"), among other employees of the Bank.

Additionally, and whenever deemed necessary, the supervisory body requested the presence of some members of the Bank's Executive Committee, namely the Chief Executive Officer and the Chief Risk Officer.

Furthermore, the Chairman of supervisory body took part in the Board of Directors' meeting of 20 March 2020, in which Banco BPI's 2019 Annual Report and Accounts were approved. The change in the governance model referred to above, which occurred at the end of 2020, implied that the members of the Audit Committee are now also members of the Board of Directors, although with non-executive functions, and therefore attend all the meetings of this body.

It should also be noted that the Chairman of the supervisory body, together with the Chairman of the AICC, participated in the annual supervisory meeting with the Joint Supervisory Team (JST) of the European Central Bank (ECB) and the Bank of Portugal (BoP), on 10 November 2020. At this meeting, the Chairman of the supervisory body provided explanations to the supervisors about the operation and the activity of this body as well as about its monitoring of compliance with the supervisors' recommendations, and of internal control over the Bank's various activities.

In compliance with the duties and responsibilities legally attributed to it and which form part of the respective Regulations, during 2020 the supervisory body monitored and analysed:

- the activity of PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (PwC), as the Statutory Auditors Firm ("SROC") of Banco BPI;
- the activity carried out by the 3 control functions of Banco BPI: the Risk Management Division, the Compliance Division and the Internal Audit Division;
- the activity carried out by other Bank Divisions which, due to their area of operation, may contribute to the performance of the Audit Committee's duties; and
- the inspections carried out by the Supervision authorities.

Of the various activities developed by the supervisory body during the 2020 financial year, the following deserve special mention:

1.1. Watching over compliance with legal and regulatory provisions, the Company's articles of association and the rules issued by the supervision authorities, as well as with the general policies, standards and practices instituted internally

During the year, the supervisory body kept abreast of the various issues related to the Group's compliance with obligations and recommendations on corporate governance. In this context, after reviewing BPI Group's Corporate Governance Report presented by the Board of Directors, it ascertained that it translated the practices which it had regularly observed, and that, in accordance with the terms of article 420(5) of the CCC, it covered the items referred to in article 245-A of the Securities Code (SC).

During 2020, the supervisory body received information on the inspection actions carried out by the supervision authorities, having analysed the correspondence exchanged in this regard concerning requests for clarification made by these entities. On the other hand, after conclusion of these inspection actions, the Supervisory

Board received and reviewed the reports sent by these entities to Banco BPI, also participating in the analysis of the implementation of the corresponding recommendations.

In particular, the supervisory body followed the On-Site Inspection on Internal Governance (OSI) conducted by the JST, and took note of the clarifications that were systematically provided by the Bank to that entity.

The supervisory body reviewed the reports on the audits conducted by the IAD, paying particular attention to the shortcomings identified and the recommendations made with the objective of overcoming them and meeting the deadlines set for their implementation.

It also regularly followed the activities carried out by the CD (namely the regular status reports on the follow-up of gaps in the Prevention of Money Laundering and Terrorist Financing (AML&TF) and Regulatory Risk), as well as the main initiatives carried out by this Division.

The supervisory body also kept abreast of the outcomes of the works carried out by the Statutory Auditors on the processes instituted to ensure the safeguarding of customers' assets.

Moreover, within the scope of its competence to issue Opinions that, under the terms of the law or of its regulations, fall within its remit, in addition to this document and the specific opinions referred to herein, in March 2020 the Supervisory Board issued an opinion in favour of the Board of Directors' proposal for the issue by Banco BPI of senior non-preferred debt in the amount of €450 million, to be fully subscribed by CaixaBank, S.A. (CaixaBank).

It should also be noted that, in September 2020, the supervisory body issued a favourable opinion on the new "Policy on the Relationship with the Statutory Auditor/Statutory Auditors Firm ("ROC/SROC") adopted by Banco BPI, which was prepared in corporate alignment with CaixaBank, thus complying with the BoP's Circular Letter "CC/2020/0020" of 23/03/2020, on "Policies on the selection and appointment of a ROC/SROC and on the contracting of non-audit services not banned to its ROC/SROC or respective network". This Policy aims to regulate the entire selection process of the Bank's ROC/SROC, to ensure the independence of the ROC/SROC, as well as the approval of the different types of services to be provided by the ROC/SROC.

Finally, during the second half year of 2020, the supervisory body monitored the work that Banco BPI has been undertaking with a view to implementing BoP Notice no. 3/2020, namely through periodic reports made by the officer in charge of this project at the Bank.

1.2. Ensuring that the key targets set by the supervision authorities in terms of internal control and risk management are pursued by Banco BPI and the entities under its control

The supervisory body paid particular attention to the guidelines issued by the Supervisor concerning internal control and risk control issues, having reviewed the operational procedures of Banco BPI and the Group companies subject to supervision on a consolidated basis. This review was based on the works developed by the IAD as well as on the presentations made and clarifications provided by the relevant Divisions.

Accordingly, in September 2020 the opinions on the adequacy, effectiveness and consistency of the Internal Control Systems of the BPI Group, the Bank, and its subsidiary BPI (Suisse), S.A., relative to 31 May 2020, were drawn up and sent to the ECB and the BoP.

To this end, the supervisory body:

- reviewed the annual internal control reports prepared by the Boards of Directors of the entities referred to above;
- analysed the opinions of the respective Statutory Auditors on the Internal Control Systems underlying the processes of preparation and disclosure of financial information;
- reviewed the periodic reports containing the results of the certification carried out by the Internal Financial Control Unit ("IFCU"); and
- reviewed the reports prepared by the IAD, the CD and the RMD in this respect.

The supervisory body also monitored the processes of implementation of the recommendations resulting from the supervisors' inspections. In this context, it monitored in particular the regular status updates made by the IAD on the following issues:

- on-site inspections (OSI) carried out by the JST, and in particular the OSI on Internal Governance and Risk Management;
- assessment of the quarterly reports and follow-ups on the recommendations implemented within the scope of the OSI-2015-PTBPI-2170 to the Information Technology Risk (IT Risk);

1.3. Watching over the adequacy of and compliance with the accounting policies, criteria and practices adopted and ascertaining that the documents that support them are in order;

With a view to ascertaining adequate compliance with the accounting policies and practices, the supervisory body analysed the findings of the audits made by the IAD and the Statutory Auditors, as well as the presentations made by senior officers of the Accounting and Budget Management Division ("ABMD").

In this context, it analysed, both on a quarterly basis and with respect to Banco BPI 2020 year-end results:

- the Financial Statements and Results;
- the findings of the audits carried out by the Statutory Auditors; and
- the information on accounting policies and practices which in due course was provided to it.

It also analysed the 1st half of 2020 interim Report and Accounts and the 2020 Annual Report, as well as the Audit Reports issued by PwC on the financial statements of Banco BPI and the BPI Group.

It also examined:

- the report prepared by PwC in its capacity as Statutory Audit of the Bank, on the process of quantification of the impairment losses in Banco BPI's loan portfolio with reference to 30 June 2020, for compliance with BoP Instruction no. 5/2013;
- the PwC report on the process of quantification of individual and collective impairment in Banco BPI's loan portfolio with reference to 30 September 2018, for compliance with the amendment introduced by BoP Instruction no. 18/2018 to the aforementioned Instruction no. 5/2013;
- the report prepared by the Legal Division ("LD") on the Audit of the 2019 Corporate Income Tax Return ("*Declaração Modelo 22 de IRC*").
- the reports prepared by the ABMD on the principal judgements and estimates used in Banco BPI's financial statements.

1.4. Supervising the process of preparation and disclosure of financial information

During 2020, the supervisory body analysed in detail the financial information made available to it, namely by officers from the ABMD, as the Division responsible for the preparation of such information.

Likewise, it analysed the documents relating to the Statutory Audit Certification of the Bank's and the BPI Group's accounts, provided by the officers of PwC, the Bank's Statutory Auditors, which allowed it to monitor the services provided by the latter and better understand the situations which, in their view, should merit greater attention from the Bank.

On the other hand, it monitored the preparation work for the audit of the 2020 accounts, through periodic presentations made by PwC, in which the latter highlighted the main topics and matters relevant for this purpose.

The following were also reviewed:

– the Statutory Auditors' opinions on the Internal Control System underlying the process of preparation and disclosure of financial information, drafted in accordance with the provisions of BoP Notice no. 5/2008, which has meanwhile been revoked;
– the periodic reports containing the results of the certification carried out by the IFCU.

1.5. Supervising the independence of the Statutory Auditors, namely where the latter provide additional services to Banco BPI

After obtaining the necessary opinions, the Supervisory Body approved the Statutory Auditors' fees due for "Audit Services", and also for "Non-audit services required by law to the Statutory Auditors", provided to Banco BPI.

Pursuant to the applicable legal provisions, namely Article 423-F 1-o) of the CCC, the Supervisory Board verified the conditions of independence of Banco BPI's Statutory Auditors, and, after obtaining the necessary favourable opinions (including from CaixaBank's *Comisión de Auditoria y Control* (CAC)), approved the contracting from the Statutory Auditors or members of their network of "Other Non-audit Services not

Required by Law from the Statutory Auditors” (and naturally not prohibited), controlling the relative share of the fees for these services in accordance with the regulations in force.

With regard to the Statutory Auditors’ fees for the aforementioned "Non-audit services not required by law", it should be noted that their average amount during the last three financial years is below the maximum applicable legal limit, which is 70%.

1.6. To receive notice of irregularities occurred within the company and reported by shareholders, employees or others

Throughout 2020, the supervisory body took note of the communications addressed to it through the channels provided by the Bank for this purpose, giving appropriate follow-up to each situation reported to it.

