Banco Montepio

Valores que crescem consigo.

REPORT AND ACCOUNTS

2020

This report is the English version of the document “Relatório e Contas 2020” delivered by Banco Montepio to the Portuguese Securities Market Commission (CMVM) in accordance with Portuguese Law. Should there be any doubt or contradiction between documents, the aforementioned Portuguese version prevails.

CONTENTS

PART I

MANAGEMENT REPORT

No, it is not the market, the trend
It is not the opportunity
It's our purpose
WE ARE SUSTAINABILITY
We are the history
That is present
And a beginning that becomes an end
WE ARE NOW AND FOREVER
We are made of the same matter
Sustained by mutualist roots
With common commitments
WE ARE EVERYONE AND WE ARE ONE
We are tradition and innovation
Solidity and trust
We are responsibility and transparency
WE ARE VALUES THAT GROW WITH YOU
We are of the same coming and going
Of the cause and effect
For action and inclusion
WE ARE SOLIDARITY
We are privy to ageless wisdom
Of gender without gender
For difference and equality
WE ARE DIVERSITY
We are sustainable by nature
Made of primary colours
Because there is no green without blue and yellow
WE ARE SUSTAINABILITY

GOVERNING BODIES

GOVERNING BODIES

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as "CEMG" or "Banco Montepio") has a one-tier governance (Anglo-Saxon) model, as established in subparagraph b) of number 1 of article 278, article 423-B and following of Section III and article 446-A and following of Section VII of the Commercial Companies Code, with a Board of Directors that includes the Audit Committee (elected at the General Meeting from among the non-executive members) and a Statutory Auditor.

As at 31 December 2020, the composition of Banco Montepio's governing bodies for the term of office 2018-2021 was as follows:

BOARD OF THE GENERAL MEETING

Chairman	António Manuel Lopes Tavares
Secretary	Cassiano da Cunha Calvão

BOARD OF DIRECTORS

Chairman	Carlos Manuel Tavares da Silva
Directors[1]	Manuel Ferreira Teixeira
	Amadeu Ferreira de Paiva
	Carlos Francisco Ferreira Alves
	José da Cunha Nunes Pereira[2]
	Pedro Jorge Gouveia Alves
	Rui Pedro Brás de Matos Heitor
	Vítor Manuel do Carmo Martins
	Pedro Manuel Moreira Leitão[3]
	Dulce Maria Pereira Cardoso Mota Jorge Jacinto
	Helena Catarina Gomes Soares de Moura Costa Pina
	Jorge Paulo Almeida e Silva Baião[4]
	José Carlos Sequeira Mateus
	Leandro Rodrigues da Graça Silva
	Nuno Cardoso Correia da Mota Pinto
	Pedro Miguel Nunes Ventaneira

[1] Carlos Miguel López Leiria Pinto performed executive duties, having resigned, taking effect on 31 March 2020.

[2] José da Cunha Nunes Pereira, elected at the Universal Meeting of 5 December 2019, was authorised by Banco de Portugal on 16 March 2020, having taken office on 1 April 2020.

[3] Pedro Manuel Moreira Leitão, elected at the Universal Meeting of 5 December 2019, was authorised by Banco de Portugal on 21 December 2019, having taken office as Chairman of the Executive Committee on 9 January 2020.

[4] Jorge Paulo Almeida e Silva Baião, whose co-optation was approved on 18 February 2021, was authorised by Banco de Portugal on 9 February 2021, having taken office as on 22 February 2021.

Audit Committee

Chairman	Manuel Ferreira Teixeira
Members	Amadeu Ferreira de Paiva Carlos Francisco Ferreira Alves José da Cunha Nunes Pereira Vítor Manuel do Carmo Martins

Statutory Auditor

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., represented by:

- José Manuel Henriques Bernardo, enrolled at the Statutory Auditors Association (OROC) under number 903 and at the Securities Market Commission (CMVM) under number 20160522;
- Carlos José Figueiredo Rodrigues, enrolled at the Statutory Auditors Association (OROC) under number 1737 and at the Securities Market Commission (CMVM) under number 20161347.

The Board of Directors created internal committees, composed only of non-executive members, the majority of whom with independent status, including their chairpersons, namely the Risk Committee, the Remunerations, Nominations and Assessment Committee, which performs the duties attributed to the Nominations Committee and the Remuneration Committee established in the Legal framework of Credit Institution and Financial Companies (RGICSF) and the Corporate Governance, Ethics and Sustainability Committee.

The composition of the Internal Committees of the Board of Directors of Banco Montepio on the present date is as follows:

Risk Committee[5]

Chairman	Vítor Manuel do Carmo Martins
Vice-Chairman	Carlos Francisco Ferreira Alves
Members	Amadeu Ferreira de Paiva Manuel Ferreira Teixeira Rui Pedro Brás de Matos Heitor

Remunerations, Nominations and Assessment Committee[5]

Chairman	José da Cunha Nunes Pereira
Members	Amadeu Ferreira de Paiva Carlos Francisco Ferreira Alves
Alternate Members	Manuel Ferreira Teixeira Rui Pedro Brás de Matos Heitor

[5] The recomposition of the Committees was approved by deliberation of the Board of Directors of 29 October 2020.

Corporate Governance, Ethics and Sustainability Committee[6]

Chairman	Carlos Manuel Tavares da Silva
Members	Carlos Francisco Ferreira Alves
	José da Cunha Nunes Pereira
	Pedro Jorge Gouveia Alves
	Rui Pedro Brás de Matos Heitor

The Board of Directors delegated the current management of Banco Montepio to an Executive Committee, except for the powers related to matters whose delegation is prohibited by law or that are reserved to the Board of Directors, under the terms of its Regulations.

As at 31 December 2020, the composition of the Executive Committee of Banco Montepio was as follows:

Executive Committee

Chairman	Pedro Manuel Moreira Leitão
Members	Dulce Maria Pereira Cardoso Mota Jorge Jacinto
	Helena Catarina Gomes Soares de Moura Costa Pina
	Jorge Paulo Almeida e Silva Baião[7]
	José Carlos Sequeira Mateus
	Leandro Rodrigues da Graça Silva
	Nuno Cardoso Correia da Mota Pinto
	Pedro Miguel Nunes Ventaneira

[6] The recomposition of the Committees was approved by deliberation of the Board of Directors of 29 October 2020.
[7] Jorge Paulo Almeida e Silva Baião, whose co-optation was approved on 18 February 2021, was authorised by Banco de Portugal on 9 February 2021, having taken office as on 22 February 2021.

Banco Montepio

2020 IN SUMMARY

HIGHLIGHTS

BUSINESS

- **Inversion of the downward trend of the credit portfolio** observed over the last 5 years, with particularly dynamic performance evinced in credit to companies.
- Loans to customers reached 12.4 billion euros, clearly demonstrating **Banco Montepio's commitment to supporting families, companies and entities of the social economy**.
- Contracting of **301 million euros** through **specific protocolled lines for Covid-19 support**, of which 265 million were used, with impressive use of the **social economy support line**.

MORATORIA

- Faithful to its aspired **social commitment**, Banco Montepio granted **38 thousand moratoria** amounting to 3.2 billion euros.

DIGITAL TRANSITION

- The digital transition process has enabled boosting the offer through remote channels, with **51,149 new subscriptions to the Montepio24 service** having been recorded in 2020.
- This is an innovative procedure of access to moratoria in credit operations, in a 100% digital format in 4 simple steps with confirmation by SMS.
- **M.A.R.I.A.**, Banco Montepio's virtual assistant, recorded a **score of 80% in customer satisfaction level** at the end of the year.

RESULTS

- **Year-on-year reduction operating costs of 0.8% on a comparable basis (-3.4% in general administrative expenses and -241 People).**
- The recorded net income stood at **-80.7 million euros**, due to the need to **strengthen the impairment for credit risks (77.5 million euros)** and **non-recurring costs related to the adjustment programme underway (35.1 million euros).**

ASSET QUALITY

- **The NPE[8] ratio fell to 10.4%**, having improved by 1.9 p.p. in relation to 2019.
- The **level of NPE coverage by impairments was strengthened, having shifted to 60.4% and to 93.0%**, if the associated collateral is considered.

CAPITAL AND LIQUIDITY

- The **liquidity coverage ratio (LCR)[9] of 200.7% at the end of 2020** stood significantly **above the defined regulatory levels.**
- The **total capital ratio of 13.8%** benefited from the reduction of risk-weighted assets and the issue of subordinated debt of 50 million euros.

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[8] NPE: non-performing exposures.

[9] LCR: liquidity coverage ratio.

SUMMARY OF INDICATORS

	2018	2019	2019 Restated	2020	Change 2020/2019
ACTIVITY AND RESULTS (million euros)					
Total assets	18 332	17 740	17 740	17 941	1.1%
Loans to customers (gross)	13 068	12 239	12 289	12 357	0.6%
Customer deposits	12 575	12 525	12 642	12 502	(1.1%)
Net income	14	22	22	(81)	(<100%)
SOLVENCY [(a)]					
Common equity tier 1 ratio	13.3%	12.4%	12.4%	11.6%	(0.8 p.p.)
Tier 1 ratio	13.3%	12.4%	12.4%	11.6%	(0.8 p.p.)
Total capital ratio	13.9%	13.9%	13.9%	13.8%	(0.1 p.p.)
Leverage ratio	7.6%	7.0%	7.0%	6.0%	(1.0 p.p.)
Risk weighted assets (million euros)	10 731	10 299	10 299	9 577	(7.0%)
LIQUIDITY RATIOS					
Loans to customers (net) / Customer deposits [(b)]	96.2%	91.5%	91.0%	92.6%	1.6 p.p.
Loans to customers (net) / On-balance sheet customer resources	88.5%	82.4%	82.0%	83.9%	1.9 p.p.
CREDIT QUALITY					
Cost of credit risk	0.5%	1.0%	0.9%	1.5%	0.6 p.p.
Ratio of loans and interest overdue by more than 90 days	7.0%	5.6%	5.6%	5.1%	(0.5 p.p.)
Coverage of loans and interest overdue by more than 90 days	106.4%	113.2%	113.7%	124.4%	10.7 p.p.
Non-performing exposures (NPE) [(d)] / Gross customer loans	14.4%	12.2%	12.3%	10.4%	(1.9 p.p.)
NPE [(d)] coverage by Impairment for balance sheet loans	51.7%	52.1%	51.8%	60.4%	8.6 p.p.
NPE [(d)] coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees	87.7%	87.2%	87.4%	93.0%	5.6 p.p.
Forborne exposures [(d)] / Gross customer loans	7.2%	7.1%	7.1%	6.6%	(0.5 p.p.)
PROFITABILITY AND EFFICIENCY					
Total operating income / Average total assets [(b)]	2.0%	2.3%	2.5%	2.2%	(0.3 p.p.)
Net income before income tax / Average total assets [(b)]	0.3%	0.2%	0.3%	(0.7%)	(1.0 p.p.)
Net income before income tax / Average total equity [(b)]	3.6%	2.9%	3.1%	(8.8%)	(11.9 p.p.)
Cost-to-income (Operating costs / Total operating income) [(b)]	68.8%	59.2%	57.3%	74.0%	16.7 p.p.
Cost-to-Income, excluding specific impacts [(e)]	69.3%	69.5%	68.7%	72.5%	3.8 p.p.
Staff costs / Total operating income [(b)]	41.3%	36.7%	35.3%	48.1%	12.8 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)					
Employees					
Group Banco Montepio [(f)]	3 944	3 962	3 962	3 721	(241)
Banco Montepio [(f)]	3 566	3 563	3 563	3 326	(237)
Branches					
Domestic network - Banco Montepio	324	332	332	298	(34)
Of which: Proximity Branches	-	7	7	7	0
Of which: BEM Corporate Centres	-	2	2	7	5
International Network	24	24	24	24	0
Finibanco Angola [(g)]	24	24	24	24	0
Representation Offices - Banco Montepio	5	5	5	5	0

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(c) Total on-balance sheet customer resources = Customer deposits and Debt securities issued. Computed in accordance with the Financial Statements annexed to this report.

(d) EBA definition.

(e) Excludes Results from financial operations, Other operating results (Net gains arising from the sale of other financial assets and Other operating income), and the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures (29.5 M €) in the fourth quarter of 2020.

(f) The number of employees as of 31 December 2020 considers the departure of 25 employees who agreed to leave Banco Montepio in 2020 and whose departure became effective in early January 2021

(g) Includes corporate centres.

2020 MILESTONES

- **Inception of performance of duties of new members of the Governing Bodies**

  In conformity with the authorisations granted by Banco de Portugal, the following members of the Board of Directors of Banco Montepio took office at the beginning of 2020 for the remaining period of the term of office 2018-2021:

  - Pedro Manuel Moreira Leitão, also appointed Chairman of the Executive Committee (CEO) at the Board of Directors' meeting held on 9 January 2020, having taken office on 6 January 2020;
  - José da Cunha Nunes Pereira, also appointed member of the Audit Committee, having taken office on 1 April 2020.

- **Appointment of new members of the Risk Committee**

  The recomposition of the Risk Committee was approved by deliberation of the Board of Directors of 29 October 2020, with Carlos Francisco Ferreira Alves having been appointed as Vice-Chairman and Amadeu Ferreira de Paiva having been appointed as member.

- **Appointment of new members of the Corporate Governance, Ethics and Sustainability Committee**

  The recomposition of the Corporate Governance, Ethics and Sustainability Committee was approved by deliberation of the Board of Directors of 29 October 2020, with José da Cunha Nunes Pereira and Pedro Jorge Gouveia Alves having been appointed as members.

- **Recomposition of the Remunerations, Nominations and Assessment Committee**

  The recomposition of the Remunerations, Nominations and Assessment Committee was approved by deliberation of the Board of Directors of 29 October 2020, with José da Cunha Nunes Pereira having been appointed as Chairman, and Rui Pedro Brás de Matos Heitor and Manuel Ferreira Teixeira having been appointed as alternate members.

- **Approval of the Social Commitment Charter**

  Banco Montepio is the largest financial institution with a mutualist foundation, having served Portugal and the Portuguese for almost two centuries. Aware of its legacy and its responsibility in the construction of a fairer society, on 30 June 2020, the General Meeting approved the “Carta de Compromisso Social” (Social Commitment Charter), under proposal of the Board of Directors.

Proposed Social Commitment Charter of Banco Montepio [1]:

«Being the country's bank of mutualist inspiration, for a further 175 years»

The Board of Directors of Caixa Económica Montepio Geral - caixa económica bancária, S.A. ("Banco Montepio") proposes that the shareholders deliberate on the following **Social Commitment Charter** of Banco Montepio:

Banco Montepio was founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral - Associação Mutualista. It is, therefore, Portugal's oldest financial institution.

Banco Montepio is also unique in the national financial panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an institution geared towards savings and provision of universal financial services for its individual customers, at all stages of their life cycle, for customers of the business sector and for institutions of the social economy and social entrepreneurs.

Throughout the more than 175 years of its existence, Banco Montepio has consistently supported families, small and medium-sized enterprises, companies and the community in general. It actively supported successive generations of Portuguese at very critical times, including wars, public health crises, public financing crises, revolutions and political upheavals. Loyal to the reason for its existence, it proved able to innovate, grow and expand, always guided by the ideals of commitment with the past, present and future of Portugal, its mutualist origin, tradition, proximity, solidity, trust, transparency, innovation and inclusion.

Thus, aware of its heritage of almost two centuries of service to the community, giving rise to enhanced social responsibilities and in matters of sustainable development, Banco Montepio is committed, before the community and to all its stakeholders, to governing its activity in conformity with the following standards and conduct:

- Offering excellent service and prioritising the interests of all its customers, including, predominantly and as a factor of differentiation, those who are also associates of MGAM and represent its mutualist base, providing an efficient and rigorous service, meeting customer expectations concerning security in its commitments, responsibility in investment, and access to instruments and services that enable improving the quality of life of people and families, and the productivity of companies;
- Pursuing its historical vocation of providing financial services with added value and suited to the nature of the social economy's institutions and for social entrepreneurs;
- Promoting technological innovation in its services and operations in the understanding that technology should be used by people and communities to improve their quality of life and support processes of social innovation;
- Treating its suppliers in a fair and ethical manner;
- Valorising its employees, giving them working conditions that allow them to achieve balance in their professional and personal lives, adopting the criterion of merit for recruitment, remuneration and career progression, and fostering their training, their professional and personal valorisation and boosting gender equality;
- Adopting best international practices and the highest ethical standards in compliance with the law and contracts, in particular with respect to money laundering, terrorism financing, tax evasion, breaches of labour or environmental legislation;
- Respecting and protecting the environment, adopting sustainable practices in its operations, and boosting economic, social and environmental sustainability among all its stakeholders; and
- Providing banking services and financing instruments adapted to situations of major crisis or public calamity, whether national, regional or local, that severely affect economic circuits and disrupt the normal operation of social structures, so as to permanently meet the community's needs and contribute to trust, confidence and security in the banking system.

Last, but not least, creating value for all its shareholders, providing fair remuneration of the invested capital, always bearing in mind the principles that presided over the creation of Caixa Económica do Montepio Geral, now under the trademark Banco Montepio.

Lisbon, 28 May 2020

THE BOARD OF DIRECTORS

(1) Approved at the General Meeting held on 30 June 2020.

- **Action Plan for Sustainability**

The Action Plan for Sustainability, approved in March 2020, aims to define the actions to be developed by the Institution's different departments, under the strategy for social responsibility and sustainability, as laid down in the Social Commitment Charter of Banco Montepio, and promote the "Linhas de Apoio à Economia – Covid-19" (Economy Support Lines – Covid-19) (protocolled credit lines).

Under this plan, the Bank promoted:

- Increased financing for investment in innovative and sustainable projects and startups of the social economy;
- Participation in projects and initiatives boosting the creation of a framework of entrepreneurism and social investment;
- Deepening in microcredit;
- Support to social entrepreneurism;
- The use and encouragement of the use of digital channels and dematerialisation of communication;
- Expansion of penetration in the social economy market and clear differentiation in banking and insurance products for this area.

At the same time, it established collaboration protocols and commercial partnerships to boost the entrepreneurial fabric of the social economy, and promoted the engagement of the Employees in adopting good practices.

Some examples of initiatives are:

- Membership of the Associação Portuguesa de Ética Empresarial – APEE (Portuguese Association of Business Ethics), a member entity and host of the United Nations Global Compact;
- Waste collection campaign with ERP Portugal;
- Inhouse action "Sustentabilidade: uma iniciativa por mês" (Sustainability: one initiative per month);
- Implementation of an inhouse communication plan, specifically for the area of sustainability;
- Development and creation of a Sustainability Stamp;
- Adaptation of products and services, so as to boost the dematerialisation of processes aimed at environmental sustainability and social responsibility.

Under **environmental sustainability**, the Bank promoted the following products:

- "Crédito e Casa Sustentáveis" (Sustainable Loan and Home);
- "Crédito Energias Renováveis" (Renewable Energy Credit);
- "Linha de Crédito para a Descarbonização e para a Economia Circular" (Credit Line for Decarbonisation and the Circular Economy);
- "Linha de Apoio à Qualificação da Oferta – Sustentabilidade Ambiental no Turismo" (Support Line for the Qualification of the Offer – Environmental Sustainability in Tourism);

- "Leasing Montepio Mobilidade Elétrica Auto" (Montepio Auto Electric Mobility Leasing) and "Renting Montepio Mobilidade Elétrica Auto" (Montepio Auto Electric Mobility Renting), among others.

Under **social sustainability**, the Bank promoted the following products:

- "Crédito Habitação Bonificado para Pessoas com Deficiência" (Subsidised Mortgage Loans for Disabled Persons);
- "Crédito Habitação Bonificado para Deficientes das Forças Armadas" (Subsidised Mortgage Loans for Disabled Persons of the Armed Forces);
- "Linha de Crédito Social Investe" (Invest Social Credit Line);
- Initiatives related to "Vales Sociais Educação" (Education Social Vouchers) (in partnership with UP Portugal) and the rounding of the value of purchases, among other initiatives.

- **Banco Montepio's safe and immediate response to the challenges created by the Covid-19 pandemic**

The Covid-19 pandemic has brought in numerous challenges and led to profound changes in personal and business relations. Rising to the imposed challenges, Banco Montepio implemented a Business Continuity Plan an activated the Crisis Management Office which regularly monitored (and continues to regularly monitor) the impact of the contingencies on the Institution's core activities, particularly at the operational level.

At the same time, in order to meet the immediate needs of the Customers, Suppliers and Employees, the Bank fast-tracked the ongoing digital transition and the optimisation and innovation of its processes and procedures, with a view to increasing its efficiency both in terms of its response to Clients and within its internal organisation.

The Bank adjusted its business model in order to protect the safety of the Employees, Customers and face-to-face workstations, which were duly adapted. The cleaning services were strengthened, and sanitisation and personal protection articles were purchased. The Employees under telework arrangements were also provided with equipment and access to computer applications.

Urgent challenges require urgent solutions, and, from the very first moment, Banco Montepio was able to offer the necessary solutions to its Customers, Suppliers and Employees.

- **Operational Adjustment Measures and the Funding and Capital Plan**

Banco Montepio's Transformation Plan, dated 2018, aimed to position the Bank as a reference institution in the support to Families, Companies and Social Economy Entities, through a multidisciplinary approach in the different spheres of banking business.

The outbreak of the Covid-19 pandemic and the exceptional measures restricting socioeconomic activity applied from the end of the first quarter of 2020 gave way to a recessive scenario of unprecedented severity, instilling uncertainty in the lives of people and organisations. In order to ensure business continuity, Banco Montepio activated the Crisis Management Office and approved a series of adjustment and cost-cutting measures in July 2020.

In view of the changing circumstances and the challenges facing the Bank and the Portuguese economy, the Board of Directors updated the Transformation Plan and, in this context, endorsed a

multidimensional and multiannual adjustment programme, embodied by four key strategic pillars: (i) updating of the business model; (ii) operational adjustment; (iii) preservation of capital; (iv) simplification of the Group.

- **Banco Montepio is pioneering in the implementation of 100% online account opening process for companies**

Banco Montepio was the first financial institution to launch the **Online Account Opening service for Companies** in the Portuguese market. This service, developed and up and running in just two months, enables companies to open a **bank account 100% online**, without having to go to a branch, by simply accessing **http://www.bancomontepio.pt/** and in just **three steps** and in **less than 20 minutes**, the account becomes **immediately active** and **ready to be used, unrestrictedly**.

- **Banco Montepio accelerates Digital Transformation with Artificial Intelligence solutions**

In the first quarter of 2020, Banco Montepio and IBM established a partnership with a view to **accelerating the Bank's strategy of innovation and automation**, through the development and application of **Artificial Intelligence** and **Implementation of Cognitive Technology** (Cognitive Process Automation). The aim is to offer a better experience of contact with the Customer, being more empathetic and personalised, leveraging a gradual building of trust and fostering innovation in processes and in the business model.

M.A.R.I.A. started customer attendance at Banco Montepio's Contact Centre on 19 July, having begun with the activation of cards (debit and credit), and subsequently progressed to other operations (e.g., transfers, balance and movement queries). Simultaneously with the performance of all these tasks, Banco Montepio's virtual agent “learns” the excellent service that the Bank provides to its Customers and Non-Customers who contact it through the numbers 707 20 20 24; 707 10 26 26; 707 20 20 25.

- **Mortgage Loan Campaign – “Ninguém estava à espera disto” (No-one was expecting this)**

The mortgage loan campaign “Ninguém estava à espera disto” (No-one was expecting this), launched in the last quarter of 2020, achieved the best results of the last 10 years in terms of volume of mortgage loan contracts.

The multi-means campaign was broadcast on television, via digital means, vertical urban panels, radio and Banco Montepio's own channels.

- **Superbrand 2020, for the 11th time**

Banco Montepio was awarded the Superbrands stamp for the 11th time. This distinction reflects the consumers' satisfaction and, once again, positions the Institution among the best of the sector. Banco Montepio is a brand with unique features, increasingly more human and trustworthy, and which continues to deliver value to its Customers.

- **Issuance of Subordinated Debt under the Euro Medium Term Note (EMTN) Programme**

On 9 June 2020 Banco Montepio issued subordinated debt under the Euro Medium Term Note (EMTN) Programme of the value of 50 million euros, with a 10-year maturity period and an early redemption option payable by Banco Montepio at the end of the fifth year, with an interest rate of 9.5%. The issue was fully underwritten by Montepio Geral Associação Mutualista, with a view to strengthening Additional Own Funds.

- **Peripheral Deal of the Year award**

  The issuance of Banco Montepio covered bonds, in force up to November 2024, was distinguished by The Covered Bond Report website with the Peripheral Deal of the Year Award. The Covered Bond Report is a website and a bimonthly publication, specialised in the covered bond market, and a reference in the industry. This issuance was extremely well-received by the investors (more than 145 institutional investors), with demand having been more than six times higher than the issued amount.

- **Synthetic securitisation on a Performing Credit Portfolio granted to SME**

  In December 2020, with a view to reducing the stock of risk-weighted assets (RWA), Banco Montepio completed a synthetic securitisation operation on a performing credit portfolio granted to small and medium-sized enterprises (SME), backed by the European Investment Fund, amounting to 394.5 million euros. This synthetic securitisation is also backed by two retrocession contracts with the European Investment Bank, continuing the long-standing relations nurtured with this supranational body.

- **Renewal of the motor vehicle fleet**

  At the end of 2020, the green fleet implementation project, consisting exclusively of electric vehicles (hybrid and electric), materialised in the replacement of 204 combustion engine vehicles, corresponding to 32% of the total fleet. The renewal of the motor vehicle fleet progresses at the rate of renewal of the vehicle operating lease contracts. This is an important initiative of the Montepio Group, developed with the specialised credit subsidiary Montepio Crédito, under environmental sustainability.

- **Annual General Meeting**

  Banco Montepio held the ordinary general meeting of shareholders on 30 June 2020, with the following decisions having been taken:

  1. Report and Accounts of the Financial Year of 2019, of the individual and consolidated activity – Approved unanimously;
  2. Proposed distribution of earnings – Approved unanimously;
  3. General appraisal of the company's management and supervision, under the terms of article 376 and 455 of the Commercial Companies Code – Approved unanimously;
  4. Statement on the remuneration policy of the members of the Management and Supervisory bodies, pursuant to numbers 1 and 3 of article 2 of Law 28/2009 – Approved unanimously;
  5. Policy of Selection and Evaluation of the Adequacy of the Members of the Management and Supervisory Body (MOAF) and Key Function Holders (KFH) – Approved unanimously;
  6. Review of the Remuneration Policy of the Management and Supervisory Bodies – Approved unanimously;
  7. Regulations for Implementation of Supplementary Retirement Pension of the Directors, under the terms of article 402 of the Commercial Companies Code – Approved unanimously;
  8. Geographic Implantation Policy – Approved unanimously;
  9. Social Responsibility Charter – Approved unanimously;
  10. Final Conditions of “Finibanco Valor Invest 2010” issuance – Approved unanimously.

THE BANCO MONTEPIO GROUP

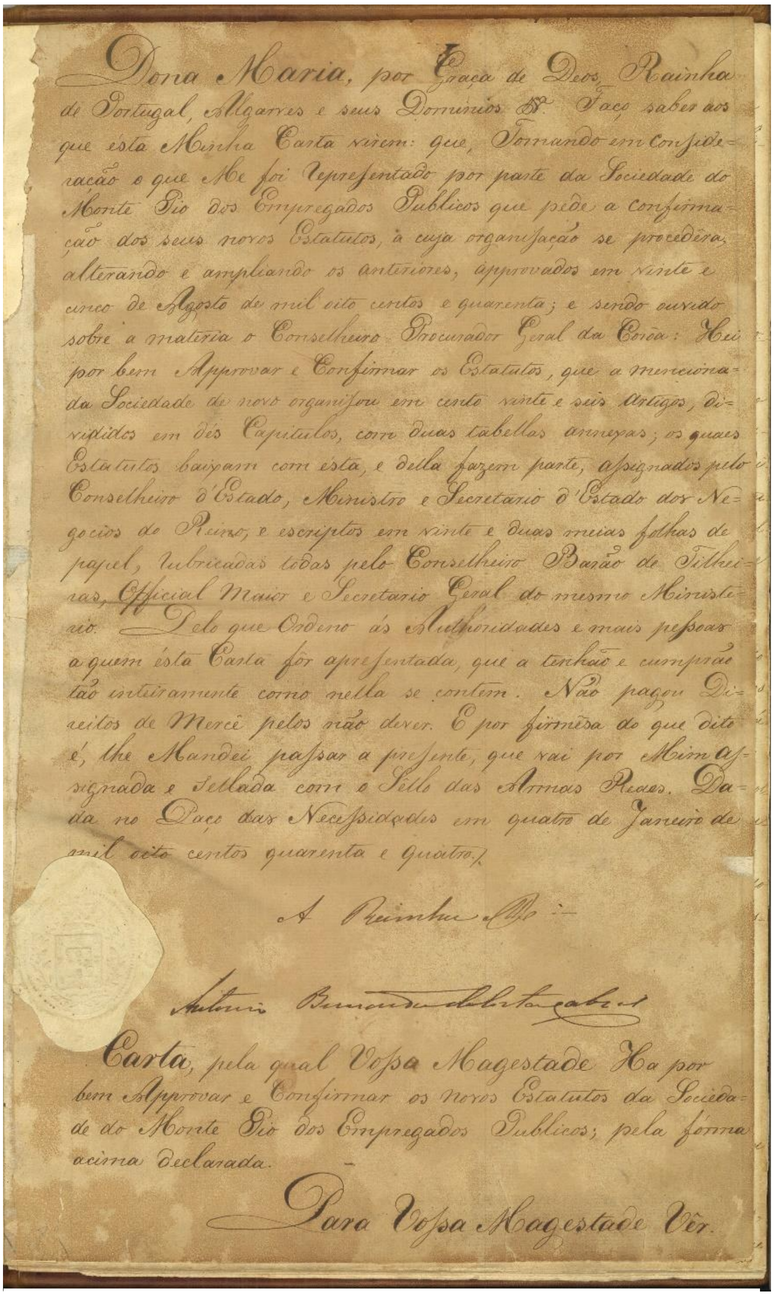
THE BANCO MONTEPIO GROUP

WHO WE ARE

Banco Montepio, founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral – Associação Mutualista, is the oldest financial institution of Portugal.

It is also unique in the national financial panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an institution geared towards savings and provision of universal financial services for its individual Customers, at all stages of their life cycle, as well as for Customers of the business sector and for institutions of the social economy and social entrepreneurs.

Royal Charter of Queen Dona Maria II, dated 4 January 1844



Dona Maria, por Graça de Deos, Rainha de Portugal, Algarves e seus Dominios &c. Faço saber aos que esta Minha Carta virem: que, Tomando em Consideração o que Me foi representado por parte da Sociedade do Monte Pio dos Empregados Publicos que pede a confirmação dos seus novos Estatutos, à cuja organisação se procedêra, alterando e ampliando os anteriores, approvados em vinte e cinco de Agosto de mil oito centos e quarenta; e sendo ouvido sobre a materia o Conselheiro Procurador Geral da Corôa: Hei por bem Approvar e Confirmar os Estatutos, que a mencionada Sociedade de novo organisou em cento vinte e seis Artigos, divididos em dois Capitulos, com duas tabellas annexas; os quaes Estatutos baixam com esta, e della fazem parte, assignados pelo Conselheiro d'Estado, Ministro e Secretario d'Estado dos Negocios do Reino, e escriptos em vinte e duas meias folhas de papel, rubricadas todas pelo Conselheiro Barão de Tilheiras, Official Maior e Secretario Geral do mesmo Ministerio. Pelo que Ordeno ás Authoridades e mais pessoas a quem esta Carta for apresentada, que a tenhão e cumprão tão inteiramente como nella se contem. Não pagou Direitos de Mercê pelos não dever. E por firmeza do que dito é, lhe Mandei passar a presente, que vai por Mim assignada e sellada com o Sello das Armas Reaes. Dada no Paço das Necessidades em quatro de Janeiro de mil oito centos quarenta e quatro.

A Rainha

António Bernardo da Costa Cabral

Carta, pela qual Vossa Magestade Ha por bem Approvar e Confirmar os novos Estatutos da Sociedade do Monte Pio dos Empregados Publicos; pela forma acima declarada.

Para Vossa Magestade Ver.

The Royal Charter of 4 January 1844 approved the articles of association that institutionalised the first Caixa Económica (Savings Bank) installed in Portugal.

Throughout the more than 176 years of its existence, Banco Montepio has consistently supported families, small and medium-sized entrepreneurs, companies and the community. It has actively supported successive generations of Portuguese at extremely critical times, including wars, crises and revolutions.

Loyal to the reason for its existence, it has always been able to innovate, grow and expand, consistently guided by the ideals of commitment to the past, present and future of Portugal.

With a legacy of almost two centuries of service to the community, Banco Montepio takes its place in the building of a fairer and more sustained society, committed to governing its action according to the highest standards and conduct of respect for the principles of sustainable development, as reflected in its Social Commitment Charter.

GROUP STRUCTURE

Pursuant to Decree-Law 190/2015, of 10 September, which approved the legal system of Savings Banks, Caixa Económica Montepio Geral is henceforth considered a savings bank, with its transformation into a public limited company arising from the same legal provision.

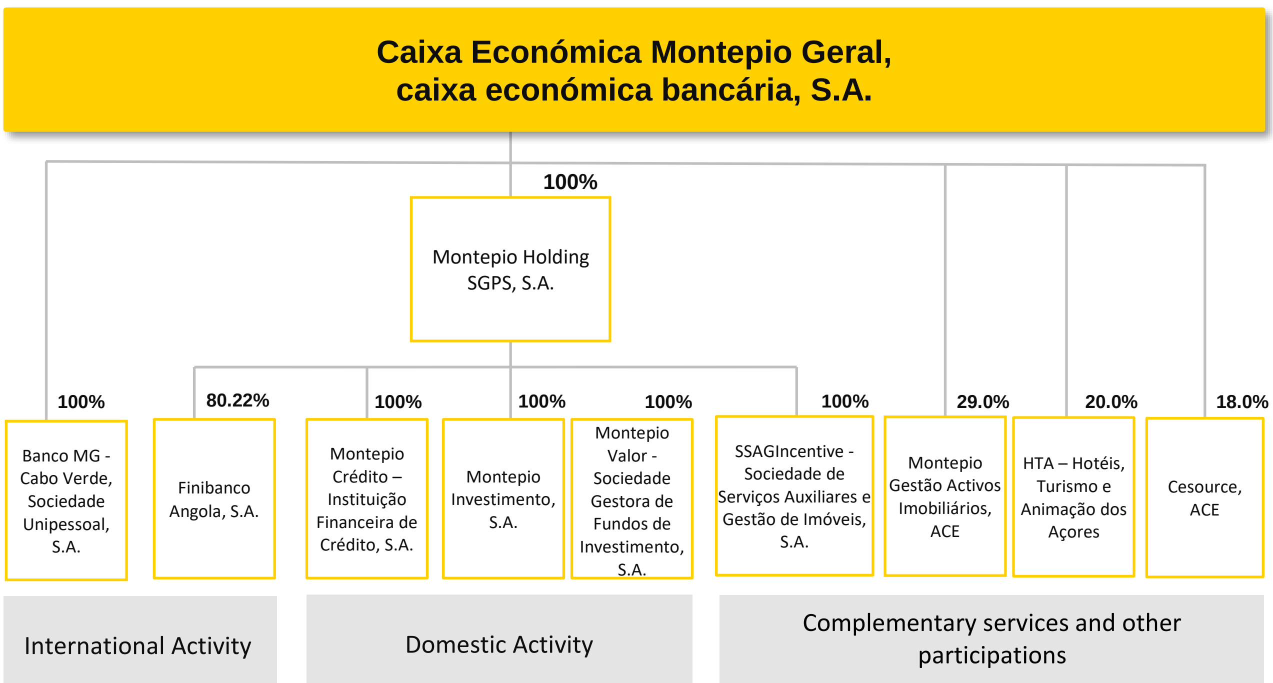
Following this process, its current corporate name is Caixa Económica Montepio Geral, caixa económica bancária, S.A., with the trade name of Banco Montepio having been adopted in 2019.

Banco Montepio holds a series of equity stakes in entities that provide banking and financial services, and contribute with their earnings to the mutualist goals, thus providing a comprehensive and diversified range of products to the Customers.

The Banco Montepio Group is a diversified banking and financial group, aligned with its mutualist nature and purpose, which lends it unique features and an unrivalled position in its activity sector and in Portuguese society.

As at 31 December 2020, the Banco Montepio Group was composed of the following entities:

- Full consolidation: Caixa Económica Montepio Geral, caixa económica bancária, S.A.; Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.; Banco Montepio Geral Cabo Verde, Sociedade Unipessoal S.A.; Finibanco Angola, S.A.; Montepio Crédito - Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A. (Banco de Empresas Montepio); Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A., and SSAGIncentive – Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.
- Consolidation by the equity method: Montepio Gestão de Activos Imobiliários, ACE; HTA – Hotéis, Turismo e Animação dos Açores, S.A.; Cesource, ACE; and NAVISER – Transportes Marítimos Internacionais, S.A. (under winding-up and liquidation procedures since 20 July 2018).



**CEMG 26.0%, Montepio Investimento 1.0%, Montepio Valor 1.5%* and *SSAGIncentive 0.5%.* (% equity stake)

Under the strategic redefinition of its international holdings, and with a view to refocusing its approach to the African market, Banco Montepio is committed to taking measures to ensure the deconsolidation of the subsidiary Finibanco Angola, which the Banco Montepio Group controlled and held an effective stake of 80.22% as at 31 December 2020, and to assessing the strategic options available to Banco Montepio Geral Cabo Verde under the new legal, economic and financial framework of the country.

In the domestic market, with a view to the Group's simplification, the Board of Directors determined the sale of its stake in Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.

Considering the decisions taken by the Board of Directors, likewise, aimed at simplifying the Group's corporate structure, in addition to the provisions in IFRS 5, the activities developed by the subsidiaries Banco MG - Cabo Verde, Sociedade Unipessoal, S.A. and Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A. were deemed to be discontinued operations and the activities developed by Finibanco Angola are henceforth fully recorded in the income account and balance sheet, notwithstanding the commitment referred to above. Accordingly, in the financial statements, the earnings of the subsidiaries Banco MG - Cabo Verde and Montepio Valor are henceforth stated in an income account heading named "Income of discontinued operations" and, in the balance sheet under the headings named "Non-current assets held for sale – Discontinued operations" and "Non-current liabilities held for sale – Discontinued operations".

As at 31 December 2020, Banco Montepio Group's consolidation perimeter includes other entities consolidated by the full method, namely: Montepio Arrendamento I, II and III – Fundos de Investimento Imobiliário Fechados para Arrendamento Habitacional (FIIAH); Polaris – Fundo de Investimento Imobiliário Fechado; PEF – Portugal Estates Fund and Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (FEIIA); Pelican Mortgages No 3; Pelican Mortgages No 4; Aqua Mortgages No 1; Pelican Mortgages No 5; Pelican Mortgages No 6; Pelican Finance No 1 and Aqua Finance No 4.

THE BANCO MONTEPIO BRAND

AWARDS AND RECOGNITION

Superbrand 2020

Banco Montepio was awarded the Superbrands stamp for the 11th time. This distinction was awarded by Superbrands®, an independent international organisation dedicated to the identification and promotion of Excellent Brands in 89 countries. The selection criteria, which combine a Consumer study and the independent opinion of the Superbrands Council, enable identifying the Brands that are distinguished from their competitors in each market. This recognition reflects the consumers' satisfaction with the Banco Montepio brand, whose mention is spontaneous, with value give to the importance of being Top of Mind and five key attributes: proximity, trustworthiness, affinity, satisfaction and brand recall. These criteria enable pinpointing the Brands that the consumers consider unique, trustworthy, the ones they identify with and satisfy them, and consider best known.

“Prémios Lusófonos da Criatividade” (Lusophone Creativity Awards)

Banco Montepio ended 2020 with three places in the podium of the “Prémios Lusófonos da Criatividade” (Lusophone Creativity Awards), aimed at promoting and awarding the best work in the creative area, in Portuguese-speaking countries. The Mortgage Loan Campaign – “Ninguém estava à espera disto” (No-one was expecting this), spearheaded by the actor and comedian Bruno Nogueira, received three distinctions in the 'TV and Cinema' category. Alongside this, the 'Campaign' and 'Film for Web' subcategories were distinguished in the 'Filme para Web'.in the 'Film for TV' and ‘Digital’ subcategories.

Value of the brand

Based on strict assessment, the consultant OnStrategy drew up the ranking of the most valuable Portuguese companies, in which the Banco Montepio brand conquered the 39th place among around 2,700 brands studied.

The reputation assessment company MERCO also placed Banco Montepio in the ranking of the companies with best corporate reputation, listing it the 61st position.

Peripheral Deal of the Year Award

The issuance of Banco Montepio covered bonds, in force up to November 2024, was distinguished by The Covered Bond Report website with the Peripheral Deal of the Year Award. The Covered Bond Report is a website and a bimonthly publication, specialised in the covered bond market, and a reference in the industry. This issuance was extremely well-received by the investors (more than 145 institutional investors), with demand having been more than six times higher than the issued amount.

The Covered Bond Report
Awards for Excellence
2020
Deal of the Year: Periphery
Banco Montepio

PROTECTION AND REINFORCEMENT OF BRAND REPUTATION

Citizenship, Innovation, and Products and Services are the dominant axes of the Banco Montepio brand's reputation in 2020, exponentiated by the responses given by the institution in the context of the Covid-19 pandemic.

Banco Montepio fast-tracked its digital transition, having delivered more and better service in remote banking due to the development of digital products and services to support individuals, companies and social sector institutions. Banco Montepio delivered simple, agile and 100% online processes, such as moratoria, data maintenance, subscription and recovery of access to the digital channels, and 100% online account opening for companies. The Bank also provided credit lines to support companies and dedicated a specific and unique line for the social sector, the “Conta Acordo” (Agreement Account). A simulator of Protocolled Lines was also developed to help companies to select the most appropriate solutions for their needs.

At the same time, Banco Montepio supported institutions such as the Cruz Vermelha Portuguesa (Portuguese Red Cross), with the creation of a solidarity deposit; it joined “SOS Coronavírus”, an initiative of the Associação Empresarial de Portugal (Portuguese Business Association) and the Ordem dos Médicos (Portuguese Medical Association) having given a donation to support the fight against the Covid-19 pandemic; and contributed, in a joint initiative with the Associação Portuguesa de Bancos – APB (Portuguese

Banking Association), for the acquisition of 100 ventilators and 100 monitors, donated to the Sistema Nacional de Saúde (National Health System), to strengthen the resources available to health professionals.

In a particularly challenging year for families, Banco Montepio launched a unique Mortgage Loan offer in partnership with Worten, in which everyone who bought a house or transferred their loan to the Bank received 1% of the value of the mortgage loan on a card to use in the shops of the partner entity.

The innovative offer, together with an original communication campaign, spearheaded by the actor and comedian Bruno Nogueira, and a robust resource plan, led Banco Montepio to achieve the best monthly mortgage loan production figures of the last 10 years, along with the best brand recall rates.

According to the BrandScore study, the campaign "Ninguém estava à espera disto" (No-one was expecting this) obtained the best total recall in banking campaigns in that period, and achieved the highest brand recall levels of the last ten years in Banco Montepio's advertising campaigns.

100% Online Company Account Opening

Banco Montepio paid tribute to its history of being the first bank to launch 100% online company account opening. In just 3 steps, companies are now able to have an account ready for immediate use.

An attentive and inclusive Bank

Always attentive to society, Banco Montepio launched a unique and innovative solution on the Portuguese market for visually impaired Customers.

Banco Montepio cards now have a half moon shaped groove on their lower right corner which enables visually-impaired people to easily and immediately distinguish the correct position to enter the card in automated teller machines (ATM) and point of sale terminals (POS).

CAMPAIGNS AND PARTNERSHIPS

"Ninguém Estava à Espera Disto" (No-one was expecting this)

This was the motto of the mortgage loan campaign spearheaded by Bruno Nogueira. In the films, the actor started by introducing the new mortgage loan campaign, but the offer was so simple and so good that he managed to explain it in a few seconds and ended up having leftover advertising time. With the remaining seconds, he resorted to the setting and the cast of extras that had already been hired, and as he had not done any advertising for some time, he got completely carried away, took over the advertisement and unleashed his dreams, desires and unexpected talents.

The multi-means campaign was broadcast on television, via digital means, vertical urban panels, radio and Banco Montepio's own channels.

Banco Montepio and Cruz Vermelha

Banco Montepio joined the Cruz Vermelha Portuguesa (Portuguese Red Cross) cause “#Eu ajudo quem ajuda” (#I help those who help), and launched the “Poupar e ajudar andam juntos” (Saving and helping go hand in hand) campaign. This is a term deposit where, for each subscription made, Banco Montepio donates 0.05% of the amount subscribed to the movement.

Responsible Credit

Attentive to the behaviour of the Portuguese, in the pandemic context, Banco Montepio launched a message of responsibility to those wishing to take out a loan. This message is designed to lead the Customer to consider all the pros and cons arising from this decision.

Casa do Impacto

Created by Santa Casa da Misericórdia de Lisboa, "Casa do Impacto" (Impact House) seeks to foster innovative solutions to resolve social problems and needs with a view to building a more charitable and sustainable society. As the only partner bank, Banco Montepio continues to be part of the Board of Curators of the Casa de Impacto project, a reference of Social Innovation in Portugal.

PEOPLE

The impact of the Covid-19 pandemic was striking in the area of people management. Its effects lingered throughout 2020, forcing the maintenance of a series of **initiatives** that, at a first stage, sought to **protect the health of the Employees of Banco Montepio**, and ensure **adaptation to the new forms of work organisation**: remote work.

And in this scenario, what is most evident is the **adaptability** revealed by the employees to the new forms of work organisation, including the technological challenges and diversity of the ways of communicating, but also to the challenges of reconciling this with family space and personal life. This reconciliation happened in a way that surpassed the best expectations, and it is foreseen that, with adjustments, this may be a reality that will continue to mark the next few years.

Likewise, and of no lesser importance, special acknowledgement is extended to all the Employees who continued working in face-to-face activities, in customer care functions (the great majority) and in some cases in activities supporting those functions, in which their exposure to risk was higher. Their demonstrated resilience, spirit of self-sacrifice and commitment enabled Banco Montepio to ensure business continuity and accomplish its mission in providing an essential service to Portuguese families and companies.

Furthermore, it is important to note that the sector's natural evolution and the **need for sustainability of the Bank's business model** imposed, in 2020, the **implementation of team downsizing measures**, in particular the "**2020/2021 Programme**" – voluntary programme of Early Retirement and Mutually Agreed Termination of Employment Contracts.

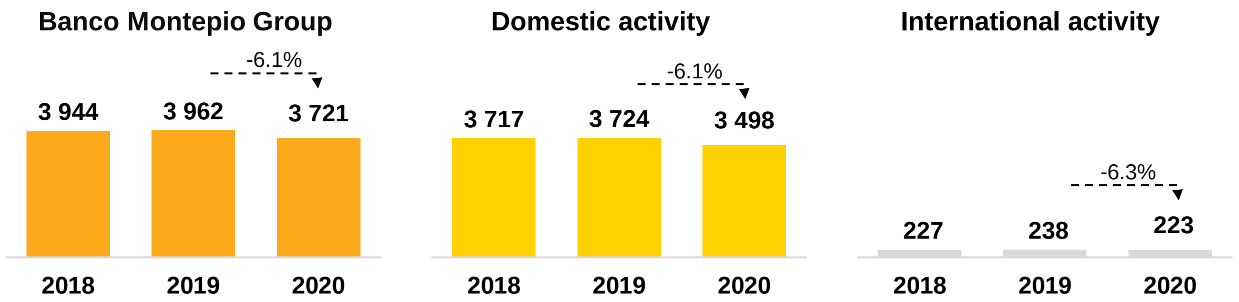
The **first stage** of this **programme**, which took place during the last quarter of 2020, involving early retirement and mutually agreed termination of employment contracts, ended on 31 December 2020, with **235 Employees** (124 retirements and 111 mutually agreed terminations of employment contract). The programme's measures included a **series of benefits**, namely **health protection** and **unemployment protection**.

In order to offer the best conditions and support to its Employees, Banco Montepio has asked the Ministry of Labour, Solidarity and Social Security (MTSSS) for an **extension of the quota for purposes of eligibility for social unemployment protection** to the **limit of 400 workers**.

Regarding the **evolution of the staff**, the Banco Montepio Group had a total of **3,721 Employees** at the end of 2020, having recorded a **6.1% reduction in relation to the same period of 2019**, to a large extent explained by the implementation of the 2020/2021 Programme in the last quarter of the year, which account for 85% of this reduction.

The **international activity only** represented **6%** of the Banco Montepio Group's Employees in 2020, with 94% having been allocated to the domestic activity, of whom 95% were assigned to Banco Montepio.

EMPLOYEES EVOLUTION



In the international activity, **Finibanco Angola** recorded a **reduction of 15 Employees**, compared to the end of 2019.

As at 31 December 2020, the subsidiaries in Portugal recorded an increase of 14 Employees in comparison with the end of 2019, as a result of the increase of 9 Employees at Montepio Crédito and 8 Employees at Montepio Investimento, reflecting the strategy of growth and proactiveness in the market, combined with the reduction of 3 Employees at Montepio Valor.

	2018		2019		2020		Change 20/19	
	No.	%	No.	%	No.	%	No.	%
Domestic Activity (1) (2)	**3 717**	**94.2**	**3 724**	**94.0**	**3 498**	**94.0**	**(226)**	**(6.1)**
Of which: Banco Montepio (2) (3)	3 566	90.4	3 563	89.9	3 326	89.4	(237)	(6.7)
Internacional Activity	**227**	**5.8**	**238**	**6.0**	**223**	**6.0**	**(15)**	**(6.3)**
Banco MG Cabo Verde	2	0.1	2	0.1	2	0.1	0	0.0
Finibanco Angola	225	5.7	236	6.0	221	5.9	(15)	(6.4)
Total	**3 944**	**100.0**	**3 962**	**100.0**	**3 721**	**100.0**	**(241)**	**(6.1)**

1) Domestic Activity includes Banco Montepio, Montepio Investimento, Montepio Crédito, and Montepio Valor.

(2) The number of employees as of 31 December 2020 considers the departure of 25 employees who agreed to leave the staff of Banco Montepio in 2020 and whose departure became effective in early January 2021.

(3) Includes Employees from Representation Offices.

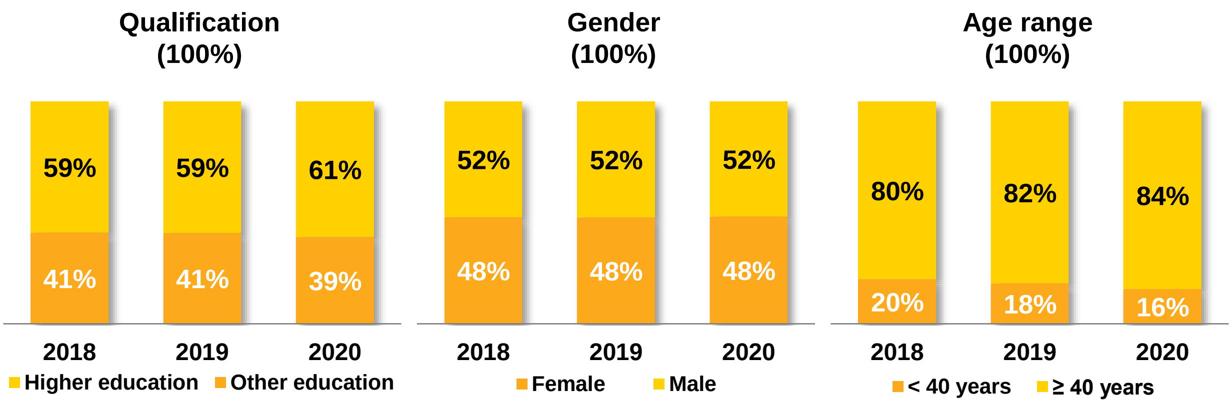
	2018	2019	2020	Change 20/19	
				No.	%
Other entities of Banco Montepio Group (1)	**172**	**184**	**198**	**14**	**7.6**
Montepio Crédito	126	124	133	9	7.3
Montepio Valor	41	36	33	(3)	(8.3)
Montepio Investimento	5	24	32	8	33.3

(1) Includes assignments from Banco Montepio Employees.

At the end of 2020 there were no changes in the gender distribution of the Employees in relation to the same period of 2019. Regarding the type of qualification, 61%of the Employees had higher education, compared to 59% in 2019.

The age structure showed an increase of the proportion of Employees aged 40 years old or more, from 82% in 2019 to 84% in 2020.

DISTRIBUTION OF BANCO MONTEPIO EMPLOYEES



INHOUSE CULTURE AND COMMUNICATION

In the area of inhouse culture and communication, the year of 2020 was marked by the need to **strengthen the organisational communication channels** and **adjustment of the way of communicating**, which led to the creation of new vehicles of information and various initiatives, including:

- Weekly newsletter "#JuntosàDistância" (#Together at a Distance);
- "E-Coffee with the CEO".

The newsletter "#JuntosàDistância" (#Together at a Distance) was created for the purpose of preserving organisational cohesion and maintaining a constant flow of information, being composed of a weekly publication, an agenda of inhouse, business and motivational events, and suggested activities. This communication vehicle was distinguished by the Associação Portuguesa de Ética Empresarial – APEE (Portuguese Association of Business Ethics), under the initiative "Semana da Responsabilidade Social" (Social Responsibility Week) with an honourable mention.

The "E-Coffee with the CEO" initiative, launched in April 2020, consists of a weekly virtual meeting between the CEO and an eclectic group of 6 Employees working in different functional areas of the Bank. The various challenges facing the Institution are debated during these meetings, such as the new working reality and the vision and prospects for the future. By 31 December 2020, 28 sessions had been held which gave rise to various measures of improvement at the Bank.

TRAINING, DEVELOPMENT AND TALENT MANAGEMENT

The Academia Montepio (Montepio Academy), a strategic and critical pillar for enhancing the value of Banco Montepio's people, organised a series of programmes and initiatives that contributed to the development and alignment of the Institution's Employees with the Integrated Talent Management Model.

The structure of this model was revised in terms of its conceptualisation and governance model, with a view to its alignment with the Bank's current strategic options aimed at improving the capacity of response to the various specific needs that have been identified.

The Covid-19 pandemic implied that various programmes, initially planned to be lectured in a face-to-face arrangement, had to be adjusted and shifted to distance learning.

Notwithstanding the singularity of the context experienced in 2020, Banco Montepio ensured the ministration of regulatory training of the banking sector, among other initiatives, having held a total of 842 actions, with 26,892 participations, involving 74,736 hours of training and covering 88.5% of the Employees.

Banco Montepio Training Indicators

	2018	2019	2020	Change 20/19 (%)
Number of actions	684	835	842	0.8
Training hours	74 034	133 921	74 736	(44.2)
Number of participants	3 373	3 165	2 943	(7.0)
Number of participations	26 619	53 796	26 892	(50.0)
Investment in training (thousand euros)	564.0	545.0	125.2	(77.0)
	94.6%	88.8%	88.5%	(0.3 p.p.)

Concerning topics of regulatory nature, the following is highlighted:

- The holding of the “Curso de Conformação para Mediadores de Seguros e de Resseguros” (Conformation Course for Insurance and Reinsurance Intermediaries), pursuant to the New Legal Framework for Insurance and Reinsurance Distribution (RJDSR);
- The holding of a training course on the topic of Minimum Banking Services;
- The maintenance of the plan of initiatives on Cybersecurity;
- The continuation of initiatives implemented to ensure compliance with the legal obligations and commitments undertaken with supervisory bodies, namely concerning the Marketing of Mortgage Loans, Continuous Training on the Markets in Financial Instruments Directive (MiFID II), Knowledge of Euro Notes, and Knowledge of Metal Euro Coins.

Following thorough and careful work to identify the needs and development of the Employees of the commercial network, the foundations were created for the start-up of directed programmes in 2021, while staying firmly on the path of consolidation of the 3D Model, Banco Montepio's performance management system, the results of which reveal the Employees' transversal participation in the annual process, and demonstrate their commitment and engagement in the reflection process.

As a result of the model review process conducted in 2019, the component of assessment of quantitative goals for the management of performance throughout the year was added in 2020, which is expected to contribute to a greater alignment of the entire organisation.

In order to continue pursuing the development of an integrated talent management system, a pilot project for management of potential was carried out, which enabled taking the first steps towards the implementation of an annual process of talent review.

About 132 Employees of Banco Montepio carried out an assessment online, followed by individual feedback sessions for the return and interpretation of the obtained results, based on which Individual Development Plans were drawn up, and training given to the respective line managers.