Pursuant to Article 116.AA (7) of the General Law on Credit Institutions and Financial Companies (“RGICSF”), detailed information on the communications received by this means and the respective processing is presented in a specific report, the minimum content of which complies with the provisions of Article 8 of Bank of Portugal Instruction no. 18/2020, which establishes the "reporting duties regarding organisational conduct and culture and governance and internal control systems".

1.7. Monitoring the situation and evolution of all the risks to which the Bank is subject

The supervisory body's intervention on this front was essentially based on:

- the conclusions of the audits performed by the supervision authorities and the AID;
- the reports issued by the units responsible for the Risk Management, Compliance and Internal Audit functions; and
- the reports on the Internal Control Systems, issued by the management bodies of Banco BPI and the Group companies.

This information was complemented by the clarifications regularly provided by the heads of the various Divisions of the Bank involved in these processes.

On the other hand, in terms of Risk Management, during 2020 the supervisory body took note of several corporate policies approved by Banco BPI in alignment with CaixaBank, namely the following:

- Operational Risk Policy
- Roll-Out Plan and PPU Governance Policy
- General Policy on Information Governance
- Policy on Information Security
- Data Reliability Risk Management Policy

The sections below describe the main aspects of the supervision carried out by the supervisory body on the assessment of risks and risks evolution.

a) Analysis of operational risks

The assessment of operational risks and the effectiveness of the measures adopted to control and mitigate them was carried out through the systematic review of the conclusions and recommendations issued by Internal Audit and the Statutory Auditors, jointly carried out with the heads of the Divisions and Group entities which were the object of these actions.

In this context, the intervention of the supervisory body was essentially based on specific operational risk assessment documents, namely:

- Annual reports prepared by the Security Division on Information Security, Physical Security and Business Continuity;
- Report on Operational Risk Management and Operational Losses, prepared by the Operational and Reputational Risk Area of the RMD;
- Semi-annual report on Quality Indicators and Complaints, prepared by the Business Development Division;
- Report on Outsourcing and Service Provision Contracts, prepared by the Procurement, Premises and Logistics Division.

Of note in this context was the approval of a proposal for the revision of the Operational Risk Policy, in January 2020, and the approval of the Procurement Principles and the Suppliers' Code of Conduct, in December 2020. The latter aim at incorporating into Banco BPI the best international practices in procurement management and supplier relations.

b) Analysis of credit risks

The supervisory body analysed throughout the year the evolution of credit risks based on the information provided by the ABMD, RMD and the Statutory Auditors, and in this context:

- monitored the evolution of Credit Impairments;
- kept informed of the Statutory Auditors' half□yearly reports with the conclusions of the reviews of the Process of Quantification of Impairment Losses in Banco BPI's Loan Portfolio;
- analysed the information which it regularly received on the Risk Appetite Statement (RAS), the Risk Appetite Framework (RAF), and the Internal Capital Adequacy Assessment Process (ICAAP);

Furthermore, under the terms of Article 85 (8) of the RGICSF, the supervisory body issued twenty-four opinions on the renewal or revision of the Exposure Limits (EXL) under normal market conditions, to entities in which the members of Banco BPI's management or supervisory bodies held management positions or qualified holdings.

In addition, it should also be noted that the supervisory body did not issue any opinion under Article 109 (3) of the General Law on Credit Institutions and Financial Companies (RGICSF) concerning business dealings with shareholders with qualifying holdings or with entities having any relationship with the latter.

Finally, taking into account the current pandemic situation, the supervisory body closely followed the periodic reports aimed at monitoring the evolution of the impact of moratoria on the Bank's loan portfolio, as well as the Bank's reinforcement of unallocated impairments throughout the year to face this situation.

c) Analysis of other financial risks

The supervisory body continued to monitor the other financial risks with particular attention so as to be able to assess the strategy and actions pursued by the Group, focusing in particular on exposure to products and markets considered as of higher risk.

Accordingly, in 2020 it reviewed the following:

- The Recovery Plan, including the recovery measures in stressed situations in the various scenarios set out in the Plan, their effectiveness, and the internal bodies responsible for monitoring it;
- The 2019 Internal Liquidity Adequacy Assessment Process (ILAAP);
- The 2019 Internal Capital Adequacy Assessment Process (ICAAP);
- The results of the periodic analyses made by the RMD within the scope of the RAS and RAF;

In addition, the main findings of the audits carried out by the IAD on the process of preparation of the Recovery Plan, the ILAAP and the ICAAP were also analysed.

d) Analysis of reputational risks

During 2020 the Supervisory Board regularly analysed the information provided to it on Banco BPI's Service Quality Indicators, which use as benchmark the European Customer Satisfaction Index as well as peer banks' service quality indicators, and also reviewed customer complaints.

It also reviewed the Legal Division (LD)’s report on the process of communication with the Tax and Customs Authority in the framework of BPI’s compliance with tax obligations.

In addition, the supervisory body reviewed PwC's report on the safeguarding of customers’ assets, relative to 2019, in compliance with the provisions of Articles 306 to 306-D of the Securities Code.

e) Analysis of compliance risks

During 2020, the supervisory body closely monitored the developments occurring in the CD, which involved not only the reinforcement of the team but also the replacement of the head of this Division.

It also monitored the implementation of new controls and systems and the progressive alteration of operating processes with a view to corporate convergence with CaixaBank.

Besides regularly monitoring the interventions of the Compliance Division, the supervisory body reviewed the following documents prepared by this Division:

- 2019 Activity Report and Activity Plan for 2020, having issued a favourable opinion on the latter, prior to its approval;
- Periodic reports on the activity developed;
- Periodic reports identifying and monitoring Banco BPI's gaps in terms of AML&TF and Regulatory Risks;

- Annual report by the Compliance function on the Internal Control System of Banco BPI and its subsidiaries;
- Monthly reports on the evolution of the process implemented by the Bank to deal with the "Luanda Leaks" process;
- Reports and recommendations issued as a result of inspections carried out to Banco BPI by the following entities: BoP, ECB, CMVM.

During 2020, the supervisory body took note of several new corporate policies on compliance, namely the following:

- Compliance Policy;
- Sanctions Policy;
- Policy on Initiatives of Automatic Exchange of Financial Account Information in Tax Matters (AEOI);
- Policy on the Prevention of Money Laundering and Terrorist Financing.

In the same context, the supervisory body closely monitored the remediation process undertaken by the Bank following the anomalies detected in the operation of the "Siopeia" tool, keeping informed about the work carried out to restore this tool to full operation, as well as the impacts of this situation.

Likewise, the supervisory body monitored the progress of the BoP's inspection on the subject of AML&TF, which began in September 2020.

On the same topic, the supervisory body was informed of the findings of the audits conducted by the IAD on the "Assessment of the AML&TF System", the "Input of information to the Siopeia application", the "Monitoring of the AML&TF gaps model", the "Analysis of the operations (Ids perimeter)" and the "Overall assessment of the quality, adequacy and effectiveness of AML&TF policies and procedures".

f) Monitoring of audit works

During 2020, the supervisory body monitored the activity of the IAD, and in particular participated in the following processes:

- review and issuance of an opinion on the Audit Plan for 2020 and its revisions, as well as on the IAD's Objectives for that year;
- followed up on the periodic monitoring reports of the activity carried out, as well as the recommendations issued, during the reporting period;
- reviewed the IAD Training Plan for 2020;
- took note of the results of the quality survey carried out by the IAD to its main stakeholders and of the Quality Assurance and Improvement Programme;
- reviewed the main conclusions of the audits carried out by the IAD, monitoring the process of implementation of the recommendations arising therefrom, within the deadlines defined for that purpose. In addition to the audits referred to throughout this document, the following deserve special mention:
  - Audit of structured operations;
  - Governance and reporting model and corporate policy alignment at BPI (Suisse) SA;
  - Technological incident (DDoS);
  - SOB and SOBE CIB incentives system;
  - Audit of the General IR controls of the Technological Infrastructure;
  - Review of management metrics (level I)

- Audit of FINREP;
- Audit of the process of recruitment and maintenance of credit intermediaries;
- Audit of the marketing process of the property leasing product;
- Audit of the marketing process of prestige products;
- Audit of the status of transformation of BPI systems;
- Review of the Collective Impairment Model (IFRS 9);
- Audit of the Business Continuity Plan (ISO22301 Certification);
- Security audit to the BPI Net mobile application;
- Audit of the VPN2 remote access infrastructure;
- Audit of the Investment Funds marketing process;
- Audit to the Remuneration Policy for the Identified Collective - 2019 VR payment;
- Audit to the Remuneration Policy for the Identified Collective - 2020 composition;
- Audit of the Review to the operations (IdS Perimeter);
- Audit of the terms and conditions agreed with counterparties - Vostro Accounts;

Likewise, the supervisory body took note of the conclusions of most of the audits carried out by the IAD in connection to the implementation of the IRB Project.

2. Opinion on the Report, Accounts (individual and consolidated) and Proposals presented by the Board of Directors of Banco BPI relative to the 2020 financial year

Under the terms of the applicable legal provisions, namely Article 423-F 1-g) of the CCC, the supervisory body:

- oversaw the preparation throughout 2020 of the financial statements' supporting documents, namely meeting with the heads and technical staff of the ABMD in order to obtain detailed information about the preparation and closing of the annual accounts, as well as to request relevant clarifications for the discharge of its functions;
- kept regular contact with the Statutory Auditors, monitoring the progress of their work over the year, and in particular met with the audit team allocated to Banco BPI to obtain an assessment of the annual accounts as at their closing date and a status update on their audit works, having requested all relevant clarifications for the performance of its functions.
- analysed the Statutory Auditors’ Additional Report to the Audit Committee, drafted under the terms of article 63 of the Statute of the Portuguese Institute of Statutory Auditors, approved by Law No. 140/2015, of 7 September, and of Article 24 of Law No. 148/2015, of 9 September.
- examined the following documents prepared with reference to financial year 2020, which deserved its agreement:
  - the Management Report;
  - the Bank's Financial Statements - on an individual and consolidated basis -,

which include the year-end Balance Sheet, the Income Statements, the Statements of Changes in Shareholders' Equity and the Cash Flow Statements – and the respective Notes;

- BPI Group's Corporate Governance Report; and
- the Statutory Certification of Accounts and the Auditors Report issued by PwC.