During 2020, the Bank started working on the systematisation and definition of a strategy and framework for the Employer Branding & Talent Acquisition area, aimed at ensuring the capture and retention of talent, and elevating the motivation and engagement levels of its Employees.

Special reference is made to the holding of the “Programa de Trainees” (Trainees Programme), with the integration of 20 trainees in a programme that enables three rotations in distinct areas, including the commercial area; and to the “Programa de Estágios de Verão” (Summer Traineeship Programme), with the integration of 12 trainees in different areas. Both initiatives contribute to the visibility of Banco Montepio as an employer entity.

RECOGNITION OF MERIT AND BENEFITS

The people management plan places major focus on the recognition of performance and the promotion of a culture of meritocracy, with various programmatic lines having been developed in 2020 (in terms of policies and regulations), so as to establish a set of principles and a guideline framework for careful, balanced and responsible action.

In this regard, Banco Montepio sought to ensure the best management of the instruments at its disposal both in salary updating and career progression processes and in the award of incentives, where special reference is made to the distribution of an incentive to the entire retail commercial network in 2020.

In the Employee social benefit plan, despite the current context, Banco Montepio maintained and strengthened its initiatives and support aimed at the Employees, whether arising from commitments under collective hiring agreements and other instruments, or under management decisions, in particular:

- The strengthening of the measures to support the Employees' children who are currently enrolled at education establishments, extending this to all school brackets and up to the age of 24 years old, by awarding regular allowances throughout the year of 2020 to support various items, in particular books, educational materials and other related costs;
- Provision of a credit line for the Employees, for various purposes of support to the family budget with a subsidised interest rate applied.

The Social Services of Banco Montepio has also shown noteworthy action in the area of benefits, with a group of Employees being elected specifically for the management of a variety of initiatives of recreational and cultural nature, as well as the promotion of solutions to the needs of the Employees aimed at providing benefits to the Employees and their families.

Despite the constraints imposed by the pandemic context, Banco Montepio guaranteed some aspects, in particular the continuous functioning of the cafeterias located at Alfragide (Amadora) and Rua Castilho (Lisbon), with the cafeterias of Rua do Almada (Porto) and Rua Garrett 47 (Lisbon) having only been closed in the first phase of general lockdown, in March and April. Activities in digital format were conducted, such as workshops, training, and competitions, among others.

PROMOTION OF HEALTH AND WELLBEING

The ongoing monitoring and operational response to the evolution of the Covid-19 pandemic mobilised the action of Banco Montepio's people management team in a significant manner, which ensured that the workplaces maintained high levels of safety and conditions to boost physical and psychological wellbeing, and simultaneously maintain their levels of response to the most diverse requirements.

Among the initiatives carried out in 2020, the following are especially worthy of mention:

- "Programa de Assistência a Colaboradores (Linha de Apoio Permanente)" (Employee Assistance Programme – Permanent Support Line), in partnership with Pulso Europe Portugal, with Banco Montepio having offered all its Employees a Permanent Support Line: 24 hours, seven days a week, for general telephone counselling (issues related to Social Security support), and personalised individual and family psychological counselling.
- Protection of Employees included in the Risk Group.
- Various Health Promotion actions, in the context of Covid-19, including:
    - Individual safety and prevention rules;
    - Documents supporting the telework arrangement and good practices;
    - Rules on use of the cafeterias of the central services in times of pandemic;
    - Booklet to support return to the office;

- Deconfining, relaxing, safety rules, including during holiday time;
- Rules on individual safety at the Branches.

2nd Edition of the "Semana do Bem-Estar" (Welfare Week)

The 2nd edition of the "Semana do Bem-Estar" (Welfare Week) was held in October 2020. This initiative aims to stimulate a culture of health and wellbeing among all the Employees of the Montepio Group. The initiative, which was held in a hybrid format, was organised by a multidisciplinary team composed of the areas of Occupational Health and Safety, Organisational Communication and Culture, and Social Services, entailed dozens of digital workshops as well as face-to-face actions at various points of the country. The 2nd edition of the "Semana do Bem-Estar" (Welfare Week) involved more than 500 participations in face-to-face and online activities, further enhanced by about 850 views and 5,600 interactions in the closing concert, which was a digital event held on the Instagram of Associação Mutualista Montepio (AMM).

WORK FLEXIBILITY

The imposed change to telework arrangements led to the need to transform the workplace and redesign labour relations. In response, Banco Montepio created the "Programa CONSIGO" (I CAN Programme) providing for work flexibility based on three pillars and nine measures:

- **"(consigo) mais tempo para mim"** ((I can) have more time for myself), which includes extra days of holiday, partially paid leave and unpaid leave;
- **"(consigo) trabalhar à minha medida"** ((I can) work tailored to my needs, which includes telework, flexitime or continuous working hours, and reduction of working hours;
- **"(consigo) uma nova etapa na minha vida"** ((I can) reach a new stage in my life), with phasing-out measures and support for entrepreneurial projects.

The launch of the programme is planned for the beginning of the second quarter of 2021.

CHANNELS, NETWORKS AND CUSTOMER RELATIONS

CHANNELS AND NETWORKS

As at 31 December 2020, Banco Montepio held a network of 298 branches in Portugal, of which 7 were proximity branches, and 7 were business centres of Banco BEM. Under the measures implemented by Banco Montepio with a view to optimising the distribution channels, 39 branches of the domestic network were closed in 2020, with 2 branches

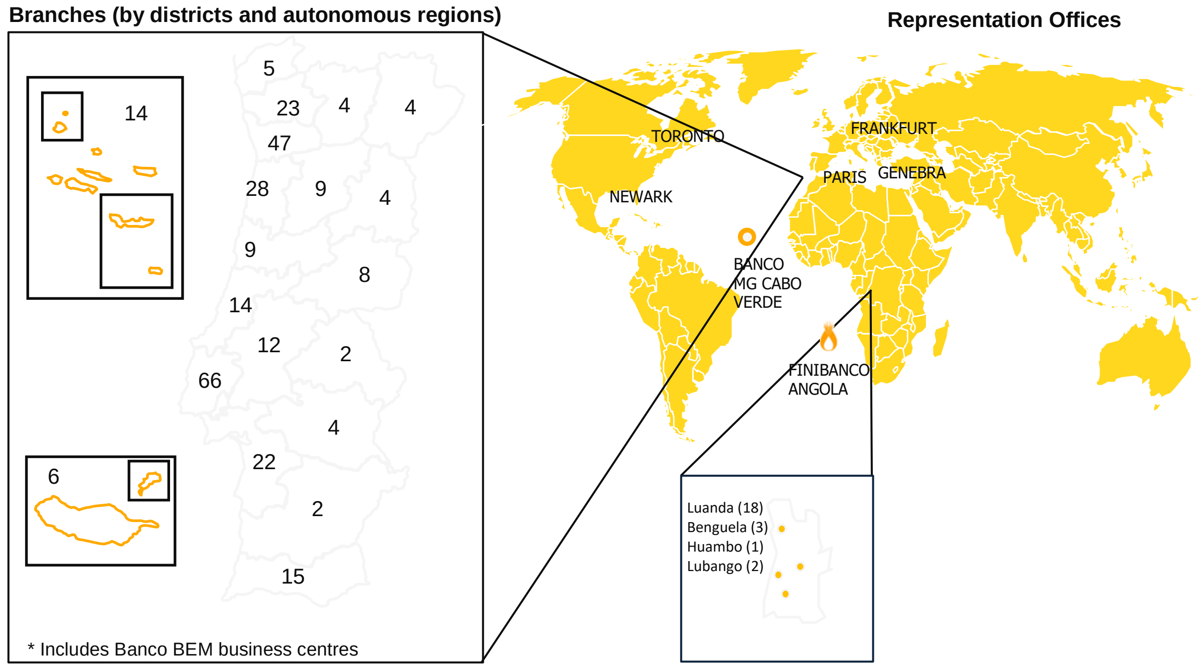
No. of Branches and Representation Offices

	2018	2019	2019
Domestic network	324	332	298
Of which: Proximity Branches	-	7	7
Of which: BEM Business Centres	-	2	7
International network	24	24	24
Finibanco Angola [(a)]	24	24	24
Representation Offices	5	5	5

(a) Includes Corporate Centres.

having been closed in the first quarter of the year and 37 in the last.

The decisions taken by Banco Montepio seek to ensure access to bank services, with a balanced geographic coverage of the country. In the international activity, as at 31 December 2020, Finibanco Angola's distribution network maintained a total number of 24 branches, including 5 corporate centres, with 5 branches having been closed subsequently in January 2021. As at 31 December 2020, Banco Montepio had 5 representation offices (Frankfurt, Geneva, Paris, Newark and Toronto) which ensured the Bank's presence among communities that are resident abroad.



Banco Montepio also offers its individual Customers and companies a series of channels of distribution of products and services being marketed and for Customer relations, namely "Serviço Montepio24" (Montepio24 Service) by telephone, web, sms, app and the dedicated channel "Connect24", the internal network of "Chave24" automatic tellers, the automated teller machines (ATM) and point of sale terminals (POS).

CUSTOMER MANAGERS

Banco Montepio's network of customer managers involved a total of 499 managers at the end of 2020, showing an increase of 8 managers in relation to 31 December 2019. The increased number of customer managers and the intra-segment variations are linked to the reorganisation of the segments at Banco Montepio, aimed at enhancing the level of specialisation, proximity and response capacity in Retail Banking, in the segments of Small Businesses and Companies and in the Social Economy.

This reorganisation was reflected in the distribution of managers, namely 191 managers assigned to Small Businesses, 53 to Small and Medium-Sized Companies with turnover of less than 20 million euros, 38 to Institutional and Social Economy, and 33 to Large Companies (with turnover equal to or more than 20 million euros).

The segment of Individuals had 184 managers at the end of 2020, corresponding to 16 managers less than in the same period of 2019. This reduction was also due to the reorganisation of the segment, which continues to offer personalised service and proximity to the Customer, factors that characterise Banco Montepio.

No. of Managers per Customer Segment

	2018	2019	2020	Change 20/19	
				Amount	%
Retail Banking	**464**	**428**	**428**	**0**	**0**
Individuals	201	200	184	-16	-8
Small Business	185	183	191	8	4
Companies [a]	78	45	53	8	18
Social Economy	**31**	**29**	**38**	**9**	**31**
Institutional and Social Economy [b]	31	29	38	9	31
Corporate Banking	**9**	**34**	**33**	**-1**	**-3**
Companies [c]	9	34	33	-1	-3
Total managers	**504**	**491**	**499**	**8**	**2**

a) Turnover less than EUR 20 million

b) Includes Microcredit managers.

c) Turnover of EUR 20 million or more.

Note: Does not include managers of preventive credit monitoring.

In 2020, Banco Montepio was considered to have the best practice in key variables that reflect the quality of branch attendance, in a total of 12 variables of the customer satisfaction index CSI Balcão (CSI Branch) classified as "benchmark bank"[10], including "Satisfaction with the speed with which the branch staff resolve their requests/problems" (score of 88.0, on a scale of 0 to 100), "Satisfaction with clarity of information" (86.0) and "Expectations regarding overall/Branch quality" (81.8). The Bank also achieved positive changes, in relation to the 1st phase of the study in most of the indicators under review, namely in 26 variables of CSI Balcão (CSI Branch) (out of a total of 33 variables) and in 20 of the CSI Canais Digitais (CSI Digital Channels) (out of a total of 36).

MONTEPIO 24

The Serviço Montepio24 (Montepio24 Service), corresponding to a multichannel platform that includes remote channels, recorded an increase of 8.9% in the number of active Customers in 2020 compared to 2019, with a total number of 392,190 users: 329,353 in the Individuals segment (+9.7%) and 62,837 in the Companies segment (+5.0%).

Distribution by Channel and by Customer Segment in 2020

(# users)

Distribution Channel / Segment	Serviço M24	Phone24	Net24	SMS24	Netmóvel24
Individuals	329 353	19 717	221 649	1 249	223 001
Companies	62 837	4 156	59 699	7	19 896

In Connect24, a dedicated channel where the Customers can provide authentication for login and authorise access to information and banking operations when requested by certified entities, as at 31 December 2020, an increase was recorded both in the creation of consents (+27,870) and in operations derived from Third Party Providers (TPP)/Banks (+2,584,640) in comparison with the end of 2019.

[10] According to the classification of the Consumer Satisfaction Index (CSI) Banca of Marktest (Marktest - CSI, 2nd phase 2020).

It should be noted that the pandemic context reinforced the importance of digital mechanisms in 2020, which was reflected in the growth of the number of subscriptions and the frequency of use, highlighted by the increased number of active Customers in Netmóvel24 in relation to the end of 2019 (+14.9%), accompanied by the increased daily mobile accesses (+14.1%).

AUTOMATED TELLER MACHINES (ATM)

Montepio's total number of automated teller machines (ATM) in 2020 amounted to 931 machines, of which 363 were installed in branches and 568 were available at external locations. In net terms, the number of machines had fallen by 34 when compared to 2019, essentially due to the internal programme of optimisation of the total amount of machines.

Banco Montepio's market share in terms of number of ATM in the year under review stood at 7.4%, compared to 8.1% recorded at the end of 2019. The total number of machines available in the national market of the SIBS Global Network increased by 628 machines, to reach a total of 12,539 at the end of 2020.

The Chave24 internal network amounted to a total number of 306 installed machines in 2020, of which 258 are ATM, 7 are Selfcheques and 41 are Bank Book updating machines.

POINT-OF-SALE TERMINALS (POS)

Banco Montepio's total number point-of-sale terminals (POS) amounted to 24,016 installed terminals as at 31 December 2020, representing growth of 1.3% in relation to the number of installed terminals at the end of 2019.

Banco Montepio's market share in terms of number of POS stood at 6.2% at the end of 2020, compared to 6.5% recorded as at 31 December 2019. The total number of machines available in the national market of the SIBS Global Network amounted to 388,172 machines, representing an increase of 25,850 machines (+7.1%) in relation to the total number at the end of 2019.

CUSTOMER RELATIONSHIP

Cards

Banco Montepio's card business recorded an increase of 32.8% in 2020 in terms of the number of cards recorded in 2019, compared to the 7.0% increase in the market, according to data provided by SIBS. The increase observed at Banco Montepio was due to the change of the network of use with the consequent replacement of the card, implying that the Clients have two debit cards, one for each universal network, for a short period of time. Transaction value decreased by 0.4% at Banco Montepio in relation to the amount observed in 2019, compared to a 0.4% increase in the market.

M.A.R.I.A (Montepio's Automated Real-time Interaction Assistant)

Banco Montepio introduced customer care by M.A.R.I.A. in 2020, aimed at improving the execution of the contact, and offering the Customer an experience that is more empathetic, personalised and with gradual construction of trust.

M.A.R.I.A. started with card activation (debit and credit), and in the second half of 2020 had progressed to receiving orders for other operations, such as balance and movement queries (accounts and cards), transfers between Montepio accounts, interbank transfers and immediate transfer. M.A.R.I.A. recorded a score of 80% in level of customer satisfaction with the service at the end of 2020.

It is expected that M.A.R.I.A. shall progressively extend its customer care capacity and its ability to understand the Customers' intentions.

Open Banking

Pursuant to the directive on payment services (PSD2) proposed by the European Commission, SIBS offered financial institutions and entities that provide financial services to Customers a new service named Open Banking API. Through an app of a particular financial entity, the Customer may make queries/operations on accounts that are associated with one or more financial institutions.

In the second half of 2020, Banco Montepio provided the following functionalities in this context:

- Service of Information about Accounts | Accounts at Other Banks, that will enable our Customers to associate their accounts at other Banks and control their balances and movements in a single place (available for the segment of Individual Customers in mobile).

“Serviço Montepio24 Empresas” (Montepio24 Service for Companies)

In the second half of 2020, Banco Montepio provided the following functionalities in this context:

- Confirming and Factoring – requests for advances are now available online, with a view to improving the service offered to Customers who have subscribed this modality by Invitation;
- Prepaid Cards – the option to change the Form of Payment of the Card Provision Fee is now available;
- Transfers – can now be made outside the national community, between adherent institutions and in countries belonging to the Single Euro Payments Area (SEPA), due to the provision of the option of Immediate International Transfers.

“Serviço Montepio24 Particulares” (Montepio24 Service for Individuals)

In the second half of 2020, Banco Montepio provided the following functionalities in this context:

- Credit Cards – the option for Purchases in Instalments has been provided, which consists in the possibility of dividing a particular Purchase, Service Payment or Cash Advance into instalments or partial payments over 3, 6, 9 or 12 months;
- Prepaid Cards – the option to change the Form of Payment of the Card Provision Fee is now available;
- Transfers – can now be made outside the national community, between adherent institutions and in countries belonging to the Single Euro Payments Area (SEPA), due to the provision of the option of Immediate International Transfers.

COMPLAINTS MANAGEMENT

Banco Montepio views all the complaints received as an opportunity to continuously improve service quality and deepen relations with its Customers.

The Customer Office is responsible for the management of complaints, with its mission being to propose and implement the Complaints Management Policy of the Banco Montepio Group, ensuring the reception and handling of complaints, as well as the respective response to the Complainant and/or Supervisory Entities.

During 2020 there was a 19.2% increase in the number of complaints received (new cases) compared to the same period of 2019. This marked growth in the number of complaints submitted was greatly influenced by the Covid-19 pandemic situation, which led to increased complaints related to various aspects, such as credit, the use of remote channels and the restricted attendance at Branches.

The complaints submitted directly to Banco de Portugal fell by 8.8%, while the complaints presented in the Electronic Complaints Book increased by 30.2% in relation to 2019. Here, it should be noted that the number of complaints presented in the Electronic Complaints Book slightly surpassed the number of complaints presented in the physical Complaints Book.

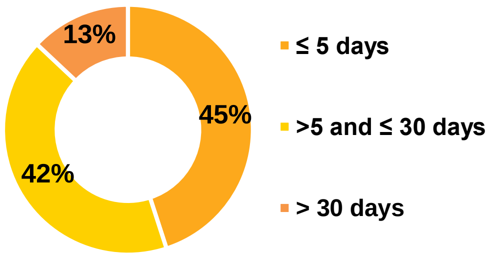
Indicators on Complaints

	2018	2019	2020	Change 20/19	
				Amount	%
Total Complaints	**4 029**	**5 685**	**6 779**	**1 094**	**19.2**
Of which:					
Banco de Portugal	316	306	279	(27)	(8.8)
Complaints Book and Electronic Complaints Book	542	745	970	225	30.2

Note: Refers to complaints concerning Banco Montepio.

New Complaints in 2020

Average response time (business days)



Regarding the response time recorded in 2020, 45% of new complaints were answered within 5 business days or less and 87% within 30 business days. The average response time stood at 15 business days.

Concerning the complaints made to Banco de Portugal and through the physical Complaints Book and the Electronic Complaints Book, the average response time was 21 and 14 business days, respectively. It should be noted that the legal period of response to complaints submitted to Banco de Portugal was extended between 16/03/2020 and 01/07/2020 by the supervisor, from 20 to 30 business days in view of the constraints arising from the Covid-19 pandemic situation.

Banco Montepio aims to ensure high levels of quality, transparency and rigour in the marketing of its products and services. Therefore, the Customer Office continuously promotes a variety of recommendations and warnings, aimed at eliminating the causes of the submitted complaints at their point of origin.

INNOVATION AND QUALITY

In 2020, in an adverse and highly uncertain context, Banco Montepio took measures to mitigate the effects associated with the Covid-19 pandemic and fast-tracked its digital transformation.

In view of the development of the banking market trends that affected the operational and organisational models, and which are based on technological disruption, behavioural change and the sector regulations, the

Bank implemented various measures aimed at ensuring the stability of the services and support to families, companies and institutions.

In particular:

- In the first quarter of 2020, Banco Montepio and IBM established a partnership with a view to **accelerating the Bank's strategy of innovation and automation**, through the development and application of **Artificial Intelligence** and **Implementation of Cognitive Technology** (Cognitive Process Automation).

  The introduction of these technologies enabled the development of **M.A.R.I.A.** (Montepio's Automated Real-time Interaction Assistant) in 2020: a virtual agent with artificial intelligence that has revolutionised Customer attendance. M.A.R.I.A. is a voice answering unit that uses a natural language that has the capacity to deal with various topics simultaneously, recognising how people speak and adjusting the type of answer. As a result, it is possible to create virtual conversations that meet the Customer's requirements without having to resort to a human agent, improving resolution immediately on first contact.

  The components of Cognitive Technology Implementation enable the creation of virtual automation processes, execution of systematic tasks, such as scheduling, task searches, completion of forms and other tasks, which will enable the Employees of Banco Montepio to focus on carrying out more complex activities, optimise their performance and elevate their satisfaction level.

- Access to **moratoria** in a **100% online** format, from the entry into force of Decree-Law 10-J/2020, which has facilitated the rapid response to Customer requests and endowed Banco Montepio with high capacity and agility, enabling it to rise to the peak of activity and meeting the need to support Customers during the state of emergency and imposition of lockdown.

- **"Linha de Apoio às Famílias – Covid-19 Online"** (Family Support line - Covid-19 Online) – On 23 March 2020, Banco Montepio provided a specific credit line to support and give liquidity to families, at a first stage and up to the creation of the governmental and regulatory initiatives, which enabled the 100% online contracting of the equivalent of one extra wage to offset the initial impact of the lockdown measures and income reduction.

- Likewise, in the first quarter of 2020, the **updating of personal data 100% online** – a process designed to expedite the necessary updating of individual Customer data, with benefits and synergies for the process of sale at a distance, and also offering a better experience and simplification for the Customer. In the second half of 2020, Banco Montepio significantly improved the speed of this process by integrating the Digital Mobile Key, in addition to launching new processes, which enable making new subscriptions or reactivation of access to the Montepio24 service in an automatic and entirely digital manner. For Customers who do not have a Digital Mobile Key, the process can also be conducted online using other forms of authentication.

- In September 2020, Banco Montepio launched an unrivalled mortgage loan, having provided a new functionality for the issue of the letter of **100% online conditional approval**, for Customers and non-Customers. This functionality enables obtaining a credit pre-approval, without costs for the Customer or the need to open a current account.

- During the second half of 2020, Banco Montepio took yet another step in the journey towards helping to simplify the life of its Customers and their relations with the Bank, developing a new functionality that enables requesting a **credit card, waiting for its approval and finalising the contracting in a 100% digital format**. Moreover, Customers who already have a credit card may request an increase of their available credit ceiling in the same simple way.

Concerning the **corporate segment**, pursuing the aim of increasing the digitalisation index and improving the service, Banco Montepio developed different initiatives during 2020.

- In the first half of 2020, the **Online Account Opening for Companies** now enables one-person enterprises to open a current account 100% online. This measure is particularly important to capture new Customers of this segment, primarily with respect to the moment of creation of the actual enterprises, which can count on Banco Montepio from moment zero of their incorporation to formalise their share capital.

  - The development of this new service is a strong demonstration of **Banco Montepio's commitment to companies**, a segment for which the Bank is naturally suited.
  - Through the "Conta Online para Empresas" (Online Account for Companies), entrepreneurs can open their bank account at the same place and time of the incorporation of their company, without needing to go to the branch, due to automatically having access to "Montepio24 Empresas" (Montepio24 Companies) – Banco Montepio's home banking service for companies, from which the entire account management can be done remotely.
  - Banco Montepio's "Conta Online para Empresas" (Online Account for Companies) complements the "Empresa na Hora" (On-the-Spot Firm) public system.

- In the second half of 2020, the possibility of submitting requests for **Factoring advances online** was made available through the "**serviço Montepio24**" (Montepio24 service), in an automated manner. For the Bank's Confirming Customers, in the invitation modality, the request of advance online was provided through the serviço Montepio24.

  In both services, Customers may consult their position with Banco Montepio at any time, enabling more efficient treasury management.

- In August 2020, Banco Montepio provided a "**Simulador de Crédito a Empresas para a Linha de Apoio à Economia Covid-19 - Micro e Pequenas Empresas**" (Simulator of Credit to Companies for the Covid-19 Economy Support Line - Micro and Small Enterprises). This simulator is accessible from the public website, and, therefore, is available to Customers and non-Customers. This initiative represents a differentiating factor because Banco Montepio was the first banking institution to offer a financial plan with the maximum conditions of the line, after contextualisation of the beneficiary company.

  Through the simulator, the user will immediately get to know the main conditions of the loan (value of the first instalment, interest rate, period), and can view and save the financial plan. Each simulation can be added to a comparer for a better understanding of the impacts on the selected variables.

  At the end of the simulation, a contact may be requested that, as is the case of other credit simulators online generates leads that will be followed-up and handled through SimAction. This initiative also contributed to the disclosure of this important support to companies in the current context of Covid-19 pandemic.

- In November 2020, Banco Montepio progressively added functionalities to the digital service, with a simulator similar to that referred to above having been provided for another “Linha Protocolada – Linha de Apoio ao Setor Social Covid-19” (Protocolled Line – Covid-19 Social Sector Support Line).

  With this initiative, Banco Montepio supported the entities of the social economy by providing decision-making tools, demonstrating interest and energy in participating in the resolving of the current socioeconomic problems arising from the Covid-19 pandemic.

  These simulators continue to be a novelty in the market, as Banco Montepio continues to be the only credit institution that provides simulators for companies through its public website, thus demonstrating transparency of information in the provision of the service, and also aimed at increasing Customers of this segment who are able to easily perceive the costs that will be incurred due to the loan, with comparisons between various scenarios of values and periods.

BUSINESS SEGMENTS

The Banco Montepio Group develops a series of banking and financial service activities, with special focus on retail banking in Portugal, but also abroad.

The Group's business segments cover: in domestic activity, Commercial Banking, comprised of Retail Banking, the Social Economy and Specialised Credit developed by Montepio Crédito, and Asset Management promoted by Montepio Valor, Corporate and Investment Banking developed by Banco de Empresas Montepio; as well as complementary services, provided through SSAGIncentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A., and; abroad, the activity developed by the subsidiaries Finibanco Angola and Banco Montepio Geral Cabo Verde.

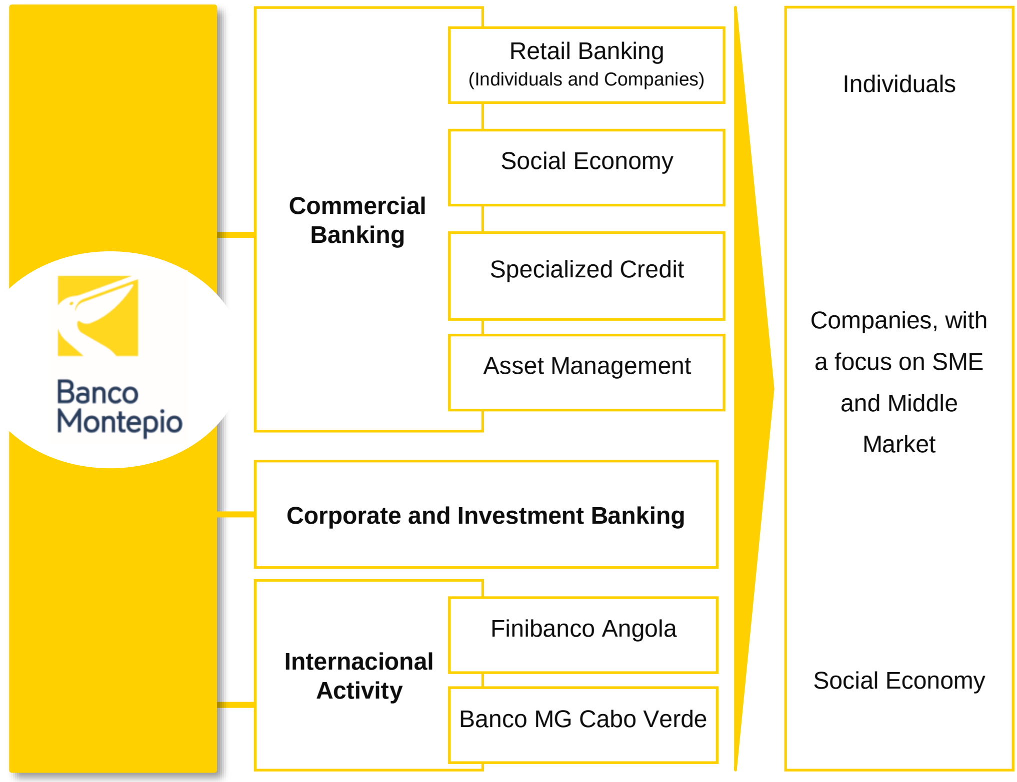
The Group's target Customer segments consist of Individuals, Companies, with emphasis on small and medium-sized enterprises, the middle market, and Social Economy. Banco Montepio's business model is Customer driven, focused on the well-being of families, on supporting the social economy and on attention to the needs of small and medium-sized enterprises and based on values of proximity, trust, solidity, transparency, tradition, innovation and inclusion.

Banco Montepio provides a series of banking products and financial services that include the entire offer inherent to the universal banking activity, namely the capture of deposits, credit concession and financial services for companies and individuals, custody and, furthermore, the marketing of investment funds and life and non-life insurance.

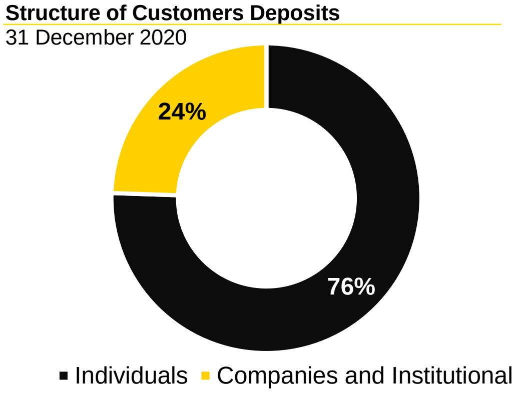
Its international activity has been developed through Finibanco Angola, Banco Montepio Geral Cabo Verde and by its representation offices. The equity stake in Finibanco Angola is currently being reduced, under the strategic redefinition of the international holdings, in particular for the African market.

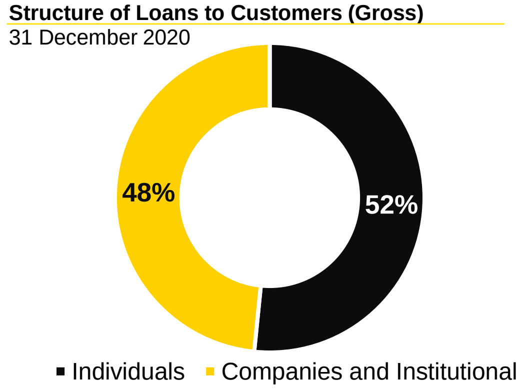
As at 31 December 2020, the operations in Portugal accounted for 98.3% of total assets, 99.8% of total loans to customers (gross) and 99.0% of total customer deposits; Banco Montepio had a network of 298 branches in Portugal, serving 1,326.5 thousand Customers, composed of 157.3 thousand Companies and 1,169.2 thousand Individuals, with market shares of 5.4% in Deposits and 5.5% in Loans to customers.

BUSINESS SEGMENTS OF THE BANCO MONTEPIO GROUP



As at 31 December 2020, Bank Montepio's customer deposits stood at 12.5 billion euros, with individual customers representing 76% of this amount, and gross loans to customers reached 12.4 billion, with 52% being individual Customers and 48% being companies and institutional Customers.





The main highlights of 2020 are presented below with respect to the Banco Montepio Group's offer of financial products and services, by segment of target customers: Individuals, Companies and Social Economy.

INDIVIDUALS

Banco Montepio's offer for the Individuals segment prioritises the encouragement of saving, faithful to its centenary vocation as a saving institution, namely through the attraction and retention of resources, by providing deposits with different features and maturity periods, as well as the stimulation of credit solutions that meet the needs of families.

I wish I were simple and ordinary,
Think like the neighbouring grocer...
Put some money away at ***Montepio***
And make myself respectable to everyone.

Normal in size, ugly and regular,
Already have my own home, with a gardener...
Free of illusions, and a good salesman,
Teach my son to continue...

Gradually age like this,
Perfectly silly, but happy,
And sure to follow a good path.

You will say, reader: "you're preaching to the choir!
I too would like to drink from that fountain of wine..."
— Don't drink... let's go to Paris instead!

July 1938.

Olavo d'Eça Leal (Vamos antes a Paris (Let's go to Paris instead))

DEPOSITS

In the second half of 2020, two new term deposits were placed for marketing, named “Poupança +Valor” (Saving +Value) and “Poupança +Rendimento” (Saving +Income), aimed at encouraging the Customers to save through the capture of new capital.

In order to encourage saving habits among the younger segments, Banco Montepio provides (from 0 to 17 years old) a unique offer, called “Conta Cresce” (Grow Account), which has a Sight Deposit account and two Term Deposit accounts (“Poupança Cresce 1 ano” (Grow Saving 1 year) and “Poupança Cresce 3 anos” (Grow Saving 3 years).

Additionally, with a view to collaborating with families in the management of their savings, special reference is made to the marketing, via web, of the deposits named “Poupança por Objetivos” (Goal driven Saving) and “Poupança M24” (M24 Saving), that enable starting or strengthening savings.

INVESTMENT AND PENSION FUNDS

Under the offer of Investment Funds, Banco Montepio ensures the distribution of Securities Investment Funds managed by Montepio Gestão de Activos, Sociedade Gestora de Fundos de Investimento, S.A., and two Real Estate Investment Funds, “Fundo Valor Prime” (Prime Value Fund) and “Fundo VIP” (VIP Fund), managed respectively by the holding companies Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A. and SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

Reference is made to the attribution of the following awards during 2020:

- Montepio Gestão de Activos: “Melhor Entidade Gestora de Fundos (Ações)” (Best Fund Management Entity (Equities)), awarded by Morningstar, under the Morningstar Portugal Fund Awards 2020;
- “Fundo VIP” (VIP Fund) managed by SILVIP: “Melhor Fundo de Investimento Imobiliário Aberto” (Best Open Real Estate Investment Fund), awarded by APFIPP - Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios (Portuguese Association of Investment Funds, Pensions and Assets) in partnership with Jornal de Negócios, under the “Melhores Fundos 2018” (Best Funds 2020) awards.

The campaign promoted by Futuro - Sociedade Gestora de Fundos de Pensões, S.A., at the end of 2020, named "Dê Ouvidos ao Pai Natal" (Listen to Father Christmas), aimed at stimulating and encouraging saving in a perspective of investment for retirement pension through occasional or regular deposits in "PPR/PPA" (retirement saving plan/saving in equities plan), which may be subscribed via web, on "Serviço Montepio24" (Montepio24 Service).

PUBLIC SUBSCRIPTION OFFERS

During 2020, Banco Montepio participated, as a Placement Entity, in Public Subscription Offers of Bonds, offering its Customers the opportunity to subscribe bonds of renowned entities and diversify their investments.

MEANS OF PAYMENT

The replacement of the current Debit Cards started in the second half of 2020, due to the change of the network of use of the card from the Visa network to the Mastercard network.

In order to accompany the market evolution and offer the Customers more alternatives in the use of the Credit Card, Banco Montepio started to offer its Individual Customers the functionality of Purchases in Instalments (also called partial payment) over 3, 6, 9 or 12 months for a particular Purchase, Service Payment or Cash Advance.

INSURANCE

In Bancassurance, the policy of simplification of services and processes was continued in partnership with the Montepio Group's insurers, Lusitania, Companhia de Seguros S.A. and Lusitania Vida, Companhia de Seguros, S.A., with a view to increasing efficiency and improving the Customers' experience.

Special reference is made to the distribution, in 2020, of a new product of the insurer Lusitania, the "Seguro Montepio Saúde", composed of 3 Plans, the "Base", "Vital" and "Plus", from the most basic to the most comprehensive through a set of coverages and sums insured, adaptable to the different needs of each Customer, exclusively for Banco Montepio Customers that are Members of Associação Mutualista Montepio (AMM) and holders of the AMM card "Montepio Saúde Ativo" (Montepio Active Health).

COMMERCIAL SOLUTIONS

Banco Montepio continues to offer integrated product and service solutions, the "Mais Consigo" and "Mais Contigo" accounts, which facilitate the Customer's daily account management, providing the products and services that are most used on a daily basis at a more attractive price than if they were acquired individually.

CREDIT

Pursuing the goal of repositioning itself as a bank specialised in Mortgage Loan products, and considering that the relevant factors in the choice of a mortgage loan are the price, the service and the relationship established between the bank and the Customer, Banco Montepio has continued to develop initiatives aimed at boosting its mortgage loan solutions.

Throughout 2020, Banco Montepio maintained the exceptional credit protection measures, providing, such as on its public website, a procedure of application for moratoria entirely carried out online, to help overcome any constraints in timely compliance with obligations of families, arising from the Covid-19 pandemic.

COMPANIES

Banco Montepio's offer for the Companies segment focuses on simplification, consistency and easy use as critical success factors for differentiation in the segment, through a model of commercial follow-up based on the specialisation and size of the Customers.

DEPOSITS

Sight Deposits were redesigned for the Company Customer segment in the second half of 2020, in particular involving the following:

- “Conta Negócios” (Business Account) – is henceforth exclusively for Sole Proprietorships (ENI), Liberal Professionals and Self-Employed Workers, to support their professional activity;
- “Conta Economia Social” (Social Economy Account”– henceforth enables access to the account by a larger number of Social Economy entities.

CREDIT

In 2020, recognising the exceptionality of the emergency situation triggered by the Covid-19 pandemic, Banco Montepio approved exceptional measures aimed at supporting workers and companies in the normalisation of their activity, namely the ,**“Conta Corrente Caucionada Covid-19”** (Covid-19 Escrow Account) and **“Linha de Apoio à Economia Covid-19”** (Covid-19 Economy Support Line), among other dedicated lines, aimed at offering support to Companies with difficulties in honouring commitments related to payment of salaries and suppliers.

In this context, Banco Montepio also put in practice exceptional measures of loan protection, offering a procedure of application for moratoriums to overcome possible constraints in the capacity of companies to punctually fulfil their obligations.

Furthermore, Banco Montepio strengthened its participation in public sector initiatives directed at stimulating the financing of companies in different aspects, in particular:

- **“Linha de Apoio à Qualificação da Oferta (LAQO) – Turismo” (Support Line for the Qualification of the Offer (LAQO) – Tourism)**

  This credit line aims to finance investment projects of the tourism sector, reflected in projects in the area of tourist entertainment and restaurants. In tourism entrepreneurial projects, creation of innovative tourist enterprises, among others, in a context of reversal of the trend of growth of this sector's activity as a result of the Covid-19 pandemic.

- **“Linha de Crédito para a Descarbonização e Economia Circular” (Credit Line for Decarbonisation and the Circular Economy)**

  A credit line with subsidised interest, directed at companies of the fisheries sector, aimed at providing the necessary financial means to meet working capital and treasury needs, as a measure of assistance to support the economy in the current context of lower activity due to the Covid-19 pandemic.

- **“Linha de Crédito FIS Crédito” (FIS Credit Line)**

  This line aims to facilitate access to bank financing and improve the financing conditions of “Iniciativas de Inovação e Empreendedorismo Social (IIES)” (Innovation and Social Entrepreneurship Initiatives).

RENTING

Banco Montepio continues to promote the offer of the “Aluguer Operacional de Veículos” (Vehicle Operating Renting) service, for Customers who wish to use or various vehicles for personal or commercial purposes, with the noteworthy offer of electric vehicle solutions (electric or hybrid), associating efficacy with sustainability. This motor vehicle solution, through the integrated offer of services provided by Montepio Crédito, S.A., contributes in an effective manner to the rational management of the Customers' vehicles.

“PROGRAMA FINCRESCE | PME LÍDER 2020” (FINCRESCE PROGRAMME | LEADER SME 2020)

Banco Montepio maintains its agreement with IAPMEI - Agência para a Competitividade e Inovação, I. P. in the renovation of the Fincresce Programme, thus contributing to distinguish companies with a superior performance in different activity sectors in Portugal, by attributing “Estatutos PME Líder and PME Excelência” (Leader SME and Excellent SME Status).

SERVICES

Automatic Payment Terminal (POS)

Banco Montepio continues to provide automatic payment terminal at point of sale in various formats: “TPA Fixo” (Fixed POS), “TPA Móvel GPRS” (GPRS Mobile POS) and “TPA WI-FI” (Wi-Fi POS). Special reference is made to the innovative POS mobile solution (Touch2Pay which enables accepting payments in a fast and safe way, at any place. The offer is composed of a payment app which is available for IOS and Android and a small card reader which is linked by Bluetooth, enabling payments with an EMV card (chip), Magnetic Banda and Contactless.

At the end of the second half of 2020, this equipment was provided at a promotional price, under a Credit for Investment/Credit for Treasury campaign (provided they are subscribed together), enabling access by a larger number of companies.

"Serviço Net Global" (Net Global Service)

Banco Montepio continues to provide an unlimited series of transfers via web, telephone and app for Customers that have joined the "Serviço Montepio24 Empresas" (Companies Montepio24 Service), for a single monthly fee. After activation, the service is valid for all the current accounts held by the company. For all other functionalities (Urgent Transfers, SPGT Transfers or Transfers of credit SEPA+ by XML File - payments and collection), not included in the service, the defined price list is maintained.

SOCIAL ECONOMY

During 2020 and faced with the pandemic context, Banco Montepio, as a Social Economy Bank was, as it has always been, on the side of the Social Sector institutions to mitigate the impact caused by Covid-19.

Complementing the service of proximity offered by the branch network, the Commercial Department of the Social Economy and Public Sector (DCESSP) analysed the specific needs of the Customers of the segments comprising the Social Sector (Social Economy, Microcredit, Social Entrepreneurship and Sustainability) in order to find the most suitable solution for the reality of each Customer.

Composed of 7 Departments specialised in the Social Economy and Public Sector and 1 Microcredit, Entrepreneurship and Sustainability Department (DMES), the DCESSP has a team of managers focused on Social Economy and Solidarity Entities (EESS) and managers who develop projects and partnerships in the Microcredit area, directed at promoting humanised, personalised and socially sustainable loans.

At the beginning of 2020, Banco Montepio developed an offer in the Covid-19 context for EESS and carried out the commercial follow-up in the application of these products and services, namely:

- Moratoria in credit operations in a 100% digital format in 4 simple steps with confirmation by SMS;
- "Conta Acordo" (Agreement Account), an exclusive product of Banco Montepio, created to facilitate and ensure treasury needs that could arise before receiving state funds;
- Specific Covid-19 treasury support lines focused on providing liquidity to entities so that they can focus entirely on their response to social problems;
- "Seguro Voluntários por Todos" (Volunteers for All Insurance), Personal Accident Insurance of Lusitania, Companhia de Seguros, S.A. With new coverages and without changing the premium.

Under the Government's Economic and Social Stabilisation Programme and the Protocolled Lines, Banco Montepio ensured the close follow-up of the EESS and was the first bank to provide funds, of about 55 million euros, in the specific Protocolled Line for the Social Sector.

As a reference financial partner, Banco Montepio supported the applications of institutions to the "Programa de Alargamento da Rede de Equipamentos Sociais (PARES 3.0)" (Social Equipment Network Expansion Programme) and the "Linha de Crédito Fundo para a Inovação Social (FIS)" (Social Innovation Fund Credit Line). In 2020, the Bank continued to provide a Pool of Strategic Partners that support the EESS, establishing new partnerships with three Social Consultants (Turnaround, ValeConsultores and 4Change).

Banco Montepio has been on the side of Families, Companies and EESS for 177 years and, in that regard, nothing changed with the pandemic calamity. As a Social Economy Bank, Banco Montepio also supported social projects in the context of Covid-19. The following initiatives are noteworthy:

- **E-Social**, a communication platform of Banco Montepio directed at all stakeholders of the Social Sector. Present on the social networks Facebook, Instagram, Twitter and YouTube, this platform operates as a meeting point of causes, initiatives, projects, challenges, exhibition and disclosure of what is best done in the Social Economy, in Entrepreneurship, in Social Innovation and in Sustainability in Portugal. In times of Covid-19 pandemic, E-Social has regularly shared tips, tools and suggestions for the Social Sector and its participants in the most varied forms of action;

- **"Conta Solidária SOS-Coronavírus"** (SOS-Coronavirus Solidarity Account), organised by the Associação Empresarial de Portugal (AEP) (Portuguese Business Association) in partnership with the Ordem dos Médicos (Portuguese Medical Association), for the purpose of raising funds to support the entities that are directly engaged in the fight against the Covid- 19 pandemic. Promoted from 16 March to 30 September 2020, the SOS-Coronavirus campaign achieved its goal and raised 400 thousand euros that were donated to two organisations, Hospital de São João, which received a donation of 300 thousand euros to create air isolation units for Intensive Care, and the "Banco Alimentar contra a Fome" (Food Bank Against Hunger), which received 100 thousand euros to help resolve the growing emergency situations that the most deprived population has progressively faced. With a strong and extremely long-standing commitment of support to the community, Banco Montepio joined this cause and created a solidity account, alongside other financial institutions, into which the many donations of Individuals and Companies were channelled;

- **Social Good Summit**, an event of the United Nations Foundation, curated in Portugal by It's About Impact, powered by Casa do Impacto of Santa Casa da Misericórdia de Lisboa (SCML) and sponsored by Banco Montepio. This special edition, in digital format and open to all, was dedicated to the social impact after Covid-19 and divided into seven discussion panels. Topics such as the importance of the Social Economy, the consequences of Covid-19 on mental health, culture as a key factor in economic development and the arrival of the digital revolution were some of the topics – around the Sustainable Development Goals (SDG) of the United Nations 2030 Agenda – that were debated. The speakers included Ana Mendes Godinho – Minister of Labour, Solidarity and Social Security, Graça Fonseca – Minister of Culture, Edmundo Martinho, SCML Ombudsman, Pedro Leitão – CEO of Banco Montepio, Carlos Moedas – Director of Fundação Calouste Gulbenkian (Calouste Gulbenkian Foundation), entrepreneurs of the impact ecosystem, activists and Catarina Furtado, Goodwill Ambassador of the United Nations Population Fund (UNFPA);

- **"Liga-te"** (Connect), a youth network for intervention and combat of Covid-19, launched by the Federação Nacional das Associações Juvenis – FNAJ (National Federation of Youth Associations) and supported by Banco Montepio, which operates through a contact platform of young people and youth associations and a network of support against loneliness and social isolation among young people;

- **Attribution of donations to EESS for acquisition of protective material in the context of Covid-19**, such as the Associação Portuguesa de Mutualidades – APM-RedeMut (Portuguese Mutualities Association), the Confederação Nacional das Instituições de Solidariedade – CNIS (National Confederation of Solidarity Institutions), the Associação Humanitária dos Bombeiros Voluntários de Sacavém (Humanitarian Association of the Voluntary Firemen of Sacavém) and the Associação Cultural e Recreativa de Tondela – ACERT (Tondela Cultural and Recreational Association).

Support to the Public Sector

The Public Sector area is integrated in the DCESSP and has an experienced team with specific knowledge of the sector and its different spheres of action, committed to ensuring the interests of the community. Reference is made to the following initiatives that took place throughout 2020:

- **Strengthening of Banco Montepio's knowledge of the Public Sector segment**, continuing to improve its response capacity to public tenders, through loan proposals;
- **Structuring of a Green, Social or Sustainability Bond**. Analysis, discussion and definition of the strategy, together with Banco Empresas Montepio (BEM), on Sustainable Financial Debt in the context of Local Authorities.
- **Session on 360º Sustainable Bonds for Public Sector Entities**, organised by BEM and Banco Montepio. This initiative, held on 26 November 2020 in digital format, aimed to present a 360º perspective on Sustainable Bonds as alternative debt instruments, with special focus on the opportunities and challenges posed by the sustainability vector in the context of Public Sector entities.

Support to Entrepreneurship and Social Innovation

In these times of pandemic, changes are occurring in behaviour which have forced people to rethink organisations models and projects adjusting them to the current context. In 2020, Banco Montepio stood out due to its important and crucial role played in Entrepreneurship and Social Innovation as a whole, both through financing and through partnerships with impact on the life of those who dared to be an entrepreneur.

As a **Social Entrepreneurship Partner**, Banco Montepio has actively participated in various dynamics of development of technology-based and innovative ideas, projects and business ventures, in particular:

- **Partnership with the "<Academia de Código_>" (Code Academy)**, a project aimed at providing a social experience through bootcamps on computer language. In order to help all who want to <re>programme their life by enrolling in these bootcamps, Banco Montepio created a Code Academy Credit Line, specifically to support the students (<Code Cadets>) who attended the bootcamps in Lisbon, Porto, Aveiro and Ilha Terceira.

  Under the established partnership and consequent investment in the "Linha de Crédito Code Academy" (Code Academy Credit Line), in 2020, Banco Montepio supported:

  26 Code Academy Students Financed

  127,500 euros of Code Academy financing

- **"Montepio Acredita Portugal – MAP"** (Montepio Believe Portugal), the largest entrepreneurship competition of Portugal and the second largest worldwide, promoted by the non-profit organisation "Acredita Portugal", in partnership with Banco Montepio. Throughout the four years of partnership, which entailed the 7th, 8th, 9th and 10th editions of the MAP competition, the following results were observed:

  - 45,443 applications to the MAP competition. In addition to the Social Entrepreneurship category, the category supported by Banco Montepio, the competition accepts applicants from areas such as mobility, sustainability, technology, innovation, new products and education;
  - 6,586 applicants in the Social Entrepreneurship category, the category supported by Banco Montepio and the one that most grows and receives the highest number of applicants.

  In a year marked by the crisis triggered by the Covid-19 pandemic, the 10th edition of the MAP competition not only shifted to being a totally online event, but also included the MAP Virtual Week for the first time, a week of presentations, debates and sharing on topics related to the entrepreneurial and startup ecosystem. With a virtual format, the MAP Virtual Week was the first major initiative of this type dedicated to the topic of entrepreneurism in the post-Covid-19 context, in Portugal. The MAP Virtual Week included a digital entrepreneurism fair in which various projects supported by the 10th edition of the competition were presented, as well as thematic meet-ups gathering together the different projects supported throughout the various years of this initiative, implemented together with the Association's main partners – Banco Montepio, KCS IT, Brisa and Águas de Gaia. There were also mentoring sessions, in which any project can receive support from Acredita Portugal and its network of mentors to evolve and fast-track its growth.

In order to complement the process and help all who want to put their projects in practice and accompany trends, Banco Montepio offered the "Linha Apoio Desenvolvimento Negócio 2018 – StartUp" (Business Development Support Line 2018 – StartUp), which fosters the creation of companies and the development of new business, at the initial stage of the project lifecycle.

Banco Montepio, as a **Social Investor**, has closely followed the best practices in the area of social investment and, taking on the role of the Social Economy Bank, has developed various initiatives:

- **"Projetos de Impacto"** (Impact Projects), a joint initiative of Banco Montepio and SCML aimed at boosting social investment through the Investment in 9 projects (2 Social Impact Bonds and 7 Partners for Impact), two financial instruments of the "Portugal Inovação Social" (Social Innovation Portugal) initiative, representing innovative solutions for the challenges of contemporary society and enabling the combat of various forms of social exclusion. This initiative shall enable supporting innovative projects with impact on society in each of the defined areas of social inclusion, education, employment and health), boosting growth, sustainability and innovation in the Social Economy. The first tranche of social investment of Banco Montepio and SCML in the "Projetos de Impacto" (Impact Projects), equivalent to 349,614.10 euros, took place in 2020.
- **"Títulos de Impacto Social" (TIS)** (Social Impact Bonds), a financing instrument provided by the "Estrutura de Missão Portugal Inovação Social – EMPIS" (Social Innovation Portugal Mission Structure). Banco Montepio invested in the first TIS in Portugal, together with the Fundação Calouste Gulbenkian (Calouste Gulbenkian Foundation), with the "Projeto Família" (Family Project), implemented by the "Associação Movimento Defesa da Vida" (Defence of Life Movement Association). This project, which started in 2017 and ended in December 2020, aimed to ensure the non-institutionalisation of children and young people at risk, preserving the family structure and balance of at least 50% of the detected cases. Between 2017 and 2019, Banco Montepio and the Calouste Gulbenkian Foundation made a total investment of 433,276 euros, achieving successful results, with more than 90% of the cases being followed-up;
- **"Centro de Inovação Social"** (Social Innovation Centre) of the Fundação Eugénio de Almeida (Eugénio de Almeida Foundation), located in Évora, received the total co-investment of 15,000 euros from Banco Montepio between 2018 and 2020. This "Parceria para o Impacto" (Partnership for Impact) project is a centre which supports entrepreneurs and other regional players who want to test, develop or consolidate innovative projects and initiatives, with sustainable business models, with potential scalability, focused on social impact that contribute to resolve social problems in zones of low population density.

Banco Montepio, as a **Social Innovation Partner**, continued to support the following entities:

- **"Casa do Impacto"** (Impact House), created by the SCML, seeks to foster innovative solutions to resolve social problems and needs with a view to building a more solidary and sustainable society. As the only partner bank, Banco Montepio continues to be part of the Board of Curators of the Casa de Impacto project, a reference of Social Innovation in Portugal.
- **"Incubadora Regional de Impacto Social – IRIS"** (Social Impact Regional Incubator), located in Amarante, is an entity that aims to capture ideas and projects, and support the creation, development and acceleration of social innovation and social entrepreneurship initiatives, promoted by the European Investment Bank Institute and by the Associação do Parque de Ciência e Tecnologia do Porto (Porto Association of Science and Technology Parks).
- **"Incubadora Inovação Social do Baixo Alentejo – IISBA)"** (Lower Alentejo Social Innovation Incubator), is a project of the Centro Social Nossa Senhora da Graça (Our Lady of Grace Social Centre), created to foster entrepreneurship and social innovation in the district of Beja.

Support to Microcredit

During 2020 the company started to prepare itself for the post-pandemic period, which shall involve new forms of acting, new professions and functions. Banco Montepio's Microcredit area, which is linked to the promotion of sustained growth in Portugal, should be part of the future of people's work and requalification, in order to keep up with the changes, evolutions and accelerations arising from the Covid-19 pandemic.

Banco Montepio, which has a team of specialised managers nationwide, continued to offer low-value financing solutions aimed at supporting the creation of small businesses, enabling various people to kick off a new cycle in their life, accomplishing sustainable own-job creation projects and even creating other employment positions.

Throughout of 2020, Banco Montepio also continued to focus on the "Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego" (Programme to Support Entrepreneurship and Own Job Creation), a protocol established with Instituto do Emprego e Formação Profissional, I.P. (IEFP) and the four Mutual Guarantee Companies (Norgarante, Garval, Lisgarante and Agrogarante) which contains two distinct credit lines for different amounts: MicroInvest and Invest+.

In the area of investment in Microcredit, in 2020, Banco Montepio supported:

77 projects	1,216,066 euros of financing	113 jobs

In 2020, Banco Montepio's managers specialised in microcredit participated, in face-to-face format, in the module "Elaboração do Plano Financeiro" (Preparation of the Financial Plan) of the 2nd edition of the "Programa de Aceleração Grow Innovation" (Grow Innovation Acceleration Programme), organised by IRIS. After the outbreak of the Covid-19 pandemic, the microcredit managers also participated, but in a digital format, as speakers in sessions on Microcredit and Investment, held by entities such as Acredita Portugal, Casa do Impacto, IEFP, NERSANT – Associação Empresarial da Região de Santarém (Business Association of the Region of Santarém) and) and 4Change.

Sustainability

The definition, implementation and monitoring of Banco Montepio's Action Plan of 2020 for Sustainability of is one of the milestones of 2020 for the Institution. The plan, which is in line with the Sustainability and Social Responsibility Strategy defined by the Montepio Group for the time horizon 2019-2021, was based on the contributions and the participation of various areas of Banco Montepio, namely the Commercial Department of the Social Economy and Public Sector (DCESSP), the People Management Department (DGP), the Communication and Brand Department (DCM), the Strategic Marketing Department (DMEI), the Operational Marketing Department (DMO), the Transformation and Innovation Centre (CTI), the Risk Department (DRI), the Shared Services Unit (USP) and the Central Procurement Department (DCCOMP).