On the other hand, each member of the Audit Committee hereby states that, to the best of their knowledge, the aforementioned financial information was prepared in conformity with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of the Bank and of the companies included in its consolidation perimeter and the Management Report faithfully describes the evolution of the businesses, and the performance and position of the Bank and of the companies included in its consolidation perimeter and contains a description of the main risks and uncertainties that they face.

In view of the foregoing, the Audit Committee is of the opinion that, with respect to the 2020 financial year, Banco BPI's Management Report, the Proposed Application of Results contained therein, the consolidated and individual Financial Statements, the respective Statutory Certification of Accounts and Audit Report, and also the Bank's Corporate Governance Report, are in conformity with the applicable legal, statutory and accounting requirements, and therefore it recommends their approval by the Shareholder.

Porto, 15 March 2021

The Audit Committee

Manuel Sebastião

António Lobo Xavier

Elsa Roncon Santos

Fátima Barros

Lluís Vendrell

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.)

Summary of Self-Assessment Report

on the adequacy and effectiveness of the organisational culture

and the governance and internal control systems of Banco BPI

(THIS REPORT IS A FREE TRANSLATION TO ENGLISH FROM THE ORIGINAL PORTUGUESE VERSION)

Through Notice no. 3/2020, published on 29 June 2020, and Instruction no. 18/2020, published on 15 July 2020, the Bank of Portugal established a new regulatory framework to be complied with by all entities subject to it, on the various matters of organisational culture, governance and internal control, promoting an integrated and holistic vision of such matters and fostering sound and prudent management.

Specifically, the following matters are regulated in this framework: *(i)* organisational conduct and culture, *(ii)* internal governance, organisational structure and strategic planning, *(iii)* internal control system and risk management, *(iv)* related parties and conflicts of interest, *(v)* whistleblowing, *(vi)* outsourcing of the internal control functions' operational tasks and the whistleblowing IT system, *(vii)* policies for the selection and appointment of external auditors, *(viii)* remuneration policies and practices, *(ix)* financial groups, *(x)* self-assessment by the regulated entities of the matters provided for therein, and *(xi)* documentation, systematisation of information and disclosure of information to the public.

The regulatory framework attributed to the supervised entities the obligation to conduct an annual self-assessment of the adequacy and effectiveness of their organisational culture and their governance and internal control systems.

This is an important opportunity for critical reflection at the highest level of each institution and group, which must include, at least, the following elements:

a) Assessment of the supervisory body;
b) Assessment of the management body;
c) Reports from the heads of the control functions (i.e., risk management, compliance and internal audit functions).

Concerning all the reports and other documents provided for in the said regulatory framework, the first reporting to the Bank of Portugal takes place on a transitional basis until 1 March 2021, with reference date of 31 January 2021. The following reports will be made by 31 December of each year, with reference to 30 November.

In this context, Banco BPI prepared and approved the reports to the Supervisor referred to above, which describe in detail which policies and procedures are in place to respond to the requirements of the aforementioned Notice, of which the following stand out:

- Board of Directors' assessment of the adequacy and effectiveness of the organisational culture and the governance and internal control systems, which was prepared under the terms provided for in Article 57 of Notice no. 3/2020;
- BPI's Governance Structure with a detailed description of the powers and attributions of the Board of Directors and its Committees, as well as the powers and attributions of the Audit Committee;
- Selection and Assessment Policy for the members of the Management and Supervisory Body and key function holders, as well as the Succession Plan;

- Organisational structure and procedures with regard to Strategic Planning;
- Code of Business Conduct and Ethics, and several Conduct Policies;
- Strategic risk management processes;
- Internal control framework;
- Deficiencies identified by the control functions and external entities, including a detailed description of the methodology for classifying recommendations as requested by Instruction no. 18/2020;
- Information production and processing processes;
- Related parties, conflicts of interest and whistleblowing;
- Remuneration and performance assessment policies;
- Supervisory body's assessment of the adequacy and effectiveness of the organisational culture and the governance and internal control systems, which was prepared under the terms provided for in Article 56 of Notice no. 3/2020;

It should be noted that for the critical analysis of the requirements defined in Notice no. 3/2020 and the assessment of possible limitations or aspects to be further developed internally ("Gap Assessment"), BPI set up a multidisciplinary working group, which identified a set of activities - some already developed, others under way, and others planned for 2021 -, with a view to full compliance with the provisions of the said regulatory framework. This action plan is described in detail in the aforementioned self-assessment report.

Lisbon, 2 March 2021

Audit Committee

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.)

Statement of the Board of Directors

DECLARATION REFERRED TO IN ARTICLE 245 (1) C)
OF THE SECURITIES CODE

Article 245 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows[1]:

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2020 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

BOARD OF DIRECTORS

Chairman	Fernando Ulrich
Deputy-Chairman	António Lobo Xavier
Members	António Farinha Morais
	Cristina Rios Amorim
	Elsa Maria Roncon
	Fátima Barros
	Francisco Manuel Barbeira
	Gonzalo Gortázar
	Ignacio Alvarez-Rendueles
	Javier Pano
	João Pedro Oliveira e Costa
	Lluís Vendrell
	Manuel Sebastião
	Natividad Capella
	Pedro Barreto

Porto, 2 March 2021

1) The Audit Committee members signed a statement with the same content. Within the scope of the documents for which they are responsible, the External Auditors have signed an equivalent declaration.

Corporate Governance Report

Contents

This document is a translation from the Portuguese original "Relatório de Governo da Sociedade 2020".
In the event of any inconsistency the Portuguese version shall prevail.

I - INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

This report was drawn up under the terms of Article 70-2-b) of the Portuguese Commercial Companies Code and Article 245-A of the Portuguese Securities Code.

1. Banco BPI's share capital is fully held by CaixaBank, S.A..

2. All the shares representing the share capital are of a single class and series, conferring identical rights on their holders, including voting and profit-sharing rights.

   There are no restrictions of any nature whatsoever on the transferability of shares, which is fully free.

   There is no system in place for employee participation in Banco BPI's share capital.

3. The Company has a single shareholder. There is no shareholders agreement.

4. Under the terms of the Company's Articles of Association, each share is entitled to one vote.

5. The company has not entered into any agreements the coming into force of which is dependent on a change in the Bank's shareholder structure, or which are amended or terminate as a result thereof.

   There are no significant agreements to which BPI is a party which come into force, are amended or terminate in the event of a change of control in the Company. Six loans, for a total amount of €1 060 million, include clauses that, in the event of a change of control, provide for consequences which, under certain circumstances, may include an early repayment obligation.

   There are no agreements between BPI and members of the management board or senior officers that make provision for compensation in case of resignation, dismissal without due cause or termination of the labour relationship following a change in control of the company, save as provided for under the applicable general law.

6. Until 30 November 2020 the Company was organically structured in the form provided for in article 278 (1)(a) of the Commercial Companies Code, commonly referred to as the "Latin Model", having as corporate bodies the General Meeting, the Board of Directors and the Supervisory Board, and also having a Statutory Auditor ("ROC").

   On 30 November 2020, the Company changed its corporate governance model to the form provided for in article 278 (1) (b) of the Commercial Companies Code, commonly referred to as the "Anglo-Saxon Model", and its corporate bodies are now the General Meeting, the Board of Directors and the Audit Committee, and there is also a Statutory Auditor ("*Revisor Oficial de Contas* - ROC").

   The regular term of office of the corporate bodies is three years, except for the Statutory Auditor, which has a term of office of four years.

   The Board of Directors meets at least monthly and whenever a meeting is convened by its Chairman or by two Directors.

   The Shareholders attending the General Meeting on 26 April 2017 approved an amendment to Banco BPI's Articles of Association, under the terms of which they authorised the Board of Directors to approve share capital increases and to define all of the terms and characteristics thereof, subject to the limitations and rules contained in the following sub-paragraphs:

   a) The authorisation encompasses the resolution on one or more capital increases, through new cash contributions and issuance of shares of the same category as the existing shares or of some other category as may be authorised by law or the articles of association;

   b) The total value of the capital increases resolved on by the Board of Directors under the authorisation foreseen in this number may not exceed €500,000,000 (five hundred million euros);

   c) Unless said right is limited or removed by the General Meeting, any capital increases are offered to the shareholders of Banco BPI under the terms of the respective pre-emptive right;

d) Any shares not subscribed by the shareholders of Banco BPI under the terms of their pre-emptive right may, if so provided for in the resolution which approves the capital increase, be offered for subscription by third parties;

e) The shares representing capital increases may be issued with or without an issue premium and they shall bestow entitlement to profits, reserves or any other assets whose distribution is deliberated subsequently to their issue;

f) The resolution on the share capital increase requires a prior favourable opinion of the supervisory body of the company;

g) The authorisation is valid for a period of 5 years as from 26 April 2017.

In addition to the general rules provided for in the law, the rules defined in the Selection and Evaluation Policy approved by the General Meeting on 29 April 2015 are applicable to the appointment and replacement of Directors.

It is the responsibility of the Nominations, Evaluation and Remuneration Committee ("CNAR) ") to assess the performance of the executive directors, pursuant to its Regulations and the aforementioned Policy. This assessment shall take into account not only the criteria set forth in this Policy, but also the achievement of corporate and individual objectives that have been established for the period under assessment.

Any change to Banco BPI's Articles of Association requires the approval of two thirds of the votes cast at a General Meeting expressly convened for the purpose, as set forth in article 29 thereof. Also in accordance with BPI's Articles of Association (article 29, paragraph 2), a qualified majority of seventy five percent of the votes cast at a General Meeting is required to approve the winding-up of the Company, as well as to approve the change of the rule under which that special majority is required.

7. The Board of Directors comprises an Audit Committee composed of five non-executive members appointed under the same terms as the members of the Board, which, apart from other responsibilities attributed to it by law and the articles of association, is responsible for:
   a) supervising the process of preparation and disclosure of financial information;
   b) monitoring the effectiveness of the internal control, internal audit, regulatory compliance and risk management processes;
   c) performing, in articulation with the Risk Committee, the function of monitoring the institution's risks;
   d) receiving reports on wrongdoings submitted by shareholders, employees of the Company or others;
   e) monitoring the statutory audit;
   f) assessing and overseeing the independence of the statutory auditor, namely whenever the statutory auditor provides additional services to the Company.

8. The Board of Directors comprises an Executive Committee, to which the day-to-day management of the Bank is delegated, with the broadest powers set forth in the law, subject to the following limitations:

   a) The holding of equity stakes in Banks or Insurance Companies, or the acquisition, disposal or pledging of any other securities shall not result in the financial involvement with any single entity (or if that entity forms part of a group that for internal risk analysis purposes corresponds to a single risk group, then with respect to that group) corresponding to more than 15% of Banco BPI's consolidated shareholders' equity, as reported in the latest quarterly accounting information approved by the Board.

   b) The provisions of a) above shall not apply to operations resulting in financial involvement exceeding 15% of the Bank's total consolidated own funds (such as defined in the Risk Appetite Framework - RAF at any time approved by the Board of Directors), if the debtor is a Sovereign State or if, due to any other circumstance, the Bank is exposed to Sovereign risk as a result of such operations.

      Such operations may therefore be decided by the Executive Committee, which in any case must obtain the favourable opinion of the Risk Committee prior to taking such decision.

      For this purpose, Sovereign risk shall be understood as the exposure to the credit risk of any entity under direct administration of a Sovereign State, or to the risk of any other entity or transaction for which the Sovereign State is responsible, whether as a result of the legal regime of that entity or of the State having provided a personal guarantee to that transaction.

The following shall also be excluded from the delegation of powers:

a) Decisions concerning debt relief or delivery in accord and satisfaction in lieu of payment, when concerning debts to the Bank of persons that are, under the applicable law, Politically Exposed Persons or holders of other political or public offices;

b) Without prejudice to the next paragraph, decisions to acquire equity holdings (i) in companies with assets exceeding €150 million or (ii) when the equity holding to be acquired, by itself or together with previous acquisitions, involves an acquisition sum of €25 million or more;

c) Decisions to encumber or dispose of shareholdings whose acquisition value exceeds €25 million.

Where the urgency or exceptional nature of the operation so require, and the acquisition amount of the equity holding does not exceed €50 million, the acquisition may be decided upon by the Executive Committee, which shall inform the Board of Directors about it as soon as possible.

The Executive Committee is therefore the body responsible for the day-to-day management of the businesses and for representing the Bank. It meets weekly or whenever convened by its Chairman or by two of its members, watching over the evolution of the corporate businesses on an ongoing basis.

Three specialised committees operate within the scope of the Board of Directors:

a) the Risk Committee (CR), which, without prejudice to the attributions of the Audit Committee in these matters, is responsible for monitoring the management policy covering all the risks attaching to the company's activities, namely liquidity, interest rate, forex, market and credit risks, as well as monitoring the Company Pension Fund management policy.

b) the Nominations, Evaluation and Remuneration Committee ("CNAR), whose duties include issuing opinions on the filling of vacancies in the governing bodies and on the choice of Directors to be appointed to the Executive Committee, and also on the assessment and setting of the latter's remuneration, as well as issuing opinions, amongst others, on the policies relating to the appointment and succession to positions on Banco BPI's governing bodies and senior management and on the remuneration policies to be defined for these positions and for Banco BPI's other employees.

c) the Social Responsibility Committee, which is responsible for assisting and advising the Board of Directors on matters related to the Bank's social responsibility, for issuing opinions on the social solidarity, education, science, innovation and cultural patronage policies pursued by the BPI Group, as well as on the design of specific initiatives within these policies, and for monitoring the prize awarding process of the *BPI Capacitar*, *BPI Sénior*, *BPI Solidário*, *BPI Infância* and *BPI Rural* awards.

8. The company's corporate governance model * is as follows:

Corporate Bodies of Banco BPI:

Board of the General Meeting
Chairman
Alexandre Lucena e Vale
Secretary
João Avides Moreira

Audit Committee
Chairman
Manuel Sebastião
Members
António Lobo Xavier
Elsa Maria Roncon
Fátima Barros
Lluis Vendrell

Board of Directors
Chairman
Fernando Ulrich
Deputy-Chairman
António Lobo Xavier
Members
António Farinha Morais
Cristina Rios Amorim
Elsa Maria Roncon
Fátima Barros
Francisco Manuel Barbeira
Gonzalo Gortázar
Ignacio Alvarez-Rendueles
Javier Pano
João Pedro Oliveira e Costa
Lluís Vendrell
Manuel Sebastião
Natividad Capella
Pedro Barreto

Statutory Auditor
In office
PricewaterhouseCoopers & Associados, SROC, Lda., represented by José Manuel Bernardo
Alternate
Ana Maria Ávila de Oliveira Lopes Bertão

Company Secretary
In office
João Avides Moreira
Alternate
Miguel Pessanha Moreira

Risk Committee
Chairman
Cristina Rios Amorim
Members
Elsa Maria Roncon
Javier Pano
Manuel Sebastião

Executive Committee of the Board of Directors
Chairman
João Pedro Oliveira e Costa
Members
António Farinha Morais
Francisco Manuel Barbeira
Ignacio Alvarez-Rendueles
Pedro Barreto

Nominations, Evaluation and Remuneration Committee
Chairman
Fátima Barros
Members
Cristina Rios Amorim
Lluís Vendrell

Social Responsibility Committee
Chairman
Artur Santos Silva
Members
António Barreto
Isabel Jonet
José Pena do Amaral
Rafael Chueca

* Approved on 30 November 2020. Until that date, the previous governance model was in force and the members that were part of the corporate bodies on 31 December 2019 remained in office in accordance with the law. The composition of these bodies can be consulted in the 2019 Corporate Governance Report.

Positions held by the members of the Board of Directors and of the Audit Committee in other companies as at 31 December 2020

Name	Position	Positions in commercial companies	Other positions
Fernando Ulrich	Chairman of the Board of Directors	Does not hold any positions in commercial companies *Was nominated non-executive Director of CaixaBank, S.A. and awaits formal appointment*	Does not hold any other positions
António Lobo Xavier	Deputy-Chairman of the Board of Directors Member of the Audit Committee	Non-executive Director at NOS SGPS, S.A. Non-executive Director at Mota Engil, S.A. Non-executive Director at Fábrica Têxtil Riopele, S.A. Non-executive Director at BA Glass – Serviços de Gestão e Investimentos, S.A.	Chairman of the Board of the General Meeting of Têxtil Manuel Gonçalves, S.A. Chairman of the Board of the General Meeting of Mysticinvest, Holding S.A. Member of the Board of Curators of Belmiro de Azevedo Foundation Member of the Council of State
João Oliveira Costa	Chairman of the Executive Committee of the Board of Directors	Does not hold any positions in commercial companies	Does not hold any other positions
António Farinha Morais	Executive Director	Non-executive Director at Banco Comercial e de Investimentos, S.A.	Does not hold any other positions
Cristina Rios Amorim	Non-executive Director Chairman of Risk Committee Member of the CNAR	Non-executive Director at Amorim, SGPS, S.A. Deputy-Chairman of the Board of Directors and CFO of Amorim Investimentos e Participações, SGPS, S.A. Non-executive Director at Corticeira Amorim, SGPS, S.A.	Member of the Board of BCSD Portugal – Business Council for Sustainable Development Member of the General Board of AEM-Associação de Empresas Emitentes de Valores Cotados em Mercado
Elsa Roncon	Non-executive Director Member of the Audit Committee Member of the Risk Committee	Does not hold any positions in commercial companies	Does not hold any other positions
Fátima Barros	Non-executive Director Member of the Audit Committee Chairman of CNAR	Non-executive Director at Brisa Concessão Rodoviária, S.A. Member of the Supervisory Board of Warta – Retail & Services Investments B.V. Member of the Governance and Social Responsibility Committee of Jerónimo Martins, SGPS, S.A.	Non-executive Director at Francisco Manuel dos Santos Foundation
Francisco Barbeira	Executive Director	Non-executive Director at SIBS, SGPS, S.A. Non-executive Director at SIBS, Forward Payment Solutions, S.A.	Chairman of the Supervisory Board of INEGI - Instituto de Ciência e Inovação em Engenharia Mecânica e Engenharia Industrial
Gonzalo Gortázar	Non-executive Director	CEO of CaixaBank, S.A. Non-executive Chairman of VidaCaixa	Does not hold any other positions
Ignacio Alvarez-Rendueles	Executive Director	Non-executive Director of Inter-Risco, Sociedade de Capital de Risco, S.A.	Does not hold any other positions
Javier Pano	Non-executive Director Member of the Risk Committee	Non-executive Director at CECABANK, S.A.	Chief Financial Officer of CaixaBank, S.A.
Lluís Vendrell	Non-executive Director	Does not hold any positions in commercial companies	Corporate Manager of Corporate M&A at CaixaBank, S.A.