During 2020, Banco Montepio promoted, ensured and strengthened the Institution's role as a reference agent for sustainability in the market and with the different stakeholders through various internal and external initiatives, of which the following are highlighted for each of the Strategic Axes (Affirmation of Identity, Focus on People; Cooperation, partnership and value chain, and, and Environmental Promotion) of Banco Montepio:

Affirmation of Identity (promote the consolidation of the economic sustainability and social responsibility of the Montepio Group and the non-fungibility of its brand)

- Exceptional measures to support the Customers in the context of the Covid-19 pandemic: provision of various processes online, on the public website of Banco Montepio or via the "serviço Montepio24" (Montepio24 service), such as applications for moratoria, the subscription of Saving and Pension Fund products, data updating and the recovery of access to the "serviço Montepio24";
- Application of Moratoria to Families, Companies and EESS;
- Provision of "Linhas de Tesouraria Covid-19" (Covid- 19 Treasury Lines) for all sectors but especially EESS;
- Provision of "Linhas Protocoladas de apoio à Economia" (Economy Support Protocolled Lines) in the context of the Covid-19 pandemic, in particular for EESS;
- Increased financing and investment in innovative and sustainable projects and for startups of the Social Economy.
- Social investment in entrepreneurial projects, through "Parcerias para o Impacto" (Partnerships for Impact) and "Títulos de Impacto Social (Social Impact Bonds);
- Deepening of the investment in microcredit and support to social entrepreneurship;
- Definition of the key visual of the sustainability of Banco Montepio.
- Follow-up of the topic of financial, social and environmental sustainability applicable to banking activity in Portugal, by the existing working parties ("Grupo Técnico de Reflexão para o Financiamento Sustentável" (Working Party for Reflection on Sustainable Financing), boosted by the Minister of the Environmental and Energy Transition; and "Grupo de Trabalho Sustainable Finance" (Sustainable Finance Working Party) of the Associação Portuguesa de Bancos (Portuguese Banking Association));
- Provision of products embodying social concerns and inducing social responsibility practices in the Customers, such as "Crédito Habitação bonificado para pessoas com deficiência" (Subsidised Mortgage Loans for Disabled Persons of the Armed Forces); "Crédito Habitação bonificado para deficientes das Forças Armadas" (Subsidised Mortgage Loans for Disabled Persons); "Crédito Formação" (Training Loans); "Crédito Saúde" (Health Loans); "Linha de Crédito para Descarbonização e Economia Circular" (Credit Line for Decarbonisation and the Circular Economy); "Serviço de Ordens de Pagamento SCML" (SCML Payment Order Service); and "Poupança Solidária +Vida" (+Life Solidarity Saving).

Focus on People (maintaining and reinforcing the humanisation of relations between the Montepio Group and its different stakeholders)

- Covid-19 internal communication plan (including the newsletter "#JuntosàDistância" (#Together at a Distance) and cycles of webinars on technology, wellbeing and business);

- Initiatives to draw the Directors and the Employees closer together, through implementation of the initiative E-Coffee with the CEO;
- Implementation of the internal initiative "Sustentabilidade: Colaboradores e boas práticas no âmbito da Covid-19" (Sustainability: Employees and good practices in the context of Covid-19), an action composed of 15 dynamics on good practices concerning environmental, social and financial sustainability, aimed at encouraging and engaging the Employees in the implementation of good practices. This action, held between 5 May and 24 August 2020, was disclosed on the intranet and in the internal newsletter "#JuntosàDistância" (#Together at a Distance);
- "Programa de Mentoria" (Mentoring Programme);
- "Programa de Trainees Montepio" (Montepio Trainees Programme) and "Programa de Estágios de Verão" (Summer Traineeship Programme);
- Employee participation in the study on organisational climate.

Cooperation, partnership and Value chain (promote cooperation and partnership between the different economic values and promote an ethical supplier management policy, in favour of the sustainable development of the country)

- Signing of the Social Commitment Charter for a Greater Good: «Be the country's bank of mutualist inspiration», reiterating its aspiration to continue to be the country's bank of mutualist inspiration, for a further 176 years, and its commitment to social, economic and environmental sustainability. The document was approved in the General Meeting and signed by the Board of Directors of Banco Montepio. With almost two centuries of service to the community – during which the country experienced myriad public health, economic, financial and political crises – Banco Montepio was always on the side of various generations of Portuguese people. This is the country's oldest financial institution and the only one of mutualist foundations. And this is the historical record that bestows an additional series of responsibilities on matters of social, economic and environmental sustainability;
- Membership of the Associação Portuguesa de Ética Empresarial – APEE (Portuguese Association of Business Ethics), a member entity and host of the United Nations Global Compact;
- Co-organisation and participation in the 15th edition of the "Semana da Responsabilidade Social" (Social Responsibility Week), and initiative of the APEE, in partnership with Global Compact Network Portugal, which was held between 16 and 20 November, under the theme "2020-2030 A Década da Sustentabilidade" (2020-2030 The Sustainability Decade). Banco Montepio co-organised the conference "Finanças Sustentáveis" (Sustainable Finance), held on 17 November, which was attended by Pedro Leitão, CEO of Banco Montepio, and Nuno Mota Pinto, executive director responsible for the area of Sustainability and Social Responsibility of Banco Montepio;
- Award of two Honourable Mentions in the 6th edition of the "Reconhecimento de Práticas em Responsabilidade Social e Sustentabilidade" (Recognition of Social Responsibility and Sustainability Practices), an initiative of the APEE.

  The first honourable mention was awarded in the category of "Trabalho Digno e Conciliação" (Decent Work and Reconciliation), for the work developed by Banco Montepio among its Employees to overcome the challenges posed by the Covid-19 pandemic. Because, if at a first stage it was critical to ensure the conditions for everyone to be able to continue performing their duties safely, whether at the branch or under telework, it was also crucial to maintain and boost the contact between teams and the motivation of each employee, through the weekly sending of the internal newsletter “#JuntosàDistância” (#Together at a Distance) and the disclosure of good practices through the initiative “Sustentabilidade: Colaboradores e Boas Práticas no âmbito da Covid-19” (Sustainability: Employees and good practices in the context of Covid-19). Banco Montepio's environmental sustainability and the work developed with the Employees and suppliers merited an honourable mention in the category of “Ambiente: Redução de Impactos” (Environment: Impact Reduction) due to the actions that have been implemented progressively since 2019 – such as the reduction of electricity, fuel and paper consumption and the migration to the green fleet;

- Waste collection campaign with ERP Portugal – Entidade Gestora de Resíduos.

Environmental Promotion (define and implement an environmental sustainability policy)

- Measurement of the carbon footprint;
- Definition of the project and differentiated waste collection;
- Provision of products inducing good environmental practices, such as “Crédito Habitação: Crédito e Casa Sustentáveis” (Mortgage Loans: Sustainable Loan and Home), “Crédito Energias Renováveis” (Renewable Energy Credit), “Linha de Apoio à Qualificação da Oferta – Sustentabilidade Ambiental no Turismo” (Support Line for the Qualification of the Offer – Environmental Sustainability in Tourism) and “Montepio Mobilidade Elétrica Auto” (Montepio Auto Electric Mobility Leasing and Renting);
- Dematerialisation of communication through the dematerialisation of processes, such as Mortgage Loans online, the opening of Company sight accounts online, and the Maintenance of Individual Customer data online;
- Implementation of the Code of Conduct in the commercial relations carried out;
- Continuation of the plan to replace the motor vehicle fleet with plug-in and 100% electric vehicles;
- Holding of training actions and promotion of the operational risk culture.

BUSINESS ENVIRONMENT

BUSINESS ENVIRONMENT

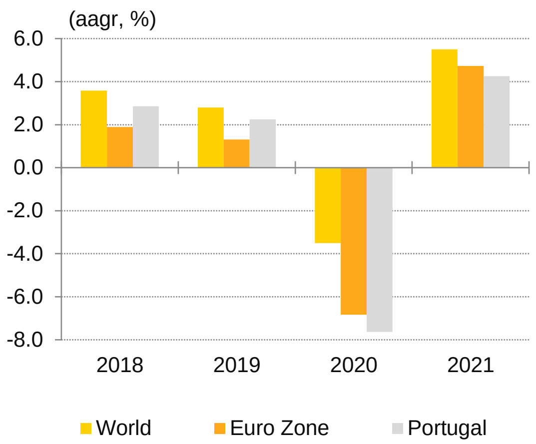
ECONOMY

World economy

In the recent update of the World Economic Outlook (WEO), dated 26 January 2021, the International Monetary Fund (IMF) estimated the likely scale of the impact of the novel coronavirus (Covid-19) pandemic to be a 3.5% contraction of the world economy in 2020, followed by a recovery based on an expansion of Gross Domestic Product (GDP) of 5.5% in 2021 and 4.2% in 2022.

The IMF subsequently upgraded its forecasts of world economic growth for 2021 (it had forecast +5.2% in October 2020), but downgraded its forecasts for growth of the eurozone to 4.2% (it had forecast +5.2% in October 2020), due to the impact of the 3rd wave of the coronavirus in Europe since the end of 2020 and the new lockdowns that extended since early 2021, as well as the greater slowness expected in the execution of the Recovery and Resilience Fund, imposing a slower pace in the recovery of the eurozone.

Gross Domestic Product (GDP)



Source: Thomson Reuters, Banco Montepio and IMF.

While the global economy, primarily driven by China, India and the USA, should complete its recovery from the crisis throughout 2021, the eurozone should need two years (the IMF forecasts growth of 3.6% for 2022). In other regions of the globe, the IMF forecasts growth of 4.5% in the United Kingdom in 2021 and 5.0% in 2022, after an estimated contraction of 10.0% in 2020. The USA is expected to grow by 5.1% in 2021 and 2.5% in 2022, after the 3.5% contraction in 2020, and Japan should record growth of 3.1% and 2.4% in 2021 and 2022, respectively, after a contraction of 5.1% in 2020.

According to the IMF, the group of advanced economies should record growth of 4.3% in 2021 and 3.1% in 2022, after a decline of 4.9% in 2020. On the other hand, in the emerging economies, China, the only major economy to have grown in 2020 (+2.3%), should accelerate to 8.1% in 2021 and decelerate to 5.6% in 2022.

Economy of the Eurozone

After the eurozone economy's continued expansion throughout 2019, with annual growth of 1.3% in that year (according to Eurostat data adjusted for seasonality and business days), it returned, as expected, to a scenario of contraction in the first two quarters of 2020 (quarter-on-quarter declines of 3.8% in the first quarter and 11.6% in the second quarter), with the economy being heavily penalised by the impact of the Covid-19 pandemic in the region.

The economy returned, also as expected, to quarter-on-quarter growths in the 2nd half of the year, expanding by 12.5% in the 3rd quarter with the renewed exacerbation of the pandemic crisis observed in the autumn and winter leading many countries to return to lockdown, causing a renewed decline of activity in the 4th quarter (-0.7%), with GDP closing 2020 with an expressive annual average contraction of 6.8%. The economy should return to growth, in annual average terms, in 2021, a year for which Banco Montepio forecasts growth of 4.7%. This forecast is based on a new quarter-on-quarter contraction of GDP from the beginning of 2021, although these forecasts remain shrouded in great uncertainty in view of the current context of severe pandemic crisis and possible need to take new and more restrictive lockdown measures, in addition to those that announced.

Throughout 2020, and in order to try to offset the impact of the Covid-19 pandemic on the economy as much as possible, the European Central Bank (ECB) intensified its already rather expansionary monetary policy, keeping its reference interest rates at the current historically low levels (the interest rate of the main refinancing operations (refi rate) at 0.00% and the deposit rate at -0.50%) and having, in particular, launched a pandemic emergency purchase programme (PEPP).

This programme was launched, on 18 March 2020, with an endowment of 750 billion euros, but ended up by being reinforced around three months later (on 4 June) with a further 600 billion euros, to 1,350 billion euros, and the programme's termination being extended from the end of 2020 to at least the end of June 2021. The programme was reinforced once again on 10 December 2020, by 500 billion euros, to a total of 1,850 billion euros, and with the programme's termination being extended by a further nine months to at least the end of March 2022 (approximately 757.2 billion had been used by the end of 2020). Special reference should also be made to the decision, taken on 12 March, to increase the asset purchases through the asset purchase programme – APP II by 120 billion euros up to the end of 2020, with this increase being added to the purchases at a monthly rate of 20 billion euros that were already underway and shall continue, as well as the decision, on 10 December 2020, to extend the long-term loan lines for the banking sector up to June 2022.

Portuguese Economy

In Portugal, the year of 2020 was also marked by the serious health and economic crisis that continues to affect the entire globe, and whose impact on the Portuguese economy is being, as expected, extremely significant.

The very marked negative impact of the Covid-19 pandemic was clearly evident throughout the first half of 2020, essentially reflecting the different measures taken to contain the spreading of the virus, such as the closing of schools and universities on 11 March 2020 (effective from 16 March 2020) and the decreed state of emergency on 18 March 2020, which forced the temporary closure of numerous economic activities and restrictions to the free movement of people.

It should also be noted that, before the endorsement of these measures, there were already disruptions in the normal operation of some activities and in the demand for their products, namely in the restaurant and hospitality sector, affecting economic activity practically since the beginning of the month of March 2020. In the first quarter of 2020, GDP showed a strong quarter-on-quarter contraction of 4.0%, with the subsequent, as expected, severe intensification of the rate of economic contraction in the second quarter – more affected by the impact of the actual containment measures – which declined by 14.0%, representing the highest rate of quarter-on-quarter GDP contraction of the democratic regime.

Subsequently, the gradual lifting of the containment measures, in a context of relative control of the Covid-19 pandemic, was reflected in a strong and vigorous return of economic activity to growth in the 3rd quarter, with an expansion of 13.4% (in turn, representing the highest rate of quarter-on-quarter GDP expansion of the democratic regime), growing once again in the last quarter of the year, but showing a marked slowdown to 0.2%, reflecting the new exacerbation of the pandemic crisis and the need for the Government to implement partial lockdown measures in November and December.

The return to growth in the second half of the year was insufficient to prevent the Portuguese economy from recording an expressive annual average contraction of 7.6% in 2020, having returned to declines, after having grown by 2.5% in 2019, 2.8% in 2018 and 3.5% in 2017, with this last figure representing the highest growth rate since the beginning of the millennium. This was the most intense annual decrease of GDP of the current National Accounts series (according to the long-term series of Banco de Portugal, this is the strongest decline since 1928: -7.9%), reflecting, as noted above, the profoundly adverse effects of the Covid-19 pandemic on economic activity.

Internal demand was particularly affected, having shifted from a positive contribution to the annual variation of GDP of 2.8 p.p. in 2019, to a negative contribution of 4.6 p.p. in 2020. Private consumption fell by 5.9% in real terms and investment decreased by 4.9% (+2.6% and +5.4%, respectively, in 2019). Net external demand showed a negative contribution of 3.0 p.p. (-0.3 p.p. in 2019), with exports having fallen (-18.7%; +4.0% in 2019) more intensely than the figure observed in imports (-12.0%; +4.7% in 2019), highlighting the significant negative contribution of exports of tourism services.

Banco Montepio's current forecasts point to a return to growth of GDP in 2021, to 4.2%. However, it should be stressed that these forecasts (in their current designs – and strengthened – in mid-January 2021) still remained shrouded in great uncertainty, as the downward risks depend on the future evolution of the pandemic crisis (namely the possible emergence of strains that are highly contagious and/or resistant to the vaccines) and the possible need to strengthen the lockdown, both in terms of severity and measures taken, and in terms of duration of the lockdown. The upward risks arise from the possibility of the economy continuing to be highly resistant, and from the Covid-19 pandemic, at a national and international level, being able to evolve in a more favourable manner, namely as a result of the vaccination processes.

The evolution of public finance in 2020 was naturally strongly affected by the circumstances of the serious health and economic crisis that the country is still experiencing, in particular being highly constrained by the measures taken to mitigate the impact of the pandemic, with the budget deficit reaching 5.7% of GDP, representing a severe deterioration of the budget balance, compared to the small surplus of 0.1% observed in 2019, which corresponded to the first budget surplus of the Portuguese democracy.

In the labour market, after the reduction of the unemployment rate in 2019, from 7.0% observed in 2018 to 6.5%, thus continuing the downward trend since the peak reached in early 2013 (17.5%), an aggravation was observed in 2020, to 6.8%. Moreover, the only reason that this aggravation was not more intense is due to the [temporary] inability of the unemployment rate to “correctly measure” the real situation of the labour market. Banco Montepio foresees a new rise in the unemployment rate in 2021, to 7.7%, with this exacerbation arising from the heavy lockdown measures taken at the beginning of the year by the Government, which implied a strong downward revision by Banco Montepio of its outlook on economic growth in 2021.

Inflation, measured by the annual average rate of change of the harmonised index of consumer prices (HICP) stood at 0.3% in 2019, corresponding to 0.9 p.p. lower than that recorded for 2018 (+1.2%), having fallen once again in 2020 to a slightly negative figure, of -0.1%. This low inflation in 2020 reflects the low levels of activity and oil prices, as a result of the impact of the aforesaid coronavirus crisis. For 2021, Banco Montepio continues to point to a rise of inflation, but only to 0.6%, continuing to be constrained by the prospects of lower growth of activity (following the strong reinforcement of the lockdown implemented by the Government in mid-January), being a figure that remains surrounded by downward risks.

Other economies

Regarding other economies, it should be noted that in **Angola**, GDP contracted by 0.5% in 2019, thus attenuating (-2.0% in 2018), but with an expected intensification of the downward rate in 2020 to 4.0% (according to the most recent official data available, GDP recorded a year-on-year decline of 5.8% in the 3rd quarter of 2020, thus attenuating in comparison to the -8.3% of the 2nd quarter), essentially reflecting the impact of the economic crisis caused by the Covid-19 pandemic, followed by a return to growth in 2021 (+3.2%). For **Cape Verde**, and, likewise, reflecting the impact of the Covid-19 pandemic crisis, it is estimated that there was a heavy decline of 12.5% in 2020 (+5.7% in 2019), primarily reflecting the likely decline of the important tourism sector, with a foreseen 8.0% increase in 2021.

Financial markets

The year of 2019 recorded a positive evolution in financial market sentiment due to its very favourable performance, particularly the equity market. However, the performance of the markets during the first months of 2020 was, naturally, greatly affected negatively by the impacts of the Covid-19 pandemic, which began to be experienced from the end of the month of February, before the adoption of many of the more restrictive measures in the advanced economies. This adverse impact started to become more pronounced during the month of March, being followed by a gradual recovery up to the end of the year (occasionally interrupted, particularly between September and October), with the main stock market indices dipping to the lowest levels since mid-2016 on 23 March, but subsequently embarking on an upward trend, taking the majority (with the main exception of Europe) to close the year of 2020 at historical maximum levels, to a large extent also due to the extremely expansionary monetary policy implemented by the central banks, with central bank reference rates remaining at historically low levels and the debt purchasing programmes also exerting downward pressure on long-term yields.

In fact, although the **main stock market indices** recorded abrupt declines in March, they had more than reversed these declines by the end of 2020 in a large part of the world, namely in the USA, Japan and emerging markets, with European indices being the main exceptions. The scenario of major uncertainty was reflected in a very significant increase of volatility in the financial markets at the most critical stage of the Covid-19 pandemic. Positive movements were observed in the main share indices of the USA, Asia and Latin America for the year of 2020 as a whole, with (annual) declines being observed only in Europe. In the USA, growth was recorded in the Dow Jones (+7.2%), S&P 500 (+16.3%) and, even more significantly, in the Nasdaq (+43.6%, reflecting their greater exposure to the technological sector, which benefited, in various aspects, from the lockdown measures implemented somewhat worldwide), with all of these indices closing the year of 2020 at historical maximum levels, which were later surpassed during the first few weeks of 2021. In Europe, the Eurostoxx 50 fell by 5.1% (the main exception having been the German DAX, which rose by 3.5%), with the United Kingdom's FTSE 100 having fallen even further (-14.3%), and, likewise, the Portuguese PSI-20 (-6.1%). To some extent, these indices performed like their economies, with the German economy having been the one that declined less in 2020 among the major European economies. In Asia, the Japanese Nikkei 225 appreciated by 16.0% and the Chinese Shanghai Composite by 13.9%. The MSCI index for the emerging markets rose by 15.8%, while the MSCI world index appreciated by 14.3%, reaching historical peaks, subsequently renewed in 2021.

The strong increase of risk aversion observed at the onset of the Covid-19 pandemic was also evident in the **sovereign debt market**, especially in eurozone countries with higher public debt levels. In mid-March, the spreads of long-term interest rates of Italy, Spain and Portugal in relation to Germany increased abruptly, even if distant from the peaks observed in 2012. The intervention of the ECB was swift and decisive, with the announcement, on 18 March 2020, of a new programme for purchase of debt securities especially directed at mitigating the negative impact of the Covid-19 pandemic (PEPP), which was subsequently strongly reinforced on a further two occasions, throughout 2020, leading to the reversal of this trend and ensuring the stabilisation of this market. The yield rates of German debt fell both in the short-term (2 years) and long-term (10 years), becoming even more negative, while in the USA they also declined in the two cases in an even more intense form, with yields at 10 years falling to historically low levels in both geographies on 9 March 2020 (during the most critical stage of the Covid-19 pandemic), although, in the case of American debt, these low levels were surpassed in early August. The spreads at 10 years of the debt of the peripheral countries of the eurozone in relation to German debt widened, as noted above, during the most critical stage of the Covid-19 pandemic, having later recovered and closed the year of 2020 narrowing (with the strongest declines occurring in Greece and Italy).

The spreads of the **corporate credit market** (Credit Default Swaps) were unable to prevent closing 2020 with slightly unfavourable performances. The yield rates of Portuguese debt at 10 years decreased from 0.442% at the end of 2019 to 0.030% at the end of 2020, having reached historically low levels at the end of the year, on 15 December 2020, with a negative figure (-0.056%).

Euribor rates fell in all maturity periods, having reached historically low levels in the last days of the year of 2020, observed in the 3-month Euribor on 10 December (at -0.546%), in the 6-month Euribor on 31 December (at -0.526%), and in the 12-month Euribor on 9 December (at -0.507%), with new historically low levels have been reached once again subsequently in 2021, and the low levels continuing to reflect the expansionary monetary policy followed by the ECB. The **Libor rates of the dollar** also fell for all periods and in an even more intense manner, as a consequence of the measures endorsed by the Federal Reserve (Fed) since March, in particular with two decreases of the Fed Fund rates, accumulating to 150 b.p. for the range [0.00%; 0.25%].

Commodities showed declines of composite indices (CRB Index: -9.7%; GSCI S&P: -6.1%), with the recovery observed in the second half of 2020 not managing to fully offset the declines recorded in the first half of 2020, and especially during the most critical stages of the Covid-19 pandemic (in March and April 2020). The annual performance actually ended up by being upward for the majority of the types of commodities, but with the decline for cattle and the market drop in the category with greatest weight in the index, energy (-20.5%, as a result of the heavy decreases in oil prices) more than offsetting the appreciations observed in agricultural commodities, base metals and precious metals. During the more critical stage of the Covid-19 pandemic, precious metals took on their traditional role as safe haven assets in periods marked by greater risk aversion, with gold having reached historical peaks in early August. Special reference should be made to the impact of the Covid-19 pandemic on the price of oil which was very pronounced and strongly influenced by the significant slump of global demand, in particular in the transportation sector. The reduction of demand was reflected in a significant increase of stocks, which rapidly approached the installed storage capacity, to such an extent that in the North American futures market negative prices were actually observed for oil delivery in the short-term. In the Brent market, the price of oil reached a low point of 19 dollars on 21 April 2020, representing a 70% reduction in relation to the end of 2019, and closed 2020 with a lesser but still impressive decline of 21.5%, relatively similar to that observed for the WTI price (-20.5%).

FINANCIAL SYSTEM

The year of 2017 was a year of capitalisation of the Portuguese banking system, namely through the: *i*) undertaking of an operation to increase the capital by BCP (1.3 billion euros); *ii*) accomplishment of the 1st and 2nd stages of CGD's recapitalisation plan, of the accumulated amount of 4.444 billion euros; *iii*) completion of the public offer of CaixaBank over BPI; *iv*) operation to increase the capital of Caixa Económica Montepio Geral (250 million euros); *v*) acquisition of Banco Popular by Banco Santander S.A. in the context of a resolution measure applied to the former; and *vi*) completion of the sale of Novo Banco to Lone Star. The year of 2018 was marked by stabilisation, with only the last phase of the recapitalisation plan of CGD having been finalised, through the issuance of 500 million euros of securities representing tier 2 own funds. In turn, 2019 was a year of consolidation of the main players of the Portuguese banking system, while 2020, marked by the current context of health and economic crisis, due to the Covid- 19 pandemic, represented a true test to the resilience of all economic agents, including banks, which were faced (and continue to face at this beginning of 2021) a very adverse macroeconomic scenario, characterised by a profound recession and high uncertainty.

In the context of the pandemic crisis, the conditions for the continuation of the process of reduction of non-performing loans (NPL) in the banking system were rather compromised, both by the difficulty of pursuing with the sale and recovery of the existing NPL and due to the expected increased default (an aspect that, however, is currently being contained by the credit moratoria implemented in the country), thus having negatively affected the profitability of the institutions. The profile of recovery of economic activity should also be reflected in the evolution of the banking business. A scenario of weak recovery in terms of granting new loans, combined with the expected prolongment of the environment of very low interest rates in the eurozone, will also constrain bank profitability, precluding the internal accumulation of capital. This highlights the importance of the flexibility that was given to institutions, to operate temporarily with lower capital levels.

However, according to data published by Banco de Portugal, by the 4th quarter of 2020, the total assets of the banking system had increased by 5.6% in relation to the end 2019. A rise of exposure to debt securities was observed (increased by 0.3 p.p. in relation to the end of 2019, to 22.3% of total assets), but only to securities issued by non-financial companies, as the exposure to public debt securities stabilised (at 8.0% of total assets).

The NPL ratio stayed on its downward trend, standing at 4.9% at the end of the 4th quarter of 2020, 1.3 p.p. below the figure observed at the end of 2019 (6.2%) and well below the 9.4% recorded at the end of 2018. The stock of NPL decreased by 2,841 million euros in relation to the end of 2019 (-16.4%). The NPL ratio net of impairments reached 2.2% (- 0.8 p.p. in relation to the end of 2019), with the gross ratio standing at 4.9% (6.2% at the end of 2019). This NPL stood at 9.6% in the case of non-financial companies (-2.7 p.p. in relation to the end of 2019) and at 3.4% in the case of individuals (3.7% at the end of 2019). The ratio of coverage of NPL by impairments increased (+3.9 p.p.) to 55.4%. The ratio of coverage of the segment of non-financial companies increased by 0.4 p.p. to 56.9%, while for individuals it increased by 8.4 p.p. to 48.0%.

The liquidity position of the banking system continued to be at comfortable levels, with a loan-to-deposit ratio of 84.9% at the end of 2020, despite being on a downward trend (87.1% at the end of 2019 and 89.0% at the end of 2018), and a liquidity coverage ratio of 251.6%, having increased in relation to the 218.5% at the end of 2019 and being even higher than the closing value of 2018 (196.4%), having benefitted from the evolution of the highly liquid assets. The funding obtained from central banks rose, shifting to represent 7.8% of the assets (4.4% at the end of 2019 and 5.3% at the end of 2018).

In 2020, the return on assets (ROA and the return on equity (ROE) diminished to figures close to zero, standing at 0.04% (-0.4 p.p. in relation to 2019) and 0.5% (-4.4 p.p. in relation to 2019), respectively. The reduction of ROA reflected the significant increase of impairments for credit. For the same reason, the cost of credit risk increased by 0.51 p.p. in relation to 2019, to stand at 1.03%. This evolution is associated with the impact of the Covid-19 pandemic. --The cost-to-income ratio fell by 1.3 p.p., to stand at 58%. The reduction of operating costs contributed by -3.1 p.p., while the decrease of total operating income contributed by +1.9 p.p..

The ratio of total own funds and the ratio of common equity tier 1 (CET 1) increased by 1.2 p.p. and 1.1 p.p. in relation to the end of 2019, respectively, to 18.1% and 15.4%, at the end of 2020. The increase of total own funds and common equity tier 1 funds contributed to the increase of the ratios, and, likewise, the reduction of risk-weighted assets. The leverage ratio stood at 7.7%, having fallen from the 7.9% observed at the end of 2019, but remaining significantly above the reference minimum defined by the Basel Committee on Banking Supervision (3%), which shall become a compulsory requirement from the starting date of application of the new Capital Requirements Regulation – CRR (28 June 2021). In June, the European Parliament and Council approved an amendment to the CRR (CRR quick fix adjustments), which permits the exclusion of certain exposures to central banks from the leverage ratio, pursuant to authorisation of the competent authorities.

MAIN RISKS AND UNCERTAINTIES FOR 2021

In the updating of the World Economic Outlook (WEO) of the IMF, from April 2020 to January 2021, the focus of the risks and uncertainties has been completely dominated by the developments and estimates of real impact of the Covid-19 pandemic. As noted above, the IMF estimates that in 2020 the global economy experienced its worse recession (-3.5%) since the Great Depression, and currently considers that the recovery (started around the middle of the 2nd quarter of 2020) will be complete in 2021 (+5.5%), in contrast to the only partial forecast indicated by the IMF in mid-2020, with this faster recovery of the global economy in 2021 being strongly fostered in particular by China, India and the USA.

In its most recent update, of January 2021, among the risks identified for his forecasts, the IMF highlights, on the positive side, that better news in the manufacture of vaccines (including those under development in the emerging economies), in the distribution, and in the efficacy of therapies could increase expectations of a faster end to the Covid-19 pandemic than that expected. On the negative side, the IMF highlights the fact that the growth could be weaker if the virus (including the new variants) proves difficult to contain, if the infections and deaths accumulate rapidly before the vaccines are widely available, and if the voluntary distancing or lockdowns are stronger than anticipated. The IMF also warns that, if the support of the economic policy measures (budgetary and monetary) is withdrawn before the recovery is firmly rooted, bankruptcies of firms that are viable but lacking liquidity may accumulate, leading to more job and income losses.

The outlook for the Portuguese economy also remains surrounded by high uncertainty, being also primarily dependent on the evolution of the Covid-19 pandemic, the containment measures implemented in Portugal and in the rest of the world, the economic policies, the evolution in terms of vaccination against Covid-19 and the reaction of economic agents to these developments. In the case of Portugal, the country's high exposure to the tourism sector – one of the most affected by the Covid-19 pandemic – constitutes an extra risk factor compared to economies with greater exposure to the industrial sector, like the German economy.

INFORMATION ABOUT COVID-19 AND OUTLOOK

On 11 March 2020, the World Health Organisation qualified the public health emergency caused by the severe acute respiratory syndrome coronavirus 2 (SARS- CoV- 2) (commonly referred to as Covid-19), which led to the declaration of a state of emergency in Portugal, through President of the Republic decree 14-A/2020 of 18 March.

The first state of emergency was enforced in Portugal up to 2 May 2020, succeeded by situations of calamity, alert and contingency which gave way to successive renewals of the state of emergency, and have required the adaptation of economic and social activity to the new health reality.

A series of exceptional and extraordinary measures of support to the population and the economy were approved, with the financial sector being responsible, in particular, due to its financing function, for an essential participation in the joint effort between authorities and economic agents.

Accordingly, simultaneously with the adjustment of their operations in order to successfully deal with the pandemic crisis, the banks were at the front line in supporting families and companies, especially through the granting of moratoria and state guarantees.

The response of Banco Montepio

With a legacy of 177 years at the service of families, companies and third sector entities, Banco Montepio, a private banking institution, 100% held by national capital, has never resorted to public funds and has a specific department that develops activity in the Social Economy area whose goal is to be increasingly closer and to make a real difference in the lives of all Portuguese.

In this sphere, on the day that the confinement regime was decreed, Banco Montepio launched the “Conta Acordo” (Agreement Account), a treasury support line for social economy entities in the Covid-19 context, through which it has already supported more than 200 entities. At a time when voluntary work was essential, Banco Montepio once again acted and immediately provided the “Seguro Voluntários Por Todos” (Volunteers For Everyone Insurance), for private social solidarity institutions, aimed at safeguarding and protecting everyone who was in the front line of the fight against the pandemic.

In a joint initiative with the Associação Portuguesa de Bancos – APB (Portuguese Banking Association), Banco Montepio contributed 230 thousand euros for the acquisition of 100 ventilators and 100 monitors, donated to the Sistema Nacional de Saúde (National Health System), to strengthen the resources available to health professionals.

In view of the situation confronting the country in March 2020, and even before the provision of the protocolled lines, Banco Montepio provided a series of emergency support solutions for families like the doubling of the ceiling of the salary account, a higher credit card limit for individual Customers and a short-term line for companies, with maturity up to six months.

At the same time, Banco Montepio's teams worked incessantly to ensure that on the first business day after the decree of confinement, all its Customers were offered an innovative and entirely digital solution that would enable, in a secure form and without requiring travel, a subscription to the credit moratorium in just four steps:

application for the moratorium; sending of documents; electronic signature; and automatic activation of the moratorium.

Between 27 March and 31 December 2020, the Banco Montepio Group granted 38,229 moratoriums of the value of 3.2 billion euros.

Support to the Portuguese business fabric is firmly rooted at Banco Montepio. Between April and December of 2020, the following protocolled lines specifically for companies were subscribed:

- “Apoio à economia Covid-19” (Covid-19 support to the economy);
- “Capitalizar 2018 Covid-19” (Covid-19 Capitalise 2018);
- “Investe RAM Covid-19” (Covid-19 Autonomous Region of Madeira Invest 2018);
- “Açores Covid-19” (Covid-19 Azores);
- “Apoio ao Setor da Pesca 2020 – Covid-19” (Support to the Fisheries Sector – Covid-19);
- “Apoio ao Setor Social Covid-19” (Covid-19 Support to the Social Sector).

Based on these lines, as at 31 December 2020, the Bank had supported national companies with a total contracted value of 301 million euros, of which 265 million euros were used.

Banco Montepio is proud to have been in the front line in supporting all the Portuguese, whether through digital channels or through its branch network, having always kept at least one branch open in all the municipalities in which it operates. This initiative was only possible thanks to the dedication, commitment and resilience of the over 3,700 Employees of the Institution who were incessantly on the side of all the Customers of Banco Montepio.

Impacts of Covid-19

Banco Montepio's activity in 2020 was transversally marked by the impact caused by the Covid-19 pandemic with effects that were already experienced at the end of the first quarter in the financial markets and that subsequently materialised in the real economy, with historical declines in economic activity, in particular via the lockdown periods.

In fact, in 2020, Banco Montepio recorded 185.1 million euros of credit impairment, arising from the increased credit risk caused by the Covid-19 pandemic (77.5 million euros) and due to the need to strengthen individual cases. This was the main reason underlying the negative result of 80.7 million euros in 2020 associated with the reduction of net interest income and net fees and commissions, reflecting the reduction of the activity levels of economic agents, both among families and companies, and the lower transactionality brought in by the pandemic, the effect of the moratoria on the origination of new credit operations and the measures to support Customers implemented by Banco Montepio, such as the suspension of fees associated with the means of payment.

Special reference is made below of the direct impacts derived from Covid-19 related to:

- The granting of credit moratoriums of the value of 3.2 billion euros, corresponding to 26.0% of the gross loan portfolio as at 31 December 2020, with suspension of payments and consequent impact on liquidity via lower repayment of loan instalments. Between 27 March and 31 December 2020, the Banco Montepio Group granted 38,229 moratoriums of the value of 1.3 billion euros to families and 1.9 billion euros to companies.

- The significant reduction of transactionality and the legislative measures imposed on payments, affecting total operating income via lower fees and commissions.
- The allocation of costs and investments, of over 2 million euros, to ensure the safety of the Employees and Customers and the adaptation of workplaces to telework arrangements, engaging more than 1,400 Employees, involving the reinforcement of cleaning services, the purchase of individual protection kits and the investment in computer applications and equipment.
- The decline of foreign exchange reserves in 2020 of 18.8 million euros, primarily due to the exposure to the Angolan Kwanza under the activity of Finibanco Angola.

In this context, Banco Montepio activated the Crisis Management Office, ensuring business continuity, and established a series of operational adjustment measures in the first half of the year, with a view to improving operating efficiency and profitability in a sustained manner.

Outlook

The short and medium-term outlook points to adverse impacts associated with the Covid-19 context, of a magnitude as yet uncertain, namely in terms of the commercial business, capital and liquidity, profitability, credit quality and the reduction of non-performing assets:

- With respect to the commercial business, more specifically in terms of loans granted, the extension of the period of enforcement of the public moratoria, created by Decree-Law 10-J/2020 of 26 March, as well as the deadline for signing it, shall be directly reflected in terms of liquidity, via lower repayment of the instalments of the loan portfolio. The Group had comfortable liquidity levels, embodied in a liquidity coverage ratio of close to 200.7% at the end of 2020.
- Concerning the capital and liquidity components, in line with the decision taken by the European Central Bank for significant institutions, Banco de Portugal authorised that less significant credit institutions subject to its supervision, which includes Banco Montepio, may operate temporarily at a level lower than that recommended of own funds (Pillar 2 Guidance– P2G) and combined reserve of own funds, and with liquidity levels lower than those of the liquidity coverage ratio. The ECB has undertaken to allow banks to operate below P2G and the capital conservation buffers at least until the end of 2022, without activating any supervisory measures, and has noted that the calendar for its re-establishment should be done on a case-by-case basis according to the individual situation of each bank, and after the results of the stress testing exercise are known. Banks are not required to restore their capital buffers until reaching the peak of capital deterioration.
- As for liquidity, reference should also be made to the European Central Bank announcement on the implementation of a series of flexibilisation measures with positive impacts in terms of the liquidity buffers in the financial system, aimed at mitigating negative effects of the novel coronavirus on the financial situation of the Eurosystem's monetary policy counterparts, namely via the reduction of the assessment margins (haircuts) applicable to tradable and non-tradable assets given as collateral, the increased limit of concentration of unsecured debt instruments issued by credit institutions, the enhanced flexibility of the rules of mobilisation of individual credit rights, the enhanced flexibility of the rules of mobilisation of portfolios of credit rights, and by the acceptance of guarantees of public entities and public debt securities. These measures have an additional positive impact on the Group's liquidity position.

- Concerning total operating income, significant negative impacts have already been experienced in terms of fees and commissions, namely in income arising from transactions, in view of the legal measures imposed and the abrupt reduction of economic activity during the state of emergency, where the recovery rate is difficult to predict.
- The impact of the cost of risk is experienced through the borrowers' lower capacity to comply with their debt service, notwithstanding the governmental and sectoral initiatives underway, as well as the potential downward pressure on real estate prices.
- The reduction of the opportunities to divest non-core assets implies the need to revisit the plan to reduce non-performing loans, as well as the plan to reduce the exposure to real estate risk. The ECB authorised the banks under its supervision to submit new plans at the end of March 2021, when the moratoriums were initially foreseen to come to an end.

Banco Montepio's Transformation Plan, designed in 2018 with the aim of positioning Banco Montepio as a reference institution in the support to Families, Companies and Social and Solidarity Economy Entities, through a multidisciplinary approach in the different spheres of banking business, accomplished a significant part of the measures by the beginning of 2020.

However, in view of the changing circumstances and the challenges facing Banco Montepio, the banking sector and the Portuguese economy, the Board of Directors reappraised the goals and measures foreseen in the initial Transformation Plan and adopted a multidimensional and multiannual adjustment programme, through four key strategic pillars – updating of the business model, operational adjustment, preservation of capital, and simplification of the Group.

- The updating **of the business model** is focused on **strengthening the banking services** directed at the Customer and on **improving the relations of proximity in a more comprehensive mix of channels** , on **strengthening the financing to the economy, supporting** the financial needs of **families** and **SME** (in which the protocoled credit lines are highlighted), and the **development of the distribution capacity and complementary margin**, in order to recover the profitability of Banco Montepio's domestic operation.
- The **operational adjustment** was centred on **accelerating the Bank's digital transition**, by endorsing best market practices, both with respect to the Customer's experience and operational efficiency. Concerning the optimisation of the distribution channels, Banco Montepio resized its physical distribution network, having closed 39 branches in 2020 and is appraising the possibility of closing a further 41 according to their geographical distribution, profitability and market size, without placing in question the adequate coverage of the customer base.
  At the same time, the Bank approved a **staff reduction** through a series of measures, including early retirement, employment contract terminations by mutual agreement, and labour flexibility measures to accommodate new forms of working, such as part-time and remote work.
  For purposes of **expansion of the limit of eligibility** for social protection in unemployment, Banco Montepio was declared a “company under restructuring” by order of the Minister of Labour, Solidarity and Social Security, as at 31 December 2020.
- Concerning the **preservation of capital**, the Bank sought to improve its capital ratios by endorsing various measures aimed at **reducing its risk-weighted assets** (RWA) through a more efficient credit and securities portfolio and **divestment of non-performing assets**.

- For the **simplification of the Group's corporate structure**, the adjustment measures are aimed at the **disposal of equity holdings in the national and international market**, as well as the **modernisation and rationalisation of the Group's internal procedures**.

  In this regard, the Banco Montepio Group remains committed to taking measures to ensure the deconsolidation of Finibanco Angola, S.A., and in the domestic market, decided to sell its equity stake in Montepio Valor, S.A..

In this way, the operation and customer attendance model will be adjusted, aimed at accelerating the digital transition, adapting the service model and increasing efficiency, while preserving convergence towards the major targets defined in the Transformation Plan, in particular:

- Increasing the robustness of the business model, strengthening the focus on products with higher value added for the Customer;
- Accelerating the digital transition, both in-house and on Customer relations platforms;
- Enhancing efficiency, namely through the review of internal procedures and rules;
- Adjusting the distribution model with the merger of geographically redundant branches;
- Implementing new concepts and forms of working, valorising collaboration and flexibility, and promoting greater balance between personal and professional life.

FINANCIAL INFORMATION

FINANCIAL INFORMATION

ACTIVITY BY SEGMENTS

RETAIL BANKING

The Retail Banking segment corresponds to the entire activity developed by the Group with individual Customers, sole proprietorships, small and medium-sized enterprises allocated to this segment and microenterprises, commercially referred to as the segment of Individuals and Small Businesses, essentially originated through the branch network, electronic channels and network of promotors. The financial information of this segment covers, among other aspects, products and services: mortgage loans, personal or consumer credit, demand and term deposits, and other investment of savings, retirement solution products, like "PPR" (retirement saving plans), debit and credit cards, services for management of accounts and means of payment, services for placement of investment funds and for purchase and sale of securities and custody, loans for treasury and investment purposes, commercial discount, leasing, factoring and renting, as well as the placement of insurance and non-financial services.

A list of key indicators of the Retail Banking segment is given below, in accordance with the segmental reporting of IFRS 8 and presented in the notes to the financial statements of this report.

Summary of indicators - Retail Banking (million euros)

	2019	2020	Change 20/19	
			Amount	%
Income Statement				
Net interest income [1]	167.4	156.5	(10.9)	(6.6)
Net fees and commissions	102.4	94.3	(8.1)	(8.0)
Total operating income	270.1	250.9	(19.2)	(7.1)
Operating costs [2]	91.6	92.3	0.7	0.7
Operating income before impairment	178.5	158.6	(19.9)	(11.1)
Balance Sheet				
Loans to customers (gross)	8 624	8 457	(166.3)	(1.9)
Customer deposits	10 908	10 834	(74.1)	(0.7)

1) Excluding the liquidity premium and campaign neutralisation.

2) Direct operating costs only.

CORPORATE AND INVESTMENT BANKING

The Corporate and Investment Banking segment (companies and economic groups with turnover equal to or more than 20 million euros) aggregates the activity provided by the Group to small, medium-sized and large companies, with booking at Banco Montepio and BEM, through the commercial structure dedicated to this segment, as well as the business with the institutional Customers, namely of the financial sector, and the activity developed in the area of Investment Banking of Banco Empresas Montepio.

The products and services offered under commercial banking include, in particular, those related to credit for treasury and investment purposes, commercial discount, guarantees provided, leasing, factoring, renting, operations abroad, such as documentary credit, cheques and remittances, payment and receipt services, cards and custody services.

The Corporate and Investment Banking segment includes the Commercial Banking component that operates, under the Group's cross-selling strategy, as a distribution channel for products and services of other companies of the Group, as well as the Investment Banking business, with activity in the areas of Corporate Finance, Capital Market, Structured Loans, Financial Advice, Business Studies and Information.

A list of key indicators of the Corporate and Investment Banking segment is given below, reflecting the integrated activity developed with companies monitored by Banco Empresas Montepio, in accordance with the segmental reporting indicated in IFRS 8 and presented in the notes to the financial statements of this report.

The indicators expressed in the table reflect the significant increase of the credit granted in this segment, as well as the resistance of the level of operating income achieved in the previous year, recording a limited decline in a particularly difficult year for companies.

Summary of indicators - Corporate and Investment Banking (million euros)

	2019	2020	Change 20/19	
			Amount	%
Income Statement				
Net interest income [1]	41.8	41.1	(0.7)	(1.8)
Net fees and commissions	10.8	12.4	1.6	15.1
Total operating income	51.3	51.1	(0.2)	(0.5)
Operating costs [2]	5.9	8.8	2.9	48.7
Operating income before impairment	45.4	42.3	(3.1)	(6.8)
Balance Sheet				
Loans to customers (gross)	1 748	1 919	171.8	9.8
Customer deposits	306	294	(11.8)	-3.8

1) Excluding the liquidity premium and campaign neutralisation.

2) Direct operating costs only.

All other segments, namely comprising specialised credit and asset management, are analysed individually herein, by the respective subsidiary in the “Subsidiary companies” section of this report.

In Angola and Cape Verde, the Group is represented by locally based financial institutions offering an extensive range of financial products and services to individuals and companies. The international activity is analysed in the “International activity” section of this report.

SOCIAL ECONOMY

The Social Economy segment reinforces Banco Montepio's role as a reference agent in the market and with the different stakeholders, innately incorporating the Environmental, Social and Governance (ESG) principles in the social component. In terms of organisation of the commercial activity developed, this area also promotes the business related to Public Sector entities.

The key indicators of this segment are presented in the table below.

Summary of indicators - Social Economy			(million euros)	
	2019	2020	Change 20/19	
			Amount	%
Income Statement				
Net interest income [1)]	3.1	4.0	0.9	28.4
Net fees and commissions	1.1	1.8	0.7	55.8
Total operating income	4.2	5.7	1.5	36.2
Operating costs [2)]	2.7	3.0	0.3	9.7
Operating income before impairment	1.5	2.7	1.2	84.8
Balance Sheet				
Loans to customers (gross)	134	187	52.9	39.6
Customer deposits	605	879	274.2	45.3

1) Excluding the liquidity premium and campaign neutralisation.

2) Direct operating costs only.

SUBSIDIARIES AND INTERNATIONAL ACTIVITY

SUBSIDIARIES

Montepio Investimento, S.A. – Banco de Empresas Montepio

Montepio Investimento, S.A., a bank 100% controlled by Banco Montepio, through da Montepio Holding, SGPS, S.A., adopted the trade name of Banco de Empresas Montepio (BEM) on 4 June 2019, henceforth developing, in an integrated and multidisciplinary manner, Commercial Banking and Investment Banking activities, aimed at placing on the market a complete, integrated and global offer of services.

Underlying the creation of BEM was the contribution that the new model would bring as an incremental business to the Banco Montepio Group. The launch of Banco de Empresas Montepio was accompanied by the creation of the Corporate Banking Department (DBE), with the mission of managing commercial relations with the Companies and Institutional segments (excluding financial sector entities) with an annual turnover equal to or more than 20 million euros, an area particularly well suited to the development of the activity of BEM, whose business is domiciled in the two entities according to the established specialisation[11].

The Corporate Banking area supports its Customers throughout all the stages of their business cycle, with specific solutions for every need, namely in areas related to international trade, factoring and treasury management. The Investment Banking area - which incorporates the areas of Corporate Finance, Capital Market, Advisory Services, Financial Structuring, and Debt and Equity Distribution - supports restructuring, capitalisation and enhancement of the robustness of companies, thus contributing to investment and sustainable growth of the Portuguese private sector. For such, BEM has a team of specialized professionals working side by side in permanent coordination, to assure that the Customers receive an overall and personalised service.

In 2020, BEM pursued its action driven by the goal of expanding the Group's offer of products and services directed to the corporate segment, especially the SME and middle market segments, and supporting their needs emerging in the context of the Covid-19 pandemic.

[11] The balance sheet of BEM records the medium and long-term financing, as well as credit securitised by financial instruments, while the balance sheet of Banco Montepio records the remaining operations carried out with the company customers of BEM.

BEM relies on 10 Business Centres, distributed throughout the country, where dedicated managers receive their Customers, identify their needs, present value propositions while cultivating relations of proximity.

As at 31 December 2020, the Net assets of BEM stood at 453.0 million euros, showing an increase of 242.1 million euros (+114.8%) in relation to the value recorded at the end of 2019, which primarily reflects the growth of the loans granted under its support to the Portuguese business structure.

Net loans to customers amounted to 317.1 million euros as at 30 December 2020, compared to 75.2 million euros recorded at the end of 2019, showing a notable increase of 241.9 million euros (+321.7%), driven by the performance of the business, namely the favourable evolution of the headings of Loans and Securitised credit (Bonds and Commercial paper). Up to September 2019, the loan portfolio of BEM was limited to movable and immovable property leasing, being the legacy of the previous acquisition made by the Group, which is currently under a downsizing phase arising from natural repayments. In fact, the first credit operation carried out under the new business model took place at the end of September 2019, starting a new lifecycle of this subsidiary under the aegis of the BEM brand.

As at 31 December 2020, Equity (178.5 million euros) and Resources from other credit institutions (261.6 million euros) constituted the main source of asset funding, representing 97.1% of Total assets (99.1% at the end of 2019).

In the business model adopted for the Corporate and Investment Banking area, BEM monitors companies integrated in economic groups with turnover equal to or higher than 20 million euros in all aspects of the relationship, although the transactionality of these companies (deposits, current accounts, cards, automatic payment terminals at point of sale, among other operations) are assured by Banco Montepio, through the same commercial agents (belonging to the two banks), enabling synergies and cost rationalisation not only in this area, but also in a transversal form in the respective organisational structures.

In 2020, a period marking the first complete year of activity of BEM under the new business model, which incorporates the Corporate and Investment Banking areas, the evolution of the operational component was marked by the economic and pandemic crisis experienced worldwide. Despite this, an increased level of revenue was observed, alongside the necessary increase of operating costs, arising from the allocation of resources to the activity's growth.

Total operating income reached 4.3 million euros in 2020, representing an increase of 1.9 million euros compared to the value recorded in 2019, namely benefiting from the favourable performance of Net interest income (+2.0 million euros), driven by the sharp growth of the portfolio of loans to customers, and Net fees and commissions (+0.7 million euros), via the revenues for services rendered to companies, namely, namely related to the structuring of financing operations, reflecting the interest shown in BEM's value proposition by its target market. There was also a favourable contribution of the Net gains/(losses) from financial assets and liabilities at fair value through profit or loss (+0.1 million euros) and Other operating income (+0.5 million euros). However, the results were strongly negatively influenced by various components inherited from the previous activity of Montepio Investimento, in particular by the devaluation of the investment fund units of the Business Restructuring Funds recorded on its balance sheet. This devaluation is reflected in a loss of approximately 2.3 million euros in the Results from financial operations.

Operating costs amounted to 5.0 million euros in 2020, reflecting the complete year of activity of BEM's new business model. The evolution of costs was influenced, on the one hand, by the increase of 1.8 million euros in Staff costs, as a result of the remuneration of the resources allocated to the new activities, and by the increase of 0.3 million euros in Depreciation and amortisation, and on the other hand, by the containment of General administrative expenses, which remained practically stable in relation to the previous year and include expenses related to consulting services (consultants and external auditors) and personnel assignment (Banco Montepio).

Operating income before impairment and provisions reached -0.7 million euros in 2020, compared to -0.5 million euros recorded in 2019, reflecting, on the one hand, the favourable evolution of Total operating income, and, on the other hand, the increased Operating costs which accompanied the new business model and the allocation of resources to the new activities. However, excluding the exceptional component not linked to BEM's current activity related to the results from financial operations (-2.3 million euros), Total operating income would have reached 6.6 million euros and Operating income would have reached 1.6 million euros, already reflecting the Institution's sustainability in its new activity.

The key indicators of BEM are presented in the following table:

Activity and Results (million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Total assets	199.3	210.9	453.0	242.1	>100
Loans to customers (net)	26.9	75.2	317.1	241.9	>100
Equity	184.9	183.9	178.5	(5.4)	(2.9)
Total operating income	2.7	2.4	4.3	1.9	75.4
Operating costs [1]	1.2	2.9	5.0	2.1	70.3
Net operating income before impairment and provisions	1.5	(0.5)	(0.7)	(0.2)	(44.9)

1) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito), 100% controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., offers specialized credit in the automobile, home and services sectors, and equipment, complemented by a set of solutions for Customers that are individuals, companies and institutions of the Social Economy sector. The specialised credit segment shows one of the vertices of the strategy of the Banco Montepio Group, reflecting the focus on consumer credit.

As a result of the repositioning made in terms of the Banco Montepio Group and the strong and solid relations established with its partners, based on the experience acquired over the years, Montepio Crédito continued to offer a comprehensive range of specialised credit solutions in the following areas: Automobile, Health, Automobile Repair, Telecommunications and Furniture for the segment of individuals; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry for the segment of companies.

Montepio Crédito has an extensive team of professionals in the networks in which it operates, in order to provide the best service and support to its Customers, through the diversity of its specialised offer in the areas of personal credit, linked credit, movable property leases and operating leases (renting). The entire team relies on the centralised support of a specialized back-office.

As at 31 December 2020, the Net assets amounted to 613.8 million euros, revealing growth of 4.5% in relation to the value of 587.5 million euros recorded at the end of 2019.

Net loans to customers income amounted to 511.8 million euros as at 31 December 2020, representing an increase of 43.7 million euros (+9.3%) in relation to the value recorded at the end of 2019.

Equity stood at 56.9 million euros, showing an increase of 4.0 million euros (+7.5%) in relation to the value of 52.9 million euros recorded at the end of 2019, underpinned by the increase of Other reserves, Retained earnings and Net income for the year.

Total operating income reached 20.2 million euros in 2020, representing an increase of 3.5 million euros (+21.1%) in relation to the value of 16.7 million euros recorded in 2019, driven by the favourable evolution of Net interest income, which increased by 5.3 million euros (+97.5%) and Net fees and commissions which grew by 0.6 million euros (+15.3%), notwithstanding the reduction of the Results from financial operations of 2.2 million euros (-29.9%) and Other operating income which stood at -0.2 million euros compared to 0.01 million euros in 2019.

Operating costs amounted to 12.3 million euros in 2020, corresponding to an increase of 0.7 million euros (+5.5%) in relation to 2019, driven, on the one hand, by the increased Staff costs of 0.3 million euros (+5.5%) and Depreciation and amortisation of 0.3 million euros (+72.2%), and, on the other hand, the reduction of General administrative expenses of 0.1 thousand euros (-0.9%).

Operating income before impairment and provisions reached 7.9 million euros in 2020, showing an increase of 2.9 million euros (+57.2%) in relation to the value of 5.0 million euros recorded in 2019, supported by the growth of Total operating income.

The key indicators of Montepio Crédito are presented in the following table:

Activity and Results (million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Total assets	579.4	587.5	613.8	26.3	4.5
Loans to customers (net)	432.8	468.1	511.8	43.7	9.3
Equity	49.8	52.9	56.9	4.0	7.5
Total operating income	14.8	16.7	20.2	3.5	21.1
Operating costs [1)]	11.2	11.6	12.3	0.7	5.5
Net operating income before impairment and provisions	3.6	5.0	7.9	2.9	57.2

1) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.

A Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A. (Montepio Valor) is 100% controlled by Montepio Holding SGPS, S.A., with its corporate object being the management of real estate investment funds.

The Net assets of Montepio Valor stood at 6.0 million euros as at 31 December 2020, representing an increase of 0.5 million euros (-6.9%) in relation to the value recorded as at 31 December 2019.

The Assets under management amounted to 424.0 million euros as at 31 December 2020, showing an increase of 23.2 million euros (5.8%) in relation to the value of 400.8 million euros recorded at the end of 2019, driven by the contribution of the "Fundo de Investimento Imobiliário Valor Prime (FIIA)" (Prime Value Real Estate Investment Fund).

As at 31 December 2020, Equity stood at 5.0 million euros, compared to 4.7 million euros recorded in 2019 (+5.2%), being the main source of Asset funding, representing 82.5% of the Total assets, compared to 73.0% at the end of 2019.

In 2020, Total operating income stood at 4.3 million euros in relation to 5.0 million euros recorded in 2019 (-14.6%), influenced by the performance of Net fees and commissions which fell by 0.7 million euros (-13.4%), due to the lower value received in management fees from the Collective Investment Undertakings managed by Montepio Valor, primarily in Fundos Montepio Arrendamento I and II (Montepio Rental Funds I and II).

Operating costs amounted to 3.8 million euros in 2020, compared to 3.6 million euros recorded in 2019 (+4.2%), fundamentally as a result of the recognition of endowment of the value of 0.6 million euros to the Pension Fund recorded under Staff costs. It should be noted that this endowment led to the reversal of a provision constituted in the past. The increase observed under the heading of Staff costs (+27.1%) was partly offset by the reduction of General administrative expenses (-17.5%) and Depreciation and amortisation (-17.1%).