	Member of the Audit Committee Member of the CNAR		
Manuel Ramos Sebastião	Non-executive Director Chairman of Audit Committee Member of the Risk Committee	Non-executive Director and Chairman of the Audit Committee at REN, SGPS, S.A.	Chairman of the Supervisory Board of IPCG – Instituto Português de Corporate Governance Chairman of the Board of Directors of the Ulisses Foundation (Lisbon MBA) Member of the Discipline Board of the Economists Association Member of the Supervision and Disciplinary Committee of Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC) Member of the Audit Committee at the AiR351-Art in Residence Association
Natividad Capella	Non-executive Director	Non-executive director at VidaCaixa Non-executive director at CaixaBank Wealth Management Luxembourg S.A.	Head of Global Risk at CaixaBank, S.A.
Pedro Barreto	Executive Director	Deputy-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimento, S.A.	Does not hold any other positions

Transactions in CaixaBank shares and BPI or CaixaBank bonds made by the members of the Board of Directors and Audit Committee in 2020 (for compliance with art. 447 of the Commercial Companies Code)

The totality of the shares representing the share capital of Banco BPI are held by its single shareholder, CaixaBank, S.A., therefore no transactions on BPI shares were carried out by members of its Board of Directors or Audit Committee (Supervisory Board until 30 November 2020) in 2020.

None of the members of the Board of Directors or Audit Committee (or Supervisory Board until 30 November 2020) holds or carried out transactions in Banco BPI or CaixaBank bonds.

The information on transactions with CaixaBank, S.A. shares is provided in the table below:

Members of the Management and Supervisory Bodies appointed on 30 November 2020 for the 2020-2022 term of office

	Position at 31 Dec 2019	Acquisitions 2020	Disposals 2020	Position at 31 Dec 2020
Fernando Ulrich	0	0	0	0
António Lobo Xavier	0	0	0	0
João Oliveira Costa	30,394	*27 Apr: 3,091/€3.9896 *29 Apr: 5,101/€2.8805 * 22 May: 12,641/€1.5803	0	51,227
António Farinha Morais	49,084	*27 Apr: 2,001/€3.9896 *29 Apr: 3,125/€2.8805 * 22 May: 8,845/€1.5803	0	63,055
Cristina Rios Amorim	0	0	0	0
Elsa Roncon	0	0	0	0
Fátima Barros	0	0	0	0
Francisco Barbeira	20,056	*27 Apr: 1,600/€3.9896 *29 Apr: 3,937/€2.8805 * 22 May: 7,374/€1.5803	0	32,967
Gonzalo Gortázar	960,657	26 Feb: 35,221 / €2.816 26 Feb: 10,149 / €2.816 26 Feb: 5,085 / €2.816 26 Feb: 9,729 / €2.816 9 Mar: 100,000 / €2.093 27 May: 8,812 / €1.599	0	1,129,653
Ignacio Alvarez-Rendueles	56,902	*27 Apr: 2,673/€3.9896 *29 Apr: 4,250/€2.8805 * 22 May: 17,441/€1.5803	0	81,266
Javier Pano	102,149	27 Feb: 16,520 / €2.816 28 May: 2,100 / €1.599	0	120,769
Lluís Vendrell	23,879	27 Feb: 11,002 / €2.816 28 May: 826 / €1.320	0	35,707
Manuel Sebastião	0	0	0	0
Natividad Capella	83,050	27 Feb: 9,285 / €2.816 28 May: 1,360 / €1.599	0	93,695
Pedro Barreto	19,008	*27 Apr: 3,091/€3.9896 *29 Apr: 4,775/€2.8805 * 22 May: 12,210/€1.5803	0	39,084

*) Shares awarded within the execution of the Remuneration Policy of the members of the Board of Directors of Banco BPI.

Members of the management and supervisory bodies in office in the previous mandate (2017-2019) who left office on 30 November 2020

	Position at 31 Dec 2019	Acquisitions 2020	Disposals 2020	Position at 30 Nov 2020
Board of Directors				
Pablo Forero	155,996	*27 Apr: 3,008 / €3.9896 *29 Apr: 4,583 / €2.8805 * 22 May: 20,979 / €1.5803	56,613 / €1,600	127,953
António José Cabral	0	0	0	0
Alexandre Lucena e Vale	16,398	*27 Apr: 1,662 / €3.9896 *29 Apr: 2,760 / €2.8805 * 22 May: 6,196 / €1.5803	0	27,016
José Pena do Amaral	16,600	*27 Apr: 1,700 / €3.9896 *29 Apr: 2,771 / €2.8805 * 22 May: 8,383 / €1.5803	0	29,454
Tomás Jervell	0	0	0	0
Supervisory Board				
Rui Guimarães	0	0	0	0
Ricardo Pinheiro	0	0	0	0

* Shares awarded within the execution of the Remuneration Policy of the members of the Board of Directors of Banco BPI.

The main areas of responsibility of the members of the Executive Committee are the following:

Executive Committee	Main areas of responsibility
Chairman	
João Oliveira Costa	Compliance, Legal, People and Organisation, Communication, Brand and Social Responsibility
Members	
António Farinha Morais	Risk Management Function, Credit Admission and Credit Recovery
Francisco Barbeira	Retail Banking, Individuals and Small Businesses Marketing, Business Development, Digital Banking, Information Systems, Operations, Procurement, Installations, Logistics and Security, Real Estate Partnerships, InTouch, Consumer Finance
Ignacio Alvarez-Rendueles	Financial, Accounting and Budget Management, Planning and Capital, Economic and Financial Studies, Capital Markets
Pedro Barreto	Corporates and Institutional, Private Banking

The Internal Audit Division (IAD) reports to the Audit Committee, without prejudice to its duty to report to the Chairman of the Board of Directors to enable the latter's adequate fulfilment of his functions.

In addition, there are a set of interdisciplinary Committees that monitor and control the whole activity of the institution, including the following:

Global Risk Committee

The Global Risk Committee is responsible for the overall management, control and monitoring of the risks included in Banco BPI's Risk Catalogue.

To do so, it analyses the Bank's global risk positioning and establishes policies for optimising the monitoring and management of risks in line with its strategic objectives.

The Global Risk Committee also has as objectives to align Banco BPI’s risk strategy to the guidelines established by the Board of Directors in the Risk Appetite Framework (RAF), to coordinate the measures taken to mitigate non-performance and the response to RAF early warning signals, and to keep the Board of Directors informed, through the Risk Committee, of the main lines of action and the status of risks at BPI.

The Global Risk Committee must also ensure that the group's corporate policies within its sphere of intervention are implemented and complied with at Banco BPI.

ALCO Committee

The ALCO Committee is responsible for:

- Managing, controlling and monitoring the liquidity, interest rate and exchange rate structural risks within the scope of BPI Group;
- Optimise and more profitable financial structure of the balance sheet, including the Net interest income and Income from Financial Operations;
- Determining the transfer rates for the various businesses, and monitoring the prices, maturities and volumes of asset- and liability-generating activities, in accordance with the policies, risk appetite framework and risk limits approved by the Board of Directors.

In addition, the ALCO Committee is the sole body with decision-powers with regard to BPI Group's wholesale funding - usually involving the issue of bonds, securitisations, loans and equity instruments -, for which it must take the adequate decisions and issue recommendations to the various business areas.
All the members of the ALCO Committee must inform the Committee about any matters within their sphere of competence that are liable of affecting the management of risk under the responsibility of the Committee.

Business and Marketing Committee

The mission of the Business and Marketing Committee is to coordinate the activities and businesses of the Corporate and Institutional network (includes Corporate and Investment Banking, where applicable), Private Banking and Individuals, Businesses and *Premier* networks, deciding on, or preparing for decision by other bodies, in line with the Bank's organic policies, standards and powers, all matters that are of common interest to the commercial networks, namely the organisation of the product offer, segment management, price positioning and commercial communication.

Permanent Credit Committee

The mission of this Committee is to decide on loan granting and recovery, obligatorily analysing all credit exposures (including those fully hedged by financial assets qualifying as mitigators) within its sphere of competence, as well as to decide on loan granting, recovery and management policies, including risk mitigation measures, and on sector-specific risk analysis.

Information Governance Committee

The main objective of the Information Governance Committee is to ensure compliance with the BCBS 239 Regulation, namely watching over the coherence, consistency and quality of the information and defining the data management strategy.
The Committee must also promote the value of information and data as a corporate asset and a critical and differentiating element, and put into practice BPI Group's Global Information Policy across the entire organisation, on the following fronts:

- Assignment of responsibilities for the information items, namely concepts and reportings;
- Standardisation of concepts;
- Data documentation principles that ensure the centralisation, integrity and consistency of all the information;
- Processes to assess and improve data quality;

The Committee is also responsible for supervising and ensuring the correct execution and monitoring of the Information Governance policy in Banco BPI.

9. Main features of the company's internal control and risk management systems in relation to the financial reporting process Article 245-A, 1-m) of the Securities Code

On 26 September 2017 the EBA published its Guidelines on Internal Governance. These guidelines, which came into force on 30 June 2018, lay down the model for Internal Governance that Credit Institutions and Investment Companies must implement to comply with Article No. 74 (1) of Directive 2013/36/EU. Their application aims to ensure that Institutions implement an adequate and prudent management model.

Based on these guidelines, BPI approved its Internal Control Policy, which establishes and formalises the internal guidelines of the Internal Control System and is based on the 3LoD Model, highlighting the functions of Global Risk Management (referred to in the regulation as RMF or Risk Management Function), Compliance and Internal Audit. This policy is deployed through the implementation of the 3LOD Model in the Institution and for all risks identified in the Risks Catalogue approved by the Board of Directors. Banco BPI's Internal Control Framework establishes functions and procedures that implement the policy across each of the risks and for each of the lines of defence identified.

Within the scope of the Internal Control System, Banco BPI draws up and submits to the Bank of Portugal and the CMVM an Annual Report on its Internal Control System. The Internal Control System has the following objectives:

- To ensure the effective use of assets and resources, business continuity, and, ultimately, the survival of the institution;
- To ensure the existence of comprehensive, relevant, reliable, and timely financial and management information;
- To ensure that the regulations bearing on the Institution are applied.

On 16 July 2020 the Bank of Portugal published Notice No. 3/2020, which, together with Instruction 18/2020, is now the benchmark for organisational conduct and culture, risk governance, control and management systems, including remuneration policies and practices. This publication is part of Bank of Portugal's process of incorporating the regulations published in recent years by the EBA / CEBS, COSO and BCBS, formalising and systematising international guidelines and regulations in a single set of rules (Notice 3/2020).
In addition to this new Notice, the Bank of Portugal also deemed it necessary to replace the previous Internal Control Report with the new Self-Assessment Report, whose requirements are detailed in Instruction 18/2020.

At BPI, the Risk Management Division (RMD) comprises the Risk Management Functions (RMF), being responsible for ensuring the implementation of the Internal Control System and the 3LoD Model. The Financial Control Internal Unit (FCIU), which was integrated into the Risk Management Division (RMD) at the end of 2020, performs the second line of defence functions with regard to the financial information reliability risk, ensuring the execution and follow-up by the internal control system of the financial information.

In December 2020 the Board of Directors of Banco BPI approved the Policy for the Management of the Risk of Financial Information Reliability, under the responsibility of the FCIU, which establishes the governance framework, and the principles and rules underlying the management of the financial information reliability risk to be disclosed by the Bank to the market, establishing the perimeter of the documents covered by the policy and the layers of control that must be applied to each document prior to disclosure.

10. The Bank's main business areas are the following:

Banco BPI focuses on the commercial banking business in Portugal, offering a broad range of services and financial products to individual, corporate and institutional Customers. The Commercial Banking business is structured into the following areas:

- Individuals, Businesses, Premier and InTouch Banking: commercial operations with individual Customers, entrepreneurs and small businesses, developed through a multi-channel distribution network comprising traditional branches (serving mass-market Customers, entrepreneurs and small businesses), Premier Centres (serving high networth Customers or Customers with potential for wealth accumulation) and Intouch Centres (which offer individual Customers a dedicated account manager accessible by telephone or digital channels, during an extended timetable).
- Private Banking: serving individual Customers with larger financial assets. Provides discretionary management and financial advisory specialised services, and includes the activity of a fully-held subsidiary in Switzerland - BPI Suisse.
- Corporate and Institutional Banking: specialised service to companies and institutions, provided through corporate centres, institutional centres (for public sector and state business sector bodies and enterprises), real estate business centres (provide specialised support to developers and builders involved in large residential real estate projects) and corporate and investment banking centres (for the largest national business groups, insurance companies and subsidiaries of the largest Spanish companies).

11. Internal Governance and Control System

On 15 April 2020, Bank of Portugal Notice no. 3/2020 and associated Instruction no. 18/2020 were published. This notice regulates the governance and internal control systems and defines the minimum standards on which the organisational culture of entities subject to the Bank of Portugal's supervision must be based, revoking Notices nos. 5/2008 and 10/2011, as well as Instruction no. 20/2008.

BPI's governance structure complies with the EBA's guidelines on Internal Governance (EBA/GL/2017/11). The Bank has adopted the three Lines of Defence model, fully complying with national and European regulations and adopting best practices in its Internal Governance.

Upon their publication, the new Notice, No. 3/2020, together with Instruction 18/2020, have become the benchmark for organisational conduct and culture, risk governance, control and management systems, including remuneration policies and practices. With their publication, the Bank of Portugal transposes into the national regulatory framework the regulations published in recent years by the EBA / CEBS, COSO and BCBS.

The Bank therefore develops its Internal Control structure within this framework, ensuring strict compliance with the regulations in force. BPI has in place a risk identification, management and control system designed to foster an appropriate control environment and a solid risk management system.

Policies and procedures are specifically defined and put into practice for all the risks to which the Bank is exposed. These policies and procedures are available to and easily accessible by all the Institution's employees, being disclosed in a dedicated area on the Bank's Intranet.

Having in place a system of delegated Committees and Operational Groups, the Bank ensures a governance structure that allows the formalisation of the main decisions that affect the Bank's risk profile and enables adequate monitoring of the risks by specialised bodies.

Through an annual process of self-assessment of the risk profile, included in its Strategic Risk Processes, the Bank evaluates the maintenance of its risk profile and the associated management, control and governance structures, and analyses the appearance of new emerging or potential risks. The Bank monitors its risk profile with respect to the risks identified in its annual self-assessment and included in its Risk Catalogue, in order to ensure compliance with the risk profile defined by the Board of Directors.

12. Risk Management Function

The risk management, compliance, and audit functions are institutionally allocated in legal and regulatory terms to the Risk Management Division (RMD), the Compliance Division (CD) and the Internal Audit Division (IAD), respectively.

The broad lines that govern the organisation and functioning are described below:

a) Risk Management Division (RMD)

The Risk Management Division is responsible for BPI's Risk Management Function and comprises the second line of defence, acting independently from the business and support units that integrate the first line of defence. The mission of the Risk Management Function is to identify, measure, monitor and disclose risk at the level of the organisation, in a segregated manner. Its scope of action encompasses the entire organisation, and it plays a key instrumental role in the effective implementation of the Risk Management Structure and Policies, providing a global perspective over all the risks.

The functions performed by the various areas of the RMD are designed to fit into the second line of defence roles of follow-up, management and control of the financial activity specific risks, the business model and the protection against losses.

In this context, the RMD defines policies and methodologies relative to the Catalogue risks, which are executed by the first-line risk-taking units, and monitors compliance therewith.

From the main functions performed by the Risk Management Division, the following should be stressed on account of their importance for the management of the Bank's risk, and as guarantors of an adequate internal control system:

- General Nature
  - To draw up the internal regulations on risk-taking, in coordination with but independently from the 1LoD;
  - To follow up and monitor BPI's relevant exposures;
  - To support the provision of information to the supervision authorities, namely with regard to the risks which it monitors, in collaboration with other Divisions of the Bank.

- Policies and rules
  - To draw up risk management and control policies, in coordination with but independently from the 1LoD, and aligned to the RAF;
  - To validate, in a critical manner, compliance with the internal rules and their alignment with the policies.

- Models
  - To calculate the necessary capital requirements for the risks identified and to make forward-looking projections in light of the expected evolution of risks, from both the regulatory and the economic perspectives;
  - To design scoring/rating models and follow-up and control these models;
  - To develop, update and monitor the collective impairment models and the Bank's individual impairment processes, for all credit segments;
  - To define the methodology for and to monitor and report on Risk Adjusted Pricing.

- Risks and Controls
  - To define the risk measurement and quantification methodology, and to validate, taking a critical approach, the identification and assessment of risks and respective controls, including the emerging risks;
  - To ensure that the risk analysis models comply with the regulatory rules and standards, in terms of both design and functioning, and that they are a useful and appropriate assessment tool;
  - To identify, measure, monitor and control the risks inherent in the Bank's activity, and to set them against the limits and tolerances established in the Risk Appetite Statement approved by the Board of Directors;
  - To make a periodic follow-up of the emerging risks.

- Monitoring of indicators
  - To validate, taking a critical approach, the identification of indicators by the 1LoD and their measurement criteria, and to make a periodic follow-up of the indicators defined;
  - To follow-up, monitor and project the evolution of risk indicators;
  - To monitor the risk metrics assigned to it within the scope of the Risk Appetite Framework (RAF).

- Control Weaknesses and Remediation Plans
  - To support and/or define criteria for the production of action plans by the 1LoD and to critically validate the identification of weaknesses and the definition, implementation and monitoring of action plans by the 1LoD;
  - To make a periodic follow-up of the weaknesses identified by the 1LoD, 2LoD or 3LoD and the implementation of action plans by the 1LoD.

- Reporting
  - To report to the corporate bodies, senior management or other internal control or management bodies: (i) the relevant information on risks, (ii) the main control weaknesses identified, (iii) the action plans' status of implementation, and (iv) an opinion on the risk control framework.

The Global Risk Management Function also plays an important role in the preparation and transmission of information to the Bank's corporate and supervision bodies.

At the end of 2020, the structure of the RMD was updated to incorporate new functions and specialise the teams, and is now divided into seven major areas:

- Financial Risks
- Information and Non-financial Risks
- Credit Risk Monitoring, Policies and Control
- Liquidity Risk, Market Risk and IRRBB
- Model Validation and Risk
- Internal Financial Control Unit
- Management Models

The identification and monitoring of legal risks and Compliance risks are excluded from the scope of responsibility of the RMD.

b) Compliance Division (CD)

The Compliance Division is responsible for the Compliance Function at Banco BPI, as the second line of defence of the risk governance model; it acts independently, permanently, effectively and alongside the activity of the first line of defence, identifying, measuring, monitoring and reporting on conduct, legal and reputational risks.