Operating income before impairment and provisions stood at 0.5 million euros compared to the 1.4 million euros recorded in 2019, with this evolution having been materialised in the reduction of Total operating income, via the evolution of the Net fees and commissions and increased Operating costs, influenced by the progression of Staff costs.

The key indicators of Montepio Valor are presented in the following table:

Activity and Results (million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Assets under management	509.8	400.8	424.0	23.2	5.8
Total assets	5.5	6.5	6.0	(0.5)	(6.9)
Equity	4.4	4.7	5.0	0.3	5.2
Total operating income	4.3	5.0	4.3	(0.7)	(14.6)
Operating costs 1)	3.4	3.6	3.8	0.2	4.2
Net operating income before impairment and provisions	1.0	1.4	0.5	(0.9)	(63.5)

1) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.

SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (SSAGINCENTIVE) is 100% controlled by Banco Montepio through Montepio Holding SGPS, S.A., with its corporate object being the transaction and management of real estate properties.

As at 31 December 2020, the Assets of SSAGINCENTIVE amounted to 56.7 million euros, showing a 2.2% decline in relation to the value of 58.0 million euros recorded at the end of 2019.

The heading of Inventories refers to the acquisitions made from Banco Montepio, related to real estate properties that were intended for sale, in particular divisions of properties stated at market value. As at 31 December 2020 the heading of Inventories amounted to 36.1 million euros, of which 18.2 million euros refer to buildings and 17.9 million euros refer to plots of land, showing a reduction of 4.5 million euros in relation to the value 40.6 million euros recorded as at 31 December 2019, as a result of the sales occurred throughout 2020.

The Assets under management amounted to 20.6 million euros as at 31 December 2020, representing an increase of 3.7 million euros in relation to the value of 16.9 million euros recorded at the end of 2019, reflecting the deposits made at Banco Montepio.

As at 31 December 2020, Equity stood at 56.5 million euros, compared to 57.8 million euros at the end of 2019, reflecting the unfavourable impact of Net income for 2020 which was negative by 1.3 million euros. Equity constituted the main source of Asset funding, representing 99.6% of Total assets compared to 92.8% in 2019.

Sales and services rendered stood at 4.4 million euros in 2020, compared to 5.1 million euros stated in 2019, corresponding to the amounts derived from inventory sales, under the current business activity of SSAGINCENTIVE.

The heading of Cost of goods sold and materials consumed reached 4.3 million euros in 2020, representing a reduction of 0.8 million euros in relation to 2019, and reflecting the acquisition cost of the real estate properties sold, after deduction of their impairment.

The heading of Impairment of inventories amounted to 0.2 million euros in 2020, evolving favourably in relation to the value of 1.9 million euros recorded in 2019 due to the lower level of impairments of real estate properties for trading in 2020.

The heading of Other income stood at 0.3 million euros in 2020 (0.1 million euros in 2019) and includes the refunding of tax (IMT (municipal property tax) and IS (stamp duty)) related to real estate properties sold, income obtained from real estate properties and other income.

The heading of Other costs, which includes costs related to the maintenance, legalisation and promotion of the sale of real estate properties, amounted to 1.4 million euros in 2020, compared to 0.5 million euros recorded in 2019.

Operating income stood at -1.2 million euros in 2020, having evolved favourably in relation to the value of -2.2 million euros recorded in 2019, particularly as a result of the lower level of impairment of inventories stated in the year.

The key indicators of SSAGINCENTIVE are presented in the following table:

Activity and Results (million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Total assets	59.8	58.0	56.7	(1.3)	(2.2)
Inventories	47.5	40.6	36.1	(4.5)	(11.1)
Equity	59.7	57.8	56.5	(1.3)	(2.3)
Total operating income	(0.9)	(2.2)	(1.2)	1.0	43.9

INTERNATIONAL ACTIVITY

The international activity of the Banco Montepio Group has been conducted by the subsidiaries Finibanco Angola, S.A., Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A., with Banco Terra, S.A. having been sold in December 2018, thus no longer being included in the Group's consolidation perimeter as at that date.

Under the strategic redefinition of its international holdings, and with a view to refocusing its approach to the African market, Banco Montepio is committed to taking measures to ensure the deconsolidation of the subsidiary Finibanco Angola, and to assessing the strategic options available to Banco Montepio Geral Cabo Verde under the new legal, economic and financial framework of the country.

Finibanco Angola, S.A., 80.22% held by Banco Montepio, is a universal bank supporting small and medium-sized enterprises, individuals and Angolan foreign trade with special incidence on transactions between Portugal and Angola, which seeks to leverage its competitive advantage on the quality of its service. Under its strategy, Finibanco Angola seeks to support and finance individual customers and micro-enterprises, promoting viable business initiatives.

Finibanco Angola completed 12 years of activity in September 2020, having been incorporated on 4 September 2007 and having started its activity in the city of Luanda on 9 June 2008. The expansion of the distribution network, levered on experience and the favourable evolution of its activity, has been accomplished through own funding, in the perspective of proximity to its Customers, which include a total of 24 branches and business centres as at 31 December 2020.

Banco Montepio Geral Cabo Verde, S.A., 100% held by Banco Montepio, provides a broad offer of specialised financial products and services for the segments of individuals, institutions and companies with international vocation.

The key indicators of the international activity are presented in the following table:

Activity and Results (million euros)

	As reported (1)	On comparable basis (2)			Change 20/19	
	2018	2018	2019	2020	Amount	%
Total assets	304.4	304.4	321.5	304.1	(17.4)	(5.4)
Loans to customers (net)	27.8	27.8	28.5	25.4	(3.1)	(10.8)
Customer deposits	243.7	243.7	247.2	237.0	(10.2)	(4.1)
Total operating income	23.3	18.2	17.5	22.5	5.0	28.7
Operating costs	12.4	6.6	7.8	9.2	1.4	17.3
Cost-to-Income	53.4%	36.1%	44.7%	40.7%	(4.0 p.p.)	
Net income	5.0	5.5	6.7	6.8	0.1	2.2

Note: For comparative purposes the financial statements of 2018, 2019 and 2020 of Finibanco Angola and of 2018 of Banco Terra were converted using the same exchange rate: AOA/EUR 798,429; MZN/EUR 70,278.
(1) Includes Finibanco Angola, Banco Montepio Geral Cabo Verde and Banco Terra. (2) Includes Finibanco Angola and Banco Montepio Geral Cabo Verde.

The Total assets of the international activity of the Banco Montepio Group reached 304.1 million euros as at 31 December 2020, compared to 321.5 million euros recorded at the end of 2019, representing a reduction of 5.4%. This evolution was driven, on the one hand, by the 20.7% reduction in the Total assets of Banco Montepio Geral Cabo Verde, and on the other hand, by the 7.5% increase in the Total assets of Finibanco Angola, compared to the values achieved at the end of 2019.

The Loans to customers of the international activity recorded as at 31 December 2020 showed a decrease of 10.8% in relation to the value at the end of 2019, in evolving from 28.5 million euros as at 31 December 2019 to 25.4 million euros as at 31 December 2020. This evolution was exclusively caused by the reduction in the loans granted to customers by Finibanco Angola, as Banco Montepio Geral Cabo Verde has no values recorded under this heading.

Customer deposits captured by the subsidiaries forming the international activity of the Banco Montepio Group amounted to 237.0 million euros as at 31 December 2020, reflecting a 4.1% reduction in relation to the value of 247.2 million euros recorded as at 31 December 2019, showing the 21.6% reduction in Customer deposits of Banco Montepio Geral Cabo Verde which stood at 108.5 million euros as at 31 December 2020 compared to 138.3 million euros as at 31 December 2019, associated with the increase of Customer deposits of Finibanco Angola, which evolved from 108.9 million euros as at 31 December 2019 to 128.6 million euros as at 31 December 2020, and represented 54.2% of the total deposits of the international activity.

The Total operating income of the international activity in 2020 amounted to 22.5 million euros, compared to 17.5 million euros recorded in 2019. This represents an increase of 28.7%, underpinned by the increased Net gains from foreign exchange differences which reached 12.0 million euros (+52.3%), Net interest income which reached 8.9 million euros (+3.4%) and Other operating income which stood at 0.3 million euros (+126.6%), notwithstanding the reduction recorded in Net fees and commissions which stood at 1.4 million euros de euros (-29.8%).

At Finibanco Angola, Total operating income stood at 21.8 million euros in 2020, representing a 29.6% increase in relation to the 16.8 million euros recorded in 2019, reflecting the increases observed in Net gains from foreign exchange differences, in Net interest income and in Other operating income, despite the reduction observed in Net fees and commissions.

At Banco Montepio Geral Cabo Verde, Total operating income stood at 0.7 million euros, representing an increase of 6.5% of the value recorded in 2019 based on the favourable evolution of Net operating income and the Net gains from foreign exchange differences.

Operating costs of the international activity stood at 9.2 million euros in 2020, revealing an increase of 17.3% in relation to the 7.8 million euros recorded in 2019, driven by increases observed in Staff costs (+28.3%), in General administrative expenses (+10.8%) and in Depreciation and amortisation (+1.0%). At Finibanco Angola, Operating costs increased by 19.6% in 2020 compared to the value recorded in the same period of 2019, while at Banco Montepio Geral Cabo Verde they fell by 9.7%, reflecting the evolution of the activity developed and the features of the corresponding markets.

At Finibanco Angola the increase observed in Operating costs in 2020 was caused by the increases recorded in Staff costs (+29.7%), General administrative expenses (+15.6%) and Depreciation and amortisation (+1.0%) in relation to 2019.

At Banco Montepio Geral Cabo Verde the year-on-year reduction in Operating costs in 2020 was caused by the decreases recorded in the components of General administrative expenses (-15.1%) and Depreciation and amortisation (-2.2%), notwithstanding the increase recorded in Staff costs (+2.6%).

As a result of the operating performance, the cost-to-income ratio of the international activity stood at 40.7% in 2020, compared to 44.7% recorded in 2019.

The allocations for Impairments and provisions of the international activity in 2020 stood at 4.7 million euros, compared to the value of 1.3 thousand euros recorded in 2019, of which 3.9 million euros refer to Finibanco Angola and 0.8 million euros refer to Banco Montepio Geral Cabo Verde.

In 2020 the Net income of the international activity of the Banco Montepio Group reached 6.8 million euros (6.7 million euros in 2019), without considering non-controlling interests and exchange rate effects, with positive results in Angola and Cape Verde (7.46 million euros and -0.62 million euros, respectively).

CAPITAL AND LIQUIDITY

CAPITAL

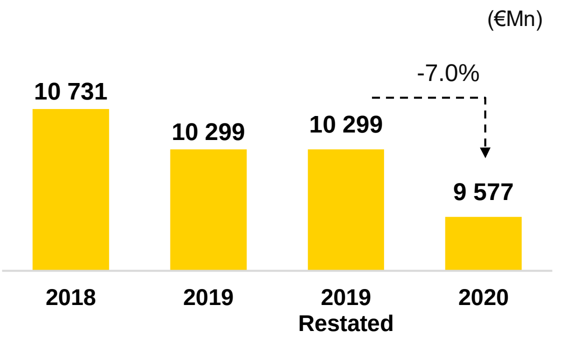
Concerning the preservation of capital indicators, in 2020, Banco Montepio pursued the implementation of a series of measures aimed at increasing the ratios of own funds, in particular through the reduction of risk-weighted assets (RWA), notwithstanding the growth of the core business of granting loans, the active management of the portfolios of loans and securities, and the deleveraging of the balance sheet via divestment of non-performing assets.

As at 31 December 2020, the Common Equity Tier 1 (CET1) and Total Capital ratios of Banco Montepio, pursuant to the phasing-in rules, stood at 11.6% and 13.8%, respectively, compared to 12.4% and 13.9% at the end of 2019.

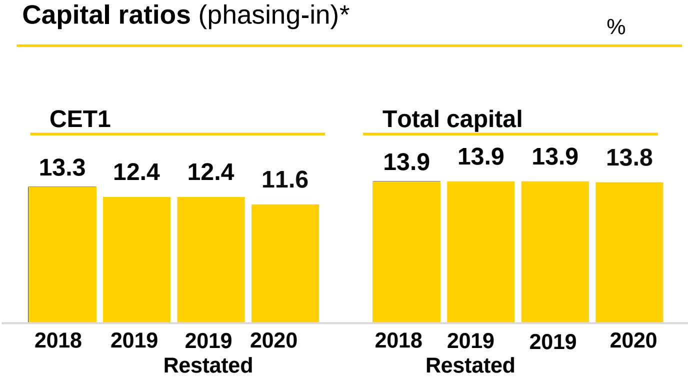
Total own funds stood at 1,321 million euros as at 31 December 2020, compared to 1,430 million euros as at 31 December 2019, reflecting the exogenous adverse effects brought in by the Covid-19 pandemic when led to negative impacts on net income, primarily via the strengthening of loan impairment and foreign exchange reserves (through the devaluation of the Kwanza). Negative impacts were also observed derived from the phasing-in of IFRS 9 (static component). In contrast, Total own funds benefited from the positive effect of the issuance of 50 million euros of subordinated debt carried out at the end of the first half of 2020 under the Euro Medium Term Note (EMTN) Programme, and from the evolution of the application of the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds, as a result of the evolution of the stock of impairment associated with stage 1 and stage 2 (dynamic transitional regime).

Risk Weighted Assets (RWA) decreased by 722 million euros in relation to the end of 2019, as a result of the reduction of non-strategic assets, achieved in the stock of non-performing loans (NPL) and real estate assets despite the adverse context of Covid-19, an efficient management of risk allocation in the portfolios of loans and debt securities, and the entry into force of Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 (also referred to as the Capital Requirements Regulation or CRR quick-fix), framed under the pandemic crisis response measures, namely in terms of the adjustment factor relative to risk exposures in small and medium-sized enterprises (SME) and the issuance of the aforesaid synthetic securitization.

Risk-weighted assets (phasing-in)



Capital ratios (phasing-in)*



(*) Ratios include the accumulated net income for the period.

On a fully implemented basis, as at 31 December 2020, the CET1 ratio stood at 10.1% and the Total Capital ratio at 12.3%, with the differences in relation to the phasing-in capital ratios currently being explained by the component of IFRS 9. It should be highlighted that by the end of 2019, the Bank had fully recorded the phasing-in relative to deferred tax assets, and is currently only subject to the transitional prudential regime of IFRS 9. Furthermore, the Bank endorsed the prudential filter relative to the fair-value reserves of public debt, whose impact is rather insignificant.

The leverage ratio, pursuant to the phasing-in rules, stood at 6.0% as at 31 December 2020, compared to 7.0% at the end of 2019, being above the benchmark minimum defined by the Basel Committee on Banking Supervision (3%).

As a consequence of the Covid-19 pandemic, and in line with the decision taken by the ECB for significant institutions, Banco de Portugal took a series of measures aimed at enhancing the flexibility of the regulatory and supervision requirements, enabling less significant credit institutions subject to its supervision to operate, temporarily, at a level lower than that of the combined reserve of own funds (Official Cash Rate – OCR), considering that the capital reserves were designed to enable credit institutions to overcome especially adverse situations. In this way, the minimum regulatory ratios in December 2020 for Common Equity Tier 1, Tier 1 and Total Capital were 6.328%, 8.438% and 11.25%, respectively.

As at 31 December 2020, the capital ratios reported by Banco Montepio were above the required prudential levels considering the flexibilisation measures issued by Banco de Portugal in the context of the Covid-19 pandemic. Nonetheless, the Board of Directors started a series of initiatives with a view to strengthening the capital ratios, which underway on the present date.

The following is a summary of Banco Montepio Group own funds ratios for 2018, 2019 and 2020:

OWN FUNDS RATIOS

(million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Total own funds					
Common Equity Tier 1	1 430	1 274	1 114	(160)	(12.5)
Tier 1	1 431	1 274	1 114	(160)	(12.5)
Total Capital	1 487	1 430	1 321	(109)	(7.7)
Risk-weighted assets	**10 731**	**10 299**	**9 577**	**(722)**	**(7.0)**
Phasing-in ratios					
Common Equity Tier 1	13.3%	12.4%	11.6%	(80) bp	
Tier 1	13.3%	12.4%	11.6%	(80) bp	
Total Capital	13.9%	13.9%	13.8%	(10) bp	
Fully implemented ratios					
Common Equity Tier 1	11.2%	11.2%	10.1%	(110) bp	
Tier 1	11.2%	11.2%	10.1%	(110) bp	
Total Capital	11.7%	12.8%	12.3%	(50) bp	
Leverage ratios					
Phasing-In	7.6%	7.0%	6.0%	(100) bp	
Fully implemented	6.4%	6.4%	5.2%	(120) bp	

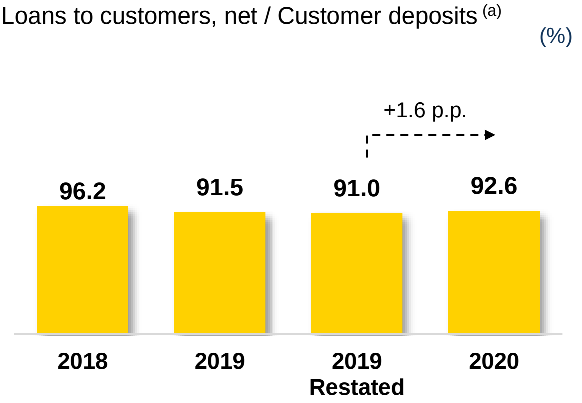
Note: The ratios include the accumulated net income for the period.

LIQUIDITY

In 2020, Banco Montepio continued to promote management measures aimed at upholding the robust liquidity position, with levels greatly above the regulatory limits in force. The management of Banco Montepio's balance sheet enabled the Liquidity Coverage Ratio (LCR) to stand at 200.7%, having evolved favourably in relation to the ratio of 179.9% recorded as at 31 December 2019, to stand at 100.7 p.p. above the minimum regulatory requirement of 100%.

Loan-to-deposit ratio

Loans to customers, net / Customer deposits [(a)]



(a) Pursuant to Banco de Portugal Instruction No 16/2004, in its current version.

The performance of Customer deposits, on the one hand, and the growth of Loans to customers, on the other hand, led to a loan-to-deposit ratio, calculated in accordance with Banco de Portugal Instruction 16/2004, of 92.6% as at 31 December 2020, compared to 91.0% as at 31 December 2019.

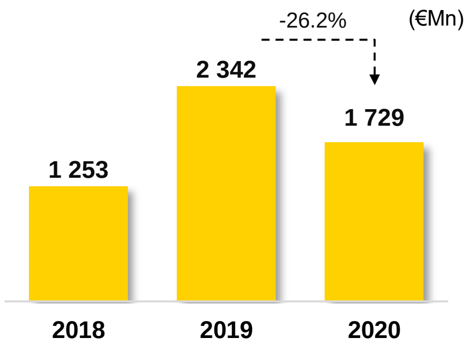
LOAN-TO-DEPOSIT RATIOS

	208	2019	2019 Restated	2020	Change 20/19
Loans to customers (net) / Customer deposits [(a)]	96.2	91.5	91.0	92.6	1.6 p.p.
Loans to customers (net) / Total on-balance sheet customer resources [(b)]	88.5	82.4	82.0	83.9	1.9 p.p.

(a) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.
(b) Total On-Balance Sheet Customer resources = Customer resources and Debt securities issued. Computed in accordance w ith the Financial Statements annexed to this report.

As at 31 December 2020, the value of the pool of collateral for Eurosystem operations stood at 3,114 million euros, compared to 3,633 million euros recorded at the end of 2019, representing a reduction of 519 million euros. This evolution is explained by the market conditions, with short-term European public debt instruments presenting more negative rates than the level of -0.5% of the remuneration of deposits at the Central Bank. Thus, in contrast, there was an increase of 474 million euros in relation to the previous year in the heading of deposits at Banco de Portugal, which amounted to 1,283 million euros at the end of 2020.

Pool of Eligible Assets for Refinancing Operations wih the ECB



The use of European Central Bank (ECB) resources at the end of 2020, of the value of 1,385 million euros, increased by 94 million euros in relation to the value at the end of 2019, framed under funding management, with replacement of funds taken and extension of the maturity period, aimed at strengthening the stable funding, particularly in terms of the net stable funding ratio (NSFR). The use of Eurosystem monetary policy operations falls under the support given to the economy, with a view to optimising the long-term funding, namely through participation in TLTRO-III (Targeted Longer-term Refinancing Operations), in the context of the non-conventional expansionary monetary policy measures implemented by the ECB. In terms of eligible collateral for obtaining liquidity, the eligible assets decreased by 26.2% in 2020, reaching 1,729 million euros as at 31 December 2020, derived, as noted above, from the market conditions not having been favourable to the investment of the surplus liquidity in public debt instruments with less negative rates than deposits at the Central Bank. Thus, in an integrated analysis of the liquidity buffer, reflected in an aggregation of the immediately available liquidity, arising from the heading of Cash and deposits at central banks and securities available for obtaining liquidity at the ECB, the value exceeded the threshold of 3 billion euros at the end of 2020. This was reflected in a comfortable position of the liquidity ratios, namely of the LCR.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Pool of eligible assets [(a)]	2 648	3 633	3 114	(519)	(14.3)
Use of the pool	1 395	1 291	1 385	94	7.3
Pool of available assets	**1 253**	**2 342**	**1 729**	**(613)**	**(26.2)**

(a) Includes eligible assets, free of charge, for operations in the MIC (Collateralized Interbank Market).

In the interbank money market, Banco Montepio did not show any assignment or taking of funds. In the interbank money market of foreign currency, Banco Montepio showed a position of 62 million American dollars assigned at the average rate of 0.18%.

BALANCE SHEET AND RESULTS

Under the decisions taken by the Board of Directors of Banco Montepio, the subsidiaries Montepio Valor and Banco Montepio Geral Cabo Verde shifted to become classified as discontinued operations since the end of 2020 for accounting purposes, as stipulated by IFRS 5, with Finibanco Angola no longer meeting the requirements established in this standard to be considered a discontinued operation. Therefore, pursuant to the provisions in IFRS 5, Finibanco Angola started to be fully consolidated, line by line, in a retrospective manner, and the financial statements of 2019 were restated for purposes of comparability.

In the financial statements, and whenever applicable, the net income of this subsidiaries Montepio Valor and Banco Montepio Geral Cabo Verde is stated under an operating account heading named “Results from discontinued operations” and the assets and liabilities are recorded in the balance sheet, respectively, under the headings named “Non-current assets held for sale – Discontinued operations” and “Non-current liabilities held for sale – Discontinued operations.

Banco Montepio's activity in 2020 was marked by the impact of the Covid-19 pandemic which led to increased credit risk and consequent recording of impairment, and by the implementation, in the second half of the year, of a series of operational adjustment measures, aimed at accelerating the digital transition, adjusting the service model and increasing the efficiency of the Bank.

BALANCE SHEET

However, in view of the changing circumstances and the challenges facing Banco Montepio, the banking sector and the Portuguese economy, the Board of Directors reappraised the goals and measures foreseen in the Transformation Plan approved in 2018, and adopted a multidimensional and multiannual adjustment programme, through the implementation of four key strategic pillars: review of the business model, operational adjustment, preservation of capital, and simplification of the Group.

Accordingly, the deleveraging of the balance sheet continued, materialised in the reductions of nonperforming assets and in the ongoing strengthening of its liquidity position, through the capture and retention of customer deposits, and the active management of the securities portfolio, contributing to ensure the regulatory capital and liquidity levels in force.

In this regard, special note should be made of the issuance of 50 million euros of subordinated debt for the period of 10 years, which is eligible to strengthen Tier 2 own funds, carried out in the first half of 2020, which enabled diversifying the funding sources with a view to complying with the regulatory requirements and attaining the business goals.

Furthermore, in December 2020, with a view to reducing the stock of risk-weighted assets (RWA), Banco Montepio completed a synthetic securitisation operation on a performing credit portfolio granted to small and medium-sized enterprises (SME). The loan portfolio underlying the transaction is of a diversified and granular nature, amounting to 394.5 million euros.

The set of delineated initiatives, namely the strengthening of the in-house recovery of loans, enabled Banco Montepio to pursue its plan to reduce non-performing loans, whose stock amounted to 1,256 million euros in 2020, corresponding to a 15% decline in relation to the 1,476 million euros as at 31 December 2019.

On the other hand, with a view to the simplification of the corporate structure of the Banco Montepio Group and the strategic redefinition of the international holdings, the measures stipulated in the adjustment programme primarily concern the disposal of equity stakes in the national and international market. Thus, the Group decided to sell its equity stake in Montepio Valor, S.A., is currently appraising the strategic options available for Banco Montepio Geral Cabo Verde under the new legal, economic and financial framework of the country, and remains committed to taking measures to ensure the deconsolidation of Finibanco Angola, S.A..

SYNTHETIC BALANCE SHEET

(million euros)

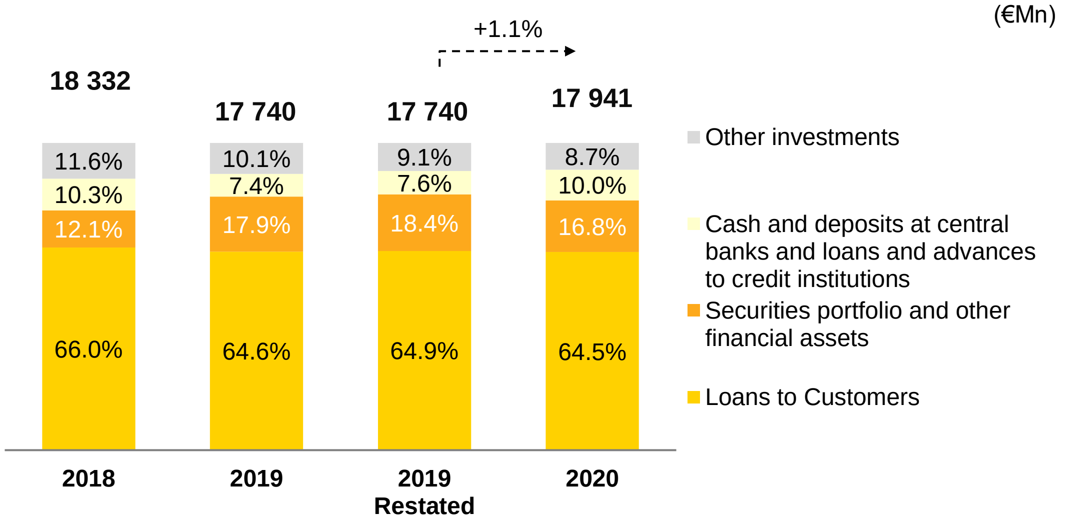
	2018	2019	2019 Restated	2020	Change 20/19	
					Amount	%
Cash and deposits at central banks and loans and advances to credit institutions	1 899	1 309	1 353	1 793	440	32.5
Loans to customers	12 095	11 465	11 507	11 578	71	0.6
Securities portfolio and other financial assets*	2 216	3 179	3 268	3 013	(255)	(7.8)
Non current assets held for sale and investment properties	991	145	147	131	(15)	(10.5)
Non current assets held for sale - Discontinued operations	295	217	0	1	1	-
Current and deferred tax assets	480	450	450	500	50	11.0
Other	356	975	1 015	925	(90)	(8.9)
Total assets	**18 332**	**17 740**	**17 740**	**17 941**	**201**	**1.1**
Deposits from central banks and OCI	2 641	1 813	1 814	2 203	389	21.5
Customer resources	12 575	12 525	12 642	12 502	(140)	(1.1)
Debt issued	1 144	1 548	1 548	1 516	(32)	(2.1)
Non current liabilities held for sale - Discontinued operations	194	134	0	110	110	-
Other	261	268	284	283	(1)	(0.4)
Total liabilities	**16 815**	**16 288**	**16 288**	**16 614**	**326**	**2.0**
Share capital*	2 420	2 420	2 420	2 420	0	0.0
Reserves, retained earnings and other	(917)	(990)	(990)	(1 012)	(23)	(2.3)
Net income	14	22	22	(81)	(102)	(<100)
Total equity	**1 517**	**1 452**	**1 452**	**1 327**	**(125)**	**(8.6)**
Total liabilities and equity	**18 332**	**17 740**	**17 740**	**17 941**	**201**	**1.1**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

ASSETS

The evolution of the Net assets in 2020 showed an increase of 201 million euros (+1.1%) in relation to the value at the end of 2019, driven, on the one hand, by the increase of the headings of Loans to customers, in which the rise of Cash and deposits at central banks and Other credit institutions (OCI) is fundamentally derived from the reduction of the Portfolio of securities and other instruments.

Asset structure



CASH AND DEPOSITS AT CENTRAL BANKS AND LOANS AND ADVANCES TO OTHER CREDIT INSTITUTIONS

The aggregate of the headings of Cash and deposits at central banks and Other credit institutions (OCI) includes the balances recorded under Cash and deposits at central banks and Loans and advances to credit institutions.

As at 31 December 2020, the liquidity deposited at central banks and other credit institutions stood at 1,793 million euros, compared to 1,353 million euros recorded in the same period of 2019, reflecting an increase of 440 million euros (+32.5%), essentially explained by the increase recorded in the heading of Cash and deposits at central banks.

LOANS TO CUSTOMERS

As at 31 December 2020, the Loans to customers (gross) amounted to 12,357 million euros, representing an increase of 68 million euros (+0.6%) in relation to 12,289 million euros recorded as at 31 December 2019, revealing the positive performance of the business, which enabled inverting the downward trend of the loans to customers observed in the last decade. This reflects Banco Montepio's commitment to supporting families, companies and entities of the social economy, which more than offset the write-offs from the assets of the value of 190.1 million euros.

Indeed, it is important to highlight that, excluding the impact of the consolidation of Finibanco Angola, the gross performing loans corresponding to the domestic activity grew by almost 340 million euros in relation to the previous year (+3.1%), while in contrast, the non-performing loans fell by almost 250 million euros (-16.3%).

The growth of the loan portfolio occurred simultaneously with the improvement of the credit quality indicators, which benefited from rigorous discipline of credit risk-taking, as well as the measures that were approved and implemented in the credit monitoring and recovery areas. As a result of the measures that have progressively been implemented, there was a reduction in 2020, both of the number of new contracts[12] moving into default (-21.1%), and of the value in default (-25.1%).

The growth of the corporate segment (+4.2% in terms of the gross loan portfolio, not excluding the deleveraging of non-performing loans) was determinant to achieve the positive trajectory of the portfolio, reflecting the strategic focus on growth in SME and in the middle market. On the other hand, the loans granted to individuals decreased, influenced by the reduction in the residential purposes (-3.2%), which continues to show a higher level of repayment than new operations raised, while loans for other purposes increased (+1.8%), as a result of the growth of new operations and the reduction of repayments, reflecting the effects of the loan moratoria.

Under Banco Montepio's Adjustments Programme, the improvement of credit quality is also based on a more effective and integrated management of the non-performing exposures, by maximising recoveries and corporate finance solutions, benefiting from the strategic focused on the segments of individuals and companies, particularly on small and medium-sized enterprises (SMEs) and social economy entities.

LOANS TO CUSTOMERS

(By sector of activity)

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19	
					Amount	%
Individuals	**7 384**	**6 546**	**6 551**	**6 377**	**(174)**	**(2.7)**
Housing loans	6 252	5 823	5 823	5 636	(187)	(3.2)
Others	1 132	723	728	741	13	1.8
Companies	**5 684**	**5 693**	**5 739**	**5 980**	**241**	**4.2**
Manufacturing industries	933	927	935	981	46	4.9
Wholesale and retail trade	863	852	859	915	56	6.5
Construction and Public works, and Real estate activities	1 529	1 454	1 465	1 363	(102)	(7.0)
Accommodation and catering activities	432	440	444	533	89	20.0
Financial and insurance activities	582	568	572	627	55	9.6
Transportation and storage	410	365	368	404	36	9.9
Business Services	395	397	400	374	(26)	(6.5)
Other collective service activities	169	256	258	303	45	17.6
Others	370	435	438	481	43	9.7
Gross loans	**13 068**	**12 239**	**12 289**	**12 357**	**68**	**0.6**
Balance sheet impairment	**972**	**775**	**783**	**780**	**(3)**	**(0.4)**
Net loans	**12 095**	**11 465**	**11 507**	**11 578**	**71**	**0.6**

The current context of the Covid-19 pandemic has hampered the reduction of non-performing loans by making the market conditions for sale of non-performing loans more stringent and reducing the non-financial sector's debt service capacity, as well as hindering the effective loan maturities. Despite the challenges of the current context, and embodying the effect of the measures referred to above, Banco Montepio was able to reduce the proportion of non-performing exposures (NPE) to Total gross loans to customers, which stood

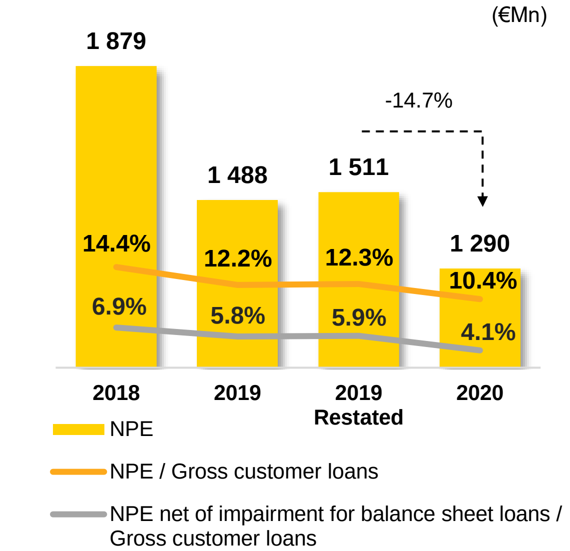
[12] Contracts of more than 90 days, excluding sight deposits and cards.

at 10.4% at the end of 2020, compared to 12.3% as at 31 December 2019. This revealed, on the one hand, the reduction of the balance of non-performing exposures in relation to the value recorded at the end of 2019, which stood at 1,290 million euros as at 31 December 2020, and, on the other hand, the increase of the portfolio of Gross loans to customers in that period. In turn the NPE ratio net of on-balance sheet loan impairment stood at 4.1% as at 31 December 2020, having evolved favourably in relation the 5.9% recorded at the end of 2019.

In this regard, Banco Montepio's Adjustment Programme foresees a downward trend of the ratio of non-performing exposures supported by the strengthening of the structure for recovery of loans in default and by the selective sale of non-performing exposures.

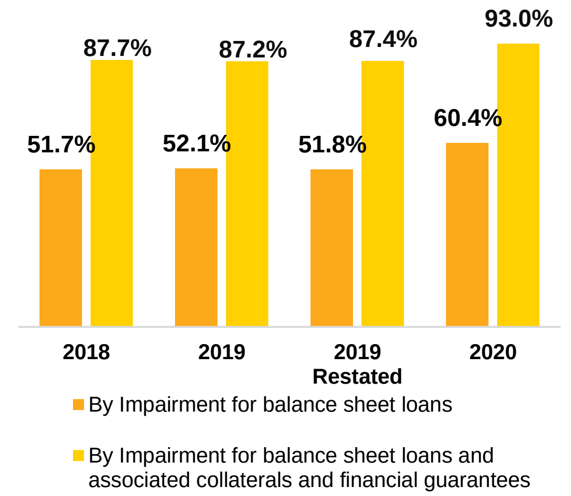
In 2020, Banco Montepio also strengthened the levels of coverage of non-performing exposures by impairment for loans and associated collateral and financial guarantees on the balance sheet, which reached 93.0% at the end of the year, compared to 87.4% as at 31 December 2019 and the coverage for balance sheet impairment which stood at 60.4%, compared to 51.8% as at 31 December 2019.

Non-performing exposures (NPE)*



* EBA definition

NPE* coverage



* EBA definition

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

In the context of strategy of rebalancing the asset structure, Banco Montepio continued, in 2020, to identify and implement measures aimed at improving the liquidity levels and active management of the Portfolio of securities and other instruments.

As at 31 December 2020, the portfolio of securities and other instruments amounted to 3,013 million euros, compared to 3,268 million euros recorded as at 31 December 2019. The evolution of the portfolio of securities and other instruments, in relation to 31 December 2019, reveals, on the one hand, the reductions of the portfolios of Financial assets held for trading, of Financial assets at fair value through other comprehensive income, and of Financial assets at fair value through profit or loss. In the first case, as a result of the reduction of Bonds and Derivative instruments; in the second case, influenced by the sale of public and corporate debt; and in the third case, primarily driven by the reduction of participation units in funds of variable yield securities. On the other hand, this evolution reveals the increase of the portfolio of Other financial assets at amortised cost by 1,375 million euros, derived from the increase of Bonds of national and foreign public issuers.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19 Amount	Change 20/19 %
Financial assets held for trading	24	36	36	17	(19)	(52.9)
Financial assets at fair value through other comprehensive income	444	1 859	1 860	287	(1 573)	(84.6)
Other financial assets at amortised cost	1 256	899	987	2 362	1 375	>100
Financial assets not held for trading mandatorily at fair value through profit or loss*	492	385	385	347	(38)	(9.8)
Total Securities portfolio and other financial assets	**2 216**	**3 179**	**3 268**	**3 013**	**(255)**	**(7.8)**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

In analysing the securities portfolio by type of instrument, a year-on-year reduction of 191 million euros is observed in Bonds and other debt instruments, which includes Portuguese, Spanish, Italian and Greek public debt, that led to a reduction in the portfolio of securities and other instruments (-7.8% in relation to 31 December 2019).

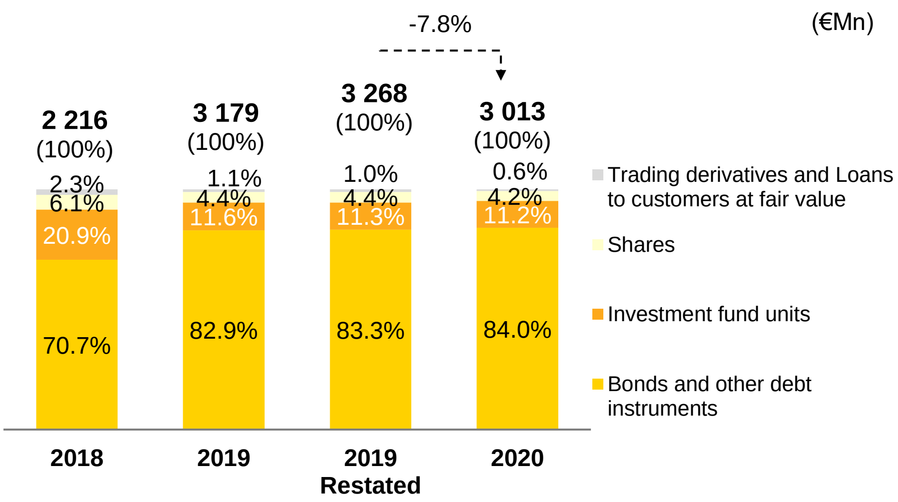
SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS BY TYPE OF INSTRUMENT

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19 Amount	Change 20/19 %
Bonds and other debt instruments	1 567	2 635	2 723	2 532	(191)	(7.0)
Shares	133	141	142	126	(16)	(11.3)
Investment fund units	464	369	369	336	(33)	(8.9)
Trading derivatives	24	23	23	9	(14)	(60.9)
Loans to customers at fair value	28	11	11	10	(1)	(9.1)
Total securities portfolio and other financial assets	**2 216**	**3 179**	**3 268**	**3 013**	**(255)**	**(7.8)**

The structure of the portfolio of securities and other instruments remained, as at 31 December 2020, primarily composed of Bonds and other debt instruments, whose total weight in the portfolio increased to 84.0%. In turn, the proportion of Investment fund units and Share decreased to 11.2% and 4.2% of the portfolio, respectively.

Structure of the Securities portfolio and other financial assets



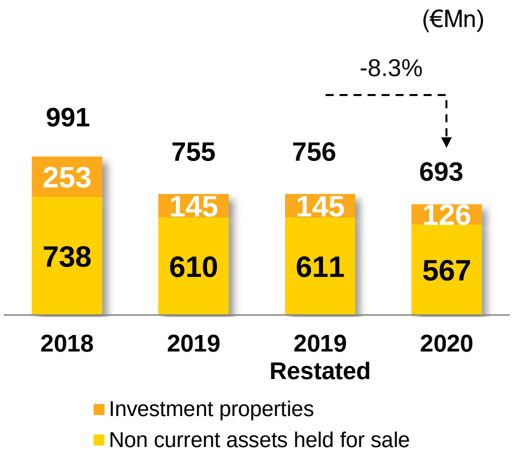
NON CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

The aggregate of the headings of Non-current assets held for sale and Investment properties is influenced by the reclassification of the Non-current assets held for sale, primarily related to real estate properties held, to the heading of Other assets, but without change of the strategy to reduce exposure to real estate risk.

The evolution of the exposure to real estate assets, incorporating the aforesaid reclassification, showed a year-on-year decrease of -8.3% as at 31 December 2020, in having shifted from 756 million euros at the end of December 2019 to 693 million euros as at 31 December 2020, in line with the guidelines for the integrated management of real estate properties and consequent reduction of exposure to this activity sector.

The heading of Non-current assets held for sale, together with the value reclassified to the heading of Other assets, essentially shows the value associated with real estate properties derived from the dissolution of loan contracts with customers, which decreased by 7.2% in evolving from 611 million euros as at 31 December 2019 to 567 million euros at the end at December 2020. This evolution reveals the effect of the credit recovery and good performance of the sales of real estate properties made in the retail market.

Exposure to Real Estate Assets



* Including the value of properties reclassified to Other assets.

The evolution of the exposure to real estate assets, incorporating the aforesaid reclassification, showed a year-on-year decrease of -8.3% as at 31 December 2020, in having shifted from 756 million euros at the end of December 2019 to 693 million euros as at 31 December 2020, in line with the guidelines for the integrated management of real estate properties and consequent reduction of exposure to this activity sector.

The heading of Non-current assets held for sale, together with the value reclassified to the heading of Other assets, essentially shows the value associated with real estate properties derived from the dissolution of loan contracts with customers, which decreased by 7.2% in evolving from 611 million euros as at 31 December 2019 to 567 million euros at the end at December 2020. This evolution reveals the effect of the credit recovery and good performance of the sales of real estate properties made in the retail market.

NON CURRENT ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS

As at 31 December 2020, the heading of Non-current assets held for sale - Discontinued operations amounted to 1.3 million euros, corresponding to the value of the assets recorded by the Group's operations related to the subsidiaries Banco MG - Cabo Verde, Sociedade Unipessoal, S.A. and Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A., after having been adjusted for the necessary movements of the consolidation process, having been stated following the application of IFRS 5, as indicated in Note 59 of the notes to the consolidated financial statements.

CURRENT AND DEFERRED TAX ASSETS

As at 31 December 2020, the aggregate of Current and deferred taxes amounted to 500 million euros, compared to 450 million euros as at 31 December 2019.

According to the respective accounting policy, Deferred tax is calculated based on the tax rates that are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date.

OTHER

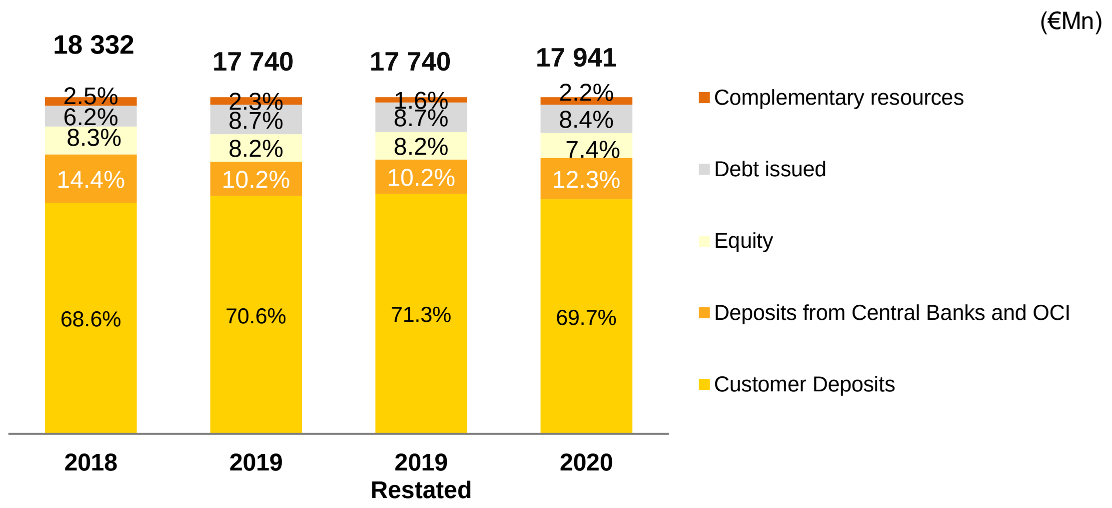
The aggregate of Others presented in the Assets of the synthetic balance sheet includes the headings of Assets with repurchase agreements, Hedge derivatives, Other tangible assets, Intangible assets, Investments in associates and Other assets.

As at 31 December 2020, the aggregate Other stood at 925 million euros, compared to 1,015 million euros as at 31 December 2019, of which 611 million euros correspond to real estate properties held for sale reclassified from the heading of Non-current assets held for sale to Other assets.

LIABILITIES

As at 31 December 2020, the Total liabilities stood at 16,614 million euros, revealing growth of 326 million euros (+2.0%) in relation to the value of 16,288 million euros recorded as a t 31 December 2019, reflecting, on the one hand, the increase recorded in Resources from central banks and OCI, (+389 million euros), and on the other hand, the reduction of Debt issued (-32 million euros). Customer resources remained stable in 2020, considering that the Customer resources of Banco Montepio Geral Cabo Verde (138.3 million euros in 2019) started to be recorded under the heading of Non-current liabilities held for sale - discontinued operations. As at 31 December 2020, Equity funded 7.4% of the Assets and the Debt issued funded 8.4%, in a context in which the requirements for issuance in the market of instruments eligible for compliance with the Minimum Requirement for own funds and Eligible Liabilities (MREL) are under (re)assessment by the competent authorities – in a context of the announced measures of flexibilisation in terms of the capital and liquidity requirements announced by the ECB –, with the Resources from central banks and OCI having reached 12.3% of the Assets. Customer deposits continued to be the main source of balance sheet funding, representing 69.7% of total liabilities and equity.

Liabilities and Equity Structure



DEPOSITS FROM CENTRAL BANKS AND OCI

As at 31 December 2020, the funding obtained from central banks and other credit institutions amounted to 2,203 million euros, compared to 1,814 million euros recorded at the end of 2019, revealing an increase of 21.5%. This heading incorporates funds taken at the ECB, which amounted to 1,383 million euros as at 31 December 2020, compared to 1,291 million euros as at 31 December 2019 (+7.1%), and the funding obtained from Other credit institutions which stood at 821 million euros as at 31 December 2020, compared to 523 million euros as at 31 December 2019 (+57.0%), primarily the reflecting the increase of Resources from credit institutions abroad of the value of 310.3 million euros (+300.5 million euros relative to Loans from the BEI and +6.7 million euros in Sight deposits).

CUSTOMER RESOURCES

In 2020, Banco Montepio developed a series of initiatives aimed at capturing and retaining customer resources, under its liquidity risk management strategy.

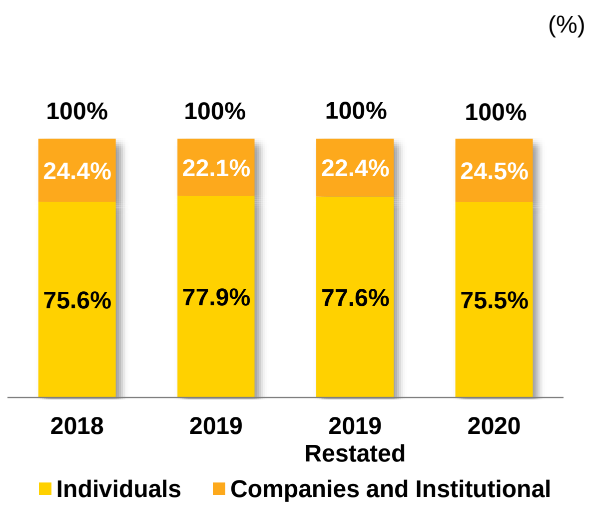
Total customer resources amounted to 13,556 million euros as at 31 December 2020, of which 12,712 million euros correspond to Customer resources on the balance sheet, with 98.3% referring to Customer deposits.

As at 31 December 2020, Customer deposits stood at 12,502 million euros, essentially concentrated in individual customers, a segment that has continued predominant in representing 75.5% of total deposits.

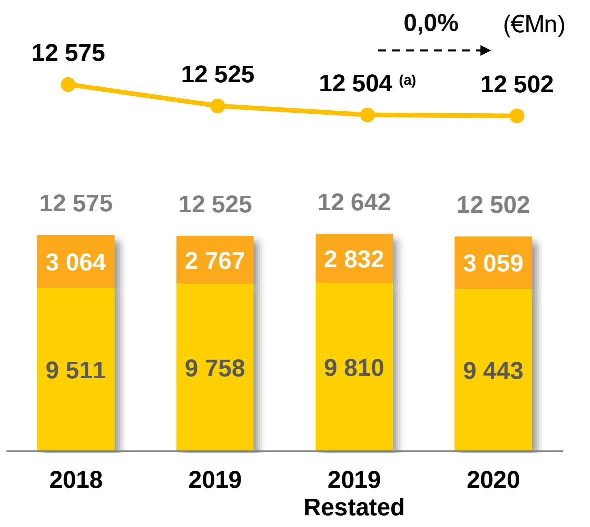
In 2020, in a scenario of interest rates at historically low levels and reduction of economic activity caused by the Covid-19 pandemic, Customer deposits remained stable (considering the effect of Customer deposits of Banco Montepio Geral Cabo Verde of the value of 138.3 million euros, which in 2020 started to be classified as Non-current liabilities held for sale - Discontinued operations), with the rate of recomposition of the deposit portfolio's structure being maintained with the change of the Sight deposit/Term deposit mix, which stood at 41%/59% in December 2020.

As at 31 December 2020, the heading of Securities placed with customers stood at 210 million euros, compared to 154 million euros at the end of December 2019.

Customer deposits structure



Customer deposits



(a) Excluding customer deposits from Banco Montepio Geral Cabo Verde (138.3 €Mn), which in 2020 started to be classified as discontinued operations.

Off-balance sheet resources reached 844 million euros as at 31 December 2020, compared to 817 million euros recorded at the end of December 2019, representing an increase of 3.2%, due to the increases recorded in the Real estate investment funds and in the Pension Funds, despite the reduction observed in Securities investment funds and in Capitalisation insurance.

CUSTOMER RESOURCES

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19 Amount	Change 20/19 %
Customer deposits	**12 575**	**12 525**	**12 642**	**12 502**	**(140)**	**(1.1)**
Sight deposits	3 999	4 617	4 613	5 182	569	12.3
Term deposits	8 576	7 908	8 029	7 320	(709)	(8.8)
Customer deposits [(a)]	**12 575**	**12 525**	**12 504**	**12 502**	**(2)**	**(0.0)**
Securities placed with customers	181	154	154	210	56	36.4
Total on-balance sheet resources	**12 756**	**12 679**	**12 796**	**12 712**	**(84)**	**(0.7)**
Total on-balance sheet resources [(a)]	**12 756**	**12 679**	**12 658**	**12 712**	**54**	**0.4**
Off-balance sheet resources	676	817	817	844	27	3.2
Total customer resources	**13 432**	**13 496**	**13 613**	**13 556**	**(57)**	**(0.4)**
Total customer resources [(a)]	**13 432**	**13 496**	**13 475**	**13 556**	**81**	**0.6**

(a) Excluding, for comparability purposes, in 2019 restated the customer deposits from Banco Montepio Geral Cabo Verde (138.3 €Mn) which in 2020 started to be classified in discontinued operations.

DEBT ISSUED

The heading of Debt issued incorporates the amounts recorded in the balance sheet related to Liabilities represented by securities and Subordinated liabilities.

As at 31 December 2020, the value of Debt issued stood at 1,516 million euros representing an increase of 32 million euros (-2.1%), compared to the value of 1,548 million euros recorded as at 31 December 2019, as a result, on the one hand, of the reduction in Liabilities represented by securities (-90.8 million euros) and, on the other hand, of the increase of Other subordinated debt (+59.0 million euros). The evolution observed in Liabilities represented by securities in relation to the same period of 2019 reveals the reductions recorded in Cash bonds (-4.2 million euros), in Mortgage bonds (-37.5 million euros) and in Securitisations (-49.0 million euros). The increase recorded in Other subordinated liabilities in relation to the end of 2019 was caused by the issuance of 50 million euros of subordinated debt, under Banco Montepio's Euro Medium Term Note (EMTN) Programme and by the reclassification of the “Finibanco Valor Invest 2010” issue to the liabilities, to the value of 6.3 million euros, following the determination of the General Meeting held in June 2020.

NON CURRENT LIABILITIES HELD FOR SALE – DISCONTINUED OPERATIONS

As at 31 December 2020, the heading of Non-current liabilities held for sale - Discontinued operations amounted to 110 million euros, corresponding to the value of the liabilities recorded by the Group’s operations related to the subsidiaries Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. and Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A., after having been adjusted for the necessary movements of the consolidation process, having been stated following the application of IFRS 5, as indicated in Note 59 of the notes to the consolidated financial statements.

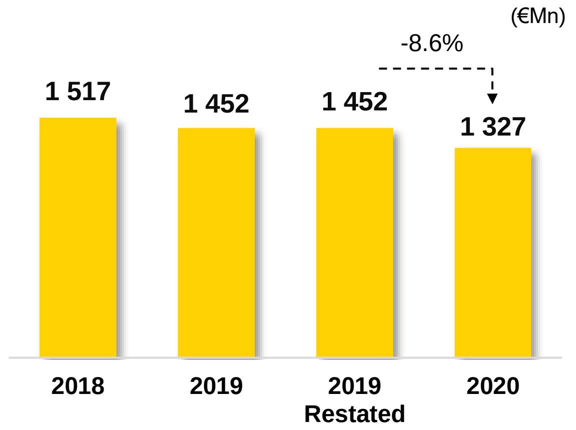
OTHER

The aggregate Other, presented in the Liabilities of the synthetic balance sheet, stood at 283 million euros as at 31 December 2020 (284 million euros at the end of 2019), and incorporates the headings of Financial liabilities held for trading, Hedge derivatives, Provisions, Current tax liabilities and Other liabilities.

TOTAL EQUITY

Equity stood at 1,327 million euros as at 31 December 2020, having declined by 8.6% in relation to the value at the end of 2019. This reflects, on the one hand, the impact of exogenous factors, in particular expressed in the evolution of the foreign exchange reserve, essentially via the Kwanza (-18.8 million euros) and in the fair value reserve (-29.1 million euros), which, jointly, led to a reduction of 47.9 million euros in equity, and on the other hand, the recording of the negative net income of 80.7 million euros in the year of 2020. Of lower materiality, the "Finibanco Valor Invest 2010" issue was reclassified (perpetual subordinated debt) to the liabilities, at the value of 6.3 million euros, following the determination of the General Meeting held in June 2020.

Total Equity



RESULTS

In 2020, a particularly difficult year, Banco Montepio recorded a consolidated net income of -80.7 million euros, compared to 21.7 million euros recorded in 2019. The net income for 2020 was essentially determined by the higher level of impairments constituted for credit risk (77.5 million euros) following the downward revision of the macroeconomic scenario associated with the impacts of the Covid-19 pandemic on economic agents, both individuals and companies, as well as by the non-recurring costs related to the adjustment measures concerning Staff and resizing of the branch network (35.1 million euros).

SYNTHETIC INCOME STATEMENT

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19	
					Amount	%
Net interest income	**248.1**	**236.8**	**254.2**	**242.8**	**(11.4)**	**(4.5)**
Commercial net interest income	256.9	244.9	255.9	248.0	(7.9)	(3.1)
Net fees and commissions	118.4	121.5	122.6	115.3	(7.3)	(5.9)
Core total operating income	**366.5**	**358.3**	**376.8**	**358.1**	**(18.7)**	**(5.0)**
Income from equity instruments	8.1	7.6	7.6	3.0	(4.6)	(60.7)
Results from financial operations	10.9	49.9	64.5	17.9	(46.6)	(72.2)
Other operating income	(8.1)	13.7	11.5	14.7	3.2	27.7
Total operating income	**377.4**	**429.5**	**460.4**	**393.7**	**(66.7)**	**(14.5)**
Staff costs	156.0	157.6	162.4	189.3	26.9	16.6
General and administrative expenses	77.7	65.5	68.1	67.0	(1.1)	(1.7)
Depreciation and amortisation	25.9	31.2	33.5	35.1	1.6	4.7
Operating costs	**259.6**	**254.3**	**264.0**	**291.4**	**27.4**	**10.4**
Operating costs, excluding specific impacts [(a)]	**259.6**	**254.3**	**264.0**	**261.9**	**(2.1)**	**(0.8)**
Net operating income before provisions and impairments	**117.8**	**175.2**	**196.4**	**102.3**	**(94.1)**	**(47.9)**
Net provisions and impairments	92.1	141.1	143.3	220.8	77.5	54.1
Share of profit of associates under the equity method	0.2	0.2	0.2	(0.7)	(0.9)	(<100)
Net income before income tax	**25.9**	**34.3**	**53.3**	**(119.2)**	**(172.5)**	**(<100)**
Income tax	(45.2)	(22.7)	(25.6)	42.3	67.9	>100
Net income after income tax from continuing operations	**(19.3)**	**11.6**	**27.7**	**(76.9)**	**(104.6)**	**(<100)**
Income from discontinuing operations	36.2	12.6	(3.5)	(1.9)	1.6	44.9
Non-controlling interests	3.3	2.5	2.5	1.9	(0.6)	(24.7)
Net Income	**13.6**	**21.7**	**21.7**	**(80.7)**	**(102.4)**	**(<100)**

(a) Excluding the amount related to the increase in Personnel Costs and in General administrative expenses generated by operational adjustment measures (29.5 M€) in the fourth quarter of 2020.