In this context, the main mission of the Compliance Division is to manage and control the risk of performances contrary to the interests and rights of Customers and remaining Stakeholders, and the risk of procedures being adopted that lead to acts or omissions that go against the applicable legal and regulatory framework or the internal codes and standards. In this manner, it seeks to prevent and minimise damages arising from potential sanctions applied to Banco BPI, as well as damages of a reputational nature.

Reflecting the importance of this function within the Group's internal control system and in accordance with best practices, the Compliance Division reports directly to the Chairman of the Executive Committee of Banco BPI. Likewise, the Compliance Division also drafts a set of periodic reports to the management and supervisory bodies.

In this context, the risk of conduct gains expression through a set of risk taxonomies which are being progressively implemented at Banco BPI:

- Risk related to Customer protection:
  Risk of non-compliance with regulations and rules that govern the activity developed by the Employees or agents, such as may harm the interests and/or rights of Customers.

- Internal governance risk:
  Risk of non-compliance with regulations, rules or international standards applying to the structure, organisation, supervision and sound governance and scope of action of the Compliance Function.

- Market and integrity risk:
  Risk of non-compliance with the regulations and rules applying to market integrity and activities liable of damaging the proper functioning of the markets.

- Data protection and information governance risk:
  Risk of non-compliance with regulations and rules applying to the privacy and protection of personal data and with information governance.

- Risk related to the Employees' activities:
  Risk of non-compliance with regulations and rules applying to the activities performed by the Employees, where they may put their personal interests above those of the Bank or Customers.

- Risk of prevention of money laundering and terrorism financing:
  Risk of non-compliance with regulations and rules intended to prevent financial institutions from being used as an instrument for money laundering and terrorist financing.

- Risk of sanctions:
  Risk of non-compliance with regulations and rules that impose economic sanctions or restrictions on free trade with certain countries, governments, or individuals.

The Compliance Division is currently structured into three areas:

- Regulatory Risks;
- Prevention of Money Laundering and Terrorist Financing (AML&TF);
- Projects, Methodology and Reporting.

The AML&TF area comprises three teams with specific attributions, namely the onboarding, monitoring and discharge of Customers, investigations, alerts and communications, and, finally, international sanctions and restrictive measures.

c) Internal Audit Division (IAD)

i) Positioning and reporting

The Internal Audit Function at Banco BPI, S.A. (BPI, BPI Group or Institution) is performed by the Internal Audit Division (IAD), which reports to the Audit Committee (AUC), without prejudice to the duty to report to the Chairman of the Board of Directors to enable this body to adequately discharge its functions. This arrangement ensures the IAD's independence and authority within the institution, in compliance with the regulatory practices set forth in the EBA Guidelines on internal governance (EBA/GL/2017/11).

The mission, responsibilities and powers of the Internal Audit Function, as well as the principles, rules and duties that govern its performance are set forth in the Internal Audit Function's Rules of Procedure, approved by the Board of Directors on 23 October 2018.

ii) Composition

The IAD's team is composed of employees with adequate capabilities and the necessary expertise and skills for the performance of their functions. The IAD is structured into the following areas:

- Methodologies and Reporting - performs support functions to the activity of the other areas and the Division;
- Commercial Networks and Business - among other functions, it performs audits that place particular attention on the risks associated to the design, placement and marketing of products;
- Markets and Risk - among other functions, it performs audits that place particular attention on the credit, solvency, market, funding and liquidity, interest rate and operational risks; it also audits the internal models for assessment of capital and liquidity (ICAAP and ILAAP);
- Systems, Processes and Digital Banking - among other functions, it performs audits that place particular attention on the risks associated to cybersecurity, data privacy, the business continuity plan and the disaster recovery plan;
- Financial, Equity Holdings and Compliance - among other functions, it performs audits that focus on the risks associated with the reliability of the financial information, reputation, asset impairment, compliance (compliance with the legal and regulatory framework, and with the internal codes and standards), the loss of value of the assets that support the pension plans of the Institution's Employees, and other risks with a potential material impact on the financial stability of the pension plan (Pension Fund);
- Fraud and Special Investigations - among other functions, it is responsible for making technical analyses, establishing responsibilities, detecting procedural deficiencies and identifying losses, with regard to all irregularities coming to the Internal Audit Division’s attention that point to the practice of internal fraud, including Customer complaints directly addressed to the IAD, or referred by the IAD to other bodies of the Bank, with a view to initiating an investigation process.

With regard to CaixaBank, the following should be noted:

- The IAD is included in the internal audit corporate perimeter of the CaixaBank Group. Therefore, the IAD, as an autonomous unit acting independently in the execution of its works, is aligned with the corporate governance framework, as well as with the audit policies and procedures established at CaixaBank Group's level; and

- CaixaBank Group's internal audit supervises the correct application of the function's governance framework established at Group level, so as to guarantee that the information reported to BPI's Audit Committee is consistent with that reported at corporate level.

iii) Mission

The mission of the Internal Audit Function is to provide independent and objective assurance to the Board of Directors about the quality and effectiveness of the systems and processes related to internal control, risk management and governance, having regard to their alignment with legal and regulatory requirements and the Bank's internal procedures. As part of its activities, Internal Audit performs independent reviews to and watches over the quality and efficiency of the internal control system, with regard to the first and second lines of defence as well as to the risk governance structure, thus contributing to ensure compliance with the Bank's strategic objectives.

As regards the entities of the BPI Group that have a local Internal Audit Function or have outsourced this function, the Internal Audit Function may use the internally developed works as a basis, being responsible for coordinating and supervising their quality and for assessing the coherence and consistency of the internal control systems in place at each entity.

iv) Scope of activity

The scope of activity of the Internal Audit Function covers all the entities of the BPI Group except for those that are not in a control or parent-subsidiary relationship.

In addition, it may provide Internal Audit services to entities other than those referred in the previous paragraph, providing there is an agreement therefor, and these entities are part of the CaixaBank Group.

v) Action principles

In accordance with the three lines of defence (LoD) model, Internal Audit acts as the 3rd LoD, supervising the performance of the 1st and 2nd LoD, with the aim of ensuring a systematic and disciplined approach to the assessment and improvement of the risk management/control and internal governance processes. Through its activity, the Internal Audit Division aims to provide reasonable assurance to the governance bodies about:

- The effectiveness and efficiency of the internal control system in the mitigation of the risks inherent to the Bank's activities;
- Compliance with the legislation in force, namely the regulatory requirements and the adequate implementation of the Internal Control Framework and Risk Appetite Framework;
- Compliance with the internal policies and regulations, including corporate guidelines from CaixaBank, and alignment with the sector's risk appetite and best practices; and
- The integrity, reliability and timeliness of financial, accounting and operational information.

Hence the scope of activity of this function includes assessing:

- The adequacy, effectiveness and implementation of Policies, Regulations and Standards;
- The effectiveness of controls;
- The adequate measurement and monitoring of the 1LoD and 2LoD indicators;
- The existence and correct implementation of action plans for control weaknesses;
- The validation, monitoring and assessment of control by the 2LoD.

The scope of activity of the Internal Audit Function covers all the entities, financial and non-financial, of the BPI Group except for those that are not in a control or parent-subsidiary relationship.

vi) Responsibilities

Without prejudice to the remaining responsibilities attributed to it under the law, the Internal Audit Function is responsible in particular, in the discharge of the mission entrusted to it, for the following:

a) Drawing up and keeping updated an Audit Plan aimed at examining and assessing the adequacy and effectiveness of the internal governance, of the various components of the internal control system of the Institution and of BPI Group, as well as of the internal control system as a whole;

b) Issuing recommendations based on the results of the assessments made, and monitoring on an ongoing basis any situations identified, with the regularity warranted by the associated risk, so as to ensure that the necessary corrective measures are adequate and timely implemented;

c) Monitoring market developments, legal and regulatory changes, the strategic planning process and respective decisions of the Institution and the BPI Group, namely when involving acquisitions, disposals, mergers, or the launch of new activities or products, in order to ensure a timely and appropriate response from the audit activity;

d) Developing its activity in line with the internationally recognised and accepted internal audit principles and with the sector's best practices in this area;

e) Preparing and submitting at least once a year to the Audit Committee and the Chairman of the Board of Directors a report on the audit activity, containing a summary of the main deficiencies detected in control actions, including deficiencies that although immaterial when considered separately may reveal a tendency for the deterioration of the internal control system, as well recommendations and a status update on their implementation;

f) Keeping constant watch over the indicators of fraudulent activity, of internal or external origin, with an impact on the Institution or on BPI Group, and taking the necessary steps in accordance with the evidence established;

g) Immediately reporting to the Audit Committee any serious irregularity in management, accounting organisation and supervision, or indications of a breach of the duties set forth in the General Law on Credit Institutions and Financial Companies (RGICSF), which may have a material impact on the economic or financial situation or on the reputation of the Institution and BPI Group.

II – REMUNERATION

Information provided for compliance with the provisions of article 115-G of the RGICSF and article 47 of Notice 3/2020.