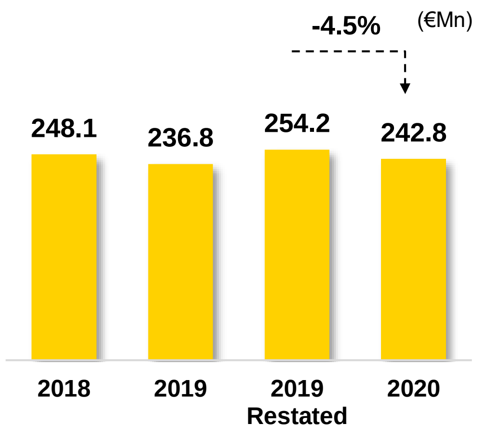
TOTAL OPERATING INCOME

Total operating income amounted to 393.7 million euros in 2020 compared to the value of 460.4 million euros in 2019, as a result of the reduction of Net interest income, Net fees and commissions, Income from equity instruments and Results from financial operations, despite the favourable evolution of Other operating income.

NET INTEREST INCOME

Net interest income stood at 242.8 million euros in 2020, compared to the value of 254.2 million euros recorded in 2019, largely reflecting the cost associated with the issuance of 50 million euros of subordinated debt to strengthen the Bank's own funds. Despite the growth of the loan portfolio (albeit with a lower average balance), the unfavourable effects of exogenous factors associated with the Covid-19 pandemic on the impairment level, with impact on the interest recorded in stage 3, and also due to the market interest rates that remained at very low levels, constrained the profitability of the operations and repricing of the loan portfolio.

Net interest income



Nonetheless, the evolution of net interest income incorporates the positive effects arising from the reductions of the interest from customer deposits, senior debt and wholesale funding, which partially offset the negative effects of the reduction of the interest on customer deposits and on the securities portfolio, as well as from the increased interest related to the subordinated debt issues.

In 2020 there was a decrease in the interest of the portfolio of Loans to customers of 22.9 million euros, expressing the reduction of the portfolio's balance (volume effect), reflecting the write-off of loans from the assets and the deleveraging of non-performing loans, as well as the evolution of the average interest rate (price effect) from 2.27% in 2019 to 2.12% in 2020, in a context in which the main reference rates continue at negative minimum levels.

The reduction of 7.0 million euros observed in the Securities portfolio in relation to 2019 reflects the reduction of the average interest rate (price effect) from 0.87% in 2019 to 0.55% in 2020, despite the increased balance of the portfolio (volume effect).

The increase in interest paid by the Subordinated debt in 2020 in relation to 2019 fundamentally reflects the increased balance of the portfolio (volume effect), as a result of the subordinated debt issuance of 50 million euros carried out in June 2020, and to a lesser extent, the increased average interest rate (price effect) from 8.84% in 2019 to 9.11% in 2020.

In 2020, Net interest income benefited from the positive impact of the cost reduction associated with Customer deposits of 15.0 million euros, via the price effect, showing the impacts of the reduction of the average rate, from 0.27% in 2019 to 0.16% in 2020 of the deposit portfolio, which benefited from the management of the pricing applied in the capture of new deposits as well as in the renovation of existing deposits, leading to an increased proportion of sight deposits.

The interest paid for the Resources of central banks also contributed to the favourable evolution of Net interest income in decreasing by 2.4 million euros, via the price effect, with the average interest rate having fallen from 0.24% in 2019 to 0.06% in 2020.

Net interest income also benefited from the reduction of costs related to interest of Resources from other credit institutions of 5.8 million euros, via the volume and price effect, with the average interest rate having fallen from 0.71% in 2019 to 0.35% in 2020.

The interest paid for Senior debt issued, although of a lower materiality, contributed positively to the evolution of Net interest income in decreasing by 1.1 million euros in relation to 2019, via the price effect, with the average interest rate having shifted from 0.97% in 2019 to 0.68% in 2020.

In 2020, the Net interest income rate thus stood at 1.47%, compared to 1.51% in 2019, namely revealing the impact of Covid-19 on economic agents, the context of low interest rates and the highly competitive environment, which continue to constrain the performance of net interest income.

BREAKDOWN OF NET INTEREST INCOME

(million euros)

	2019			2020		
	Avg. amount	**Avg. rate (%)**	**Interest**	**Avg. amount**	**Avg. rate (%)**	**Interest**
Assets						
Cash and deposits	1 146	0.49	5.7	889	0.65	5.9
Loans and advances to OCI	265	0.40	1.1	303	0.27	0.8
Loans to customers	12 641	2.27	290.3	12 416	2.12	267.5
Securities portfolio	2 499	0.87	22.1	2 680	0.55	15.1
Other assets at fair value	22	1.12	0.3	10	1.52	0.2
Other (includes derivatives)	-	-	14.7	-	-	14.2
subtotal	16 574	1.99	334.2	16 299	1.83	303.7
Liabilities						
Resources from central banks	1 385	0.24	3.3	1 452	0.06	0.9
Resources from OCI	1 088	0.71	7.9	587	0.35	2.1
Customer deposits	12 596	0.27	34.4	12 344	0.16	19.5
Senior debt	1 051	0.97	10.4	1 338	0.68	9.3
Subordinated debt	132	8.84	11.8	189	9.11	17.5
Other (includes derivatives)	-	-	12.2	-	-	11.7
subtotal	16 251	0.49	80.0	15 909	0.38	60.9
Net interest income		**1.51**	**254.2**		**1.47**	**242.8**

EVOLUTION OF NET INTEREST INCOME BETWEEN 2019 AND 2020

(million euros)

		Volume effect	Price effect	Residual effect	Total
Assets					
Cash and deposits		(1.3)	1.9	(0.4)	0.2
Loans and advances to OCI		0.2	(0.3)	(0.0)	(0.2)
Loans to customers		(5.2)	(18.8)	1.1	(22.9)
Securities portfolio		1.6	(8.1)	(0.5)	(7.0)
Other assets at fair value		(0.1)	0.1	(0.0)	(0.1)
Other (includes derivatives)		0.0	0.0	(0.5)	(0.5)
	subtotal	(5.6)	(26.2)	1.3	(30.5)
Liabilities					
Resources from central banks		0.2	(2.5)	(0.1)	(2.4)
Resources from OCI		(3.6)	(4.0)	1.8	(5.8)
Customer deposits		(0.7)	(14.6)	0.3	(15.0)
Senior debt		2.8	(3.1)	(0.8)	(1.1)
Subordinated debt		5.1	0.4	0.2	5.7
Other (includes derivatives)		0.0	0.0	(0.5)	(0.5)
	subtotal	(1.7)	(18.0)	0.5	(19.1)
Change in net interest income		**(3.9)**	**(8.3)**	**0.7**	**(11.4)**

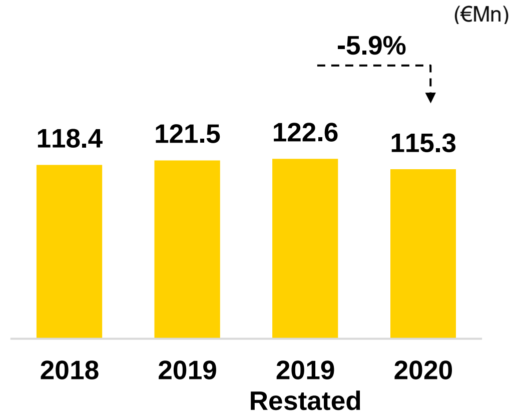
INCOME FROM EQUITY INSTRUMENTS

The heading of Income from equity instruments includes the income associated with variable yield securities, namely shares related to investments stated in the portfolio of assets available for sale. The value recorded in 2020 amounted to 3.0 million euros compared to 7.6 million euros stated in 2019, which includes 1.7 million euros related to dividends received from the company Almina (2.4 million euros in 2019) and 1.1 million euros related to dividends received from the company Monteiro Aranha, S.A. (3.9 million euros in 2019).

NET FEES AND COMMISSIONS

The strategy delineated for the progression of fees and commissions is underpinned by the ongoing management of pricing by its suitability to Banco Montepio's value proposition for each segment, defined according to its life cycle and financial profile, as well as by the growth of the first bank share, inducing a progressive increase of the base of Customers with a higher transaction level and binding.

Net fees and commissions



Net fees and commissions evolved from 122.6 million euros in 2019 to 115.3 million euros in 2020, reflecting the reduction of the activity levels of economic agents and the lower transactionality brought in by the Covid-19 pandemic, the effect of the moratoria and the applicable legislation on the charging of fees and commissions on loans, and the measures to support the Customers implemented by Banco Montepio, such as the suspension of fees associated with means of payment.

The reduction of Net fees and commissions of 7.3 million euros was due to the reduction of Market fees and commissions[13] of 0.8 million euros, of Loan fees and commissions by 3.1 million euros, and Other fees and commissions[14] of 3.9 million euros, and due to the increase of Fees and commissions on payment services[15] of 0.5 million euros.

RESULTS FROM FINANCIAL OPERATIONS

The Results from financial operations stood at 17.9 million euros in 2020, compared to 64.5 million euros recorded in 2019, reflecting the lower earnings of financial assets at fair value through other comprehensive income (-18.6 million euros in relation to 2019), primarily reflecting the higher gains from the sale of Portuguese public debt securities carried out in 2019 and, to a lesser extent, the reduction of the Net gains from foreign exchange differences (-0.8 million euros).

The Results from financial operations in 2020 also reflect the evolution of the net gains/losses) from financial assets and liabilities at fair value through profit or loss, which were negative by 18,7 million euros (-27.2 million euros in relation to 2019), due to the impact of the loss of value of a derivative arising from a loan disposal operation, with a loss of 12.8 million euros having been recorded, and from financial assets and liabilities through profit or loss, namely in investment fund units which had a negative impact of 4.1 million euros (positive by 10.9 million euros in 2019).

RESULTS FROM FINANCIAL OPERATIONS

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19	
					Amount	%
Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	12.3	8.5	8.5	(18.7)	(27.2)	(<100)
Net gains / (losses) from financial assets at fair value through other comprehensive income	5.6	42.3	42.3	23.7	(18.6)	(43.9)
Net gains / (losses) from foreign exchange differences	(7.0)	(0.9)	13.7	12.9	(0.8)	(5.9)
Results from financial operations	**10.9**	**49.9**	**64.5**	**17.9**	**(46.6)**	**(72.2)**
of which: Results from the sale of Portuguese public debt	8.2	42.0	42.0	13.0	(29.0)	(69.0)

OTHER RESULTS

The aggregate Other results incorporates the Results from sale of other assets and Other operating income, which include, among others, the income obtained from the revaluation of investment properties, from services rendered, from investment property rents and from the reimbursement of expenses, as well as the costs related to banking sector contributions to the Resolution Fund and Deposit Guarantee Fund, and to loan recovery services.

Other results reached 14.7 million euros in 2020, having evolved favourably in relation to the value of 11.5 million euros recorded in 2019, reflecting the increased gains from the sale of securities recorded at amortised cost, which amounted to 30.2 million euros in 2020, related to the sale of Portuguese, Greek and Italian public debt bonds, compared to 10.0 million euros in 2019 arising from the sale of Portuguese and Italian public

[13] Includes fees for management, administration and custody of assets and operations on securities.
[14] Includes fees for insurance mediation, provision of banking service and operations provided on account of third parties.
[15] Includes fees for deposit, custody, administration and collection of values, account maintenance, management, annuities, withdrawals subject to fees and commissions and credit card incidences.

debt bonds, duly framed under the IFRS for sales. In 2019, the aggregate Other also includes 7.4 million euros of gains from the sale of loans to customers, compared to -0.3 million euros in 2020.

In 2020, the heading of Other operating income – Other shows lower income from loan recovery, of the value of 3.8 million euros, and from the assignment of Employees – actuarial deviations of the value of 4.6 million euros.

Reference is also made to the value of 0.2 million euros recorded under Other results, relative to Banco Montepio's contribution to the purchase of 100 ventilators and 100 monitors that were donated to the National Health System in the context of the Covid-19 pandemic.

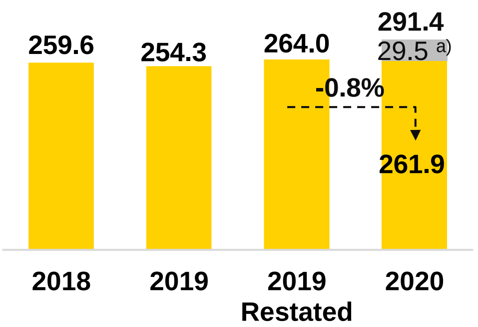
OPERATING COSTS

Operating costs amounted to 291.4 million euros, representing an increase of 10.4% in relation to the value recorded in 2019, essentially showing the impact of the costs related to the adjustment measures concerning Staff and the resizing of the branch network of the value of 29.5 million euros. Excluding this effect, Operating costs would have fallen by 2.1 million euros (-0.8%) compared to 2019.

Staff costs reached 189.3 million euros in 2020, compared to 162.4 million euros in 2019, influenced by the recording of 28.3 million euros of costs related to the Staff adjustment measures. These costs incorporate the expenses incurred via the programme of early retirement and employment termination by mutual agreement, and consider the costs related to the Pension Fund, compensations and health charges. Excluding this impact, Staff costs would have fallen by 1.4 million euros compared to 2019 (-0.9%).

Operating costs

(€Mn)



a) Impact arising from operating costs associated with operational adjustment measures.

The general administrative expenses stood at 67.0 million euros, reflecting a reduction of 1.1 million euros in relation to the value of 68.1 million euros recorded in 2019 (-1.7%), benefiting, on the one hand, from the capture of synergies arising from the renegotiation of various contracts that have been carried out, and on the other hand, reflecting the adverse effect of 1.2 million euros of costs related to the closing of branches under the adjustment programme in course. Excluding this impact, General administrative expenses would have fallen by 2.3 million euros in relation to 2019 (-3.4%).

Amortisation and depreciation amounted to 35.1 million euros (+4.7%) in 2020, compared to 33.5 million euros recorded in 2019.

In 2020, the Cost-to-income ratio, corrected for non-recurring costs related to the Staff adjustment measures and resizing of the branch network, and the more volatile components of the results, such as the Results from financial operations and Other results (Results from the sale of other assets and Other operating income), stood at 72.5% compared to 68.7% recorded in 2019. This reflects, on the one hand, the reduction of Total operating income, and on the other hand, the increased Operating costs.

OPERATING COSTS

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19 Amount	%
Staff Costs	156.0	157.6	162.4	189.3	26.9	16.6
General and administrative expenses	77.7	65.5	68.1	67.0	(1.1)	(1.7)
Depreciation and amortisation	25.9	31.2	33.5	35.1	1.6	4.7
Operating costs	**259.6**	**254.3**	**264.0**	**291.4**	**27.4**	**10.4**
Operating costs, excluding specific impacts [a]	**259.6**	**254.3**	**264.0**	**261.9**	**(2.1)**	**(0.8)**
Efficiency ratios						
Cost-to-income (Operating costs / Total operating income) [b]	68.8%	59.2%	57.3%	74.0%	16.7 p.p.	
Cost-to-income, excluding specific impacts [a] [c]	69.3%	69.5%	68.7%	72.5%	3.8 p.p.	

(a) Excludes the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures (29.5 M€) in the fourth quarter of 2020.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(c) Excludes results from financial operations and Other income (proceeds from the sale of other assets and other operating income).

IMPAIRMENTS AND PROVISIONS

The allocations for Impairments and provisions amounted to 220.8 million euros in 2020, reflecting an increase of 77.5 million euros (+54.1%) in relation to 2019, driven by the increase of Loan impairment of 70.2 million euros and the Impairment of other financial assets of 1.6 million euros and the reduction of Impairment of other assets of 7.6 million euros and Other provisions of 1.9 million euros.

The allocations for Loan impairment incorporate the result of the individual analysis made to significant exposures and which showed signs of impairment, on the one hand, and the value derived from the impairment model used to calculate the impairment associated with homogeneous populations, on the other hand, pursuant to accounting policy 1. c) described in the Notes to the Financial Statements.

In 2020, Loan impairment (net of reversals) stood at 185.1 million euros, compared to the value of 114.9 million euros recorded in 2019 (+70.2 million euros), as a result, on the one hand, of the increased credit risk caused by the Covid-19 pandemic, and on the other hand, due to the strengthening of the impairment levels for some credit exposures that were in default. At the same time, Loans to customers (gross) increased by 68 million euros, reaching 12,357 million euros, in relation to the value of 12,289 million euros recorded in 2019. The two combined effects led the cost of credit risk to stand at 1.5%, compared to 1.0% in 2019.

The aggregate of Other impairment and provisions, related to other financial assets, with other assets and with provisions, reached 35.6 million euros in 2020, compared to 28.5 million euros recorded in 2019. This essentially reflects the impact of the constitution of impairments for real estate properties of closed branches, in addition to the effects of the evolution of credit risk related to debt instruments and the process of updating the valuations of real estate properties for trading.

The Impairment of other financial assets stood at 12.2 million euros, having increased by 1.6 million euros in relation to the value of 10.6 million euros recorded in 2019. This is explained, on the one hand, by the lower allocation for the year net of reversals for impairment of financial assets at fair value through other comprehensive income (-1.1 million euros), and on the other, by the increased allocation for the year net of reversals for impairment of other financial assets at amortised cost (+2.7 million euros).

The value of Impairment of other assets stood at 19.4 million euros in 2020, representing an increase of 7.6 million euros in relation to the value recorded in 2019, driven, on the one hand, by the lower allocation for impairments of Other assets (-4.7 million euros), and on the other hand, by the allocation of 11.9 million euros for impairment of Other tangible assets, following valuations made by independent experts of a set of properties that were closed under the process of resizing Banco Montepio's distribution network.

In turn, Other provisions amounted to 4.1 million euros in 2020, revealing a reduction of 1.9 million euros compared to the value of 6.0 million euros recorded in 2019. This evolution was driven by the reduction of the level of Provisions for guarantees and commitments undertaken, despite the increased level of Provisions for other risks and costs.

IMPAIRMENTS AND PROVISIONS

(million euros)

	2018	2019	2019 Restated	2020	Change 20/19 Amount	Change 20/19 %
Loan impairment	72.3	120.3	114.9	185.1	70.2	61.1
Other financial assets impairment	2.9	9.5	10.6	12.2	1.6	14.4
Other assets impairment	13.2	11.7	11.8	19.4	7.6	64.1
Other provisions	3.7	(0.4)	6.0	4.1	(1.9)	(32.2)
Total net impairments and provisions	**92.1**	**141.1**	**143.3**	**220.8**	**77.5**	**54.1**

INCOME TAX

Current and deferred taxes for 2020 amounted to -42.3 million euros, compared to 25.6 million euros stated in 2019, having been calculated in conformity with the International Accounting Standards (IAS) and observing the tax system applicable to each subsidiary of the Banco Montepio Group.

Deferred tax assets arise, on one angle, from the fact that the accounting treatment diverges from the tax framework, namely with respect to the statement of impairment costs, thus leading to the statement of deferred tax assets associated with temporary differences, as well as other costs not accepted for tax purposes. Furthermore, due to the current context of negative profitability, new deferred taxes due to tax losses were generated.

INCOME FROM DISCONTINUED OPERATIONS

The heading of Results from discontinued operations incorporates the net income for the year of the subsidiaries Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. and Montepio Valor, Sociedade Gestora de Fundos de Investimento, S.A., attributable to the Banco Montepio Group under the application of the accounting policy defined in IFRS 5, which stood at -1.9 million euros in 2020, compared to -3.5 million euros in 2019.

NON-CONTROLLING INTERESTS

The Non-controlling interests recorded in 2020 correspond to the portion of equity held by third parties in the subsidiary Finibanco Angola, S.A..

PENSION FUND

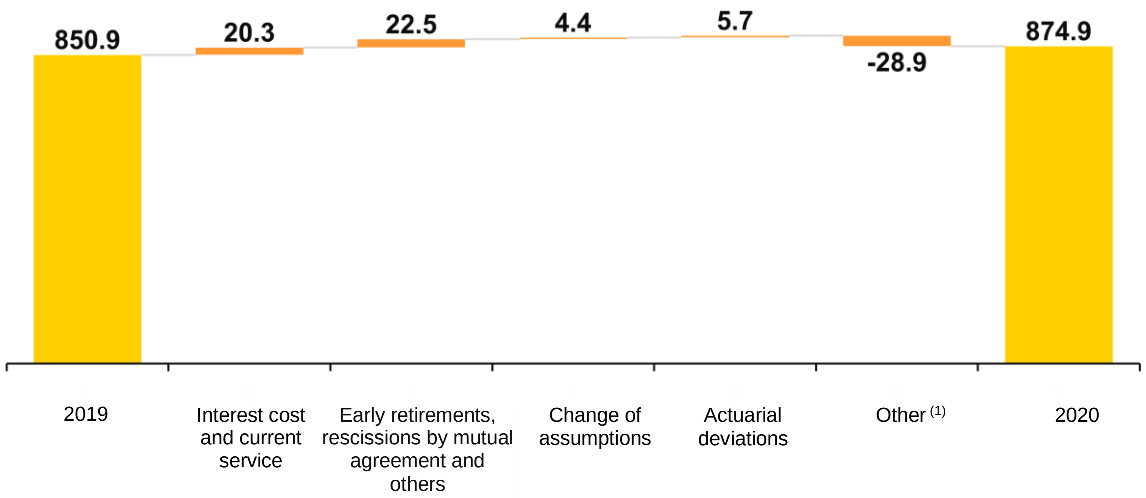
The liabilities related to post-employment and long-term benefits of the Employees amounted to 874.9 million euros in 2020, compared to 850.9 million euros recorded as at 31 December 2019, showing an increase of 24.0 million euros.

The evolution of the liabilities was driven, on the one hand, by the increase arising from the cost of interest and current service of 20.3 million euros, by the programmes of early retirement and employment termination by mutual agreement promoted in 2020, which led to an increase of 22.5 million euros in Fund liabilities, by the effect associated with the change of actuarial assumptions, reflected in an increase of 4.4 million euros, and by the impact of the actuarial deviations of 5.7 million euros.

On the other hand, a reduction was recorded in the component Other of 28.9 million euros, which includes the pensions paid by the Fund and by Banco Montepio and the contribution of the participants, as illustrated in the graph.

Evolution of pension liabilities in 2020

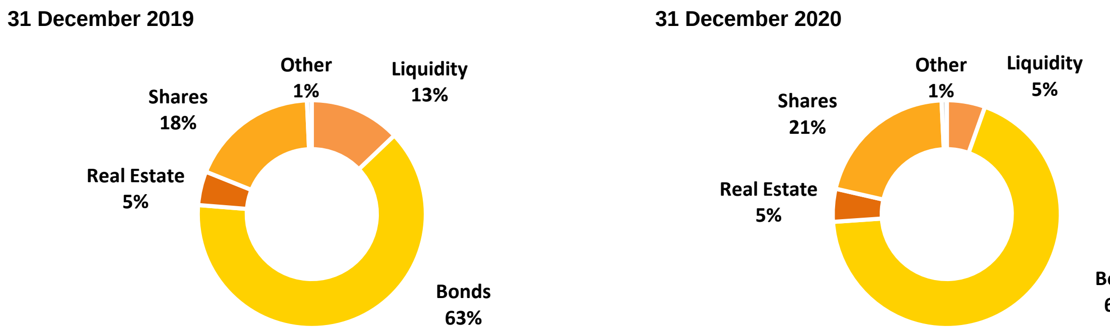
(€Mn)



(1) Includes Pensions paid by the Fund, Pensions paid by Banco Montepio, Contribution from participants and others.

The value of the Pension Fund's assets increased by 3.4%, reaching the total value of 865.5 million euros as at 31 December 2020, compared to 837.1 million euros recorded at the end of 2019, continuing to show a conservative distribution, with 68% of these assets invested in Bonds compared to 63% as at 31 December 2019.

Distribution of the pension fund assets portfolio



The evolution of the key indicators of the Pension Fund for 2018, 2019 and 2020 are presented below, namely its liabilities, assets and their funding levels.

PENSION FUND

(million euros)

	2018	2019	2020	Change 20/19	
				Amount	%
Total liabilities	742.5	850.9	874.9	24.0	2.8
Minimum liabilities to be financed	720.8	825.5	851.5	26.0	3.1
Value of the Pension Fund assets	725.8	837.1	865.5	28.4	3.4
Coverage:					
Minimum liabilities (1)	103.1%	103.2%	102.7%	(0.5 p.p.)	
Total liabilities (1)	100.1%	100.1%	100.0%	(0.1 p.p.)	

(1) Also considering, in 2018, 2019 and 2020, the component directly financed by Banco Montepio referring to employees who are temporarily suspended from employment contracts and the contribution to Social Welfare Services (defined contribution).

Banco Montepio's total liabilities were entirely funded, with a coverage level of 100.0% as at 31 December 2020.

Pursuant to Banco Montepio's accounting policy, and following the appraisal of the adequacy of the actuarial assumptions, the discount rate was changed to 1.15% as at 31 December 2020, compared to 1.50% as at 31 December 2019, taking into account the evolution occurred in the key market indices related to high quality bonds and the duration of the Pension Fund's liabilities. As at 31 December 2020, the average duration of the liabilities related to Bank Montepio Group Employee pensions was 19 years (19.7 years as at 31 December 2019), including actively employed and pensioners.

The main actuarial assumptions used to determine the liabilities for 2018, 2019 and 2020 were the following:

ACTUARIAL ASSUMPTIONS

	2018	2019	2020
Financial Assumptions			
Salary growth rate	1.00%	0.75%	0.50%
Pension growth rate	0.50%	0.50%	0.30%
Rate of return of the Fund	2.25%	1.50%	1.15%
Discount rate	2.25%	1.50%	1.15%
Revaluation rate	0.00%	0.00%	0.00%
Salary growth rate - Social Security	1.50%	1.50%	1.25%
Pension growth rate	1.00%	1.00%	1.00%
Demographic assumptions and valuation methods			
Mortality table			
Men	TV 88/90	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial Valuation Methods (1)	UCP	UCP	UCP

(1) Projected Unit Credit method.

The information presented above is supplemented by the details presented in Note 50 to the consolidated financial statements.

RISK

RISK

RISK MANAGEMENT

The Banco Montepio Group's risk management framework entails a series of policies and procedures and the definition of limits concerning risk appetite (RAS – Risk Appetite Statement), as well as the establishment of controls that enable, in an appropriate and integrated manner, identifying, assessing, monitoring, mitigating and reporting the risks derived from the activities developed in the different business lines and entities of the Group. Risk management falls under the overall strategy, embodied in the definition of risk appetite in its various dimensions, in consolidated terms as well as for the different entities comprising the Group.

INTERNAL CONTROL SYSTEM

In line with Banco de Portugal Notice 3/2020 and all other provisions, the internal control system is defined as the series of strategies, systems, processes, policies and procedures established within the Banco Montepio Group for the purpose of ensuring:

a) An efficient and profitable performance of the activity, in the medium and long term, which guarantees the effective use of the assets and resources, the continuity of the business and actual survival of the Group, through the adequate management and control of the risks of the activity, the prudent and appropriate evaluation of the assets and liabilities, as well as the implementation of mitigation mechanisms against non-authorised, intentional or negligent uses;

b) The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;

c) Respect for the applicable legal and regulatory provisions including those relative to anti-money laundering and counter terrorist financing, as well as the professional and ethical standards and practice, the internal and statutory rules, the rules on conduct and relations with Customers, the guidelines of the governing bodies, the disclosure of relevant information on related parties namely pursuant to articles 85 and 109 of the Legal Framework of Credit Institutions and Financial Companies (as indicated in Note 52 of the notes to the consolidated financial statements) and the recommendations of the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS), in order to protect the Group's reputation and prevent it from being applied penalties.

Accordingly, the internal control system is based on:

a) An adequate control environment supported by a well-defined organisational structure, safeguarding the separation of functions and a code of conduct applicable to all the Employees that defines the standards of ethics, integrity and professionalism;

b) A robust risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the strategy and goals defined by the Group;

c) An efficient information and communication system, implemented to guarantee the collection, processing and exchange of relevant, encompassing and consistent data, within a period of time and manner allowing for the effective and timely management and control of the activity and of the Group's risks;

d) An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, which guarantees, in particular, the timely identification of any flaws so as to strengthen the internal control system.

The following three control functions support the internal control system, namely: risk management function, compliance function and internal audit function aimed at ensuring the effective management and control of the risks associated to the Banco Montepio Group's activity, including the branches abroad. These three functions of Banco Montepio ensure the corporate function and alignment at the Group level, notwithstanding the existence of local functions in different entities of the Group. In this way, the internal control system is applied in a consistent manner in the Group's entities, safeguarding compliance with the legal and regulatory requirements of the different jurisdictions.

RISK MANAGEMENT SYSTEM

The Banco Montepio Group has a risk management system that constitutes one of the pillars on which the internal control system is sustained, consisting of a series of processes that enable ensuring the correct comprehension of the material risks to which the Institution is exposed. The risk management system aims to identify, assess, monitor and control all the material risks to which the Institution is exposed, both via internal and external means, in order to ensure that they stay within the levels previously defined by the Board of Directors, and should not affect the Institution's financial situation.

The risk management strategy is established in conformity with the Banco Montepio Group's risk appetite statement, considering aspects of solvency, liquidity, profitability and asset quality, as well as other financial and non-financial risks.

The risk management function, which is performed by the Risk Department (DRI) at Banco Montepio, is responsible for the effective application of the risk management system. The risk management function consists of one of the three key functions on which Banco Montepio's internal control system is based, simultaneously with the compliance and audit functions. Together, these functions constitute the three elements of the model of 3 lines of defence established by the guidelines of the European Banking Authority (EBA) on internal governance best practice.

The risk function operates as a second line of defence of the internal control system, ensuring the existence of an appropriate risk management system and aimed at obtaining a vision of the Institution's overall risk profile, while challenging and supporting the business lines in the implementation of the first line processes of control. The main responsibilities of Banco Montepio's risk management function, in conformity with the internal regulation of the function and the organic statutes, and taking into account the regulatory framework and the guidelines of the EBA are as follows:

a) Promote the implementation of the Banco Montepio Group's risk policies approved by the Board of Directors in the context of the risk management and control function;
b) Ensure the appropriate identification of the nature of the risks underlying the activity of the entities comprising the Group, the assessment and precise measurement of the magnitude of these risks, as well as the monitoring and effective control of the respective impact;
c) Monitor the approved risk appetite indicators, proposing, where necessary, the measures that ensure their compliance;

d) Support the Executive Committee in taking decisions of material influence in the Group's risk profile; and
e) Ensure compliance with the legislation and regulations in force.

In the area of the risk management function, the following developments took place in 2020:

- Review of the model for calculating profitability and pricing adjusted to the risk of the credit operations;
- Continuation of the strengthening of the processes for calculation and reporting interest rate risk, pursuant to Banco de Portugal Instruction 34/2018 and most recent EBA guidelines;
- Continuation of the implementation of a new definition of default in conformity with the EBA guidelines;
- Consolidation of the new impairment model for homogenous populations and for individually significant customers;
- Strengthening of business support processes, namely through the review of the credit risk warning system and implementation of new simulators of mortgage loans, consumer credit and online credit;
- In terms of Business Continuity, the Pandemic Plan was activated, which necessarily implied significant changes in the mode of working and in the implementation of some procedures, that are currently underway without major disruptions in Customer relations;
- Adjustment of processes to the activity of BEM, in accordance with the new strategy;
- Reinforcement and improvement of the risk management information system and reporting produced by the Risk Department;
- Updating and review of internal rules and regulations on various processes related to risk management.

The compliance function as an integral part of the internal control system, and operating as a second line of defence, undertakes responsibility for the management of compliance risk, i.e., the risk of legal or regulatory penalties, financial or reputation loss, as a consequence of breach of laws, regulations, specific determinations, contracts, rules of conduct and relations with Customers, ethical principles or internal rules of Banco Montepio.

Compliance risk is mitigated by promoting a culture of ethics and compliance, and by independent, permanent and effective intervention of this function in the Bank's main procedures that imply compliance. To this end, Banco Montepio has a policy dedicated to this risk – Policy and Methodological Approach for Management of Compliance Risk – which is communicated to all the institution's Employees. This policy underlies the endorsement of a compliance culture, based on the identification, assessment, monitoring and mitigation of compliance risk.

The compliance function has the necessary autonomy to perform its functions in an independent manner, reporting relevant matters to the Board of Directors and Audit Committee, such as for the approval of the activities and training plan, the budget and compliance policies.

The executed activities are identified with appraisal of aspects that contribute to the characterisation of compliance risk, especially in the annual training plan of the Employees and in institutional processes, associated with products and services with the consolidation of the process of prior analysis and monitoring of the offer of products and services of Banco Montepio, duties of disclosure of information to Customers and, in general, providing specialized support on matters of control and compliance.

In 2020, under anti-money laundering and counter terrorist financing (AML/CTF), special reference is made to the adoption of a new computer application for monitoring Customers and operations, based on predictive scenarios and following an approach according to the risk profile of the Customers. Therefore, the filtering of Customers and operations is now complemented by the reinforced monitoring of the transactionality, thus enhancing the robustness of the tools for combating financial crime to which Banco Montepio is strong committed. The intervention of the compliance function in the Customer account opening procedures has also been strengthened, enabling better control of the function of onboarding Customers that potentially present a higher risk to the Bank according to the model that is currently implemented.

It should also be noted that specific compliance structures have been created in particular entities of the Group (Banco Empresas Montepio, Montepio Crédito and Montepio Valor), thus enabling a closer management of the compliance risks at a micro level, without prejudice to the coordination made at the macro level by the compliance function of Banco Montepio.

The compliance function is active in the ongoing follow-up of legislative and regulatory changes and in the adjustment of Banco Montepio's activity so as to ensure timely compliance with the legal framework in force. In this regard, special reference is made to the legislative measures endorsed in response to the Covid-19 disease pandemic, the Covid-19 those covering loan moratoriums, credit lines to support the economy and exemption from fees and commissions in certain services. These legislative changes require adaptation in a very short period of time and, on the other hand, the travel limitations arising from the confinement measures have implied the need to accelerate the digitalisation of business processes, requiring greater support of the compliance function to the Bank's different areas in these matters.

At the Banco Montepio Group, the internal audit function is carried out by the Audit and Inspection Department (DAI) of Banco Montepio, which, under a perspective of shared services, carries out the audit function for all the other entities of the Group, with the exception of external entities in which there is a specific audit function. In this situation, the Audit and Inspection Department carries out the corporate function, through the functional coordination of the local audit function, in order to ensure the alignment of practices and procedures at a Group level, including the conduct of local audit actions.

In terms of mission, the internal audit function assists Banco Montepio Group in achieving its objectives through the use of a systematic and disciplined approach to assess and improve the efficacy of the risk management, internal control and governance processes.

The internal audit function constitutes an integral part of the process of monitoring the internal control system and, as a third line of defence, assesses the activities, systems and processes, including the risk management function and the compliance function.

In 2020, Banco Portugal issued Notice 3/2020 which repealed and replaced Notice 5/2008, becoming the reference, together with the Legal Framework of Credit Institutions (RGICSF), in Portugal, on matters of organisational conduct and culture, systems of governance, internal control and risk management, including remuneratory practices.

As this is one the main references for the audit function, the audit processes and procedures are currently being adjusted, in line with the recommendations in the Notice and with the best practices to be implemented arising from the Quality Assessment of the internal audit function, carried out in 2020, by an independent external entity.

Risk Appetite Framework (RAF)

The RAF constitutes the main element of the Group's risk management system, being a general approach, according to which the risk appetite and strategy are established, communicated and monitored, including the necessary policies, processes, controls and systems. The risk limits underlying the risk management strategy and the maintenance of appropriate levels of capital and liquidity are documented in a Risk Appetite Statement (RAS) approved by the management bodies. The risk management system is part of the internal control system of the Banco Montepio Group, whose objective is the development of the activity in a sustained manner in line with the established RAS.

The evolution of the Banco Montepio Group’s risk profile is regularly monitored in relation to the established risk appetite, with the respective reporting to the Board of Directors and monitoring by the Supervisory Board.

RISK MANAGEMENT GOVERNANCE MODEL

At Banco Montepio, the risk management function is the responsibility of the Risk Department (DRI) in partnership with the Specialised Credit Analysis Department (DAEC), which are organic units that conduct this function in a manner independent from the functional areas subject to assessment.

In the current internal governance model of Banco Montepio, the director of the DRI reports hierarchically to the member of the Executive Committee responsible for the risk area, and has access and regularly reports to the Board of Directors (including non-executive and independent members), namely to the Risk Committee, which is a delegated committee of the Board of Directors specialised in risk matters, exclusively composed of non-executive directors, and to the Audit Committee, the Bank's supervisory body.

The hierarchical and functional reporting lines are described in the internal governance structure defined in the Risk Management Policy of the Banco Montepio Group.

The Board of Directors is responsible for the strategy and policies to be adopted regarding risk management. This includes the approval of policies at the highest level that should be followed in risk management. The risk management function reports functionally to the Risk Committee, composed exclusively of non-executive Directors.

The management bodies of the Banco Montepio Group's subsidiaries are responsible for approving their own risk management strategies, in line with the business strategy defined for each subsidiary and in consolidated terms, as well as the Banco Montepio Group's overall risk strategy.

Audit Committee

The Audit Committee is Banco Montepio's supervisory body, whose duties include supervision of the Company's administration, supervision of the audit activities, the process of preparation and disclosure of financial information, the efficacy of the internal control systems, the drafting of opinions on the policies and procedures supporting the systems of risk management prior to approval by the Board of Directors, of control of conformity (compliance) and on the activity and independence of the statutory auditor and external auditor.

Risk Committee

The Board of Directors appoints the Risk Committee, including the nomination of its Chairman, whose duties, exercised in an independent form, are established in the respective articles of association. The mission of the Risk Committee is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Executive Committee and Board of Directors in these spheres.

Supporting Committees of the Executive Committee

Committees providing support to the Executive Committee have been constituted, as forums of debate and support to decision-making, through formulation of proposals and recommendations in the areas of their scope of intervention. The Credit Committee (COMCRED) holds weekly meetings, where loan operations area appraised and decided in accordance with the policy and regulation on loan concession. The Assets and Liabilities Committee (COMALCO) is responsible for following up the management of Capital, Balance Sheet and Profit and Loss Account. Its duties include, in particular, the issue of proposals or recommendations with a view to the management of liquidity or capital positions, considering the scenarios of evolution of the activity, the macroeconomic context and the indicators relative to the real and projected evolution of the different risks. Under its risk management function, the Risk Department also participates in the Impairment Committee (COMIMP), the Non-Performing Assets Monitoring Committee (COMAANP), the Business Committee (COMNEG), the Pension Fund Monitoring Committee (COMAFP), as well as in the regular meetings of the Crisis Management Office, and business recovery, activated under the Bank's response to the Covid-19 pandemic crisis in order to ensure the operational continuity of the Bank's critical functions and to ensure business continuity.

Risk Department (DRI) and Specialised Credit Analysis Department (DAEC)

The Risk Department (DRI) and the Specialised Credit Analysis Department (DAEC) are the units of Banco Montepio that are entrusted with monitoring all the financial and operational risks, and perform their duties in an independent manner in conformity with best practices and the regulatory requirements.

The Risk Department carries out the analysis and management of risks, providing advice to the Board of Directors, namely through proposed rules and management models for the different risks, the preparation of management reports to substantiate the decisions taken, and participation in the Supporting Committees of the Board of Directors and to the Executive Committee. The Risk Department also ensures compliance with a set of prudential reports to the supervision authority, namely in the area of own fund requirements, control of major risks, liquidity risk, interest rate risk, counterparty risk, monitoring of the evolution of the impact of the Covid-19 pandemic in the financial statements and in the operational processes of the Bank, internal capital and liquidity adequacy assessment, Market Discipline, Recovery Plan and Resolution Plan.

The DAEC conducts the process of attributing ratings to companies as well as the process of calculation of impairment on an individual basis. It also issues technical opinions on new loan operations for decision-making.

Subsidiary Companies

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Department is responsible for ensuring that all Banco Montepio Group companies, including those located abroad, adopt risk management systems that are coherent with one another and in conformity with the requirements defined in Banco Montepio's Internal Regulation of the risk management system, in the Banco Montepio Group's Overall Risk Policy and in all the other applicable internal policies and rules, without prejudice to the respective legal and regulatory framework. The Risk Department is responsible for monitoring the risk management activity of Banco Montepio Group companies, on a consolidated and individual basis, with a view to ensuring the consistency of the risk concepts used, the methodologies of identification, assessment and control of risk, the supporting regulations and respective processes for monitoring the risk profile, as well as compliance with the applicable regulatory and prudential requirements, namely in consolidated terms. These activities should be conducted directly by the risk management functions of these entities, except in those for which Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Department would be more effective and efficient.

Model Validation Office

The Model Validation Office (GVM) is responsible for the independent validation of the models developed within the Group, ensuring compliance with the applicable internal and external requirements. This structure reports functionally to the Risk Committee and hierarchically to the director responsible for risk, thus safeguarding its independence in relation to other organic structures responsible for the development and monitoring of models.

The Model Validation Office is also responsible for the Group's model risk management, ensuring the updating of the Corporate Policy on Model Risk Management and compliance with the defined requirements, ensuring the existence of a centralised and updated inventory of the Group's models and checking the appropriate risk level classification of the models by the model owners, in accordance with the defined risk tiering method, with the continuous monitoring and reporting of model risk.

In the first half of 2020, the Model Validation Office completed a series of validation procedures relative to various models, among which particular reference is made to the periodic validation of the models, methods and results of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). Furthermore, under the action plans developed by the model owners, for the deactivation of the model risk limits, specific validations were done to the rating models for the Large, Mid and Small Corporate segments.

In the second half of the year, the Model Validation Office completed the validation work relative to the models underlying the collective impairment framework of IFRS 9, namely with respect to the Probability of Default (PD), Loss Given Default (LGD), Expected Credit Loss (ECL), Significant Increase in Credit Risk (SICR), Credit Conversion Factor (CCF) and Behavioural Maturity (BM) models.

With respect to its overall function of management of the Group's model risk, the Model Validation Office also proceeded with the control of the inventory of models, ensuring the follow-up of recommendations among the model owners and analysis of rating model overrides with the respective four-monthly reporting, and the monitoring of model risk limits. The Model Validation Office prepared the Group's annual report on model risk, with the support of various model owners and the Internal Audit function, ensured the presentation and reporting to the Risk Commission and Executive Committee, pursuant to the requirements defined in the Model Risk Management Corporate Policy that the Office created in 2018. The annual report included the inventory and characterisation of the Group's models in terms of the technical specifications and risk tiering, the main activities carried out in 2019 concerning development, alteration, validation and audit of models, the planning of activities for 2020 in terms of the development, review, validation and audit of models, the current situation of insufficiencies in terms of the models issued for validation, whether identified by the Model Validation Office, by the Internal Audit function or by external entities, and the overall assessment of model risk through the qualitative assessment of the model risk and situations of overrunning the defined model risk limits.

Information Management

Banco Montepio's data management policy is aligned with the reference framework referred to as DAMA-DMBOK (DAMA International Guide to Data Management Body of Knowledge) and BCBS 239 (Principles of effective risk data aggregation and risk reporting), which establish the guidelines and governance model in data management processes. During 2020, the investments continued in the modernisation of the technological infrastructure and software tools to support the processes of governance and data quality that led to new progress in the effective implementation of the data policy of Banco Montepio.

The accomplishment of these initiatives demonstrates Banco Montepio's commitment to the effective support of a management strategy for its data, ensuring the reliability of the information in meeting the internal and external reporting requirements, promoting operational efficiency and assuring compliance with the regulatory requirements in this sphere.

CREDIT RISK

Credit risk is associated with the degree of uncertainty of the expected returns, by inability either of the borrower (or guarantor, if there is one), the issuer of a security or the counterparty in a contract to comply with the respective obligations. Credit risk management benefits from a robust process of credit analysis and decision-making, based on a series of tools to support the credit decision-making process. The quantification of credit risk is also supported by the model for calculating impairment losses.

During 2020, work continued on review of the models and policies on credit risk management, accompanying the changes in the regulatory framework, and the guidelines issued by the national and European supervisors and regulators, and best market practices.

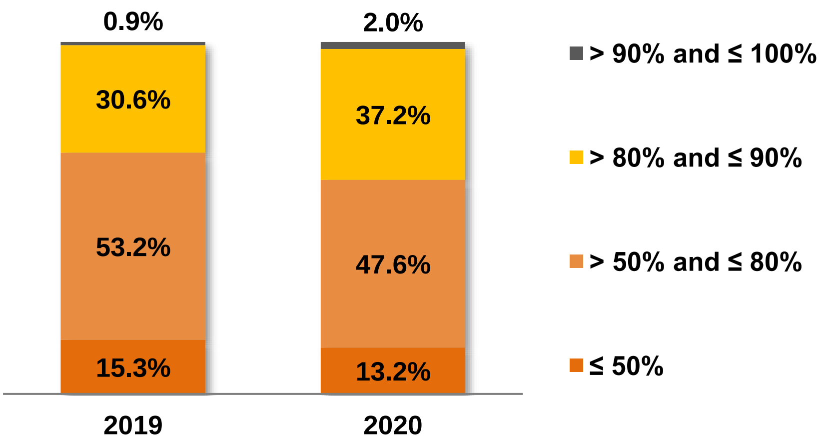
The decision-making process for loan operations is based on a series of policies using scoring models for the retail and business portfolios and rating models for the corporate segment. These models, developed based on internal historical data, enable obtaining an assessment which is reflected in the attribution of a risk category to the Customer/operation, aggregated in a single risk scale, representing the respective probability of default. The models in question are subject to validation by a unit that is independent from the area responsible for their development, which reports to the Risk Committee (composed of non-executive directors) and approves the respective validation reports and opinions for changing the models.

The implemented models are monitored on a regular basis by the Risk Department, with a process existing for regular updating in light of the results obtained, business or regulatory alterations that imply the need to review these models.

In addition to the rating and scoring models, the decision-making process for loan operations is also based on certain filters or rules for rejection or escalation. Rejections or filters in terms of decision levels are determined by the occurrence of credit events in the financial system, breach of credit rules (for example, the indicator of the analysis of individual customer solvency defined by Banco de Portugal, named DSTI - Debt Service-to-Income) and whenever the pricing associated with a particular operation represents a risk of adverse selection.

In the mortgage loan segment, the loans granted of 2020 increased in relation to 2019, of the Loan-to-Value (LTV) ratio – the loan value divided by the valuation of the collateral), to 73.1% (71.6% in 2019 and 68.2% in 2018), excluding financing of real estate properties held by Banco Montepio, essentially explained by the component of own and permanent residence. It should be noted that the macro prudential recommendation of Banco de Portugal entered into force in July 2018 where, relative to compliance with the LTV criterion, the calculation of the ratio in this regard henceforth considers the value of the real estate property to be the lowest between the acquisition value and the assessment value, which naturally led to an increase in the disclosed ratio.

Mortgage loans distribution granted by LTV level



As at 31 December 2020, the weight of the non-performing exposures (NPE) measured based on the heading of Gross loans to customers decreased by 1.9 p.p. in relation to 31 December 2019, to stand at 10.4%. This evolution was caused by the positive effect of the reduction of non-performing exposures and by the increase of the portfolio of loans to customers of 68 million in the period.

The amount of impairments for credit risk reached 780 million euros as at 31 December 2020, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 124.4%, a reinforcement of 10.7 p.p. in relation to 2019. Moreover, the coverage of non-performing exposures stood at 60.4%; also considering the associated total collateral and financial guarantees this ratio reached 93.0%.

LOAN QUALITY INDICATORS

(million euros)

	2018	2019	2018 Restated	2020	Change 20/19 Amount	%
Gross loans to customers	13 068	12 239	12 289	12 357	68	0.6
Loans and interest overdue by more than 90 days	914	685	688	627	(61)	(8.9)
Loans impairment	972	775	783	780	(3)	(0.4)
Ratios (%)						
Cost of credit risk	0.5	1.0	0.9	1.5	0.6 p.p.	
Loans and interest overdue by more than 90 days	7.0	5.6	5.6	5.1	(0.5 p.p.)	
Non-performing exposures (NPE) [(a)] / Gross loans to customers	14.4	12.2	12.3	10.4	(1.9 p.p.)	
Forborne exposures [(a)] / Gross loans to customers	7.2	7.1	7.1	6.6	(0.5 p.p.)	
Coverage by Impairments for balance sheet loans (%)						
Loans and interest overdue by more than 90 days	106.4	113.2	113.7	124.4	10.7 p.p.	
Non-performing exposures (NPE) [(a)]	51.7	52.1	51.8	60.4	8.6 p.p.	
Non-performing exposures (NPE) [(a)], also including associated collaterals and financial guarantees	87.7	87.2	87.4	93.0	5.6 p.p.	

(a) EBA definition.

CREDIT CONCENTRATION RISK

Credit concentration risk arises from the existence of risk factors that are common or correlated between different entities or portfolios, to such an extent that the deterioration of any of these factors could have a simultaneous negative effect on the loan quality of each counterparty or on the earnings of each category of assets and liabilities. In a concentration scenario, the effect of the losses on a small number of exposures can be disproportionate, confirming the importance of the management of this risk in maintaining suitable solvency levels. At the Banco Montepio Group, the monitoring of concentration risk is primarily incident on credit concentration risks.

There are various procedures related to the identification, quantification and management of credit concentration risk. Credit concentration risk refers to the degree of concentration of the risk of default in the granted loan, derived from possible over-exposure to individual counterparties or groups of counterparties that are related to counterparties operating in the same activity sector, in the same geographic area or exposures with collateral or assets under common operation, excluding Group companies. In order to limit credit concentration risk due to exposure to a Customer/group of interrelated Customers, maximum exposure limits were defined for the aggregate positions of the credit and investment portfolios, for various entities of the Banco Montepio Group.

The management of concentration risk is carried out in a centralised manner, with regular monitoring of the risk indicators by the Risk Department. For the established Risk Appetite Statement (RAS), limits and objectives were defined for key indicators, with concentration risk being one of the relevant dimensions.

Credit concentration risk is monitored regularly, considering relevant risk indicators (individual and sector concentration) in comparison to previous periods so as to follow the evolution. The identification and monitoring of the largest exposures and most significant increased exposure of the loan portfolio are conducted monthly.

MARKET RISK

The concept of market risk reflects the potential loss that could be recorded by a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the different financial instruments comprising the portfolio, considering both the correlations that exist between them and their volatility.

Value-at-Risk (VaR) is one of the main indicators used to measure and monitor market risk. The Group calculates the VaR on a daily basis, both for its trading book and for the portfolio of financial assets at fair value through other comprehensive income. VaR is also calculated on a time horizon of 10 business days and at a 99% significance level, by the historical simulation method. The types of risk considered in this method are interest rate risk, exchange rate risk, price risk, spread risk and commodities risk.

With respect to market risk information and analysis, there is regular reporting on Banco Montepio's own portfolios and those of other entities of the Group, with various risk limits being defined, including overall limits of VaR, by Issuer, by type/class of asset and Stop Loss and Loss Trigger limits for positions held for trading and in other comprehensive income.

The reports that are produced are used to control the different limits of exposure, analysing the risks of concentration, credit, interest rate and asset price variation, among others. These analyses consider the analysis of scenarios, namely the sensitivities of the securities portfolio to variations of interest rates and spreads, as well as analyses of stress scenarios based on extreme events occurred in the past.

Concerning market risk, in addition to reporting on the risk of Banco Montepio's overall portfolio, specific risk reports are also produced for the trading book and the proprietary portfolios of financial assets at fair value through other comprehensive income.

In order to ensure more effective risk management, the positions in portfolio are disaggregated into a portfolio of financial assets at fair value through other comprehensive income, portfolio of other financial assets at amortised cost, portfolio of financial assets not necessarily held for trading at fair value through profit or loss, and portfolio of assets held for trading (which exclude hedge coverages and fair value option), with risk limits being defined according to the type of portfolio. The thresholds applicable to the portfolios are defined in internal regulations, updated on an annual basis or other, whenever justified by alterations to market risk levels.
Stop loss and loss trigger thresholds are also defined, applicable to the portfolios. Whenever any of these thresholds are reached, the re-examination of the strategy intrinsic to this position is compulsory.

A summary of the VaR indicators in December 2019 and 2020 is presented below:

VaR INDICATORS [1]

	Dec-20		Dec-19	
	Banking Book	Trading Portfolio	Banking Book	Trading Portfolio
Market VaR [1] [2] [3]	**3.78%**	**20.52%**	**0.58%**	**1.93%**
Interest Rate Risk	2.31%	0.40%	0.63%	1.32%
Exchange Rate Risk	0.00%	2.06%	0.01%	1.12%
Price Risk	0.00%	20.55%	0.01%	0.74%
Credit risk (spread)	3.19%	0.73%	0.58%	0.63%
Commodity Risk	0.00%	0.00%	0.00%	0.00%

(1) 10-day time horizon and significance level of 99%; As a percentage of total portfolio assets; Includes the portfolios of BM and BEM.

(2) Includes diversification effect.

(3) Excludes positions of Finibanco Angola.

Reference is made to the increased VaR of the banking and trading books, in relation to the figures observed in 2019, derived from the situation of instability that affected the financial markets, especially in March 2020, associated to the Covid-19 pandemic. These circumstances are, by definition, a stress scenario.

Moreover, analyses are also conducted of scenarios and stress (based on past extreme events) for the trading book to complement the analysis of all the other risk indicators.

EXCHANGE RATE RISK

Concerning the exchange rate risk of the banking book, in general, the different resources captured in different currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the investments and resources. The current foreign exchange exposure of the Bank Montepio Group in consolidated terms is essentially the result of positions derived from the conversion of the balances of the subsidiaries in their main currencies, namely the Kwanza and American Dollar, concerning Finibanco Angola.

Limits of exposure have been defined for the exchange rate risk of the banking book, which are monitored by the management bodies and Capital, Asset and Liability Committee (ALCO), where any overrunning of the established limits follows an established circuit, including approval by the Board of Directors or the implementation of measures to cover this risk.

The limits defined for exchange rate risk include limits of position by currency, in consolidated and individual terms, as well as in terms of VaR, and are also disaggregated in terms of the trading book and banking book.

INTEREST RATE RISK IN THE BANKING BOOK

The interest rate risk caused by operations of the banking book is assessed through risk sensitivity analysis, on an individual and consolidated basis for the subsidiaries included in the Group's consolidated balance sheet.

Interest rate risk is appraised in accordance with the impacts on net interest income, economic value and own funds caused by variations in market interest rates. The main risk factors result from the mismatch between the repricing dates and/or residual maturities between assets and liabilities (repricing risk), from the non-parallel change in the interest rate curves (yield curve risk), from the lack of a perfect correlation between different interest rates with the same repricing time limit (basis risk) and from the options associated with instruments enabling a diverse action on part of the stakeholders dependent on the level of contracted and practised interest rates in the moment (option risk).

Following the recommendations of Basel and Banco de Portugal Instruction 34/2018, the Group calculates its exposure to balance sheet interest rate risk, at least quarterly, based on the methodology of the Bank of International Settlements (BIS), classifying all the headings of the assets, liabilities and off-balance sheet items which do not belong to the trading book, by repricing brackets.

In this context, limits are defined for exposure to interest rate risk factors which are monitored by the Capital, Asset and Liability Committee (ALCO), where any overrunning of the established limits, even if temporary, requires the approval of the Board of Directors or the implementation of measures to cover the exposure.

At the same time, a stress test is conducted with six shock scenarios on the interest rate curve. The test also measures impacts on net interest income at one year and on economic value arising from shocks on the interest rate curve specified in the BIS document of April 2016, Standards – Interest rate risk in the banking book.

Based on the financial features of each contract, the respective expected cash flow projection is made, according to the rate repricing dates and any pertinent performance assumptions that are considered.

LIQUIDITY RISK

Liquidity risk is assessed using regulatory indicators defined by the supervisory authorities and other internal measurements for which exposure limits are also defined. This control is reinforced by the execution of stress tests, aimed at characterising Banco Montepio's risk profile and ensuring that the Group meets its liabilities in the event of a liquidity crisis.

The objective of controlling the liquidity levels is to maintain a satisfactory level of disposable assets so as to meet financial needs in the short, medium and long term. Liquidity risk is monitored daily, with various reports being prepared for control and monitoring purposes and to support decision-taking within the Capital, Asset and Liability Committee (ALCO). Under the control of risk levels, limits are defined for various liquidity risk indicators, which are monitored through monthly reports.

The evolution of the liquidity situation is analysed, in particular, based on estimated future cash flow projections for various time horizons, considering Banco Montepio’s balance sheet. The liquidity position on the day of the analysis and the amount of assets deemed highly liquid existing in the uncommitted securities portfolio are added to the ascertained values, thus determining the accumulated liquidity gap for many time horizons.

Moreover, there is also monitoring of the level of compliance of the liquidity prudential indicators, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM), and of internal ratios such as, for example, ratios of loans to deposits, concentration of funding sources, short term funding and eligible assets.

In December 2020, the liquidity gaps up to 12 months were as presented in the table below.

LIQUIDITY POSITION GAPS IN DECEMBER 2020

(million euros)

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated mismatches	3 242	3 234	3 215	3 243	3 192

Customer resources constitute the main source of funding, accounting for 75.3% of total funding sources in December 2020.

Liabilities	%
Resources from central banks	8.3
Resources from other credit institutions	4.9
Resources from customers	75.3
Debt securities issued	7.8
Other liabilities	3.7
Total	**100.0**

The Liquidity Coverage Ratio (LCR) reached 200.7% in December of 2020, above the minimum requirement of 100%. Special note is also made to the strengthening of the commercial gap with the loan-to-deposit ratio, considering net loans and customer deposits, standing below 100%.

REAL ESTATE RISK

Real estate risk arises from possible negative impacts on Banco Montepio's net income or own funds, due to fluctuations in the market price of real estate assets.

Real estate risk arises from the real estate assets on the balance sheet, whether from properties given in lieu of repayment or judicial auction sale in the context of recovery procedures for loans or investment fund units of real estate funds held in the securities portfolio. These exposures are monitored based on analyses of scenarios that seek to estimate potential impacts of alterations in the real estate market on the portfolios of these real estate assets, providing necessary information for the definition of the real estate risk management policy.

During 2020, the Bank Montepio Group's exposure to real estate risk, in the components described above, fell by approximately 64 million euros, in shifting from 1,010 million euros at the end of 2019 to 945.9 million euros.

PENSION FUND RISK

Pension Fund risk arises from the potential devaluation of the fund's portfolio of assets or from the decrease of the corresponding expected returns, as well as from increased liabilities of this fund as a result of the evolution of the different actuarial assumptions. When faced with scenarios of this type, Banco Montepio is required to make unforeseen contributions, so as to maintain the benefits defined by the Fund.

The Pension Fund Monitoring Committee is responsible for the regular analysis and monitoring of the management of Banco Montepio's Pension Fund. Complementing the above, the Risk Department produces monthly reports on the evolution of the market value of the Pension Fund portfolio and associated risk indicators.

In 2020, the accumulated negative actuarial deviation of the Pension Fund stood at -301.2 million euros, not showing significant evolution in relation to the previous year.

OPERATIONAL RISK AND BUSINESS CONTINUITY

Operational risk corresponds to the potential loss arising from failures or inadequacies in internal procedures, persons or systems, as well as potential losses derived from external events. Banco Montepio adopts the standard approach to quantify its own fund requirements for operational risk, supported by an implemented operational risk management system that is based on identifying, assessing, monitoring, measuring, mitigating and reporting this type of risk.

The implemented operational risk management model follows the principle of the 3 lines of defence.

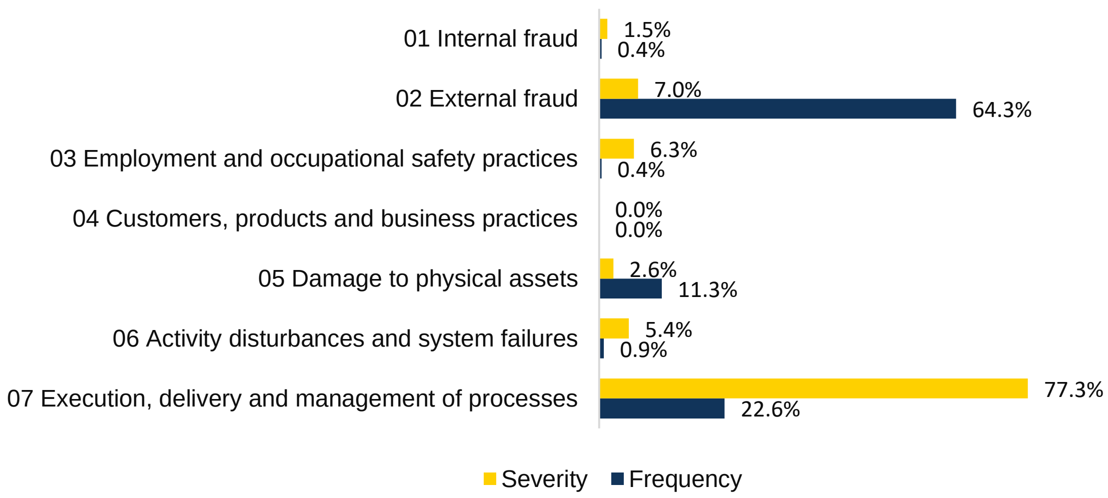
The Risk Department performs the corporate function of operational risk management for Banco Montepio This is supported by specific employees within different organic units that assure the appropriate implementation of the operational risk management.

The assessment of the operational risk profile for new products, processes and systems and their monitoring, on a regular basis, has permitted the prior identification and mitigation of situations of operational risk.

With regard to the monitoring of operational risk in 2020, the profile of the loss events maintained an inversely proportional relationship between the frequency and severity of the losses, typical of Operational Risk, where, on the one hand, 0.6% of the events with financial impact represent more than 59% of the total net loss and, on the other hand, 99.4% are responsible for merely 41% of the severity.

In 2020, a reduction was observed of the events related to external fraud, acts of vandalism, both in terms of quantity and in terms of value. On the other hand, events related to the incorrect execution of processes increased in terms of severity.

Operational Risk Typologies by Frequency and Severity in 2020



One of the essential aspects in the management of this specific type of risk consists of the prior identification of relevant operational risks whenever a product, process or system is implemented or reviewed, and follow-up is ensured of action plans aimed at preventing or mitigating the effects of the materialisation of the risks with greatest frequency / severity of loss events or with higher residual value in the context of the self-assessment process.

Monitoring

Under the Operational Risk Management System of Banco Montepio, the key risk indicators (KRIs) seek to monitor the factors of exposure associated with the main risks, enabling the measurement and follow-up of the risk appetite and anticipate the occurrence of losses through preventive actions.

To this end, the defined limits were regularly monitored and action plans were promoted in the cases where these limits were surpassed.

These indicators are part of the Operational Risk Reports submitted to the Risk Committee and Executive Committee.

Self-assessment of Operational Risks

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a map of activities and respective operational risks and controls, enabling the identification of the potential exposure of each body/organic unit to the operational risk, determination of its risk profile and prioritisation of any mitigation actions. The operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and safety at work practices; Customer, products and commercial practices; damages to physical assets; disturbance of activities and system failures; and implementation, delivery and management of processes. The operational risks and respective controls are self-assessed regularly, as a rule in workshop arrangements with the representatives of each body/organic unit and the support of the Risk Department.

Based on the results of the self-assessments, conducted in terms of impacts and frequencies for the risks and percentage efficacy for the controls, a matrix of tolerance to residual risk is established, which will substantiate the risk level considered acceptable for the Institution and will enable identifying any risks for which additional mitigation measures may need to be designed.

Business Continuity Management

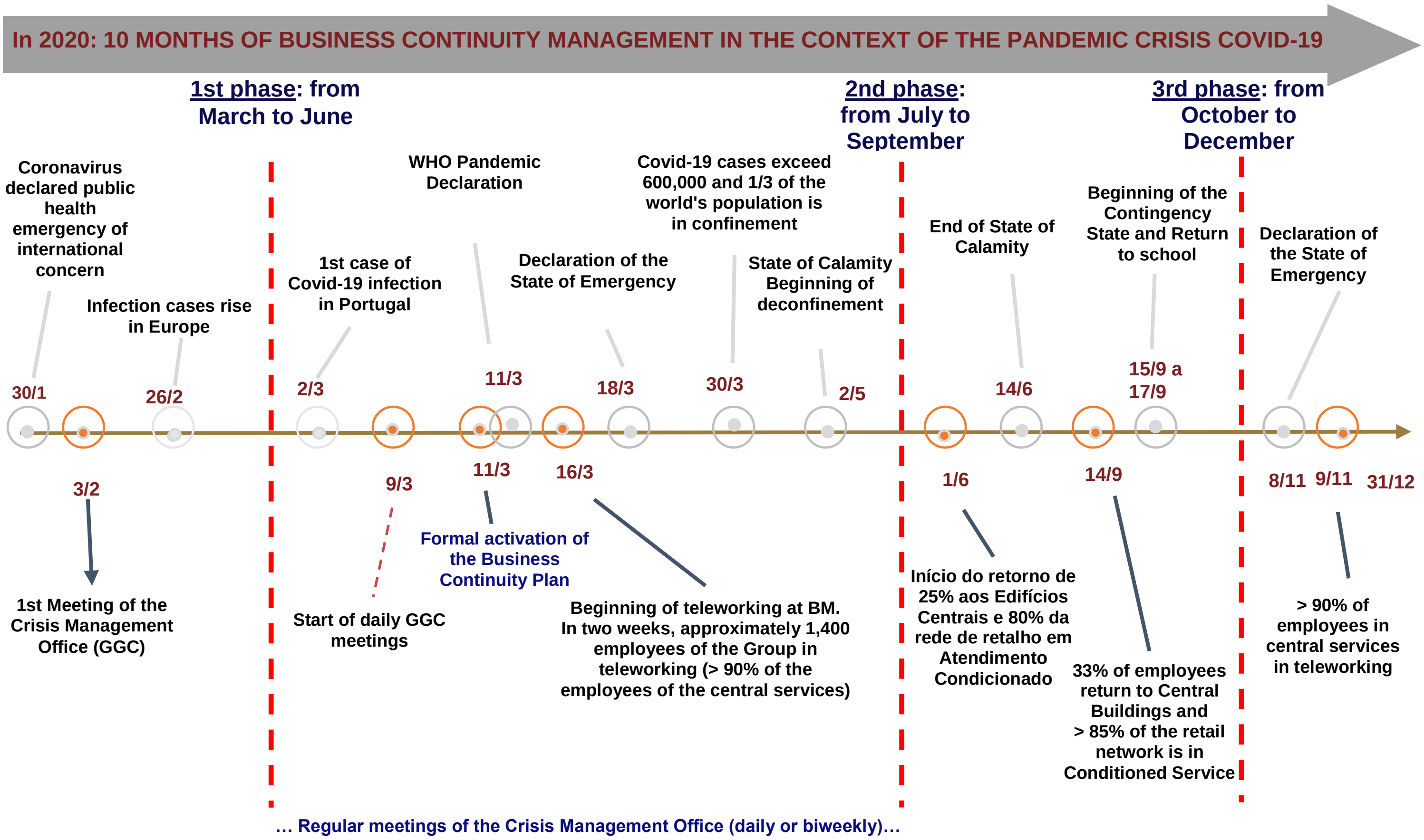
The cycle of business continuity management is supported by a series of activities of assessment, design, implementation and monitoring, integrated in a continuous improvement cycle aimed at making business processes more resilient, and ensuring the continuity of operations in the case of events that interrupt the activity.

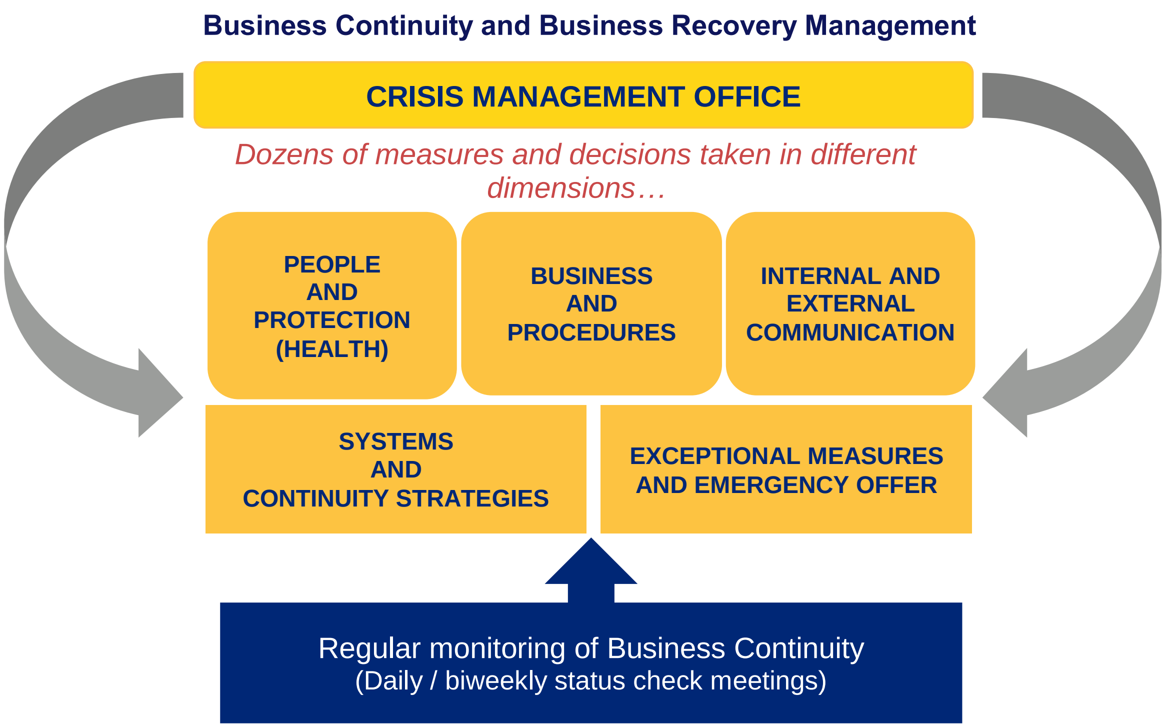
The year was marked by the epidemiological situation related to the Covid-19 pandemic. This situation forced a reorganisation of various procedures arising from the Activation of the Business Continuity Plan and the rules issued by the Directorate-General of Health.

In this context, the Business Continuity Plan was activated, with the foreseen measures having been taken to deal with the crisis situation, aimed at ensuring that the critical processes are carried out without disruptions, or that the impact on them should be insignificant, which has been successfully achieved up to date.

As foreseen in the Business Continuity Plan, the Crisis Management Office was also activated, which is responsible for the management of the crisis, the management and implementation of the Operational Continuity Plans, and for the coordination of the business recovery and return to normality teams.

Although this situation has brought a series of challenges, Banco Montepio has managed to provide timely solutions to the emerging needs guided by the principle of protecting the safety and health of its Employees and Customers.


In 2020: 10 MONTHS OF BUSINESS CONTINUITY MANAGEMENT IN THE CONTEXT OF THE PANDEMIC CRISIS COVID-19
1st phase: from March to June
2nd phase: from July to September
3rd phase: from October to December
Coronavirus declared public health emergency of international concern
Infection cases rise in Europe
1st case of Covid-19 infection in Portugal
WHO Pandemic Declaration
Declaration of the State of Emergency
Covid-19 cases exceed 600,000 and 1/3 of the world's population is in confinement
State of Calamity Beginning of deconfinement
End of State of Calamity
Beginning of the Contingency State and Return to school
Declaration of the State of Emergency
30/1
26/2
2/3
11/3
18/3
30/3
2/5
14/6
15/9 a 17/9
3/2
9/3
11/3
16/3
1/6
14/9
8/11
9/11
31/12
1st Meeting of the Crisis Management Office (GGC)
Start of daily GGC meetings
Formal activation of the Business Continuity Plan
Beginning of teleworking at BM. In two weeks, approximately 1,400 employees of the Group in teleworking (> 90% of the employees of the central services)
Início do retorno de 25% aos Edifícios Centrais e 80% da rede de retalho em Atendimento Condicionado
33% of employees return to Central Buildings and > 85% of the retail network is in Conditioned Service
> 90% of employees in central services in teleworking
… Regular meetings of the Crisis Management Office (daily or biweekly)…


Business Continuity and Business Recovery Management
CRISIS MANAGEMENT OFFICE
Dozens of measures and decisions taken in different dimensions…
PEOPLE AND PROTECTION (HEALTH)
BUSINESS AND PROCEDURES
INTERNAL AND EXTERNAL COMMUNICATION
SYSTEMS AND CONTINUITY STRATEGIES
EXCEPTIONAL MEASURES AND EMERGENCY OFFER
Regular monitoring of Business Continuity
(Daily / biweekly status check meetings)

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The internal capital adequacy process (ICAAP) is an essential component in the risk management of the Group, which seeks to ensure an analysis of the evolution occurred in the practices of qualitative and quantitative assessment of the risks to which the Group is exposed, the appraisal of the internal controls and effects which enable mitigating the exposure to risk, the simulation of adverse situations with impacts on the solvency of the Group and the assessment of the adequacy of internal capital.

Banco Montepio's ICAAP exercise is conducted at a consolidated level with the following main objectives:

- Promote ICAAP as a tool to support strategic decision-making in the Group;
- Stimulate a culture of risk that fosters the participation of the entire organisation in the management of the internal capital (management body, business areas and internal control functions);
- Assure the adequacy of the internal capital in relation to its risk profile and its risk and business strategies;
- Assure an appropriate identification, quantification, control and mitigation of the material risks to which the Group is exposed;
- Assure proper documentation of the demonstrated results, by reinforcing the integration of the risk management processes in the risk culture of the Group and in decision-making processes;
- Foresee a contingency plan to assure the management of the activity and the adequacy of the internal capital in the event of a recession or crisis.

The results of the ICAAP enable investigating whether the Group's capitalisation is, in a sustainable form, adequate to the risks derived from its activity. This capital adequacy is assessed based on the comparison between the available internal capital and the economic capital requirements, taking into account the risk appetite level established by the Board of Directors.

At a first stage, this entails identification, according to quantitative and qualitative criteria, of the material risks faced by the Group's activity, based on an internal risk taxonomy, in alignment with Banco de Portugal Instruction 18/2020. All the risks identified as material and the risks considered in Basel Pillar I, regardless of being considered material or not, are integrated in the ICAAP.

At a second stage, the material risks are modelled with a view to the quantification of the respective economic capital requirements, based on an extremely adverse scenario in line with the defined risk appetite level. The risks are thus incorporated through add-ons to the regulatory capital, whether via increased capital requirements for risks covered in Pillar I or via incorporation of capital requirements for other risks.

Capital adequacy is assessed based on the comparison between the economic capital requirements and the available internal capital to absorb risks, calculated considering the established risk appetite level.

The result of the capital adequacy assessment is supplemented by the values obtained through reverse stress tests and under stress test scenarios. The objective is to assess the Group's capacity to absorb unexpected losses, where potential contingency plans should be identified to deal with any insufficiency of internal capital, duly aligned with other capital planning exercises, namely the Funding and Capital Plan and the Recovery Plan.

In light of the defined strategic plan that is reviewed periodically, no significant changes are foreseen in the materiality of the different types of risk. Additionally, the Funding and Capital Plan foresees measures that will enable strengthening the Group’s solvency levels.

STRESS TESTS

Pursuant to the regulatory terms, the Group conducts stress tests, under the Group's Recovery Plan, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP) submitted to Banco de Portugal.

The Group's Recovery Plan involves analysis and measurement of impacts derived from adverse scenarios, considering systemic events, idiosyncratic events of the Group and a combination of both. This analysis gave rise to a series of strategic options and recovery measures to be placed in practice in order to assure the preservation and solidity of the Group's levels of capital, liquidity, profitability and operating activities, in the event of being faced with situations of contingency or financial crisis.

The ILAAP provides the Board of Directors, Executive Committee and supervisory body with an appropriate overview of the evolution of the liquidity and funding risk profile, as well as overall exposure to risk. Moreover, it also provides information on the available liquidity sources and the adequacy of liquidity of the Banco Montepio Group.

In order to assess capital insufficiency during periods of stress, ICAAP included the definition of a series of stress tests (reverse stress tests and adverse scenarios) on the risk quantification models and capital adequacy. The outcome of these tests enables confirming the adequacy of internal capital levels to the tested adverse scenarios.

In addition to the stress tests reported to Banco de Portugal, the Group regularly carries out other impact studies aimed at providing an analytical vision of its position in terms of liquidity, net income for the year and capital when subject to adverse scenarios arising from alterations in risk factors such as interest rates, credit spreads, repayment of deposits, margins of assessment of eligible assets applied by the ECB, ratings (of the Group and counterparties), portfolio loss ratios, collateral, among others.

The stress tests and analyses of adverse scenarios are disclosed and debated with the Group's management, with the conclusions drawn being subsequently incorporated in the strategic decision-making processes, more precisely in the determination of levels of solvency, liquidity, exposure to specific risks (counterparty and price risks) and overall risks (interest rate, exchange rate and liquidity risks).

The spreading of Covid-19 at a global level the Covid-19 a health crisis that has also triggered a financial crisis of unique features, being an exceptional event not anticipated by the financial system, in general, and which led to the alteration of the outlook on financial performance and with expected impacts in terms of the evolution and risk profile of Banco Montepio.

The mechanisms and tools used during the stress tests supported the Bank's management under this scenario, namely in the more immediate effects in terms of liquidity and market risks.

Banco Montepio has contingency and business continuity plans for situations of crisis, which were promptly activated in the current Covid-19 crisis, in order to mitigate the impacts in the operational and business component.

RISK RATINGS

Rating events relative to the year of 2020

In a press release dated 30 June 2020, the financial rating agency Fitch Ratings presented the revised risk ratings of Banco Montepio, namely changing: Long-Term Issuer Default Rating (IDR) from B+ to B- and Viability Rating (VR) from b+ to b-. The Rating Watch Negative status was withdrawn, with a Negative Outlook having been given to Long-Term Issuer Default Rating (IDR), to a large extent reflecting the risks derived from the economic consequences of the coronavirus (Covid-19) crisis. As a consequence of the revision of the IDR and VR, the rating agency downgraded the risk rating of Long-Term Subordinated Debt, Long-Term Senior preferred debt and Long-Term senior non-preferred debt from B- to CCC, and of Long-Term deposits from BB- to B. This rating action also confirmed the risk rating of the Short-Term Issuer Default Rating, of Short-term deposits and Short-term senior preferred debt at B.

In a press release dated 2 July 2020, the financial rating agency Fitch Ratings downgraded the risk rating attributed to Banco Montepio's Mortgage Bonds from AA- to A, with a Negative Outlook, following the change of the Long-Term Issuer Default Rating (IDR)) disclosed on 30 June 2020. Furthermore, concerning the risk rating of Banco Montepio's Mortgage Bonds, at a press release dated 14 December 2020, the financial rating agency Fitch Ratings presented its revision, from A to AA-, maintaining the Outlook Negative), reinforcing the classification of this type of debt as Investment Grade in entering class AA (High Grade). This risk rating reflects the level of protection conferred by the autonomous assets allocated to these bonds, the condition of conditional pass-through and the changes related to the period required to access the liquidity reserve included in the updates of the Prospectus approved by the Central Bank of Ireland on 4 December 2020.

In a press release dated 15 July 2020, the financial rating agency DBRS presented the revision of the risk ratings of Banco Montepio, namely: Confirmation of the Short-Term Issuer Rating and Short-Term Debt ratings at R-4; Revision of the Intrinsic Assessment, the Long-Term Issuer Rating and Long-Term Senior Debt rating to B; and of the Subordinated Debt rating to CCC (high); Revision of the rating of Long-term Deposits to B (high); These ratings were attributed a Negative Trend. The rating of Short-Term Deposits was revised to R-4, with Stable Trend. In a press release dated 16 July 2020, the financial rating agency DBRS presented the revised risk rating attributed to Banco Montepio's Mortgage Bonds to BBB (high) following the change of the Long-Term Issuer Rating disclosed on 15 July 2020.

The risk ratings attributed to Banco Montepio by the rating agencies as at 31 December 2020 and 31 December 2019 are presented in the table below:

Rating Notes								
Rating Agencies	Covered Bonds (CPT[1])		Long-term*		Short-term		Outlook	
	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**
Fitch Ratings	AA-	**AA-**	B+	**B-**	B	**B**	Stable	**Negative**
Moody's Investors Service	A1	**A1**	b3	**b3**	NP	**NP**	Stable	**Stable**
DBRS Ratings Limited	A	**BBB (high)**	BB	**B**	R-4	**R-4**	Negative	**Negative**

* Issuer Default Rating by Fitch, Baseline Credit Assessment (BCA) by Moody's and Intrinsic Assessment (IA) by DBRS.
(1) Conditional Pass-through Covered Bond Programme.

NON-FINANCIAL INFORMATION

NON-FINANCIAL INFORMATION

Banco Montepio is the country's oldest financial institution and the only one in the national financial panorama of mutualist origin and foundations. Banco Montepio stands firmly as a close and human Bank and, in a world that is increasingly at a distance, in which new times are being experienced by us all, Banco Montepio is, as it has always been, closely at the side of Families, Companies and Social Economy and Solidarity Entities (EESS) to provide for their daily financial needs and, in this context in particular, to help mitigate the impacts caused by the Covid-19 pandemic.

Banco Montepio's sustainability and social responsibility strategy, based on sustainable development incorporates environmental and social concerns through four axes of action: the affirmation of identity, focus on people, cooperation, partnership and value chain, and environmental promotion.

Banco Montepio defined the relevant factors for assessment of the Action Plan 2020 for social responsibility and sustainability approved by the Board of Directors on 19 March 2020, reflecting the strategic thinking for the topic that was intended to be formalised and evinced to the management and supervisory bodies, and to the shareholders.

Banco Montepio put itself forward as a candidate in the 6th edition of the "Reconhecimento de Práticas em Responsabilidade Social e Sustentabilidade – RPRSS" (Recognition of Practices in Social Responsibility and Sustainability) which seeks to identify and award the implementation of organisational governance policies and models that increase competitiveness and profitability through good management practices in the context of the human, environmental and economic sustainability of the adopted development model.

In order to complement its strategy and commitment to sustainable development, Banco Montepio, after having signed the Charter of Commitment to Sustainable Funding in Portugal in 2019, subsequently signed the Charter of Social Commitment in 2020, reaffirming its intent to continue to be the country's Bank of mutualist inspiration and pursue its commitment to social, economic and environmental sustainability. In 2020, Banco Montepio also joined the Associação Portuguesa de Ética Empresarial – APEE (Portuguese Association of Business Ethics), a reference entity in the promotion and development of business ethics and social responsibility.

The Charter of Commitment was produced by the Sustainable Finance Working Party, composed of the key players of the financial sector in Portugal – among which, Banco Montepio – and coordinated by the Ministry of the Environment and Energy Transition, in partnership with the Ministries of Finance and of the Economy. In this regard, the financial institutions undertook the following main commitments:

- Promote the debate on sustainability and on the environmental, social and governance risks and opportunities at the level of the Board of Directors of the Financial Institutions, with a view to these risks and opportunities being considered in the definition of the respective strategies;
- Promote training in sustainable financing directed at its Employees in the different organisational levels (including the Board of Directors), focusing on the area of credit risk, financial products, commercial products and/or production;
- Ensure the follow-up of the review of the Leader SME and Excellent SME criteria, so as to gradually incorporate sustainability topics in these criteria and accept the possibility of creating a category of Green SME or Sustainable SME;

- Promote the gradual integration of environmental, social and governance criteria in the financing, funding and investment analyses;
- Ensure follow-up and participation in future work of the Sustainable Finance Working Party.

The non-financial statement of the Management Report of 2020 of Banco Montepio highlights topics such as responsible business, the integrated management of human capital, internal/external inclusion and respect for diversity, and universal design and creation of value for society. The highlights presented on Banco Montepio's activity in these aspects permits compliance with the requirements of Decree-Law 89/2017, published on 28 July 2017, which foresees the disclosure of non-financial information to enable understanding Banco Montepio's activities in the areas of sustainability and social responsibility.

Banco Montepio collected and summarised the non-financial information for 2020 from among the fully consolidating subsidiaries (see Group Structure section of this report), and presents the information in this chapter of the Management Report.

RESPONSIBLE BUSINESS

Financial institutions perform a crucial role in fostering sustainable development. For this reason, and due to considering that environmental and social issues are an opportunity to support its Customers, contributing positively to the planet and different communities, Banco Montepio continues to be focused on analysing and integrating environmental and social concerns in its form of action.

PROXIMITY AND FINANCIAL INCLUSION

In an atypical year, marked by the Covid-19 pandemic, Banco Montepio created solutions to support its Customers directly affected by this scenario and, in view of ensuing lockdown, in a manner avoiding movement to the branches, Banco Montepio prioritised the digital distribution channels and proximity via digital means, by providing various processes online, on the Bank's public website or on the Montepio24 service, such as applications for moratoria, the subscription of saving products and pension funds, the updating of data, and the recovery of access to the Montepio24 service.

In view of the possible constraints in the capacity of families to punctually fulfil their obligations, Banco Montepio implemented various measures, such as, for example, the assignment of debit cards to Customers who are pensioners and have no other means to operate their account, and temporary exemption for new subscriptions to the Solutions, entailing low costs for transfers and payments, the main means of payment.

Recognising the exceptionality of the emergency situation triggered by the Covid-19 pandemic, Banco Montepio also approved measures of exceptional nature aimed at providing immediate support to companies. This is the case, for example, of the “Conta Corrente Caucionada Covid-19” (Covid-19 Escrow Account), the “Linha de Apoio à Economia Covid-19” (Covid-19 Economy Support Line) for micro, small and medium-sized enterprises (up to 249 employees), small mid cap (between 250 and 499 employees) and mid cap (between 500 and 2,999 employees), and the possibility to apply for moratoria to overcome the constraints of companies in their capacity to ensure timely compliance with obligations. Also in the context of the situation experienced in the country and consequent changes in the daily life of companies, Banco Montepio highlights the temporary suspension of the monthly charges of point of sale terminals (POS), and the provision of equipment that enables accepting payments in a fast and safe way, at any place through an innovative POS mobile solution (Touch2Pay).

Furthermore, Banco Montepio participated in supporting the development of Companies and EESS by providing various Protocolled Credit Lines with the most diverse entities in different regions of the country. In addition to more beneficial financing conditions, Companies and EESS counted on Banco Montepio's monitoring throughout the entire process.

Concerning the Social Economy sector specifically, Banco Montepio continued to stand out from the north of the south of the country due to its investment in a specialised team of managers focused on this sector and the offer of differentiated offer of products and services for this segment. Continuing the work linked to the microcredit area, Banco Montepio remained firmly committed to supporting entrepreneurs and own job creation projects. Considered a differentiated sector for the institution, Banco Montepio continued to support the EESS and their projects, generating sustainable employment and, above all, creating value for society. Detailed information on the social economy area can be consulted in the Business Segments section of this report.

RESPONSIBLE OFFER

In 2020, Banco Montepio continued to provide a sustainable offer for the segments of Individuals and Companies.

For the Individuals segment, Mortgage Loans should be highlighted: "Crédito e Casa Sustentáveis" (Sustainable Loan and Home), a product specifically for current and potential Customers who acquire real estate properties with energy certificate classification A and A+, and "Crédito Energias Renováveis" (Renewable Energy Credit), a credit line to support the purchase and installation of equipment that uses renewable energy.

For the Corporate segment, Banco Montepio, as a reference institution in the area of sustainability, provides "Crédito para Eficiência Energética" (Credit for Energy Efficiency), a credit line for companies that wish to invest in projects aimed at improving the energy performance of facilities. Special reference is also made to the "Linha de Apoio à Qualificação da Oferta – Sustentabilidade Ambiental no Turismo" (Support Line for the Qualification of the Offer – Environmental Sustainability in Tourism), a specific financial instrument designed for the financing of investment projects aimed at improving the environmental performance of small and medium-sized enterprises of the tourism sector. This line is applicable to projects that contribute to the efficient management of water consumption and of the production of urban solid waste.

For both segments of Individuals and Companies, the leasing and renting offer continued to be provided, in order to boost the use of electric vehicles.

Detailed information on banking products directed at the Individuals and Corporate segment can be consulted in the Business Segments section of this report.

RISK MANAGEMENT

The main risks arising from the actual activity are addressed in the chapter on Risk Management of the Management Report. In this regard, special note is made of the risk of corruption and attempted bribery, the risk of money laundering and terrorist financial, the risk of conflicts of interest, the risk of market abuse, the risk of breach of privacy, compliance risk and reputational risk, among others, and that could potentially, directly or indirectly, affect the sphere of sustainability and social responsibility of the Banco Montepio Group.

There are also operational risks and market risks, as well as risks specifically associated with the Covid-19 pandemic outbreak in 2020, and that has extended into 2021. As presented below, in addition to the identification of these (and other) risks, Banco Montepio has implemented an internal control system which includes policies, regulations and procedures to signal and prevent their occurrence, complemented by the compliance and internal audit functions.

In the context of the pandemic crisis, Banco Montepio implemented a "Plano de Continuidade de Negócio – PCN" (Business Continuity Plan), which includes a specific plan for the pandemic. From the activation of the Business Continuity Plan, which occurred in March 2020, the Crisis Management Office endorsed all the guidelines and recommendations issued by the Directorate-General for Health (DGS) and by the Government, taking measures whose main concern was to safeguard the health of the Employees and Customers.

In risk management, and as usual, the Banco Montepio Group includes a series of policies, procedures, definition of limits concerning risk appetite, and controls that enable, in an appropriate and integrated manner, identifying, measuring, assessing, monitoring, mitigating and reporting the risks derived from the activities developed in the different business lines and entities of the Group. The different dimensions of risk covered by the risk management function and their governance can be consulted in the chapter on Risk Management of the Management Report, while this section highlights operational risk corresponding to matters of social responsibility.

Banco Montepio has progressively developed an increasingly stronger commitment to the principles of sustainability. In various dimensions, among which the financial, this movement is viewed as able to change the behaviour of society and its organisations towards ethics and responsibility. In Risk Management, these principles have been operationalised in the taking of measures aimed at improving the efficiency of operational risk management.

To this end, the following actions were carried out during 2020:

- Listing of the risks related to sustainability, with no event having been recorded in 2020;
- Training of the Employees aimed at boosting and developing an operational risk culture, which involved a total of 40 Employees;
- Pursuit of a strict policy in terms of consumer defence, so that the limit of claims does not surpass the defined limits of risk appetite/tolerance.

COMBATING CORRUPTION AND ATTEMPTED BRIBERY

The internal control system of Banco Montepio is based on the assumptions of separation of functions between the execution, decision-making and control functions, which contributes to the mitigation of risks of corruption or bribery by its Employees. For this purpose, Banco Montepio has policies and procedures that include, in particular, the Code of Conduct, the Policy on Management of Conflicts of Interest, the Policy on Reporting of Irregularities (Whistleblowing).

The committing of crimes of corruption, embezzlement, influence peddling and other related crimes generate funds that are subsequently slipped into the "legitimate" financial market, through operations that embody the crime of money laundering. The prevention and repression of corruption is, consequently, carried out through the combating of money laundering, with Banco Montepio developing is commercial activity in accordance with policies and applying controls that precisely aim to prevent the Bank from being used for those purposes in conformity with the legislation in force, namely Law 83/2017 and respective regulations.

Banco Montepio has an organic structure exclusively assigned to Anti-Money Laundering and Counter Terrorist Financing, which is integrated in the Compliance Department (DCOMP). A significant part of the implemented controls is based on computer applications to detect Customers or operations that fall under typologies or scenarios of risk, aimed at preventing the operations from being accomplished and/or being reported to the authorities. On the other hand, the Employees, including the commercial network, are regularly trained to ensure that they are qualified to detect situations of possible risk and warn the organic structure dedicated to the prevention of money laundering. It should also be noted that the internal control system for the prevention of money laundering is subject to internal and external audits on an annual basis.

OUR POLICIES

Banco Montepio has the following policies related to the business:

- Policy on management of the risk of money laundering and terrorist financing;
- Policy on analysis and monitoring of high-risk Customers;
- Policy on Customer acceptance;
- Policy on Customer identification;
- Policy on sanctions;
- Policy on management of conflicts of interest;
- Policy on prevention of market abuse;
- Policy on reporting irregularities (whistleblowing);
- Policy on Remuneration of Key Employees;
- Policy on Remuneration of the Members of the Management and Supervisory Bodies;
- Policy on Transmission and Execution of Orders;
- Policy on Privacy;
- Policy on Cookies;
- Policy on Handling and Management of Complaints;
- Alternative Settlement of Consumer Disputes;
- Geographic Implantation Policy;
- Policy of Selection and Evaluation of the Adequacy of the Members of the Management and Supervisory Body and Key Function Holders.

Banco Montepio has the following regulations:

- Regulations of the Board of Directors;

- Regulations of the Executive Committee;
- Regulations of the Audit Committee;
- Regulations of the Risk Committee;
- Regulations of the Remunerations, Nominations and Assessment Committee;
- Regulations on the provision of services by the Statutory Auditor or Statutory Audit Firm.

INTEGRATED HUMAN CAPITAL MANAGEMENT

During 2020, under the exceptional circumstances related to the Covid-19 pandemic, Banco Montepio maintained its commitment to implementing measures directed at achieving the Sustainable Development Goals (SDG), fostering good health and wellbeing, quality education, decent employment, economic growth and gender equality.

In a year in which telework was compulsory countrywide in Portugal, provided that the worker's duties were compatible with working at a distance, Banco Montepio assured the safety and telework conditions for approximately 1,400 Employees.

Banco Montepio maintained the majority of its Branch network under a restricted customer service system. For such, the Institution assured the individual safety conditions for commercial customer service, which remained in the front line by providing an essential service to Portuguese Families and Companies, and reinforced the necessity that everyone observe the indications of the health authorities and the internal rules and regulations in force.

The People Management Department (DGP) also reinvented its activity in various key areas, accomplishing the objective of keeping the Employees safe and connected to the organisation.

WORKING CONDITIONS, HEALTH AND SAFETY

The permanent monitoring of the pandemic event and the operational response to the epidemiological evolution of Covid-19 entered into force in March 2020, and remained active as at 31 December 2020. Banco Montepio's goal was to ensure that, even in the pandemic situation, its workplaces continued to present high levels of safety, simultaneously promoting physical and psychological wellbeing and the maintenance of productivity levels. Among the initiatives carried out in 2020, the following are especially worthy of mention:

- **"Programa de Assistência a Colaboradores (Linha de Apoio Permanente)"** (Employee Assistance Programme – Permanent Support Line), in partnership with Pulso Europe Portugal. Banco Montepio provided a Permanent Support Line 24 hours/7 days a week, for general telephone counselling (issues related to Social Security support), and personalised individual and family psychological counselling;
- **Protection of Employees included in the so-called Risk Group;**
- **Various Health Promotion actions, in the context of Covid-19**, including:
    - Individual safety and prevention rules;
    - Documents supporting the telework arrangement and good practices in telework;

- Rules on use of the cafeterias of the central services, in times of pandemic;
- Booklet to support return to the office;
- Deconfining, relaxing, but never forgetting to maintain protective care, including during holiday time;
- Rules on individual safety at the branches.

In 2020, faced with difficulties beyond the control of Banco Montepio, related to the Covid-19 pandemic scenario, it was not possible to carry out the usual free of charge Annual vaccination campaign against seasonal flu.

2nd WELFARE WEEK EDITION HELD IN HYBRID FORMAT

Banco Montepio held the 2nd edition of the “Semana do Bem-Estar” (Welfare Week), an initiative aimed at stimulating a culture of health and wellbeing among all the Employees of the Montepio Group, which took place between 12 and 16 October 2020. The week, organised by a multidisciplinary team including Occupational Health and Safety, Internal Communication, Organisational Culture and the Social Services, involved dozens of digital workshops and face-to-face actions all over the country, having recorded more than 500 participations.

The closing of the 2nd edition of the Welfare Week was commemorated with a digital concert by Miguel Gameiro, on the Instagram of Montepio Geral – Associação Mutualista (MGAM). This event received approximately 850 views and 5,600 interactions.

INTERNAL COMMUNICATION AND INVOLVEMENT OF THE ORGANIZATION

With the aim of boosting Employee engagement with the Institution in a scenario of working at a distance, Banco Montepio developed new means of internal communication, such as the webinars and weekly newsletter “#JuntosàDistância” (#Together at a Distance), which was awarded an Honourable Mention in the 6th edition of the “Semana da Responsabilidade Social” (Social Responsibility Week) of the APEE. During 2020, Banco Montepio sent 39 newsletters to the Employees and held 19 webinars offering support in the various aspects required in the working at a distance scenario, especially support in the use of digital tools, stress management in the home office, public attendance services, and good practices for physical and mental health.

Under the action named “Sustentabilidade: Colaboradores e Boas Práticas no âmbito da Covid-19” (Sustainability: Employees and Good Practices in the context of Covid-19), numerous news items were disclosed inhouse throughout 2020, especially those directed to the Employees, which included:

- Sustainability in a Covid-19 reality – sustainable practices in telework;
- APB “Projeto Boas práticas, Boas contas” (Good practices, good accounts Project);
- How to show solidarity? Your domestic appliances are worth donations! – batters, domestic appliances and caps are worth money for social sector institutions;
- Dynamics for all ages – family dynamics in times of lockdown;
- Engage in mindful shopping – order mindfully and learn a new language;

- How to be efficient in the use of resources?
- Employees who help to save lives – in the context of the World Blood Donor Day;
- The Employees of Banco Montepio are an example – testimonials and good practices of environmental, social and financial sustainability;
- What the specialists say – opinion of three renowned professionals in the area of Sustainability and Sustainable Finance in Portugal;
- Suggestions of Banco Montepio Employees – summary of 9 good practices concerning environmental, social and financial sustainability that were previously disclosed and the sharing of new examples/suggestions of Employees;
- The opinion of the Social Economy and Public Sector Commercial Department (DCESSP);
- What the Transformation and Innovation Centre (CTI) has to say;
- What the Operational Marketing Department (DMO) has to say;
- What the Shared Services Unit (USP) has to say;
- The opinion of the People Management Department (DGP);
- “Encontros M” (M Meetings) and “M TALK” – online thematic meetings on various topics supporting the business and Employee;
- Banco Montepio Toastmasters Club – flexible and interactive learning experience, enabling the Bank's Employees to develop communication and leadership skills;
- E-Coffee with the CEO – a weekly initiative that offers a forum where six Bank Employees can directly share their experiences with the Chairman of the Executive Committee of Banco Montepio, leaving suggestions and contributions on the Bank's present and future.

HUMAN CAPITAL AND TRAINING

Throughout 2020, Banco Montepio continued committed to taking measures to raise the awareness of its Employees with respect to practices that promote conduct in conformity with the legislation in force, even when faced with the atypical context related to the Covid-19 pandemic.

Despite the circumstances, the focus throughout 2020 consisted in ensuring that the initiatives related to the adoption of behaviours and conducts of risk and the training on anti-corruption policies and procedures should continue to be highlighted and not be interrupted.

Despite the reduction of the number of actions organised and the total number of training hours in 2020, Banco Montepio covered 1,834 Employees in a total of 416 hours of training on topics related to "Ethics, Code and Duty of Conduct", 267 hours of training on "Prevention of Money Laundering and Terrorist Financing", and 703 hours on "Cybersecurity Sensitivity", having prioritised remote and distance methodologies.

Training actions in 2020	No. Actions	No. Training Hours	No. Employees covered
Prevention and Combat of Harassment at Work	3	10	5
Business Continuity	9	51	50
MoneyGram - Fraud Prevention	9	28	18
Sustainability - Montepio Group	7	295	34
Ethics, Code and Duty of Conduct	22	416	93
Wellness, Health and Safety	3	4	4
Prevention of Money Laundering and Terrorist Financing	16	267	97
Cybersecurity Sensitivity	9	703	1 488
Awareness First Aid, Fire Fighting and Evacuation	1	79	45
Total	**79**	**1 853**	**1 834**

POTENTIAL AND PERFORMANCE MANAGEMENT

In 2020, Banco Montepio continued the development of the different components of the future integrated talent management system. The performance assessment and management model – 3D Model – revealed indicators showing its transversal consolidation in the organisation. The "Projeto Piloto de Gestão de Potencial" (Potential Management Pilot Project) was also carried out for a group of 132 Employees.

The year of 2020 demonstrated the path of consolidation of the 3D Model as the performance management and assessment model, which was adopted by the entire organisation, as expressed by the 100% participation rate of the Employees of Banco Montepio. The 2020 cycle already entailed a mixed assessment, based on goals and skills, as a result of the revision project carried out in the previous year, and maintained the reinforcement and encouragement of feedback conversations among Line Managers and Employees.

INTERNAL / EXTERNAL INCLUSION AND RESPECT FOR DIVERSITY AND UNIVERSAL DESIGN

GENDER EQUALITY

Faithful to its commitment and concern with the topic and SDG 5, Gender Equality, Banco Montepio had planned a new "Encontro de Mulheres Montepio" (Montepio Women's Meeting) for 2020, which was unable to be held due to the constraints and restrictions derived from the pandemic crisis. Postponed for 2021, Banco Montepio foresees holding the new Montepio Women's Meeting in digital format.

Despite the circumstances, the 2nd edition of the "Programa de Mentoria" (Mentoring Programme) was held, which involved the participation of 56 Employees. The 3rd edition of the Mentoring Programme is expected to start during 2021, for the first time open to all Banco Montepio Employees, thus strengthening the principles of diversity and inclusion that are desired to be fostered within the organisation.

BENEFITS FOR EMPLOYEES

The Bank Montepio Group's internal social responsibility is also developed through the Social Services, which is an area that aims to meet the needs of its Employees, providing benefits to the Employees themselves and their families.

Considering the focus of the Social Services, and taking into account the measures imposed on organisations and people as a result of the Covid-19 pandemic, it was necessary to readjust the foreseen dynamics from March 2020 onwards. Despite the existing adversities and restrictions derived from the pandemic context experienced by the country, it was possible to maintain and carry out some of the planned dynamics.

During 2020, the cafeterias of Alfragide and Castilho 5, in Lisbon, were continuously operational. This was not the case with the cafeterias of Rua do Almada, in Porto, and Rua Garrett 47, in Lisbon, which closed in the first phase of general lockdown, more specifically in the months of March and April 2020.

During the lockdown period, experienced in early 2020, the Social Services focused on digital activities, such as workshops, training sessions and competitions. During the subsequent period of moving out of lockdown up to the end of the summer of 2020, the priority of the Social Services changed towards fostering outdoor activities, family dynamics (e.g., visits to Lisbon Zoo, Vila Nova de Gaia Zoo, Zoomarine and Badoca Park) and the creation and maintenance of partnerships with reference entities regarding activities with young people, such as holiday camps and camping. In the cultural area, family visits were the main focus. Here, special reference is made to the exhibitions (e.g., Harry Potter and Lego), theatre performances and music festivals, in addition to the provision of over 2,500 books for reading, free of charge, available in the Library of the Social Services.

The Social Services also seek to enhance benefits through the conclusion/updating of protocols of interest, particularly in the area of telecommunications and health, as is the case of pharmacies and clinics.

The end of the year was marked by the approval of the school support allowance, which received an increased allocation, as well as the organisation of initiatives related to the Christmas season. In this atypical year, two online performances were held, in addition to various workshops on social networks, and more than 2,000 gifts and bags of sweets were given to the Employees' children and stepchildren aged from 0 to 12 years old, inclusively.

VALUE CREATION FOR SOCIETY

In order to pursue its commitment to environmental and social sustainability, Banco Montepio continued to implement actions aimed at creating value for society and communities and preserving the environment.

COMMUNITY

The year of 2020 triggered a reactive and atypical action in the development of the “Programa de Voluntariado Corporativo do Grupo Montepio” (Corporate Volunteering Programme of the Montepio Group), but this did not make it any less solidarity driven. The Activity Plan 2020, approved by the Board of Directors of the Associação Mutualista Montepio, had established a framework of intense face-to-face activities, enhanced by the celebration of the 180th anniversary of the parent company of the Montepio Group and extending its action to the group of Associate Members and Customers.

During the first quarter of 2020, the actions that had been planned were actually carried out, namely:

- Consolidation of the annual planning with the internal and external partners;
- Formation of inhouse support teams, in digital format;
- Holding of the first meeting of local promoters, involving 15 voluntary promoters and the formation of the team of 14 volunteers of Montepio Crédito, who went to the institutions in the context of the training plan on financial literacy for children. Both initiatives took place in Lisbon, although it was not possible to replicate them in the city of Porto due to the Covid-19 pandemic.

In view of the impossibility of direct action in the field, collective voluntary action was used to launch campaigns to collect food and health products, and campaigns to collect computer equipment and related items. The collected products were distributed by teams composed of a small number of volunteers (2 to 4 Employees per site) to various communities from the north to the south of the country. Approximately 20 Employees acting as volunteers were engaged in these actions.

The Covid-19 pandemic forced a very significant re-structuring of the aforesaid Plan, namely through the development of unforeseen initiatives of skills volunteering, with the first steps having been taken for the transposition of the literacy projects to a digital version: Financial (children and adults), Mutualist, Entrepreneurism and Citizen Leadership.

In the second half of 2020, various skills volunteering projects were tested in detriment of collective voluntary action, thus precluding the physical contact that could occur between the volunteers and the beneficiaries of the partner entities of the Montepio Group. During 2020 it was necessary to understand that one of the best ways of helping was to foster and maintain social distancing.

The new “Portal do Voluntariado” (Voluntary Action Portal) was configured at the end of 2020, which is a fundamental tool to develop the projects in progress or under preparation, and for direct and effective communication between all the participants in these processes, namely volunteers and internal and external partners. At the same time, the 10th edition of the “Prémio Voluntariado Jovem do Montepio” (Montepio Youth Volunteering Prize) was launched in digital format. The 2020 edition presented 7 projects of local social intervention solutions, created by young people resident in communities that essentially covered the entire country (Porto, Lisbon and Algarve), that were assessed by a primarily external selection panel composed of representatives of the Grupo de Apoio e Reflexão à Cidadania Empresarial – GRACE (Entrepreneurial Citizenship Reflection and Support Group), the Confederação Portuguesa de Voluntariado (Portuguese Confederation of Volunteering), the Centro Português de Fundações (Portuguese Foundations Centre), the Associação Portuguesa para a Diversidade e Inclusão – Carta da Diversidade – APPDI (Portuguese Association for Diversity and Inclusion – Diversity Charter) and the Fundação Aga Khan Portugal (Aga Khan Portugal Foundation). The applicability and operationality of the 3 winning projects will always be monitored onsite by the local promoters of the Montepio Group.

It is, therefore, possible to state that the Montepio Group intervenes directly in 18 territories, 3 of which (Livramento in Porto, Algueirão/Mem Martins in Greater Lisbon, and Montemor-o-Novo in Alentejo) are considered new communities that are henceforth part of the “Programa Projetos de Intervenção Social – PIS” (Programme of Social Intervention Projects), developed by the Social Responsibility Office, but that covers all the Montepio Group's entities. This Programme has already covered more than 50 territories, and is present throughout the entire country and autonomous regions.

SCHOOL AND EDUCATIONAL COMMUNITY

Under the skills volunteering and as has occurred since 2006, the Junior Achievement Portugal (JAP) counted on Banco Montepio as a member, giving Montepio Group Employees the opportunity to enrol as volunteers to continue to make a difference and create impact in society.

The academic year of 2019/2020 was an atypical year, due to the Covid-19 pandemic, which restricted the number of volunteers in the JAP programmes, which covered the 1st, 2nd and 3rd cycles, secondary and university education. Even so, the participation of the 23 volunteers of the Montepio Group in the JAP programmes impacted 592 students, corresponding to a total of 230 hours of corporate volunteering.

Other JAP and Banco Montepio Initiatives in 2019/2020

- **"Prémio Acredita Portugal" (Believe Portugal Award) - National Competition of the Start Up Programme:** For the first time, the JAP participated in all the competitions of The Company Programme and the Start Up Programme in digital format. In 2020, Banco Montepio awarded the "Prémio Acredita Portugal" (Believe Portugal Award); in other words, all the teams that participated in the National Competition of the Start Up Programme passed directly to the semi-final of the "Concurso Montepio Acredita Portugal" (Montepio Believe Portugal Competition), the largest entrepreneurship competition of Portugal and the second largest at a worldwide level.
- **"Voluntário Em(preende) Casa" (Volunteer Enter(prises) Home) initiative:** In the pandemic context, the JAP sought to continue to contribute to the development of the students' skills through its programmes, and, accordingly, developed the "O Voluntário em(preende) casa" (The Volunteer enter(prises) home initiative). The JAP challenged the Montepio Group Employees to record a video conveying the key concepts of the JAP Basic Education programmes, thus giving the students who had not started/completed the programme access to these contents. Banco Montepio, through the participation of 5 volunteers who, being unable to complete the face-to-face implementation of their programme, wished to use alternative means to convey the key concepts to the students. The video "Economia para o Sucesso" (Economics for Success) of a Banco Montepio volunteer was selected to reach the other classes allocated to the same programme that, for various reasons, had not received an implementor volunteer. The video was shared with 85 classes, involving a total of 1,896 students.

CONSUMERS

Banco Montepio offers its Customers alternative means of settling disputes when involving the provision of various products and services. Banco Montepio also offers access to the "Plataforma de Resolução de Litígios em Linha" (Online Dispute Settlement Platform) for settlement of disputes arising from services hired online. Customers may obtain updated information on Alternative Dispute Settlement Entities from the competent national authority (Directorate-General for the Consumer), on the "Portal do Consumidor" (Consumer Portal). Without prejudice to everything legally established concerning the Complaints Book, Banco Montepio offers a service that analyses Customer complaints whenever they consider that there has been any irregularity in the protection of their interests or breach of obligations by Banco Montepio. Customers and Users may submit their complaints at any Banco Montepio branch, at the Contact Centre (exclusively for Customers subscribing to the "Serviço Montepio24"), via the institutional website or at the

Customer Office. In all cases, the Customer is always entitled to submit a claim to the supervisory authorities (Banco de Portugal, Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission), Autoridade de Supervisão de Seguros e Fundos de Pensões (Insurance and Pension Funds Supervisory Authority).

Concerning the management of complaints, customers and users who wish to express dissatisfaction in relation to the provision of services, marketing of products or quality of customer service, may formally submit a complaint, which will be analysed and processed at Banco Montepio's Customer Office. The complainant should indicate identification data that enable the analysis, and should clearly and comprehensively describe the facts leading to the complaint.

The Customer Office always formally discloses the decision, whether the claimant is deemed to be justified or in any other case. Every effort is made to ensure the swift completion of cases of complaints. In highly complex cases, the complainant is kept informed through the means considered to be most appropriate. Additional information on complaints management can be consulted in the chapter on The Banco Montepio Group of the Management Report.

HUMAN RIGHTS

The Code of Conduct endorsed by Banco Montepio establishes various mechanisms to safeguard and protect human rights, namely of its Employees, Customers and other Stakeholders. The Employees are required to comply with the duty of respect, courtesy, tolerance, urbanity, commitment, diligence, discipline and loyalty at a personal level, among one another, between peers and with third parties on a daily basis.

Banco Montepio and its Employees, in the relations that they establish, do not practise any type of discrimination, namely according to ancestry, age, sex, sexual orientation, gender, identity, marital status, family situation, economic situation, schooling or academic qualification, social origin or condition, genetic heritage, reduced work capacity, disability, chronic disease, nationality, ethnic or racial origin, territory of origin, language, religion, political or ideological beliefs and union membership, at all times respecting the equal treatment of all customers and other entities with which they interact.

In Customer relations, the Employees should show courteousness, competence, diligence, neutrality, loyalty, discretion and conscientious respect, always bearing in mind the interests entrusted to them, and not acting with any type of discrimination.

In order to promote the quality of life of its Employees and their families, Banco Montepio provides a work environment that considers the personal development of the Employees and the reconciliation of work demands with the needs of personal and family life.

The members of the Board of Directors should also endeavour to ensure that the Employees have the appropriate means for the personal and professional valorisation, and develop the support of the Bank's initiatives in the most diverse areas, from culture, to social solidarity and entrepreneurism.