The full versions of the Remuneration Policy for the Management and Supervisory Bodies, Remuneration Policy for the Identified Collective, General Remuneration Policy, and Directors' Retirement Regulations, may be consulted on Banco BPI's website at www.bancobpi.pt

a) Aggregate quantitative information on remuneration paid in 2020 to senior management and members of staff whose actions have a material impact on the risk profile of the institution, broken down by business area

Business area:	Total	Non-executive	Executive	Investment banking	Retail banking	Corporate Functions	Control Functions
Number of members	79	10	6	1	12	27	23
Total remuneration (Eur) (includes VR + FR + Attendance Fees)	13,710,026	1,616,000	4,179,108	283,987	2,216,519	3,398,354	2,016,057
Variable remuneration (Eur)	1,995,328	0	846,210	80,000	612,500	397,878	58,740

b) Aggregate quantitative information on remuneration paid in 2020, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution

i) Amounts of remuneration for the 2020 financial year, split into fixed and variable remuneration, and the number of beneficiaries

Business area:	Total	Non-executive	Executive	Investment Banking	Retail banking	Corporate Functions	Control Functions
Number of members	79	10	6	1	12	27	23
Fixed Remuneration (Eur) (Fix. Rem. + Attendance Fees)	11,714,699	1,616,000	3,332,898	203,987	1,604,019	3,000,477	1,957,317
Variable remuneration (Eur)	1,995,328	0	846,210[1]	80,000	612,500	397,878	58,740

1) Of this amount, €386,736 corresponds to variable remuneration paid in 2020 for performance in 2019, and the remainder to portions of variable remuneration of previous years whose deferral period ended in 2020.

ii) Amounts and forms of variable remuneration paid in 2020, split into cash, shares, share-linked instruments and other types

Business area:	Total	Non-executive	Executive	Investment Banking	Retail banking	Corporate Functions	Control Functions
Number of members	79	10	6	1	12	27	23
VR cash paid in 2020 (Eur)	1,724,839	232,733	883,915[1]	73,979	291,762	216,828	25,622
VR Shares paid in 2020 (Eur)	773,810	0	294,525[2]	34,667	239,550	179,446	25,622

1) Of this amount, €193,368 corresponds to variable remuneration in cash paid in 2020 for performance in 2019, and the remainder to portions of variable remuneration in cash of previous years whose deferral period ended in 2020.
2) Of this amount, €193,368 corresponds to variable remuneration in shares paid in 2020 for performance in 2019, and the remainder to portions of variable remuneration in shares of previous years whose deferral period ended in 2020.

iii) Amounts of outstanding deferred remuneration, split into vested and unvested portions

Business area:	Total	Non-executive	Executive	Investment Banking	Retail banking	Corporate Functions	Control Functions
Number of members	79	10	6	1	12	27	23
VR Cash Deferred (Eur)	1,142,924	0	698,684	32,000	215,833	172,658	23,748
VR Shares Deferred (Eur)	1,142,924	0	698,684	32,000	215,833	172,658	23,748

iv) Amounts of deferred remuneration awarded during the 2020 financial year, paid out and reduced through performance adjustments
There was no reduction through performance adjustments in the amounts of deferred remuneration awarded during the 2020 financial year.

v) **New sign-on and severance payments made during the 2020 financial year, and the number of beneficiaries of such payments**
No sign-on or severance payments were made during the 2020 financial year.

vi) **Amounts of severance payments awarded during the 2020 financial year, number of beneficiaries and highest such award to a single person**
No severance payments were awarded during the 2020 financial year.

vii) **Number of Employees being remunerated €1 million or more per financial year, for remuneration between €1 million and €5 million broken down into pay bands of €500 000 and for remuneration of €5 million and above broken down into pay bands of €1 million**
In 2020 there was one Employee with total remuneration between €1 million and €1.5 million.

viii) **Total remuneration for each member of the management body or senior management**

Members of the Board of Directors in office as at 31 December 2020

Amounts in euros

Board of Directors	Fixed remuneration	Attendance fees	2019 Variable Remuneration [1]		Total	
			Attributed	Paid	Attributed	Paid
Fernando Ulrich	750,000	0	0	0	750,000	0
António Lobo Xavier	81,000	58,800	0	0	139,800	0
João Pedro Oliveira Costa [2]	499,045	0	181,260	72,504	680,305	571,549
António Farinha Morais	542,232	0	127,281	50,912	669,513	593,144
Cristina Rios Amorim	60,000	40,700	0	0	100,700	0
Elsa Roncon Santos [3]	5,300	0	0	0	5,300	0
Fátima Barros	60,000	44,400	0	0	104,400	0
Francisco Manuel Barbeira	498,625	0	105,735	42,294	604,360	540,919
Gonzalo Gortázar Rotaeche	60,000	0	0	0	60,000	0
Ignacio Alvarez-Rendueles	824,961	0	172,260	68,904	997,221	893,865
Javier Pano Riera	60,000	40,700	0	0	100,700	0
Lluís Vendrell	60,000	81,400	0	0	141,400	0
Manuel Ramos Sebastião [3]	6,100	0	0	0	6,100	0
Natividad Capella Pifarre	60,000	22,200	0	0	82,200	0
Pedro Barreto	499,045	0	172,260	68,904	671,305	567,949

1) Total variable remuneration awarded in 2020 for performance in 2019. Pursuant to the Remuneration Policy in force, of this amount:

a) Half was attributed in cash and half in kind (CaixaBank shares).

b) 60% (i.e., 60% of the amount attributed in cash and 60% of CaixaBank shares) was subject to deferral, meaning that its payment did not take place in 2020, but will be phased over each of the five years of the 2021-2025 period;

c) The remaining 40% (40% of the shares and cash awarded) was paid in April 2020, but the part in shares was subject to a non-availability period of one year from the date of payment.

2) Took office as Chairman of the Executive Committee of the Board of Directors on 1 December 2020.

3) Took office on 30 November 2020.

Members of the Board of Directors in office in the previous mandate (2017-2019) who left office on 30 November 2020

Amounts in euros

Board of Directors	Fixed remuneration	Attendance fees	2019 Variable Remuneration [1]		Total	
			Attributed	Paid	Attributed	Paid
Pablo Forero	942,697	0	207,202	82,881	1,149,899	1,025,578
Alexandre Lucena e Vale	429,908	0	87,414	34,966	517,322	464,874
António José Cabral	55,000	77,700	0	0	132,700	0
José Pena do Amaral	497,046	0	120,631	48,252	617,677	545,298
Tomás Jervell	55,000	37,000	0	0	92,000	0

1) Total variable remuneration awarded in 2020 for performance in 2019. Pursuant to the Remuneration Policy in force, of this amount:

d) Half was attributed in cash and half in kind (CaixaBank shares).

e) 60% (i.e., 60% of the amount attributed in cash and 60% of CaixaBank shares) was subject to deferral, meaning that its payment did not take place in 2020, but will be phased over each of the five years of the 2021-2025 period;

f) The remaining 40% (40% of the shares and cash awarded) was paid in April 2020, but the part in shares was subject to a non-availability period of one year from the date of payment.

III – RELATED-PARTY TRANSACTIONS

1. Mechanisms implemented by the company for the purpose of controlling related-party transactions

In accordance with IAS 24, the following entities are considered as Banco BPI related parties:

- those in which the Bank has direct or indirect significant influence over their management and financial policies – Associate and jointly controlled entities and Pension Funds;
- those that have direct or indirect significant influence over the management and financial policies of the Bank – Shareholders, this is presumed to happen when the equity holding is greater than 20%;
- key management staff of Banco BPI, such being considered for this purpose as the executive and non-executive members of the Board of Directors and related individual persons and companies.

The Bank maintains a permanent list of the entities included in the concept of “related party” in a centralised IT application, and has defined in a specific standard the set of rules that must be followed in transactions with such entities.

In addition, the following is also stored in centralised IT applications:

- information on exposure per Customer;
- Customers’ integrated position.

Where significant transactions other than current banking transactions are concerned, such as transactions involving equity holdings, business agreements, and such, these are subject to a resolution of the Board of Directors based on the analysis and prior opinion of a committee of the Board of Directors formed by Non-Executive Members, and an opinion of the Audit Committee.

The most significant transactions carried out with CaixaBank in 2020 are described in point 40 of the Notes to the Financial Statements.

The Bank has internal regulations that lay down the limitations, as well as the approval and reporting procedures for lending operations to members of the management and supervision bodies, shareholders with qualifying holdings, as well as family members thereof and entities which the law deems to be related to any of the former.

These regulations aim to ensure effective control of compliance with the legal rules set out in the General Law on Credit Institutions and Financial Companies (RGICSF) concerning the granting of loans to the abovementioned persons and entities.

2. Indication of the transactions which were subject to control in the year under review

Information reported for compliance with Articles 85 and 109 of the RGICSF about credit used and guarantees provided by Banco BPI, S.A. at 31 December 2020.

Information reported for compliance with Article 85 of the RGICSF

Amounts in € thousand	Credit used	Guarantees provided
Fernando Ulrich	0	0
Related Entities	9,919	77
António Lobo Xavier	0	0
Related entities	84,849	0
Cristina Rios Amorim	0	0
Related Entities	40,012	0
Francisco Manuel Barbeira	0	0
Related entities	47	52
Ignacio Rendueles	0	0
Related Entities	44	779
Fátima Barros	0	0
Related entities	0	23,846
Manuel Sebastião	0	0
Related entities	0	21,535

Notes

1). “Related Entities” are deemed to be the legal persons controlled by the Director or in which the Director has a qualifying holding, as well as those where he/she is a manager.

2). Includes credit operations and guarantees provided to companies related simultaneously with more than one Director, in the amount of €14 thousand in drawn loans and €561 thousand in guarantees provided.

Taking into account that Banco BPI is fully held by CaixaBank and is included in the same consolidation perimeter as CaixaBank, the discipline set forth in Article 109 of the RGICSF does not apply to the transactions with the Bank's sole shareholder.

BANCO BPI, S.A.

BANCO BPI, S.A.

Registered in the Commercial Registry Office of Porto,
with corporate registration number PTIRNMJ 501 214 534 and tax number 501 214 534
Registered office: Rua Tenente Valadim, n.º 284, Porto
Share Capital: 1 293 063 324.98 euros