Harassment is defined as undesired behaviour, namely behaviour based on discrimination, committed upon access to the job or during the actual employment period, at work or vocational training, aimed at or with the effect of disturbing or constraining the victim, affecting that person's dignity, or creating an intimidating, hostile, degrading, humiliating or destabilising environment for that person. Harassment can be of the moral and/or sexual type aimed at intimidating, coercing or threatening the dignity of the other person. At Banco

Montepio, the practice of harassment is forbidden, whether moral or sexual (undesired behaviour of sexual nature that is verbal, non-verbal or physical), undesired behaviours consisting of a set of behaviours that are perceived as abusive.

Monitoring and mechanisms have been implemented to ensure compliance, or to penalise any breach of these principles. Any occurrences that may happen in any area related to breach of these (and other) principles, irrespective of other procedures that prove necessary, namely for disciplinary effects, must be reported immediately by the director of the area to the Compliance Department, that, acting in an independent and impartial manner, shall trigger the measures deemed necessary for the case in question, according to the reported topics, in order to terminate the breach and, where applicable, work towards the reparation of losses and mitigate the risk of new similar events. The Compliance Department prepares and submits a regular report to the Board of Directors with a description of the situations of non-observance of the Code of Conduct.

ENVIRONMENT

Over recent years and, this was no exception in 2020, Banco Montepio has continued to be concerned with environmental issues, aspiring to understand the relationships between natural capital and the business as a pillar of growth and profitability. In order to achieve the intended objective, Banco Montepio continued to implement measures aimed at reducing energy and paper consumption, as well as the production of waste, in order to minimise CO_2 emissions.

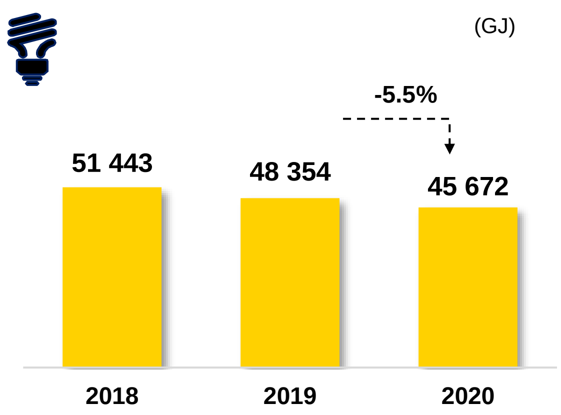
In 2020, the Covid-19 pandemic strongly affected the world's entire population, but, even so, had a positive effect on issues related to the environment, in particular in the reduction of fossil fuel and energy consumption.

In 2020, despite the constraints associated to the Covid-19 pandemic, Banco Montepio continued its intervention towards mitigating changes in natural resources, promoting energy efficiency gains, focusing on minimising CO_2 emissions, and managing waste in an efficient manner.

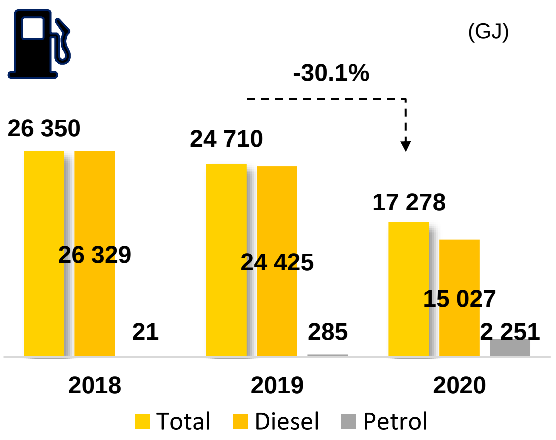
Electricity consumption fell by 5.5% at the end of 2020, compared to 2019, reflecting the impact of the Covid-19 pandemic combined with the centralisation of services and release of physical spaces that took place in 2019, with effects in 2020, as well as the continued implementation of measures to replace obsolete equipment with more energy efficient equipment.

In relation to fuel consumption, the aggregate effect of the Covid-19 pandemic and the continuation of the process of replacement of combustion vehicles with electric and hybrid vehicles led to a 30.1% reduction in the motor vehicle fleet's fuel consumption compared to 2019.

Electricity consumption



Fuel Consumption

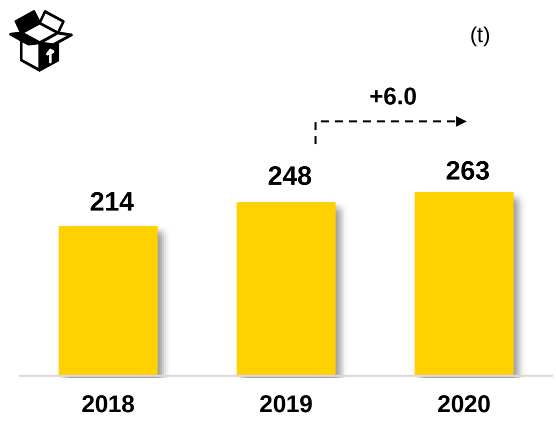


Emission factors			
Energy	**Unit**	**Fator**	**Source**
Electricity	kg CO_2/GJ	78.2	International Energy Agency (2015) - CO_2 Emissions from Fuel Combustion
Diesel	Kg CO_2/GJ	70.2	APA (2020) National Inventory Report 2020 Portugal - Road transportation energy based implied emission factors for 2018
Petrol	Kg CO_2/GJ	71.9	Climate Change (2007). The Physical Science Basis | Changes in Atmospheric Constituents and in Radiative Forcing - Global Warming Potential

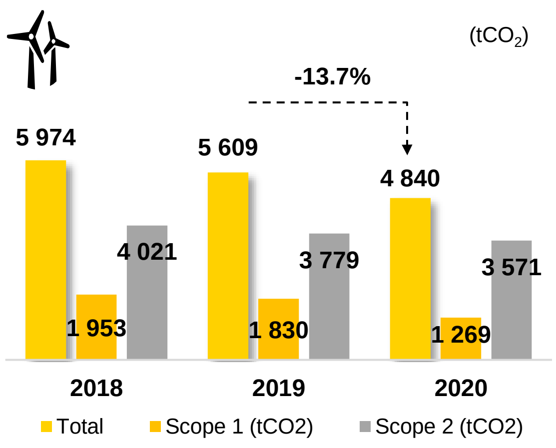
In line with the reduction of total energy consumption (electricity and fuel), total CO_2 emissions fell by 769 tons in 2020 in relation to 2019, corresponding to 13.7% decrease.

Paper consumption at Banco Montepio increased by 15 tons in 2020 in relation to 2019. This continuous increase was essentially due to the increased sending of mail to Customers in order to comply with legal requirements, notwithstanding the measures in progress concerning the dematerialisation of processes and the increased use of digital banking by the Customers.

Paper Consumption



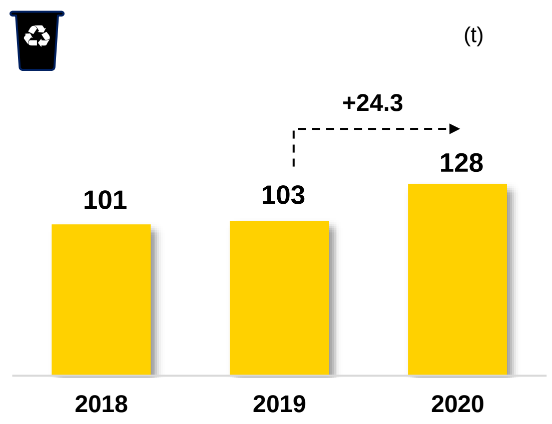
CO_2 Emissions



Conversion factors			
Energy	**Unit**	**Fator**	**Source**
Electricity	GJ/KWh	0.0036	International Energy Agency – Basic Conversions
Diesel	Density (Kg/l)	0.84	APA (2014) -Ttable of fuel density values (2013)
	PCI (GJ/t)	42.6	APA (2017) Portuguese National Inventory Report on Greenhouse Gases, 1990-2015 (page 102)
Petrol	Dencity (Kg/l)	0.75	Decree-Law No.142/2010, of 31 December
	PCI (GJ/t)	44	APA (2017) Portuguese National Inventory Report on Greenhouse Gases, 1990-2015 (page 102)

The vast majority of the waste produced by Banco Montepio is considered non-hazardous with its final destination being valorisation. The collection of waste increased by 25 tons in 2020, corresponding to a 24.3% increase in relation to 2019. This increase was driven, on the one hand, by the documental expurgation in the central archive, and on the other hand, by the reduction of waste produced in buildings, as a result of the implementation of telework arrangements due to the Covid-19 pandemic.

Waste

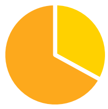
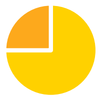
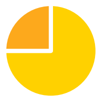
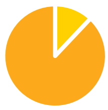
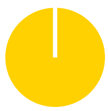
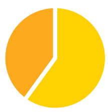
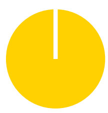


Main Environmental Initiatives Undertaken

In the area of environmental initiatives, Banco Montepio continued the actions that increase energy efficiency, use resources appropriately and reduce costs.

The table below presents a brief description of the main environmental measures taken and their degree of implementation as at 31 December 2020.

Main Environmental Initiatives Undertaken

	Adopted Measures	Degree of Implementation 2020
Motor Vehicle Fleet	• Replacement of combustion vehicles with plug-in and 100% electric vehicles, thus continuing the implementation of the green fleet project started in 2019 that will end in 2023;	
IT	• Server virtualisation with reduction of energy consumption;	
	• Replacement of core infrastructures (hardware) with equipment with higher energy efficiency;	
Facilities	• Replacement of HVAC equipment (with R22 refrigerant gas) at branches with more efficient equipment with less aggressive refrigerant gases for the environment, with plans to intervene in 146 items of equipment during the four-year period 2019-2022, with 18 completed at the end of 2019 and 13 at the end of 2020;	
	• Replacement of HVAC equipment (with R22 refrigerant gas) at the Rua Castilho building with more efficient equipment with less aggressive refrigerant gases for the environment;	
	• Implementation of the differentiated waste collection project in buildings;	
Dematerialisation of communication	• Increase of 9% in relation to 2019, in the adhesion of Customers to digital documentation. In 2020, Banco Montepio had 636,014 Customers with digital documentation;	Continuous Implementation
	• Digital transformation initiatives: -15.7% reduction in the printing of physical leaflets (replacement with digital single sheets/emailing);	Continuous Implementation
	• Implementation of non-face-to-face Customer instructions (enabling the Customer to give instructions by digital means, obviating travel and physical presence).	

In the same context, Banco Montepio continued the dematerialisation of processes project, primarily aimed at improving the service provided to the Customers and eliminating the need to use paper, thus reducing the consumption of paper, printing consumables and the archive. Reference is made to the following points in 2020:

Process Dematerialisation project	
Initiatives	• Mortgage Loans online; • Company Sight Account Opening online; • Maintenance of Individual Customer data online; • "Ganhar a Desmaterializar" (Win by Dematerialising) campaign for the Commercial Network; • Dematerialisation of deposit contracts and standardised information sheet in Sight Account Maintenance.
Objectives	• Dematerialisation of processes, with elimination of paper printing and paper circulation; • Improvement of the Customer's journey and experience; • Streamlining of the procedural handling, contributing towards the improvement of the service provided and cost reduction; • Positioning of the Banco Montepio brand with an image of modernity and innovation; • Environmental concern, contributing towards the reduction of the ecological footprint; • Monitoring of best market trends, to meet the Customers' expectations.
Results	• Reduction of paper consumption: approximately 407,000 sheets of paper/printouts not consumed in 2020, due to the dematerialisation of the processes of account opening and maintenance of Customer data/sight account, representing a 16% increase in paper saving in relation to 2019; • Reduction in the consumption of 2,443,500 printed sheets, representing a 4% increase in the saving of these physical formats in relation to 2019; • Reduction of the cost of consumables linked to the generation of documents in paper format (printer toners, archive folders, among others).

OUR POLICIES

Committed to environmental and social causes, Banco Montepio continued to enforce a series of existing rules related to the topic of sustainability:

- Code of Conduct, which includes the incorporation of criteria linked to environmental and social factors in the commercial relations carried out and market consultations, aimed at showing respect for human rights and the protection of the environment.

In 2021, Banco Montepio intends to implement a Supplier Qualification Process, which will include this Code of Conduct.

OUR PERFORMANCE

The Banco Montepio Group presents information on its subsidiaries for the following indicators:

- Total paper consumption in tons;
- Total electricity consumption inside the institution (including heating, chilling and steam) in kilowatts;
- Total fuel consumption in litres;

Without prejudice to the continuous improvement that Banco Montepio aims to implement, this non-financial statement presents the relevant information for Banco Montepio's subsidiaries with greater materiality.

Total Consumption: Domestic activity

		Banco Montepio			Montepio Crédito			BEM	
		2018	2019	2020	2018	2019	2020	2019	2020
Paper	(ton)	214	248	263	9	6	5	1	0
Electricity	(kwh)	14 289 723	13 431 589	12 686 542	134 946	123 459	113 732	60 199	57 665
Fuel	(liters)	739 075	693 679	489 863	67 421	65 035	60.844	4 035	8 740

Total Consumption: International activity

		Finibanco Angola		
		2018	2019	2020
Paper	(ton)	15	14	7
Electricity	(kwh)	856 423	750 013	954 710
Fuel	(liters)	186 182	191 123	110 083

OUR PARTNERSHIPS

Banco Montepio seeks to take the aspirations of others further by promoting projects, ambitions and initiatives that make a difference in society and in the building of a new future. The table below presents the partnerships established by the Bank.

Area	Partner	Who they are
Entrepreneurship	<Academia de Código_>	Portuguese startup, founded in 2015, whose mission is to help the unemployed to enter the job market.
Microcredit and Entrepreneurship	Acredita Incubação	Incubation project with two spaces, one in the area of the creative industries and the other directed towards technological entrepreneurism and the social economy. These spaces are boosted by the non-profit association Acredita Portugal.
Microcredit	Alto Comissariado para as Migrações (ACM)	Public institution that intervenes in the implementation of public policies concerning migration. The ACM (High Commission for Migration) seeks to view the world in a creative way in order to meet the growing needs of the different migrant profiles and their integration.
Microcredit	Amadora Inova	A public institution held entirely by Câmara Municipal da Amadora (Amadora City Council) that supports entrepreneurs and tradespersons in the municipality of Amadora.
Social Economy	Aposta nas Pessoas	Works with NGO and the Social Sector in the analysis and improvement of organisational processes, creation and implementation of specialised social responses, creation of social business generating value, creation and implementation of national and transnational social intervention projects, quality certification, training and investment projects under P2020, PARES 3.0 and FIS.
Microcredit	Associação Comercial de Braga (ACB)	This association aggregates and represents all the economic activity sectors of the region of Braga. The mission of ACB is to defend the interests of its members and foster business development.
Microcredit	Associação Empresarial da Região de Lisboa (AERLIS)	This non-profit association acts in six key areas: representation of the interests of its members, information, internationalisation, vocational training, service supporting companies and regional development.

Area	Partner	Who they are
Microcredit	Associação Empresarial de Fafe, Cabeceiras de Basto e Celorico de Basto (AEFAFE)	This association was created in 1920 by a group of local entrepreneurs, recognised by various regional, national and associative bodies for their information, training, disclosure and awareness-raising actions.
Microcredit	Associação Empresarial de Sintra (AESintra)	The mission of this business association is to study and defend the interests of trade, industry and services so as to promote and place in practice as much as it can and should to contribute to their technical, economic and/or social progress.
Microcredit	Associação Empresarial do Baixo Ave (AEBA)	A profit-making association aimed at creating a structure able to support and represent the companies and entrepreneurs of all sectors of activity, from the region named Baixo Ave.
Social Economy	Associação Cultural e Recreativa de Tondela (ACERT)	Founded in 1979, ACERT fosters artistic creation, the circulation of performances, training and organisation of cultural events in the interior of the country aimed at boosting active citizenship.
Microcredit	Associação Empresarial dos Concelhos de Vila Franca de Xira e Arruda dos Vinhos (ACIS)	This non-profit making institution aspires to be a reference in supporting local companies and entrepreneurs, namely via the representation and defence of the common interests of all its members, with a view to their technical, economic and social progress.
Microcredit	Associação Empresarial Penafiel (AEP)	A centenary entity of unlimited duration and non-profit making which acts in the representation and the defence of business activity and economic agents, with a view to their technical, economic and social progress.
Microcredit	Associação Nacional de Jovens Empresários (ANJE)	An association under private law and public utility, pioneer in the promotion of youth entrepreneurship in Portugal. Over the last few years, this association has been notable in encouraging the adoption of business models based on innovation, research and development.
Sustainability	Associação Portuguesa de Ética Empresarial (APEE)	Founded in November 2002, the APEE (Portuguese Association of Business Ethics) aims to promote the development of ethics in organisations, with full integration in their management practices and, consequently, in their surroundings.
Microcredit	B2A – Business Advisors Association	This was the first national association formed by organisational consultants. The B2B members have strong experience of intervention in companies and are specialised in SME and social sector organisations.
Microcredit	Beira Serra - Associação de Desenvolvimento	This non-profit organisation aims to promote the development and social, economic, cultural and environmental cohesion of its territory. Its geographical area of intervention has been inscribed in the sub-region of Cova da Beira: municipalities of Belmonte, Covilhã and Fundão.
Entrepreneurship	Casa do Impacto	A social entrepreneurship project of the Santa Casa da Misericórdia de Lisboa, whose main mission is to contribute to the development of projects with impact and innovative solutions that could contribute to the construction of a more sustainable society.
Entrepreneurship	Centro de Inovação Social	This centre welcomes different communities, crossing ideas and knowledge, projects and specific events in the entrepreneurship area. It seeks to promote and support innovative projects with sustainable business models, focused on social impact.
Microcredit	Centro Empresarial INOVAGAIA	A reference institution in fostering entrepreneurship and supporting the economic fabric of Vila Nova de Gaia. It supports would-be entrepreneurs, providing them with an ideal environment to accomplish their projects.

Area	Partner	Who they are
Microcredit	Desenvolvimento Local e Regional (Dolmen)	The local management entity of sub-programme 3 of the ProDeR for the Douro Verde territory. Its mission is to promote the development of the region in an integrated perspective, enhancing the value of its endogenous natural, cultural and human resources, based on the preservation of their values.
Microcredit	DNA Cascais	The mission of this non-profit association is to contribute to the promotion, encouragement and development of entrepreneurship in general, with special incidence on the boosting of youth and social entrepreneurship in the municipality of Cascais.
Sustainability	ERP Portugal	The partnership with ERP Portugal consists of the installation of battery, electric and electronic material recycle bins in Banco Montepio buildings, aimed at inviting the Employees to recycle their batteries and electric and electronic appliances at the end of their life.
Microcredit	Formação, Integração Social e Ofertas de Oportunidades de Trabalho (FISOOT)	This is a social solidarity cooperative that aims to implement activities and projects directed at promoting rights, equal opportunities and gender equality, and at preventing and combating violence and the trafficking of human beings.
Entrepreneurship and Sustainability	GovTech	A Government initiative that aims to award and support innovative products and services created by startups, that embody a solution for one of the 17 United Nations Sustainable Development Goals (SDG), in a national response to the challenges that are faced in Portugal and worldwide.
Microcredit and Entrepreneurship	Incubadora de Inovação Social do Baixo Alentejo (IISBA)	A centenary entity of unlimited duration and non-profit making which acts in the representation and the defence of business activity and economic agents, with a view to their technical, economic and social progress.
Microcredit and Entrepreneurship	Incubadora Regional de Impacto Social (IRIS)	This entity aims to capture ideas and projects, and support the creation, development and acceleration of social innovation and social entrepreneurship initiatives, promoted by the European Investment Bank Institute and by the Associação do Parque de Ciência e Tecnologia do Porto (Porto Association of Science and Technology Parks).
Entrepreneurship	Junior Achievement Portugal (JAP)	A non-profit organisation, the Portuguese counterpart of the Junior Achievement, that implements education programmes for entrepreneurship in Portugal of this worldwide non-governmental organisation.
Social Economy	Liga-te	A youth network for intervention and combat of Covid-19, launched by the FNAJ (National Federation of Youth Associations), which operates through a contact platform of young people and youth associations and a network of support against loneliness and social isolation among young people.
Microcredit	Lions Clube de Coimbra	Part of Lions Clubs International, the world's largest organisation of service clubs, with over 1.4 million members in approximately 46,000 clubs located in more than 200 countries and geographic areas.
Entrepreneurship	Montepio Acredita Portugal	Promoted by Acredita Portugal in partnership with Banco Montepio, this competition aims to be a space for entrepreneurial capacity-building, that enables generating new ideas, structuring ideas into projects, testing concepts, drawing up business plans and presenting projects to investors.
Social Economy and Microcredit	NERSANT - Associação Empresarial da Região de Santarém	One of the most dynamic associations of the countries that currently has more than 2,600 member companies in its associative structure. Its mission is to promote the entrepreneurial capacity of the district of Santarém.
Microcredit	Novos Percursos	A non-profit organisation that operates in the area of social solidarity and the provision of services. The mission of Novos Percursos is to support microenterprises and assist people, promoting their (re)insertion in the labour market through their creation of their own job or small business.
Microcredit	Penha Empreende	A programme of the Junta de Freguesia da Penha de França (Parish Council of Penha de França) that seeks to boost entrepreneurship in the parish. The main goal of Penha Empreende is to stimulate the local economy, job-creation and modernisation of the existing companies.
Microcredit	Querer Ser - Associação para o Desenvolvimento Social	A non-profit association whose mission is to intervene in the social area, through solutions and services that meet the needs of the people of the community in which it is placed throughout their life, promoting their wellbeing and quality of life.

Area	Partner	Who they are
Microcredit	RedOeiras+	A consortium of companies, associations, education establishments, cooperatives and solidarity institutions. Its mission is to boost the local socioeconomic development, being a partnership that is qualified, committed and with integrated action in the promotion of employability and fostering of entrepreneurship.
Social Economy	Social Good Summit	An event produced by It's About Impact - Associação Sociocultural, which gathers together leaders, innovators and activists where they share ideas and initiatives that contribute to a fairer and more dignified world for all.
Microcredit	Sol do Ave - Associação para o desenvolvimento integrado do Vale do Ave	An association that contributes to promote the integrated development of Vale do Ave, adopting networked work practices and relations of proximity, encouraging initiatives that are more innovative, inclusive and strengthen territorial cohesion.
Microcredit and Entrepreneurship	StartUp Portugal	Launched in 2016 by the Ministry of the Economy, StartUp Portugal aims to extend, to the entire country and to all activity sectors, the current dynamics of the Portuguese entrepreneurial ecosystems, one of the most active at a European level.
Microcredit	Talentus – Associação Nacional de Formadores e Técnicos de Formação	Created in 1996, Talentus is the main associative entity representing training professionals in Portugal, directing its entire activity to supporting the development and professional qualification of the players in the vocational training system.
Social Economy	Turnaround	A consulting and training company, with a national territorial scope, dedicated to the creation of value in the social sector. Turnaround Social seeks to design solutions adapted to each problem and create integrated projects, developing projects directed towards sustainability, innovation and the social impact of the institutions, such as the “Linha de Crédito Fundo para a Inovação Social (FIS)” (Social Innovation Fund Credit Line) and the “Programa de Alargamento da Rede de Equipamentos Sociais (PARES)” (Social Equipment Network Expansion Programme).
Social Economy	ValeConsultores	Social consultant focused on the development of new strategies for the social sector, driven towards producing significant improvements in the functioning of structures and in the provision of services. ValeConsultores aims to assist social economy institutions and local authorities in the most diverse situations, and through providing the FIS and PARES.
Social Economy	4Change	A social impact catalyst that operates through consulting and project development, 4Change seeks to support the social sector in creating and managing transformative projects. Aimed at creating more social impact, the FIS is an instrument that is available for social economy entities and entrepreneurs to leverage innovation and social impact.

OUR PROTOCOLS

The Bank establishes protocols with institutions that make a difference in society, seeking to contribute in a positive form in their activity. The table below presents the Social Economy and Solidarity Institutions that establish commercial protocols with Banco Montepio.

Partner	Who they are
Associação Rede de Universidades da Terceira Idade (RUTIS)	RUTIS is a private social solidarity institution of public utility that supports the community and senior citizens. It currently as 305 Senior Citizen Universities (UTIs) as members, 45,000 senior students and 5,000 voluntary teachers in the senior citizen universities.
Casa do Professor	Casa do Professor is the oldest social solidarity association in the country, created for the purpose of supporting teachers of all educational levels, by promoting initiatives of social, scientific, training, cultural and recreational nature.
Confederação Nacional das Instituições de Solidariedade (CNIS)	The CNIS (National Confederation of Solidarity Institutions) is the confederated organisation of IPSS (Private Social Solidarity Institutions), of national scope and non-profit making. The mission of this entity of associative nature is to be at the service of populations that are in situations of greater social fragility.

Partner	Who they are
Confederação Portuguesa das Colectividades de Cultura, Recreio e Desporto (CPCCRD)	The CPCCRD (Portuguese Confederation of Cultural, Recreational and Sports Collectivities) represents the cultural, recreational and sports collectivities or other associations, and is composed of an unlimited number of collectivities or other associations engaged in cultural, recreational, sports and social activities.
Diocese do Algarve	The Diocese of the Algarve was successively suffragan of Mérida, São Tiago de Compostela, Braga, Seville, Lisbon and lastly Évora. Its territory corresponds to that of the district of Faro, with a population of around 400,000 habitual residents and a notable rise in the high season of tourism.
Diocese do Porto	The Diocese of Porto, located in the North of Portugal along the Atlantic coast, covers 26 municipalities, 17 of which belong to the district of Porto, 8 to the district of Aveiro and 1 to the district of Braga. It has 4 pastoral regions, 22 vicariates and 477 parishes. The Diocese population is around 2,000,000 inhabitants.
Federação Nacional das Associações Juvenis (FNAJ)	The FNAJ (National Federation of Youth Associations) has a determinant political representation, defending and promoting the interests of youth associativism before the public powers, through critical and active participation.
Federação Nacional de Cooperativas de Solidariedade Social (Fenacerci)	FENACERCI (National Federation of Social Solidarity Cooperatives), the representative body of the cooperatives of this sector, aims to structure appropriate solutions for the development of intellectually disabled persons, in addition to supporting and promoting their inclusion in society.
Federação Nacional do Voluntariado em Saúde (FNVS)	The FNVS (National Federation of Voluntary Health Action) acts in the area of volunteering in health, developing and expanding its social support base concerning this type of voluntary action and the improvement of the services provided to the beneficiaries. At the same time, it also incorporates, represents, promotes the values, preserves the identity and defends the interests of organisations operating in this sphere.
Liga dos Bombeiros Portugueses	Founded in 1930, the Liga dos Bombeiros Portugueses (League of Portuguese Fire-Fighters) is the Confederation of Fire-Fighter Associations and Brigades of any nature, voluntary or professional, that, being legally established and effectively active, observe the requirements of the general law and statutes of the Liga dos Bombeiros Portugueses, and propose to accomplish the ends stipulated therein.
União das Misericórdias Portuguesas (UMP)	The UMP (Union of the Portuguese Misericórdias) was created in 1976 to guide, coordinate, boost and represent the Santas Casas de Misericórdia, defending their interests and organising services of common interest.

CORRELATION TABLE WITH DECREE-LAW No. 89/2017

Requirement	Response	Page
Corporate Model **DL 89/2017 - Article 3 (referring to article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a)**		**Page**
Corporate model of the company	The Banco Montepio Group – Group structure	20
	Business segments	39
	Activity by Segments	67
	Subsidiaries and International Activity	69
	Responsible business	126
Diversity in governing bodies **DL 89/2017 - Article 4 (referring to Article 245 (1)(r) and (2) of the Central Securities Depository (CSD)) - Directive 2014/95/EU - Article 20 (1)(g)**		
Diversity policy applied by the company to its management and supervisory bodies	*Requirement not applicable to Banco Montepio*	-
Environmental issues **DL 89/2017 - Article 3 (2) (referring to article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a-e)**		
Specific policies related to environmental issues	Value creation for society – our policies	142
Results of the application of the policies	Value creation for society – environment	136
Main associated risks and the way in which those risks are managed	Risk - risk management	102
	Responsible business – risk management	127
Key performance indicators	Value creation for society – environment – tables on consumptions	138
	Value creation for society – our performance	142
Social and employee-related issues **DL 89/2017 - Article 3 (2) (referring to article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1) (a-e)**		
Specific policies related to social and employee-related issues	Integrated human capital management – working conditions, health and safety	130
	Integrated human capital management – internal communication and involvement of the organization	131
	Integrated human capital management – welfare week	131
Results of the application of the policies	The Banco Montepio Group – people	25
	Integrated human capital management – welfare week	131
	Integrated human capital management – human capital and training	132
	Integrated human capital management – potential and performance management	133
	Value creation for society – community	134
	Value creation for society – school and educational community	136
Main associated risks and the way in which those risks are managed	Risk - risk management	103
	Responsible business – risk management	127
Key performance indicators	The Banco Montepio Group – people – tables with the evolution of the staff	41
	The Banco Montepio Group – people – graphics with the distribution of Bank Montepio employees	27
	The Banco Montepio Group – people – table with indicators on training	28
	Value creation for society – our performance	142
	Integrated human capital management – human capital and training – table with training actions in 2020	132
	Integrated human capital management – potential and performance management	133

Equality between men and women and non-discrimination Article 3 (2) of DL 89/2017 (referring to article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1) (a-e)		
Specific policies related to issues of equality between men and women and non-discrimination	Internal / external inclusion and respect for diversity and universal design – gender equality	133
Results of the application of the policies	Internal / external inclusion and respect for diversity and universal design - benefits for Employees	134
	Value creation for society – human rights	137
Main associated risks and the way in which those risks are managed	Risk - risk management	102
	Responsible business – risk management	127
Key performance indicators	The Banco Montepio Group – people – graphics with the distribution of Bank Montepio employees	27
	Integrated human capital management – potential and performance management	133
Specific policies related to respect for human rights	Integrated human capital management – working conditions, health and safety	130
	Value creation for society – human rights	137
Results of the application of the policies	Integrated human capital management – internal communication and involvement of the organization	131
Main associated risks and the way in which those risks are managed	Risk - risk management	102
	Responsible business – risk management	127
Key performance indicators	Integrated human capital management – potential and performance management	133
Specific policies related to the fight against corruption and attempted bribery	Responsible business – our policies	129
Results of the application of the policies	Responsible business – fighting corruption and attempted bribery	128
Main associated risks and the way in which those risks are managed s	Risk - risk management	102
	Responsible business – risk management	127
Key performance indicators	Integrated human capital management – human capital and training – table with training actions in 2020	132

GLOSSARY

HVAC	Heating, ventilation and air conditioning
CO_2	Carbon dioxide
GJ	Gigajoule
Kg	Kilogram
Kwh	Kilowatt-hour
L	Litre
LED	Light-emiting diode
LCV	Lower calorific value
t	Ton

REGULATORY INFORMATION

Banco Montepio

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

Banco Montepio

Consolidated Balance Sheet at 31 December 2020 and 2019

(Euro thousand)

	2020	2019
Assets		**Restated**
Cash and deposits at central banks	1 466 250	1 041 652
Loans and deposits to credit institutions payable on demand	33 660	29 897
Other loans and advances to credit institutions	293 004	281 303
Loans and advances to customers	11 577 702	11 506 668
Financial assets held for trading	16 923	35 905
Financial assets at fair value through profit or loss	346 892	384 675
Financial assets at fair value through other comprehensive income	286 797	1 859 758
Hedging derivatives	10 693	11 148
Other financial assets at amortized cost	2 362 616	987 325
Investments in associated companies	3 872	4 439
Non-current assets held for sale	5 484	1 915
Non-current assets held for sale - discontinued operations	1 310	-
Investment properties	125 893	144 868
Other tangible assets	259 162	282 826
Intangible assets	35 829	34 785
Current tax assets	3 584	15 531
Deferred tax assets	496 223	434 665
Other assets	615 112	682 782
Total Assets	17 941 006	17 740 142
Liabilities		
Deposits from central banks	1 382 545	1 291 033
Deposits from other credit institutions	820 638	522 791
Deposits from customers	12 501 973	12 642 446
Debt securities issued	1 299 188	1 389 980
Financial liabilities held for trading	13 598	13 368
Hedging derivatives	397	547
Non-current liabilities held for sale - discontinued operations	109 619	-
Provisions	38 654	38 547
Current tax liabilities	4 486	4 392
Other subordinated debt	216 896	157 847
Other liabilities	225 853	227 203
Total Liabilities	16 613 847	16 288 154
Shareholders' Equity		
Share capital	2 420 000	2 420 000
Other equity instruments	-	6 323
Fair value reserves	(28 295)	809
Other reserves and Retained earnings	(993 159)	(1 008 378)
Consolidated net income for the period attributable to the Shareholder	(80 686)	21 684
Total Equity Attributable to Shareholders	1 317 860	1 440 438
Non-controlling Interests	9 299	11 550
Total Shareholders' Equity	1 327 159	1 451 988
Total Liabilities and Shareholders' Equity	17 941 006	17 740 142

THE CHIEF ACCOUNTANT THE BOARD OF DIRECTORS

Banco Montepio

Banco Montepio

Consolidated income statement
for financial years ended 31 December 2020 and 2019

(Euro thousand)

	2020	2019 Restated
Interest and similar income	303 680	334 214
Interest and similar expense	60 886	79 986
Net interest income	242 794	254 228
Dividends from equity instruments	3 052	7 631
Net fee and commission income	115 311	122 558
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(18 695)	8 510
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	23 693	42 269
Net gains/(losses) arising from exchange differences	12 864	13 664
Net gains/(losses) arising from sale of other financial assets	43 020	22 931
Other operating income/(expense)	(28 295)	(11 404)
Total operating income	393 744	460 387
Staff costs	189 255	162 352
General and administrative expenses	66 989	68 131
Depreciation and amortization	35 118	33 534
Total operating cost	291 362	264 017
Impairment of loans and advances to customers and to credit institutions	185 126	114 905
Impairment of other financial assets	12 173	10 637
Impairment of other assets	19 457	11 710
Other provisions	4 076	6 008
Operating income	(118 450)	53 110
Share of profits/(losses) booked under the equity method	(662)	208
Profit/(loss) before income tax	(119 112)	53 318
Income Tax		
Current	(1 791)	(3 704)
Deferred	44 041	(21 909)
Profit/ (loss) after income tax from continuing operations	(76 862)	27 705
Profit/ (loss) from discontinued operations	(1 943)	(3 524)
Consolidated net income after income tax	(78 805)	24 181
Consolidated net income for the period attributable to the shareholders	(80 686)	21 684
Non-controlling Interests	1 881	2 497
Consolidated net profit/ (loss) for the period	(78 805)	24 181
Earnings per share (in Euro)		
From continuing operations		
Basic	(0.032)	0.011
Diluted	(0.032)	0.011
From discontinued operations		
Basic	(0.002)	(0.002)
Diluted	(0.002)	(0.002)

THE CHIEF ACCOUNTANT THE BOARD OF DIRECTORS

PROPOSAL FOR THE APLICATION OF RESULTS – Individual Basis

Considering the recommendations of the supervisory and regulatory authorities, the legal and statutory provisions referring to the Legal Reserve, the net income recorded by Caixa Económica Montepio Geral, caixa económica bancária, S.A. in the year of 2020 amounted to -80,685,827.60 euros on a consolidated basis and -116,621,139.35 euros on an individual basis, the Board of Directors proposes that, under the terms of paragraph f) of no. 5 of article 66, and for the purposes of paragraph b) of no. 1 of article 376 of the Commercial Companies Code, the net income stated in the individual balance sheet should be transferred to retained earnings.

BOARD OF DIRECTORS

Chairman	Carlos Manuel Tavares da Silva
Members	Manuel Ferreira Teixeira Amadeu Ferreira de Paiva Carlos Francisco Ferreira Alves José da Cunha Nunes Pereira Pedro Jorge Gouveia Alves Rui Pedro Brás de Matos Heitor Vítor Manuel do Carmo Martins Pedro Manuel Moreira Leitão Dulce Maria Pereira Cardoso Mota Jorge Jacinto Helena Catarina Gomes Soares de Moura Costa Pina Jorge Paulo Almeida e Silva Baião José Carlos Sequeira Mateus Leandro Rodrigues da Graça Silva Nuno Cardoso Correia da Mota Pinto Pedro Miguel Nunes Ventaneira

Lisbon, 29 April 2021

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority published a set of guidelines – ESMA/2015/1415 – addressing the disclosure of information by entities, other than States, whose securities are admitted to trading on a regulated market and to which is required the disclosure of information as set out by the Transparency Directive 2004/109/EC of the European Parliament and of the Council.

These guidelines are mandatory for issuers as of 3 July 2016, and aim to promote transparency and clarify the usefulness of the indicators used by the issuers to measure their performance - Alternative Performance Measures (APM), contributing to improve the comparability, credibility and understanding of the APM presented.

This chapter serves the purpose of complying with ESMA guidelines on Alternative Performance Measures regarding 2020 financial information, with references to the various chapters of this Report.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS (PAGE 82, 86)

Definition	Sum of the items ‘Financial assets held for trading’, ‘Financial assets at fair value through other comprehensive income’, ‘Other financial assets at amortised cost’, and ‘Financial assets at fair value through profit or loss’.
Relevance	Assess the relative weight of this item from an assets’ structure perspective.
Reference to FSNO	Page 151 (notes 24, 26, 28, 25)

Components and calculus

(thousand euros)

		2018	2019	2019 Restated	2020
(a)	Financial assets held for trading	23 739	35 905	35 905	16 923
(b)	Financial assets at fair value through other comprehensive income	444 073	1859 691	1859 758	286 797
(c)	Other financial assets at amortised cost	1255 651	899 145	987 325	2 362 616
(d)	Financial assets at fair value through profit or loss*	492 594	384 675	384 675	346 892
(e)	Securities portfolio and other financial assets* (a + b + c + d)	2 216 057	3 179 416	3 267 663	3 013 228
(f)	Total net assets	18 332 243	17 740 142	17 740 142	17 941 006
	% Securities portfolio and other financial assets (e / f)	12.1%	17.9%	18.4%	16.8%

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

OTHER INVESTMENTS (PAGE 82, 83)

Definition	Total assets excluding 'Cash and deposits at central banks and loans and advances to credit institutions', 'Loans to customers, 'Financial assets held for trading' , 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets' structure perspective.
Reference to FSNO	Page 151, (notes 20, 21, 22, 23, 24, 26, 28, 25)

Components and calculus

(thousand euros)

		2018	2019	2019 Restated	2020
(a)	Total net assets	18 332 243	17 740 142	17 740 142	17 941 006
(b)	Cash and deposits at central banks and loans and advances to credit institutions	1 898 655	1 308 692	1 352 852	1 792 914
(c)	Net loans to customers	12 095 373	11 464 542	11 506 668	11 577 702
(d)	Financial assets held for trading	23 739	35 905	35 905	16 923
(e)	Financial assets at fair value through other comprehensive income	444 073	1 859 691	1 859 758	286 797
(f)	Other financial assets at amortised cost	1 255 651	899 145	987 325	2 362 616
(g)	Financial assets at fair value through profit or loss	492 594	384 675	384 675	346 892
(h)	Other investments (a - b - c - d - e - f - g)	2 122 158	1 787 492	1 612 959	1 557 162
	% of Other investments (h / a)	**11.6%**	**10.1%**	**9.1%**	**8.7%**

DEBT ISSUED (PAGE 82, 90)

Definition	Sum of the balance sheet items 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FSNO	Page 151, (notes 39, 41)

Components and calculus

(thousand euros)

		2018	2019	2019 Restated	2020
(a)	Debt securities issued	1 093 934	1 389 980	1 389 980	1 299 188
(b)	Other subordinated debt	50 044	157 847	157 847	216 896
(c)	Debt issued (a + b)	1 143 978	1 547 827	1 547 827	1 516 084
(d)	Total liabilities	16 815 337	16 288 154	16 288 154	16 613 847
	% of Debt issued (c / d)	**6.8%**	**9.5%**	**9.5%**	**9.1%**

Complementary resources (Page 88)

Definition	Total liabilities excluding 'Central bank resources and OCI, 'Customer resources', 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item compared to Customer resources and Issued debt from a funding structure perspective.
Reference to FSNO	Page 151, (notes 36, 37, 38, 39, 41)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Total liabilities	16 815 337	16 288 154	16 288 154	16 613 847
(b) Central bank resources and OCI	2 640 755	1 813 194	1 813 824	2 203 183
(c) Customer resources	12 575 224	12 524 697	12 642 446	12 501 973
(d) Debt securities issued	1 093 934	1 389 980	1 389 980	1 299 188
(e) Other subordinated debt	50 044	157 847	157 847	216 896
(f) Complementary resources (a - b - c - d - e)	455 380	402 436	284 057	392 607
% of Complementary resources (f / a)	**2.7%**	**2.5%**	**1.7%**	**2.4%**

Off-balance sheet resources (Page 90)

Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers resources.
Relevance	Contribute to the analysis of the evolution of total customers resources.
Reference to FSNO	(note 51)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Securities investment funds	131 428	182 078	182 078	158 724
(b) Real estate investment funds	294 536	385 468	385 468	417 915
(c) Pension funds	227 964	249 258	249 258	265 616
(d) Capitalization Insurance	22 072	996	996	955
Off-balance sheet resources (a + b + c + d)	**676 000**	**817 800**	**817 800**	**843 210**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME (PAGE 92, 93, 94, 95)

Definition	Results arising from interest received on loans granted to customers and interest paid on customer resources.
Relevance	Assess the evolution of the banking activity of financial intermediation between granting loans and deposit taking.
Reference to FSNO	(note 3)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Interest received from loans to customers	313 769	279 642	290 323	267 459
(b) Interest paid on customer deposits	56 912	34 751	34 435	19 454
Commercial net interest income (a - b)	**256 857**	**244 891**	**255 888**	**248 005**

OPERATING COSTS (PAGE 92, 97, 98)

Definition	Sum of staff costs, general and administrative expenses and depreciation and amortisations.
Relevance	Assess the evolution of the operating costs underlying the banking activity.
Reference to FSNO	Page 152, (notes 11, 12, 13)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Staff costs	156 004	157 567	162 352	189 255
(b) General and administrative expenses	77 726	65 489	68 131	66 989
(c) Depreciation and amortisation	25 897	31 243	33 534	35 118
Operating costs (a + b + c)	**259 627**	**254 299**	**264 017**	**291 362**

RESULTS FROM THE COMMERCIAL ACTIVITY (PAGE 92)

Definition	Sum of the Commercial net interest income and Net fees and commissions, subtracted by the Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	Page 152 (notes 3, 5, 11, 12, 13)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Commercial net banking income	256 857	244 891	255 888	248 005
(b) Net commissions	118 399	121 540	122 558	115 311
(c) Operating costs	259 627	254 299	264 017	291 362
Results from commercial activity (a + b - c)	**115 629**	**112 132**	**114 429**	**71 954**

RATIOS

LOAN-TO-DEPOSIT RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMER RESOURCES (PAGE 12, 79, 80)

Definition	Percentage of net loans to customers funded by the total amount of on-balance sheet resources from customers.
Relevance	Assess the leverage degree of the banking activity through the relationship between funds raised with customers and loans granted to customers.
Reference to FSNO	Page 151, (notes 22, 37, 38)

Components and calculus

(thousand euros)

	2018	2019	2018 Restated	2020
(a) Net loans to customers	12 095 373	11464 542	11506 668	11577 702
(b) Customer resources	12 575 224	12 524 697	12 642 446	12 501973
(c) Debt securities issued	1093 934	1389 980	1389 980	1299 188
Net loans to customers / On-balance sheet customer resources (a / (b + c))	88.5%	82.4%	82.0%	83.9%

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS (PAGE 12, 98)

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Reference to FSNO	Page 152 (notes 6,7,8, 9, 10, 11, 12, 13)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Total operating income	377 352	429 483	460 387	393 744
(b) Results from financial operations (i + ii + iii)	10 899	49 873	64 443	17 862
(i) Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	12 273	8 510	8 510	(18 695)
(ii) Net gains / (losses) from financial assets at fair value through other comprehensive income	5 626	42 269	42 269	23 693
(iii) Net gains / (losses) from foreign exchange differences	(7 000)	(906)	13 664	12 864
(c) Other income (i + ii)	(8 130)	13 628	11 527	14 725
(i) Net gains / (losses) arising from the sale of other financial assets	9 075	22 932	22 931	43 020
(ii) Other operating income / (expenses)	(17 205)	(9 304)	(11 404)	(28 295)
(d) Operating costs, excluding specific impacts 1)	259 627	254 299	264 017	261 862
Cost-to-Income, excluding specific impacts ((d) / (a - b - c))	69.3%	69.5%	68.7%	72.5%

1) Excluding the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures (29.5 M €) in the fourth quarter of 2020.

COST OF CREDIT RISK (PAGE 12, 98, 112)

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairment in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FSNO	(notes 14, 22)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Loan impairments (annualized[1])	72 330	120 313	114 905	185 126
(b) Average gross loans to customers[2]	13 709 146	12 569 759	12 598 953	12 416 390
Cost of credit risk (a / b)	**0.5%**	**1.0%**	**0.9%**	**1.5%**

1) Annualized values considering the total number of days elapsed and total days of the year.
2) Average balance for period (2018: 365 days / 2019: 365 days / 2020: 365 days).

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS (PAGE 12, 112)

Definition	Ratio that measures the quality evaluation of the loan portfolio.
Relevance	Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.
Reference to FSNO	(note 22)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Loans and interest overdue by more than 90 days	913 885	684 549	688 208	626 784
(b) Gross loans to customers	13 067 788	12 239 465	12 289 173	12 357 216
Ratio of loans and interest overdue by more than 90 days (a / b)	**7.0%**	**5.6%**	**5.6%**	**5.1%**

COVERAGE OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS BY IMPAIRMENT FOR BALANCE SHEET (PAGE 12, 112)

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.
Relevance	Assess the institution's ability to absorb potential losses arising from loans and interest overdue by more than 90 days.
Reference to FSNO	(note 22)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Impairment for balance sheet loans	972 415	774 923	782 505	779 514
(b) Loans and interest overdue by more than 90 days	913 885	684 549	688 208	626 784
Coverage of loans and interest overdue by more than 90 days (a / b)	**106.4%**	**113.2%**	**113.7%**	**124.4%**

NON-PERFORMING EXPOSURES / GROSS LOANS TO CUSTOMERS (PAGE 12, 85, 112)

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing exposures (NPE, according to EBA's definition) in relation to the total customer loan portfolio.
Reference to FSNO	(note 55)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Stock of Non-performing exposures	1 879 079	1 488 355	1 511 060	1 289 555
(b) Gross customer loans	13 067 788	12 239 465	12 289 173	12 357 216
Non-performing exposures / Gross loans to customers (a / b)	14.4%	12.2%	12.3%	10.4%

NON-PERFORMING EXPOSURES NET OF IMPAIRMENT FOR BALANCE SHEET LOANS / GROSS LOANS TO CUSTOMERS (PAGE 84, 85)

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing exposures (NPE, according to EBA's definition) net of Impairment for balance sheet loans in relation to the total customer loan portfolio.
Reference to FSNO	(note 55)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Stock of Non-performing exposures	1 879 079	1 488 355	1 511 060	1 289 555
(b) Impairment for balance sheet loans	972 415	774 923	782 505	779 514
(c) Gross customer loans	13 067 788	12 239 465	12 289 173	12 357 216
Non-performing exposures net of Impairment for balance sheet loans/ Gross loans to customers (a-b)/c	6.9%	5.8%	5.9%	4.1%

COVERAGE OF NON-PERFORMING EXPOSURES BY IMPAIRMENT FOR BALANCE SHEET LOANS (PAGE 12, 85, 112)

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the balance of non-performing exposures (NPE, according to the EBA definition).
Relevance	Assess the institution's capacity to absorb potential losses arising from the NPE portfolio.
Reference to FSNO	(note 55)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Impairment for balance sheet loans	972 415	774 923	782 505	779 514
(b) Stock of Non-performing exposures	1 879 079	1 488 355	1 511 060	1 289 555
Coverage of Non-performing exposures by Impairment for balance sheet loans (a / b)	51.7%	52.1%	51.8%	60.4%

Coverage of Non-performing exposures by Impairment for balance sheet loans and associated collaterals and financial guarantees (Page 12, 85, 112)

Definition	Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing exposures (NPE, according to EBA's definition).
Relevance	Assess the institution's capacity to absorb the potential losses arising from the NPE portfolio.
Reference to FSNO	(note 55)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Impairment for balance sheet loans	972 415	774 923	782 505	779 514
(b) Associated collaterals and financial guarantees	675 440	523 522	538 010	420 001
(c) Stock of Non-performing exposures	1 879 079	1 488 355	1 511 060	1 289 555
Coverage of Non-performing exposures by Impairment for balance sheet loans and associated collaterals and financial guarantees ((a + b) / c)	**87.7%**	**87.2%**	**87.4%**	**93.0%**

Forborne exposures / Gross customer loans (Page 12, 112)

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio.
Reference to FSNO	(note 55)

Components and calculus

(thousand euros)

	2018	2019	2019 Restated	2020
(a) Stock of Forborne exposures	941 589	867 782	877 953	815 895
(b) Gross customer loans	13 067 788	12 239 465	12 289 173	12 357 216
Forborne exposures / Gross loans to customers (a / b)	**7.2%**	**7.1%**	**7.1%**	**6.6%**

PART II

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Consolidated income statement
for financial years ended 31 December 2020 and 2019

(Euro thousand)

	Notes	2020	2019 Restated
Interest and similar income	3	303 680	334 214
Interest and similar expense	3	60 886	79 986
Net interest income	3	242 794	254 228
Dividends from equity instruments	4	3 052	7 631
Net fee and commission income	5	115 311	122 558
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	6	(18 695)	8 510
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	7	23 693	42 269
Net gains/(losses) arising from exchange differences	8	12 864	13 664
Net gains/(losses) arising from sale of other financial assets	9	43 020	22 931
Other operating income/(expense)	10	(28 295)	(11 404)
Total operating income		393 744	460 387
Staff costs	11	189 255	162 352
General and administrative expenses	12	66 989	68 131
Depreciation and amortization	13	35 118	33 534
Total operating cost		291 362	264 017
Impairment of loans and advances to customers and to credit institutions	14	185 126	114 905
Impairment of other financial assets	15	12 173	10 637
Impairment of other assets	16	19 457	11 710
Other provisions	17	4 076	6 008
Operating income		(118 450)	53 110
Share of profits/(losses) booked under the equity method	18	(662)	208
Profit/(loss) before income tax		(119 112)	53 318
Income Tax			
Current	33	(1 791)	(3 704)
Deferred	33	44 041	(21 909)
Profit/ (loss) after income tax from continuing operations		(76 862)	27 705
Profit/ (loss) from discontinued operations	60	(1 943)	(3 524)
Consolidated net income after income tax		(78 805)	24 181
Consolidated net income for the period attributable to the shareholders		(80 686)	21 684
Non-controlling Interests	47	1 881	2 497
Consolidated net profit / (loss) for the year		(78 805)	24 181
Earnings per share (in Euro)			
From continuing operations			
Basic		(0,032)	0,011
Diluted		(0,032)	0,011
From discontinued operations			
Basic		(0,002)	(0,002)
Diluted		(0,002)	(0,002)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2020

(Euro thousand)

	Notes	2020 Continuing Operations	Discontinued operations	Total	Shareholders	Non-controlling interests
Items that may be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income						
Debt instruments	45	(18 907)	-	(18 907)	(18 907)	-
Loans and advances to customers	45	(454)	-	(454)	(454)	-
Own credit risk	45	(139)	-	(139)	(139)	-
Taxes related to fair value changes	33	6 892	-	6 892	6 892	-
Exchange difference arising from the consolidation	45	(22 972)		(22 972)	(18 840)	(4 132)
		(35 580)	-	(35 580)	(31 448)	(4 132)
Items that will not be reclassified to the Income Statement						
Financial assets at fair value through other comprehensive income						
Debt instruments	45	(12 746)	-	(12 746)	(12 746)	-
Actuarial gains/(losses) for the year	50	8 917	-	8 917	8 917	-
		(3 829)	-	(3 829)	(3 829)	-
Other comprehensive income/(loss) for the year		(39 409)	-	(39 409)	(35 277)	(4 132)
Consolidated net income for the year		(76 862)	(1 943)	(78 805)	(80 686)	1 881
Total consolidated comprehensive income/(loss) for the year		(116 271)	(1 943)	(118 214)	(115 963)	(2 251)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2019

(Euro thousand)

	Notes	2019 Continuing Operations	Discontinued operations	Total	Shareholders	Non-controlling interests
Items that may be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income						
Debt instruments	45	26 807	-	26 807	26 807	-
Loans and advances to customers	45	(934)	-	(934)	(934)	-
Own credit risk	45	(13)	-	(13)	(13)	-
Taxes related to fair value changes	33	(9 934)	-	(9 934)	(9 934)	-
Exchange difference arising from the consolidation	45	(27 291)	-	(27 291)	(20 561)	(6 730)
		(11 365)	-	(11 365)	(4 635)	(6 730)
Items that will not be reclassified to the Income Statement						
Financial assets at fair value through other comprehensive income						
Equity instruments	45	3 593	-	3 593	3 593	-
Actuarial gains/(losses) for the year	50	(77 830)	-	(77 830)	(77 830)	-
Taxes on changes in equity recorded against retained earnings	33	(2 404)	-	(2 404)	(2 404)	-
		(76 641)	-	(76 641)	(76 641)	-
Other comprehensive income/(loss) for the year		(88 006)	-	(88 006)	(81 276)	(6 730)
Consolidated net income for the year		27 705	(3 524)	24 181	21 684	2 497
Total consolidated comprehensive income/(loss) for the year		(60 301)	(3 524)	(63 825)	(59 592)	(4 233)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Balance Sheet at 31 December 2020 and 2019

(Euro thousand)

	Notes	2020	2019
Assets			**Restated**
Cash and deposits at central banks	19	1 466 250	1 041 652
Loans and deposits to credit institutions payable on demand	20	33 660	29 897
Other loans and advances to credit institutions	21	293 004	281 303
Loans and advances to customers	22	11 577 702	11 506 668
Financial assets held for trading	23	16 923	35 905
Financial assets at fair value through profit or loss	24	346 892	384 675
Financial assets at fair value through other comprehensive income	25	286 797	1 859 758
Hedging derivatives	26	10 693	11 148
Other financial assets at amortized cost	27	2 362 616	987 325
Investments in associated companies	28	3 872	4 439
Non-current assets held for sale	29	5 484	1 915
Non-current assets held for sale - discontinued operations	60	1 310	-
Investment properties	30	125 893	144 868
Other tangible assets	31	259 162	282 826
Intangible assets	32	35 829	34 785
Current tax assets	33	3 584	15 531
Deferred tax assets	33	496 223	434 665
Other assets	34	615 112	682 782
Total Assets		17 941 006	17 740 142
Liabilities			
Deposits from central banks	35	1 382 545	1 291 033
Deposits from other credit institutions	36	820 638	522 791
Deposits from customers	37	12 501 973	12 642 446
Debt securities issued	38	1 299 188	1 389 980
Financial liabilities held for trading	23	13 598	13 368
Hedging derivatives	26	397	547
Non-current liabilities held for sale - discontinued operations	60	109 619	-
Provisions	39	38 654	38 547
Current tax liabilities	-	4 486	4 392
Other subordinated debt	40	216 896	157 847
Other liabilities	41	225 853	227 203
Total Liabilities		16 613 847	16 288 154
Shareholders' Equity			
Share capital	42	2 420 000	2 420 000
Other equity instruments	43	-	6 323
Fair value reserves	45	(28 295)	809
Other reserves and Retained earnings	44 and 45	(993 159)	(1 008 378)
Consolidated net income for the year attributable to the Shareholder		(80 686)	21 684
Total Equity Attributable to Shareholders		1 317 860	1 440 438
Non-controlling Interests	47	9 299	11 550
Total Shareholders' Equity		1 327 159	1 451 988
Total Liabilities and Shareholders' Equity		17 941 006	17 740 142

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Cash Flows
for the financial years ended 31 december 2020 and 2019

(Euro thousand)

	2020	2019
Cash from operating activities		
Interest income received	305 535	349 642
Interest expense paid	(62 715)	(86 805)
Fee and commission income received	138 110	149 548
Fee and commission expense paid	(22 799)	(26 990)
Costs with staff and suppliers	(247 479)	(226 616)
Recovery of loans and interest	2 634	8 102
Other payments and receivables	(9 123)	7 228
Income tax payment	8 410	(19 529)
	112 573	154 580
(Increases)/Decreases in operating assets		
Loans and advances to credit institutions and customers	(268 998)	457 908
Deposits held for monetary control purposes	(455 415)	614 036
(Purchase)/Sale of financial assets held for trading	6 580	(10 836)
Purchase)/Sale of financial assets at fair value through profit or loss	33 476	117 232
(Purchase)/Sale of financial assets at fair value through other comprehensive income	1 555 074	(1 343 070)
(Purchase)/Sale of other assets at amortized cost	(1 337 874)	368 084
Other assets	15 527	137 303
	(451 630)	340 657
Increases/(decreases in operating liabilities		
Deposits from customers	(26 102)	(94 704)
Deposits from credit institutions	297 523	(728 590)
Deposits from central banks	77 160	(100 000)
	348 581	(923 294)
	9 524	(428 057)
Cash from investing activities		
Dividends received	3 052	7 631
(Purchase) / Sale of other financial assets	(2 971)	-
Sale of fixed assets	-	(25 004)
	81	(17 373)
Cash from financing activities		
Dividends paid	-	(2 002)
Other equity instruments	(292)	(321)
Issuance of cash bonds and subordinated debt (notes 38 & 40)	50 000	600 000
Repayment of cash bonds and subordinated debt (notes 38 & 40)	(90 129)	(202 711)
	(40 421)	394 966
Effects of exchange rate changes on cash and cash equivalents	3 762	(906)
Net change in cash and cash equivalents	(27 054)	(51 370)
Cash and cash equivalents at the beginning of the period		
Cash (note 19)	196 680	198 732
Loans and deposits to credit institutions payable on demand (note 20)	29 897	79 215
	226 577	277 947
Cash and cash equivalents at the end of the period		
Cash (note 19)	165 863	196 680
Loans and deposits to credit institutions payable on demand (note 20)	33 660	29 897
	199 523	226 577

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Changes in Equity
for the period ended 31 December 2020 and 2019

(Euro thousand)

	Share capital (note 42)	Other equity instruments (note 43)	Fair value reserves (note 45)	General and Legal reserves (note 44)	Retained earnings (note 45)	Consolidated net income/ (loss) for the period	Equity attributable to Shareholders	Non-controlling interests (note 47)	Total Shareholders' Equity
Balances on 1 January 2019	**2 420 000**	**6 323**	**(18 710)**	**191 767**	**(1 111 608)**	**13 583**	**1 501 355**	**15 551**	**1 516 906**
Other comprehensive income:									
Exchange difference arising from consolidation	-	-	-	-	(20 561)	-	(20 561)	(6 730)	(27 291)
Appropriation to retained earnings of net income of the previous period	-	-	-	-	13 583	(13 583)	-	-	-
Remeasurements in the period (note 50)	-	-	-	-	(77 830)	-	(77 830)	-	(77 830)
Taxes related to changes in equity recorded against retained earnings (note 33)	-	-	-	-	(2 404)	-	(2 404)	-	(2 404)
Changes in fair value (note 45)	-	-	29 453	-	-	-	29 453	-	29 453
Taxes on changes in fair value (notes 33 and 45)	-	-	(9 934)	-	-	-	(9 934)	-	(9 934)
Consolidated net income for the period	-	-	-	-	-	21 684	21 684	2 497	24 181
Total comprehensive income/(loss) for the period	-	-	19 519	-	(87 212)	8 101	(59 592)	(4 233)	(63 825)
Financial costs related to the issue of perpetual subordinated debt	-	-	-	-	(321)	-	(321)	-	(321)
Legal reserve	-	-	-	202	(202)	-	-	-	-
Reserves realized	-	-	-	-	25	-	25	-	25
Dividends paid	-	-	-	-	(1 147)	-	(1 147)	(776)	(1 923)
Other consolidation reserves	-	-	-	-	118	-	118	1 008	1 126
Balances on 31 December 2019	**2 420 000**	**6 323**	**809**	**191 969**	**(1 200 347)**	**21 684**	**1 440 438**	**11 550**	**1 451 988**
Other comprehensive income:									
Exchange difference arising from consolidation	-	-	-	-	(18 840)	-	(18 840)	(4 132)	(22 972)
Appropriation to retained earnings of net income of the previous period	-	-	-	1 297	20 387	(21 684)	-	-	-
Remeasurements in the period (note 50)	-	-	-	-	8 917	-	8 917	-	8 917
Changes in fair value (note 45)	-	-	(35 996)	-	3 750	-	(32 246)	-	(32 246)
Taxes on changes in fair value (notes 33 and 45)	-	-	6 892	-	-	-	6 892	-	6 892
Consolidated net income for the period	-	-	-	-	-	(80 686)	(80 686)	1 881	(78 805)
Total comprehensive income/(loss) for the period	-	-	(29 104)	1 297	14 214	(102 370)	(115 963)	(2 251)	(118 214)
Reclassification of perpetual subordinated debt (note 43)	-	(6 323)	-	-	-	-	(6 323)	-	(6 323)
Financial costs related to the issue of perpetual subordinated debt	-	-	-	-	(292)	-	(292)	-	(292)
Balances on 31 December 2020	**2 420 000**	**-**	**(28 295)**	**193 266**	**(1 186 425)**	**(80 686)**	**1 317 860**	**9 299**	**1 327 159**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio") is a credit institution, with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), incorporated on 24 March 1844. It is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if previously authorized by the Bank of Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the by-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

The financial statements of Banco Montepio are consolidated in the financial statements of MGAM. The following entities integrate the Group:

Montepio Holding, S.G.P.S, S.A.

Montepio Holding is the central entity of a group of companies offering a range of financial products and services to companies and investors, institutional and individuals. Montepio Holding, S.G.P.S holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., Montepio Crédito – Instituição Financeira de Crédito, S.A., Montepio Valor – Sociedade Gestora de Organismos de Investimento Coletivo, S.A. and Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. and a shareholding of 80.22% in Finibanco Angola, S.A.

The various investees of Montepio Holding develop a varied set of activities, including the banking activity as well as asset management and the rendering of complementary financial services in the insurance, specialized consumer credit and long-term rental areas.

Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A.

Banco Montepio Geral Cabo Verde makes available to its customers a specialized product and service offer, varied investment and savings solutions, as well as capital and treasury management solutions.

Pursuant to Law no. 79/IX/2020, of 23 March, which establishes a transitional period for credit institutions with restricted authorization, constituted and authorized to operate in the Cape-Verdean financial system, to, if they wish, proceed by the end of 2021 with the statutory and organizational changes necessary to start operating as banks with generic authorization. According to the same legal framework, once that date is exceeded, the authorizations of institutions that do not promote these changes are revoked. In this context, the Group is analysing the set of strategic options available considering the new legal, economic, and financial framework.

Finibanco Angola, S.A.

Finibanco Angola obtains third-party funds in the form of deposits or other, which it applies, together with its own funds, in the granting of loans, in deposits at Banco Nacional de Angola, in loans and advances made to credit institutions, on the acquisition of securities and other assets, activities which it is duly authorized to carry out. Finibanco Angola also renders other banking services and realizes various types of foreign-currency operations.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito), 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, handles the specialized credit offer in the automobile, equipment, home and services sectors, complemented by a number of solutions intended for individuals, companies and institutions of the Social Economy sectors. The specialized credit segment highlights one of the cornerstones of the Banco Montepio Group's Transformation Plan, reflecting the focus on consumer credit.

As a result of the repositioning carried out at the level of the Banco Montepio Group and the strong, solid relationship established with its partners, based on the experience acquired over the years, Montepio Crédito developed its offer of specialized credit solutions in the following areas: Automobile, Health, Automobile Repairs, Telecommunications and Furniture, for the retail segment; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry, for the corporate segment.

Banco de Empresas Montepio

Montepio Investimento, S.A., a bank 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, continued, in 2019, an intervention geared towards Investment Banking, with the objective of complementing the Group's offer of products and services. On 4 June 2019, it adopted the trade name Banco de Empresas Montepio ("BEM"), and started carrying out, in an integrated manner, the activities of Commercial Banking (for companies with a turnover exceeding Euro 20 million) and Investment Banking, with its activity extending to the areas of Corporate Finance, Capital Markets, Structured Financing, Financial Advisory Services and Corporate and Information Studies. In the area of commercial banking, the development of business areas related to the international trade, factoring and treasury management of companies is also noteworthy.

Montepio Valor – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Montepio Valor has as its corporate object the management of real estate investment funds, of note being Valor Prime (Open Fund), three residential leasing funds ("FIIAH") and various closed funds for subscription by individuals.

Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

Ssagincentive has as its object the trading and management of real estate, as well as the management and acquisition for resale of real estate acquired by Group companies as a result of the recovery of credit granted by same. Ssagincentive is also responsible for the acquisition for management or resale of real estate under litigation initiated by Group companies.

Montepio - Gestão de Activos Imobiliários, A.C.E.

Montepio Gestão de Activos Imobiliários has as its object the realization of the integrated management of the entire real estate asset portfolio of the Group.

H.T.A. – Hotéis, Turismo e Animação dos Açores, S.A

H.T.A. has as its main activity the promotion, realization, exploration and management of any tourism activities and investments, including the construction, remodelling and exploration of hotel, casino and gaming house units, the exploration of games of chance, the acquisition of real estate for resale, the import and export of goods, the explorations of spas, as well as all remaining activities related to those previously referred.

CESource

The purpose of this Grouping is to provide specialized services in the area of information technologies, contributing, through the optimization of such management, to the improvement of the conditions and means of the exercise or result of the economic activities of the members of this Grouping.

The remining entities of the consolidation perimeter are disclosed in note 59.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of the Bank of Portugal, of 7 December, Banco Montepio Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The Group adopted in the preparation of the consolidated financial statements as at 31 December 2020 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2020.

The consolidated financial statements and the notes to the consolidated financial statements presented herein were approved by the Board of Directors of Banco Montepio on 29 April 2021 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. The associated estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the book values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main estimates and assumptions involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in the accounting policy described in note 1 aa).

Comparability of information

The Group adopted IFRS and interpretations of mandatory application for periods beginning on or after 1 January 2020, as described in note 56. The accounting policies have been applied consistently by all Group entities and are consistent with those used in the preparation of the financial statements of the previous financial year.

Restatement of the consolidated financial statements of the previous financial year

Notwithstanding the aforementioned, in financial year 2020 the subsidiary Finibanco Angola failed to comply with the criteria set out in IFRS 5 to be considered as a discontinued entity, classified as Non-current assets held for sale - discontinued operations. Hence, and in accordance with the provisions of IFRS 5, Finibanco Angola was fully consolidated, line by line, retrospectively.

In 2020, Banco Montepio Geral – Cabo Verde, S.A. and Montepio Valor, S.G.O.I.C., S.A., considering the decisions taken by the Management Bodies, were reclassified to Non-current assets held for sale - discontinued operations. In this context, the contribution of these entities to the income statement, in 2019, was reclassified to Income/(Loss) from discontinued operations.

(Euro thousand)

	2019	FNBA	2019 Restated
Assets			
Cash and deposits at central banks	1 003 649	38 003	1 041 652
Loans and deposits to credit institutions payable on demand	29 445	452	29 897
Other loans and advances to credit institutions	275 598	5 705	281 303
Loans and advances to customers	11 464 542	42 126	11 506 668
Financial assets held for trading	35 905	-	35 905
Financial assets at fair value through profit or loss	384 675	-	384 675
Financial assets at fair value through other comprehensive income	1 859 691	67	1 859 758
Hedging derivatives	11 148	-	11 148
Other financial assets at amortized cost	899 145	88 180	987 325
Investments in associated companies	4 439	-	4 439
Non-current assets held for sale	-	1 915	1 915
Non-current assets held for sale - discontinued operations	216 538	(216 538)	-
Investment properties	144 868	-	144 868
Other tangible assets	248 469	34 357	282 826
Intangible assets	33 839	946	34 785
Current tax assets	15 284	247	15 531
Deferred tax assets	434 665	-	434 665
Other assets	678 242	4 540	682 782
Total Assets	17 740 142	-	17 740 142
Liabilities			
Deposits from central banks	1 291 033	-	1 291 033
Deposits from other credit institutions	522 161	630	522 791
Deposits from customers	12 524 697	117 749	12 642 446
Debt securities issued	1 389 980	-	1 389 980
Financial liabilities held for trading	13 368	-	13 368
Hedging derivatives	547	-	547
Non-current liabilities held for sale - discontinued operations	134 429	(134 429)	-
Provisions	31 633	6 914	38 547
Current tax liabilities	1 783	2 609	4 392
Other subordinated debt	157 847	-	157 847
Other liabilities	220 676	6 527	227 203
Total Liabilities	16 288 154	-	16 288 154
Shareholders' Equity			
Share capital	2 420 000	-	2 420 000
Other equity instruments	6 323	-	6 323
Fair value reserves	809	-	809
Other reserves and Retained earnings	(1 008 378)	-	(1 008 378)
Consolidated net income for the year attributable to the Shareholder	21 684	-	21 684
Total Equity Attributable to Shareholders	1 440 438	-	1 440 438
Non-controlling Interests	11 550		11 550
Total Shareholders' Equity	1 451 988	-	1 451 988
Total Liabilities and Shareholders' Equity	17 740 142	-	17 740 142

(Euro thousand)

	2019	net contribution FNBA	net contribution MGCV	net contribution MV	2019 Restated
Interest and similar income	316 488	19 733	(1)	-	336 220
Interest and similar expense	79 677	4 127	(1 799)	(13)	81 992
Net interest income	236 811	15 606	1 798	13	254 228
Dividends from equity instruments	7 631	-	-	-	7 631
Net fee and commission income	121 540	4 043	-	(3 025)	122 558
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	8 510	-	-	-	8 510
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	42 269	-	-	-	42 269
Net gains/(losses) arising from exchange differences	(906)	14 570	-	-	13 664
Net gains/(losses) arising from sale of other financial assets	22 932	-	-	(1)	22 931
Other operating income/(expense)	(9 304)	(2 060)	(1)	(39)	(11 404)
Total operating income	429 483	32 159	1 797	(3 052)	460 387
Staff costs	157 567	6 748	(191)	(1 772)	162 352
General and administrative expenses	65 489	4 659	(341)	(1 676)	68 131
Depreciation and amortization	31 243	2 490	(5)	(194)	33 534
Total operating cost	254 299	13 897	(537)	(3 642)	264 017
Impairment of loans and advances to customers and to credit institutions	120 313	(5 408)	-	-	114 905
Impairment of other financial assets	9 474	1 163	-	-	10 637
Impairment of other assets	11 710	-	-	-	11 710
Other provisions	(400)	6 548	-	(140)	6 008
Operating income	34 087	15 959	2 334	730	53 110
Share of profits/(losses) booked under the equity method	208	-	-	-	208
Profit/(loss) before income tax	34 295	15 959	2 334	730	53 318
Income Tax					
Current	(722)	(3 334)	1	351	(3 704)
Deferred	(22 017)	-	-	108	(21 909)
Profit/ (loss) after income tax from continuing operations	11 556	12 625	2 335	1 189	27 705
Profit/ (loss) from discontinued operations	12 625	(12 625)	(2 335)	(1 189)	(3 524)
Consolidated net income after income tax	24 181	-	-	-	24 181
Consolidated net income for the year attributable to the shareholders	21 684	-	-	-	21 684
Non-controlling Interests	2 497	-	-	-	2 497
Consolidated net income	24 181	-	-	-	24 181

b) Bases of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of Banco Montepio and its subsidiaries ("Group"), and the results attributable to the Group in respect of its financial investments in associated companies, as well as the book value of these financial investments measured under the equity method, for financial years ended 31 December 2020 and 2019.

Subsidiaries

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns derived from its involvement with this entity, can appropriate these through the power it holds over the entity's relevant activities (de facto control) and has the ability to allocate these variable returns through the power it holds over the entity's relevant activities. As established in IFRS 10, the Group analyses the objective and the structuring of the manner the operations of an entity are developed in evaluating the control over same. The financial statements of the subsidiaries are consolidated by the full consolidation method as from the moment the Group acquires control until the moment that control ceases. The interests of third parties in these companies are presented in the caption Non-controlling interests.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognize negative non-controlling interests.

In a step acquisition process resulting in the acquisition of control, the revaluation of any shareholding (elsewhere in this document also referred to as "investment" or "interest") previously acquired is booked against the income statement when the goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, the shareholding retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Subsidiaries' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group companies.

Associated companies

Associated companies are accounted for under the equity method as from the date the Group acquires significant influence until the date it ceases to have such influence. Associated companies are entities in respect of which the Group has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence being held by the Group is usually evidenced by at least one of the following facts:

1. representation on the Board of Directors or equivalent management body of the investee;
2. participation in policy-making processes, including participation in decisions involving dividends or other distributions;
3. material transactions between the Group and the investee;
4. interchange of management personnel; and
5. provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of the associated companies accounted for under the equity method. In applying the equity method, unrealized gains or losses on transactions between the Group and its associated companies are eliminated. Dividends attributed by the associated companies are deducted from the investment amount in the consolidated balance sheet. Associated companies' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group companies. When the Group's share of attributable losses exceeds its interest in an associated company, the book value of the investment, including any medium- or long-term interest in that associated company, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associated company.

Special purpose entities

The Group consolidates by the full consolidation method certain special purpose entities, namely vehicles and funds created as part of securitization operations, set up specifically to fulfil a narrow and well-defined objective, when the substance of the relationship with such entities indicates that the Group exercises control over their activities, i.e. when it holds most of the risks and rewards associated with their activities, namely through bonds issued with a greater degree of subordination.

Goodwill

Business combinations are recorded using the purchase method. The acquisition cost corresponds to the fair value, determined at the purchase date, of the assets transferred and the liabilities incurred or assumed. Costs directly related to the acquisition of a subsidiary are recognized directly in the income statement. The positive goodwill that results from acquisitions is recognized as an asset and carried at acquisition cost, not being subject to amortization. Goodwill arising on the acquisition of shareholdings in subsidiaries and associated companies is defined as the difference between the total value or the cost of the acquisition and the total or corresponding share of the fair value of the assets, liabilities and contingent liabilities of the investee, respectively, depending on the option taken. When at the date of acquisition of control the Group already holds a previously acquired shareholding, the fair value of such shareholding contributes to the determination of the goodwill or badwill. Negative goodwill arising on an acquisition is recognized directly in the income statement in the financial year the business combination occurs. The recoverable amount of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses determined are recognized in the income statement for the financial year. The recoverable amount is determined based on the highest between the value in use of the assets and their fair value less costs to sell, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is allocated to the cash-generating units to which it belongs for the purpose of carrying out impairment tests, which are performed at least once a year. Goodwill impairment losses are not reversible. When the Group reorganizes its activity, implying a change in the composition of its cash-generating units, to which goodwill has been allocated, the allocation of the goodwill to the new cash-generating units is revised whenever there is a rationale for such. The reallocation is made applying a relative fair value approach, of the new cash-generating units resulting from the reorganization. Goodwill is not adjusted in function of the final determination of the contingent purchase price paid, with such difference being booked in the income statement, or reserves if applicable, when the determination of the final contingent price occurs 1 year after the acquisition of control of the business, or if the determination of this price occurs less than 1 year after the referred date, when the adjustments relate to information obtained in respect of facts occurring after the date of the acquisition.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted for as a transaction with shareholders and, as such, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized directly in reserves. Likewise, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognized against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of part of a shareholding in a subsidiary, with loss of control, are recognized by the Group in the income statement.

On dilutions of controlling interests not resulting in a loss of control, the difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized against reserves.

Investments in foreign subsidiaries and associated companies

The financial statements of the foreign subsidiaries and associated companies of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries not considered as having a functional currency of a hyperinflationary economy, are converted into Euro at the official exchange rate in force at the balance sheet date.

If the functional currency of a foreign subsidiary is the currency of a hyperinflationary economy, then its financial statements are first adjusted to reflect the purchasing power as at the current balance sheet date and then converted into the reporting currency using the exchange rate in force as at the current balance sheet date.

Hence, non-monetary items are updated at the end of the reporting period through the application of a general price index, as from the acquisition date or the last revaluation date, whichever occurred most recently. Income and expense items, including other comprehensive income, are also updated, with the gain or loss on the net monetary position being calculated, and reflecting the gain or loss on the net monetary position of the foreign subsidiary.

As at 31 December 2018, for Angola, the inflation rate accumulated in the past three years came close to 100%, which corresponds to an objective quantitative condition, in addition to the existence of other conditions set forth in IAS 29, implying that the functional currency of Finibanco Angola, S.A.'s financial statements as at that date corresponds to the currency of a hyperinflationary economy, as was also the case as at 31 December 2017, as per note 59. Accordingly, the financial statements of Finibanco Angola, S.A. were adjusted by the inflation indices, before being transposed into the Group's presentation currency and before their integration in the consolidation, with: i) the amounts of the non-monetary balance sheet items of Finibanco Angola, S.A., at cost or cost less depreciation being restated by applying the general price index in Angola; and ii) the loss on the net monetary position being included in the net result of Montepio.

During financial years 2020 and 2019, the conditions set out in IAS 29 for qualifying the Angolan economy as hyperinflationary were not met. The end of the application of IAS 29 results from inflation in Angola, at the end of 2019, standing at 16.9% and the accumulated inflation in the last three years being less than 100%. Thus, the Group ceased to apply the inflation indices with reference to 1 January 2019.

Regarding shareholdings in foreign currency that are consolidated in the Group accounts under the full consolidation and equity methods, the exchange differences between the conversion to Euro of the opening net assets at the beginning of the period and their value in Euro at the exchange rate ruling at the balance sheet date to which the consolidated accounts relate, are charged against reserves – exchange differences. Exchange differences resulting from hedging instruments related to shareholdings in foreign currency are booked in reserves resulting from those financial shareholdings. Whenever the hedge is not fully effective, the ineffective portion is accounted for in the income statement for the financial year.

The income and expenses of these investees are converted to Euro at an approximate rate to the rates ruling as at the dates of the transactions. Exchange differences resulting from the conversion to Euro of the results for the financial year, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognized in reserves - exchange differences.

On the disposal of financial shareholdings in foreign subsidiaries resulting in loss of control, the exchange differences related to the financial shareholding in the foreign operation and to the associated hedging operation previously recognized in reserves, are transferred to profit or loss as part of the gain or loss arising from the disposal.

Balances and transactions eliminated on consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associated companies and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Financial instruments – IFRS 9

c.1) Classification of financial assets

The Group classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

c.1.1) *Debt instruments*

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories is based on the following two elements:

- the Group's business model for financial asset management, and
- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Group classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

- they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:
   - they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
   - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Group's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Group also considered whether it expects to recover the book value of the asset through the sale to a third party.

   Also included in this portfolio are all instruments in respect of which any of the following characteristics are met:
   - that were originated or acquired for the purpose of being traded in the short term.
   - that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
   - that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Group manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Group's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of "another" business model and recognized at fair value through profit or loss. Factors considered by the Group in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to management, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading are held, primarily, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under "other" business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, taking into account the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Sales that are closed to the maturity date and those motivated by the increased credit risk of the financial assets or to manage credit concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if those sales are an immaterial value, both individually or in aggregate (even if infrequent). To this purpose, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not match with the reference interest rate term (for example, the interest rate is adjusted every three months), the Group assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model involves holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Group assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the “solely payments of principal and interest” (“SPPI”) test). In this assessment, the Group considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding (“SPPI” test).

c.1.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. Generally, the Group exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

c.2) Classification of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other loans;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 d);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

c.3) Recognition and initial valuation of financial instruments

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Group undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e. level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

The Group recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

c.4) Subsequent valuation of financial instruments

Subsequent to initial recognition, the Group values its financial assets at (i) amortized cost, (ii) fair value through other comprehensive income or (iii) fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

c.5) Interest recognition

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income, as well as the interest on financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified as Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

c.6) Reclassifications between financial instrument categories

Reclassifications of financial assets can only occur when the Group changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

Modification of loans

Occasionally, the Group renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Group assesses whether the new contract terms are substantially different from the original terms. The Group makes this analysis considering, among others, the following factors:

- if the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- a significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- a significant extension of the contract maturity when the debtor is not in financial difficulty;
- a significant change in interest rate;
- a change from the currency in which the credit was contracted;
- the inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. The renegotiation date is considered the initial recognition date for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or modification, does not result in de-recognition and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Bank may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 (“ECL lifetime”) or from Stage 2 to Stage 1 (“ECL 12 months”), except for financial assets acquired or originated in impairment that are classified in Stage 3. This situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank continues to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

c.7) De-recognition that does not result from a modification

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Group substantially transfers all risks and rewards associated with holding the asset, or (ii) the Group neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not control the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Group engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Group:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Group (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Group substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

c.8) Write-off policy

The Group recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by the Group turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

c.9) Impairment of financial assets

The Group determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments. The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against an accumulated impairment caption in balance sheet, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions are recognized in the income statement in the caption Impairment of loans and advances to customers and to credit institutions, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The charges and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

   The Group estimates cash flows considering the contractual term defined for the operations or the behavioural maturity. For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, taking into account the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events. The following distinction shall be taken into account: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a 12-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of 12 months from the reference date.

c.10.1) *Impairment model of loans and advances to customers*

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following instruments of the Group that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income;
- Commitments and financial guarantees issued.

No impairment is recognized on equity instruments since these are measured at fair value and the gains or losses resulting on their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition; and
- Incorporation of forward-looking information in the ECL calculation.

Calculation of ECLs

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that the Group expects to receive;
- Financial guarantees: the present value of the expected reimbursement payments less the amounts that the Group expects to recover.

c.10.2) *Definition of default*

The Group aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by Banco Montepio are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures;
- Individually significant customers with individual impairment;
- Bankruptcy/insolvency customers;
- Customers with loans written off from assets in the Banco Montepio Group in the last 5 years;
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

c.10.3) *Significant increase in credit risk (SICR)*

In order to determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e. risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure’s risk rating at the reporting date, and
- The exposure’s risk rating attributed at the initial moment of the exposure´s recognition.

The Group identifies the occurrence of a significant increase in credit risk through a comparison of the actual risk rating with the risk rating attributed at the contract’s inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower as the higher the original rating was.

When evaluating the significant increase in credit risk, the Group also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis the Group and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the CRC).

In the context of the current pandemic crisis, and with the aim of anticipating the risk deterioration associated with moratoria exposures, the following adjustments at the level of classification in Stage 2 were considered:

- Customers in the corporate and self-employee’s segment: operations with capital and interest under moratoria conditions were classified as Stage 2. This criterion is expected to be revised in 2021, considering the rating/scoring update with financial information for 2020;

- Customers in the individuals' segment: worsening of the behavioural scoring, considering the adjustment of certain input variables, namely related to the evolution of the customers' resources or professional situation of unemployment.

c.10.4) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach considers parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated using statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);

- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and

- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. The Group collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating, economic activity code and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. The Group estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. The Group obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, the Banco Montepio Group calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity. For the purpose of incorporating the forward-looking component, 3 scenarios are considered, according to the following characteristics:

1. Baseline scenario, with a 60% probability of occurrence:

2. Pessimistic scenario, with a 20% probability of occurrence;

3. Optimistic scenario, with a 20% probability of occurrence.

Regarding the process of incorporating macroeconomic projections into the parameters for the impairment estimation, the established process provides for the projections to be updated at least annually. In financial year 2020, to ensure the consideration of updated projections, especially relevant in a context of economic instability, the projections were updated twice, for the June and December account closing processes.

Additionally, in order to do not distort the estimates obtained with the effect of the loans under moratoria conditions, the 2020 observations were disregarded for the purpose of updating the historical information used in the estimation of the risk parameters.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2019	2020	2021	2022
Unemployment rate (1)				
Base scenario	6.63%	8.79%	7.15%	5.53%
Worst-case scenario	6.63%	10.34%	11.48%	10.46%
Best-case scenario	6.63%	8.72%	6.75%	5.07%
GDP growth rate (2)				
Base scenario	0.73%	-7.99%	3.9%	4.47%
Worst-case scenario	0.73%	-10.97%	2.48%	4.77%
Best-case scenario	0.73%	-5.26%	3.06%	4.22%
Growth rate of median house prices(2)				
Base scenario	1.84%	-11.46%	5.77%	6.4%
Worst-case scenario	1.84%	-15.46%	-10.1%	6.55%
Best-case scenario	1.84%	-9.11%	7.33%	6.78%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Source: Instituto Nacional de Estatística; Projections: Moody's Analytics

c.10.5) *Measurement of ECL – Individual analysis*

In the group of individually significant customers, customer exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of same, the collateral and existing guarantees as well as the remaining factors relevant for this analysis.

For individually significant financial assets of counterparties/customers classified in Stage 3, the impairment value is determined using the discounted cash flow method, with the impairment value corresponding to the difference between the credit value and the sum of the expected cash flows from the customer's various operations, discounted according to the original interest rates of each operation.

For the financial assets of individually significant counterparties/customers classified in Stages 1 and 2, the expected credit loss (ECL) is attributed according to the collective analysis methodology, given that individually no impairment level is observed.

The criteria for the determination of impairment of individually significant loans

All customers or economic groups that meet the following conditions are subject to individual analysis:

1. Economic Groups with a global exposure amount ≥ € 0.5 million in which at least one of the participants is the holder of operations classified as Stage 3, with customers with an exposure amount ≥ € 0.1 million being selected;
2. Customers holding Stage 2 operations with an exposure amount ≥ 1.0 m€ and customers with an exposure amount ≥ €1.0 million that are part of the same Economic Group;
3. Customers holding Stage 1 operations with an exposure amount ≥ € 2.5 million;
4. Customers corresponding to Shareholding Management Companies (SGPS) and/or Customers holding loans under Project Finance with an exposure amount ≥ €1.0 million;
5. Other customers when duly justified.

For the exposure of customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations subject to write-off.

The individual analysis is the responsibility of the Specialized Credit Analysis Department and in the evaluation of impairment losses the following factors are, essentially, considered:

- Total exposure of each customer and/or economic group, internal rating of the customer and/or economic group, the staging associated with each operation and the existence of signs of impairment;

- Economic and financial viability of the customer or economic group and the respective ability to generate future cash flows to pay the debt;

- Existence of collaterals associated with each credit and their respective valuation;

- Customers' or guarantors' net assets;

- Situation of bankruptcy or insolvency of the customers and/or guarantors;

- Expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and according to the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment is made when the expected cash flows are lower than the contractual cash flows due by the customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method:

- In case of the continuity of operations (going concern) a critical analysis is done of the companies’ business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;

- In the case of the cessation of the activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustments, are discounted at the original effective interest rate of the operations;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;
- For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

c.11) *Securitized loans and advances not derecognized*

The Group does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Credits sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

c.12) *Synthetic securitization*

The Bank has an operation underway that configures a synthetic securitization structure. The operation started on 18 December 2020 and is based on a loan portfolio of small and medium-sized companies (SMEs).

This operation aims to reinforce the CET1 ratio, without generating any increase in liquidity. In this operation, there was no sale of loans to third parties, issue of bonds or participation of Credit Securitization Companies, Credit Securitization Vehicles and Credit Securitization Funds, or the need to maintain Reserve Accounts. Also, there was no transfer of loan collections.

The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Bank transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF will be the guarantors of the senior and mezzanine tranches, with the Bank bearing a commission of 0.3% and 4.5% to guarantee each of the tranches, respectively. Banco Montepio retained the risk of the junior and of the excess spread tranches.

With this operation, the Bank reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio; however, as most of the risks and benefits associated with these loans were not transferred, the derecognition criteria of the financial assets defined in the accounting policy presented in c.7) above are not met.

d) Derivative financial instruments and hedge accounting

The Banco Montepio Group designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities, in the scope of IFRS 9, since 2020. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, the Group may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

e) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognized in equity as a deduction from the amount of the issue. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs. Distributions made on account of equity instruments are deducted from equity as dividends when declared.

f) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date.

Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Group usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Group has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

g) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

The Group carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable. Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, except for deferred tax assets, employee-benefit related assets, financial assets in the scope of IFRS 9 and non-current assets at fair value according to IAS 40, with the unrealized losses being, in this manner, recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Group intends to immediately sell all properties and other assets received in recovery of credit, during financial year 2019 the Group changed the classification of these assets from non-current assets held for sale to the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. However, the accounting method has not changed from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

Regarding the classification of financial shareholdings classified as held for sale:

I. in the case of subsidiaries, they continue to be consolidated up to the date of their disposal, with all their assets and liabilities being classified as Non-current assets held for sale and Non-current liabilities held for sale, measured at the lower of book value and fair value less costs to sell, with the recording of depreciation/amortization ceasing;

II. in the case of associated companies measured under the equity method, these are measured at the lower of book value and fair value less costs to sell, with the application of the equity method ceasing.

When, due to changes in circumstances of the Group, non-current assets held for sale and/or disposal groups no longer meet the conditions to be classified as held for sale, these are reclassified according to the underlying nature of the assets and measured at the lower of: i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization costs, or revaluation amounts that would have been recognized had these assets not been classified as held for sale; and (ii) the recoverable amounts of the items on the date they are reclassified according to their underlying nature. These adjustments shall be recognized in the income statement.

In the case of financial shareholdings in associated companies measured under the equity method, the cessation of their classification as held for sale implies the retrospective replacement of the equity method.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e. an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e. substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Impact from the lessee's perspective

The Group recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
    - fixed payments, less lease incentives receivable;
    - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
    - the amounts to be paid by the lessee as residual value guarantees;
    - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
    - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Group risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is re-measured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

The Group re-measures a lease liability and calculates the related adjustment to the right-of-use asset whenever:

- there is a change in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is re-measured, discounting the revised lease payments and also using a revised discount rate;
- there is a change in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is re-measured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a lease agreement is modified but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is re-measured, discounting the revised lease payments using a revised discount rate.

The Group did not make any adjustments for the financial years presented.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the consolidated income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the consolidated balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

As regards the classification of the cash flows originated by the lease agreements, these are recorded in the statement of cash flows:

(i) in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;

(ii) the caption Cash flows from investing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income and of other financial assets at amortized cost. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

    (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation). These commissions are received in advance and are deferred and recognized over the life of the operation;

    (ii) Commissions agreed for the commitment to provide financing and the granting of credit is likely. These are commissions are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

    (iii) Commissions paid on the issuance of financial liabilities at amortized cost. These are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group's consolidated financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for the Group. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Betterments in leasehold buildings	10
Other fixed assets	4 to 10

Betterments in leasehold buildings are accounted for as tangible fixed assets and are depreciated at the lower of the useful lives of the assets and the term of the lease. Expenses incurred with the dismantling or removal of these assets are considered as part of the initial cost of the respective assets when they constitute significant amounts. Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable amount is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of tangible fixed assets are recognized in profit or loss for the period. Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Investment properties

Real estate owned by the investment funds consolidated in the Group, are recognized as investment properties given that the main objective subjacent to these is capital appreciation on a long-term basis and not their sale in the short term nor their own use. These investments are initially recognized at their acquisition cost, including the transaction costs, and subsequently revaluated at their fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognized in results in the financial year in which they occur, in the caption Other operating income/(expense). The fair value level according to the IFRS 13 hierarchy corresponds to level 3.

Fair value is determined by independent appraisers duly certified for the effect, and being registered with the CMVM (Portuguese Securities' Market Commission), using at least two of the following methods:

- Comparative market method - This method considers similar real estate transaction values comparable to the property under study obtained through market surveys carried out in the area where the property is located.
- Income method - This method aims to estimate the value of the property from the capitalization of its net income, discounted to the present moment, using the discounted cash-flow method, and should be used when the property is intended for lease, when the lease market is active for the type of property being valued or when the property is intended for economic exploration.
- Cost method - The cost method is the determination of the replacement value of the property under consideration taking into account the cost of building another one with the same functionality, net of the amount related to the functional, physical and economic depreciation/obsolescence verified.

For properties held by investment funds within the consolidation perimeter, and in accordance with Law no. 16/2015, of 24 February, their fair value is considered as the simple arithmetic average of two independent expert valuations, determined according to the best price that could be obtained if it were put up for sale, under normal market conditions, at the time of the valuations, which is reviewed at least once a year or, in the case of open-ended collective investment entities, based on the redemption periodicity if lower than that, and whenever there are acquisitions or disposals or significant changes in the value of the property.

o) Intangible assets

Software

The Group accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. The Group does not capitalize internal costs arising from software development.

p) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash and deposits at other credit institutions. Cash and cash equivalents exclude deposits at Central Banks.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investment activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associated companies, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in the Group's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, capital increases and dividend distributions.

q) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

r) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

s) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio, Montepio Crédito and Montepio Valor have the responsibility to pay their employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (ACT) they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the Collective Labour Agreement (ACT) and subsequent amendments, the Group set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by the Group and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, the Group signed a new ACT, introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 50.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

The Group´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to the date of termination of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pensions Fund.

The interest income/(expense) with the pension plan is calculated by multiplying the net asset/(liability) with retirement pensions (liabilities less the fair value of the Fund's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned above. On this basis, the net interest income/(expense) includes the interest expense associated with retirement pension liabilities and the return expected from the Fund's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

The Group recognizes in its income statement a net total amount that includes (i) the current service cost, (ii) the net interest income/(expense) from the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by the Group on an annual basis and according to a schedule of contributions drawn up to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past service costs of active employees.

Defined contribution plan

As at 31 December 2020 and 2019, the Group has a defined contribution plan for employees who were admitted after 3 March 2009. This plan, designated as contributory, receives monthly and equal contributions, based on the effective remuneration: 1.5% to be made by the company and 1.5% to be made by the employee.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, the creation of a valid expectation for the employee or the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished and the Group paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for the Group to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at the Group's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by the Group in accordance with IAS 19 as another long-term employment benefit. The effects of the re-measurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount the Group's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

t) Income taxes

Until 31 December 2011, the Group was an entity exempt from Corporate Income Tax ("IRC"), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code. This exemption had been recognized under an Order of 3 December 1993 of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March, approving the State Budget for 1996.

With effect from 1 January 2012, the Group is now subject to the regime established by the Corporate Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future. Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods. Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that the Group does not exercise control over the period of the reversal of the differences. Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including reportable taxable losses).

As established in IAS 12, paragraph 74, the Group offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, the Group, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

u) Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Group: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Group operating decisions regarding the allocation of resources to the segment and the assessment of it performance; and (iii) for which distinct financial information is available.

The Group controls its business activity through the following main segments: (i) Operating: Commercial Banking, Investment Banking, International Activity, Markets and Other Segments, and (ii) Geographic: Domestic Area and International Area (Angola and Cape Verde).

v) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process and considering the best information available as to the consequences of the event that led to its constitution. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable. This caption also includes the impairment losses related to exposures that have an associated credit risk such as bank guarantees, and commitments assumed.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because:
  - It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation;
  - The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

w) Insurance and reinsurance brokerage services

The Group is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, the Group sells insurance contracts. As remuneration for the services rendered, the Group receives brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between the Group and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

1. commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by the Group and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
2. commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - For insurance brokerage services.

x) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

y) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
ii) those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events that occur after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

z) Significant judgements and estimates in the application of the accounting policies

IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the current COVID-19 pandemic. The most significant of these accounting estimates and judgments used in the application of the accounting policies by the Group are discussed in the following paragraphs in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, the Group´s reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a 12-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Group monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Group uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic drivers and how each driver impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

This corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Group expects to receive, through cash flows generated by the Customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

COVID-19 Pandemic

In the context of the pandemic crisis caused by COVID-19, and in accordance with the stipulations in IFRS 9, the Banco Montepio Group proceeded, for the purposes of measuring credit impairment losses, to update the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 14 and 62).

Alternative methodologies and the use of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 21, 22, 25 and 27, with a consequent impact in the income statement of the Group.

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which take into account market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 23, 24, 25 and 26.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 49.

Entities included in the consolidation perimeter

For the purpose of determining the entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and can appropriate those variable returns through the power it holds over that entity (de facto control).

The decision as to whether an entity has to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to the variable returns and its ability to use its power to appropriate those returns.

Different assumptions and estimates could lead the Group to a different consolidation perimeter with a direct impact in the consolidated net income, as per note 59.

Income taxes

The Group is subject to the payment of corporate income taxes in several jurisdictions. Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business.

The Group complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the period and presented in note 33.

This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Group considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Proposed Law no. 178/XIII, which established the tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, approximating the accounting and tax rules for the purpose of deducting costs in respect of the reinforcement of credit impairment, was presented to the National Assembly, on 24 January 2019 and approved at Plenary Meeting no. 108, on 19 July 2019. Until the end of financial year 2023, the rules in force until 2018 will continue to apply, unless the option to apply the new regime is exercised in advance.

The estimated taxable income for the financial year considered the maintenance of the tax rules in force until 2018, with the option of the early adoption of the new regime not being exercised.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out as at 31 December 2020, the tax rules resulting from Law no. 98/2019, of 4 September, were considered, with tax rules identical to those in force in financial years 2015 through 2019 having been considered insofar as Banco Montepio did not adhere to the definitive regime on impairment, as a result of which the limits set forth in Bank of Portugal Notice no. 3/95 and other specific rules must be considered for the purpose of determining the maximum amounts of impairment losses accepted for tax purposes.

In 2018, the Group adopted IFRS 9 - Financial Instruments, and since in this respect there is no transitional regime that establishes the tax treatment of transition adjustments to IFRS 9, the treatment given resulted from the Group's interpretation of the application of the general rules of the IRC Code.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by the subsidiaries resident in Portugal, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. In the case of the subsidiary with registered office in Angola, the above-mentioned period is 3 years. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 50.

Classification and valuation of assets received in recovery of credit, non-current assets held for sale and investment properties

The classification of the real estate received in recovery of credit and non-current assets held for sale is determined in accordance with IFRS 5 and of the investment properties in accordance with IAS 40.

Assets received in recovery of credit and non-current assets held for sale are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. Investment properties are measured at fair value which is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in notes 29, 30 and 34.

Provisions and contingent liabilities

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 39.

2 Net interest income and net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income

The existing IFRS require a separate disclosure of net interest income, net gains/(loss) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income, as presented in notes 3, 6 and 7. A particular business activity can generate impacts either in the net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income or in the net interest income captions. Therefore, the disclosure now presented highlights the contribution of the different business activities to the net interest income and to the net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income. The combined analysis of this caption is presented as follows:

(Euro Thousand)

	2020	**2019**
Net interest income	242 794	254 228
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(18 695)	8 510
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	23 693	42 269
	247 792	305 007

3 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Interest and similar income		
Loans and advances to customers	267 459	290 323
Other financial assets at amortized cost	12 864	16 405
Financial assets held for trading	7 962	8 616
Deposits from Central banks and loans and adances to credit institutions	6 750	6 773
Hedging derivatives	6 566	6 559
Financial assets at fair value through other comprehensive income	1 920	5 210
Financial assets at fair value through profit or loss	154	252
Other interest and similar income	5	76
	303 680	334 214
Interest and similar expense		
Deposits from customers	19 454	34 435
Other subordinated debt	17 468	11 803
Debt securities issued	9 287	10 359
Financial liabilities held for trading	7 239	7 125
Hedging derivatives	3 187	3 549
Deposits from central banks and other credit institutions	3 001	11 185
Lease liabilities	1 152	1 521
Other interest and similar expense	98	9
	60 886	79 986
Net interest income	242 794	254 228

The caption Interest and similar income – Loans and advances to customers includes, in 2020, commissions with a total amount of Euro 16,912 thousand (2019: Euro 18,867 thousand) and other gains/(losses) with a total amount of Euro 8,988 thousand (2019: Euro 8,697 thousand), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 c).

The caption Interest and similar income – Financial assets at fair value through profit or loss, in 2020, includes the amount of Euro 154 thousand (2019: Euro 252 thousand) related to loans that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

The caption Interest and similar expense – Leases refers to the interest cost related to the lease liabilities recognized in the scope of IFRS 16, as indicated in accounting policy 1 i).

4 Dividends from equity instruments

In 2020, this caption records the amount of Euro 3,052 thousand (2019: Euro 7,631 thousand) which includes Euro 1,710 thousand (2019: Euro 2,375 thousand) related to dividends received from the company Almina and Euro 1,112 thousand (2019: Euro 3,868 thousand) related to dividends received from the company Monteiro e Aranha, S.A..

5 Net fee and commission income

The amount of this caption has the following breakdown:

		(Euro thousand)
	2020	2019
Fee and commission income		
From banking services	95 242	103 616
From transactions on behalf of third parties	21 875	23 141
From insurance brokerage services	13 250	12 068
Guarantees provided	4 254	5 315
Commitments to third parties	1 279	2 345
Operations with financial instruments	329	302
Other fee and commission income	1 881	2 761
	138 110	149 548
Fee and commission expense		
From banking services rendered by third parties	19 407	22 037
From transactions with securities	315	481
Other fee and commission expense	3 077	4 472
	22 799	26 990
Net fee and commission income	115 311	122 558

In 2020 and 2019, the caption Insurance brokerage services has the following breakdown:

		(Euro thousand)
	2020	2019
Life insurance	5 595	5 483
Non-life insurance	7 655	6 585
	13 250	12 068

The remuneration of insurance brokerage services resulted, essentially, from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

The change in commissions reflects the decrease in activity/transactionality levels verified as of the end of the first quarter of 2020 due to COVID-19 and materialized, namely, at the level of the loans granted and the moratoria (legal exemption from commissions) and of the Payment services.

6 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2020			2019		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	3 469	2 516	953	4 133	2 798	1 335
Issued by other entities	289	1	288	152	23	129
Shares	1 486	1 816	(330)	1 301	1 108	193
Investment units	917	733	184	532	17	515
	6 161	5 066	1 095	6 118	3 946	2 172
Derivative financial instruments						
Interest rate contracts	67 870	71 192	(3 322)	61 286	64 236	(2 950)
Exchange rate contracts	32 668	32 876	(208)	21 385	21 506	(121)
Futures contracts	3 662	4 347	(685)	2 942	4 149	(1 207)
Option contracts	1 436	1 876	(440)	1 944	1 679	265
Commodities contracts	589	12 982	(12 393)	1 039	479	560
	106 225	123 273	(17 048)	88 596	92 049	(3 453)
Financial assets at fair value through profit or loss						
Investment units	8 870	13 192	(4 322)	17 544	7 149	10 395
Loans and advances to customers	632	448	184	1 070	2 205	(1 135)
	9 502	13 640	(4 138)	18 614	9 354	9 260
Other financial assets at fair value through profit or loss						
Bonds and other fixed-income securities						
Issued by other entities	11 969	11 970	(1)	-	-	-
Shares	-	131	(131)	-	100	(100)
Loans and advances to customers	35	72	(37)	189	36	153
	12 004	12 173	(169)	189	136	53
Financial liabilities at fair value through profit or loss						
Deposits from customers	-	-	-	11	-	11
Debt securities issued	225	52	173	2 428	2 273	155
	225	52	173	2 439	2 273	166
Hedging derivatives						
Interest rate contracts	22 534	22 799	(265)	38 042	32 924	5 118
	22 534	22 799	(265)	38 042	32 924	5 118
Hedged financial liabilities						
Debt securities issued	5 955	4 298	1 657	10 197	15 003	(4 806)
	5 955	4 298	1 657	10 197	15 003	(4 806)
	162 606	181 301	(18 695)	164 195	155 685	8 510

In financial year 2020, the Net gains/(losses) arising from derivative financial instruments shows the impact of the loss of value in a derivative resulting from a loan disposal operation, including the respective mortgage guarantees, as a result of the non-realization of that portfolio's performance compared to what was initially expected, with a loss of Euro 12,840 thousand having been recorded.

In Net gains/(losses) arising from financial assets at fair value, in 2020, the Investment units had a negative impact of Euro 4,138 thousand (2019: positive impact of Euro 10,910 thousand). In 2020, the negative impact was, essentially, justified by the loss of Euro 5,089 thousand recognized in the NovEnergia II fund.

7 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2020			2019		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	29 186	9 953	19 233	45 297	3 223	42 074
Issued by other entities	4 733	273	4 460	195	-	195
	33 919	10 226	23 693	45 492	3 223	42 269

In 2020, the caption Bonds – Issued by public entities includes net gains obtained on the sale of Portuguese sovereign bonds in the amount of Euro 13,118 thousand, of Greek sovereign bonds in the amount of Euro 4,058 thousand and of Croatian, Italian, Chilean and Spanish sovereign bonds in the aggregate amount of Euro 2,057 thousand. In 2019, this caption included net gains generated on the sale of Portuguese sovereign bonds in the amount of Euro 41,329 thousand, of Spanish sovereign bonds in the amount of Euro 144 thousand, of Greek sovereign bonds in the amount of Euro 1,716 thousand and losses on Italian sovereign bonds in the amount of Euro 1,115 thousand.

8 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2020			2019		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	78 025	65 161	12 864	103 673	90 009	13 664

This caption includes the results arising from the revaluation of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 r).

9 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Disposal of financial assets at amortized cost	30 220	10 024
Disposal of other assets	13 134	5 506
Disposal of loans and advances to customers	(334)	7 401
	43 020	22 931

In 2020, the caption Disposal of financial assets at amortized cost includes the gains realized on the sale of Portuguese sovereign bonds of Euro 29,849 thousand (2019: Euro 9,983 thousand), of Greek sovereign debt of Euro 327 thousand and of Italian sovereign debt of Euro 44 thousand (2019: Euro 41 thousand).

The caption Disposal of other assets considers the result arising on the sale of properties received in recovery of loans, registering, in 2020, a gain of Euro 7,096 thousand related to the sale of a plot of land in the Greater Lisbon area.

10 Other operating income/(expense)

The amount of this caption has the following breakdown:

		(Euro thousand)
	2020	**2019**
Other operating income		
Reimbursement of expenses	6 183	5 445
Revaluation of investment properties	4 898	13 108
Services provided	4 418	4 611
Management fees on demand deposits	3 374	5 517
Rentals of investment properties	1 637	2 581
Repurchase of own issues	380	154
Other	12 077	21 933
	32 967	53 349
Other operating expenses		
Contributions		
Banking sector	10 839	9 819
Ex-ante to the Single Resolution Fund	6 162	6 559
National Resolution Fund	4 441	4 296
Deposits Guarantee Fund	23	22
Servicing and expenses with recovery and disposal of loans	4 568	5 052
Revaluation of investment properties	4 164	7 258
Taxes	3 022	4 592
Expenses with issuances	1 915	1 213
Donations and memberships	564	742
Other	25 564	25 200
	61 262	64 753
Other operating income/(expense)	(28 295)	(11 404)

In 2020, the caption Other operating income - Other includes income from loan recovery in the amount of Euro 3,346 thousand (2019: Euro 7,178 thousand) and from the assignment of employees - actuarial deviations in the amount of Euro 362 thousand (2019: Euro 4,996 thousand).

The caption Other, in the breakdown of Other operating income, includes the recovery of some customers' assets.

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments.

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Bank of Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução ("CUR")), in close cooperation with the Bank of Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2020 and 2019, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, with reference to 31 December 2020, Banco Montepio had settled Euro 7,093 thousand (2019: Euro 6,024 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 21. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of the Bank of Portugal, which may be adjusted in function of the credit institution's risk profile that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating costs - Servicing and expenses with the recovery and disposal of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

The caption Other operating costs - Other includes, in 2020, the amount of Euro 3,125 thousand related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.. In 2019, these services were recorded under the caption General and administrative expenses – Other general and administrative expenses in the amount of Euro 3,422 thousand, as described in note 12.

The caption Other, in the breakdown of Other operating costs, includes maintenance costs with equipment and motor vehicles under operating leases, costs with real estate received in recovery of credit, accounted for in the caption Other assets (note 34), and legal costs.

11 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Remuneration	117 676	118 941
Mandatory social charges	32 567	32 520
Charges with the Pension Fund	22 230	7 042
Other staff costs	16 782	3 849
	189 255	162 352

In 2020, within the scope of the Employee Adjustment Plan, the captions of Charges with the Pension Fund and Other costs include, respectively, the amounts of Euro 20,879 thousand and Euro 7,464 thousand, related to the resulting charges arising from early retirement and mutual-agreement termination programs.

The remuneration of the members of the Board of Directors aims to compensation them for their direct activities in the Group and for any and all functions performed in companies or corporate bodies to which they have been designated by indication or in representation of the Group.

In 2020 and 2019, neither the members of the Corporate bodies nor Other key management personnel received any variable remuneration. First-line managers are considered Other key management personnel.

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Supervisory Board, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, during financial year 2020, are presented as follows:

(Euro thousand)

	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management personnel	Total
Remuneration and other short-term benefits	7	233	3 202	1 306	5 268	10 016
Pension costs	-	-	892	20	118	1 030
Costs with healthcare benefits (SAMS)	-	-	17	7	105	129
Social Security charges	1	46	681	278	1 159	2 165
	8	279	4 792	1 611	6 650	13 340

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Supervisory Board, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, during financial year 2019, are presented as follows:

(Euro thousand)

	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management personnel	Total
Remuneration and other short-term benefits	7	258	3 118	957	4 575	8 915
Pension costs	-	-	22	1	107	130
Costs with healthcare benefits (SAMS)	-	-	16	7	91	114
Social Security charges	1	53	656	226	1 000	1 936
	8	311	3 812	1 191	5 773	11 095

As at 31 December 2020, loans granted to members of the Board of Directors of Banco Montepio (including the members of the Audit Committee) amounted to Euro 622 thousand (31 December 2019: Euro 664 thousand), to members of the Boards of Directors of Banco Montepio's subsidiaries, Euro 2,555 thousand (31 December 2019: Euro 2,499 thousand) and to key management personnel, Euro 3,905 thousand (31 December 2019: Euro 3,600 thousand).

The average number of employees serving the Group during financial years 2020 and 2019, distributed by major professional categories, was as follows:

	2020	2019
Administration and Coordination	275	254
Senior management	645	673
Technical staff	1 576	1 500
Administrative staff	1 373	1 458
Auxiliary staff	54	62
	3 923	3 947

12 General and administrative expenses

The amount of this caption has the following breakdown:

		(Euro thousand)
	2020	**2019**
Rental costs	799	1 372
Specialized services		
Other specialized services	21 209	19 969
IT services	12 813	12 013
Independent work	3 070	1 604
Communication costs	6 657	5 235
Maintenance and repairs	6 618	6 680
Water, energy and fuel	3 565	4 085
Advertising costs	3 369	3 943
Transportation	2 319	2 781
Insurance	1 087	1 078
Consumables	929	1 180
Travel, accommodation and entertainment expenses	732	1 259
Training	456	471
Other general and administrative costs	3 366	6 461
	66 989	68 131

The caption Rental costs includes, in 2020, the amount of Euro 459 thousand (2019: Euro 266 thousand) related to short-term lease agreements, of which Euro 49 thousand (2019: Euro 33 thousand) correspond to leasehold rentals and Euro 410 thousand (2019: Euro 233 thousand) to motor vehicle rentals, in both cases used by Banco Montepio as lessee.

As part of the development of its activity, the Group records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS and also with costs related to the payment of fees and retainer fees.

The caption Other specialized services includes fees billed by the Group's Statutory Auditors within the scope of their statutory audit functions, as well as other services, including those provided by their network, as follows (excluding VAT):

(Euro thousand)

	2020	2019
Audit		
Statutory audit services	1 216	658
Services other than statutory audit legally required		
Issue of Opinions on the internal control system	89	28
Issued of Opinions to regulatory authorities and support with work carried out for supervisory purposes	384	50
	473	78
Services other than statutory audit not legally required	50	494
	1 739	1 230

In 2019, the caption Other specialized services also includes the fees billed by the KPMG Statutory Audit Firm in the amount of Euro 2,090 thousand (excluding VAT).

The caption Other general and administrative expenses includes, in 2019, the amount of Euro 3,422 thousand related to services rendered by Montepio Gestão de Activos Imobiliários, A.C.E.. In 2020, these services were recorded in the caption Other operating income/(expense) – Other in the amount of Euro 3,125 thousand, as described in note 10.

13 Depreciation and amortization

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Intangible assets		
Software	16 058	14 605
Other tangible assets		
Real estate		
For own use	4 356	4 577
Leasehold improvements in rented buildings	707	763
Equipment		
IT equipment	3 209	3 720
Fixtures	1 622	1 669
Furniture	260	410
Security equipment	163	174
Transportation	179	196
Machinery and tools	61	43
Right-of-use assets		
Real estate	6 820	7 155
Motor vehicles	1 678	78
Other tangible assets	5	144
	19 060	18 929
	35 118	33 534

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

14 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2020	**2019**
Other loans and advances to credit institutions (note 21)		
Charge for the year	3 696	2 797
Reversals for the year	(3 720)	(3 086)
	(24)	(289)
Loans and advances to customers (note 22)		
Charge for the year net of reversals	187 784	123 296
Recovery of loans and interest	(2 634)	(8 102)
	185 150	115 194
	185 126	114 905

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 c).

The Banco Montepio Group, in 2020, recorded an impact derived from the COVID-19 pandemic on Impairment of loans and advances to customers in the amount of Euro 77.5 million.

15 Impairment of other financial assets

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2020	**2019**
Financial assets at fair value through other comprehensive income (note 25)		
Charge for the year net of reversals	8 091	9 234
Other financial assets at amortized cost (note 27)		
Charge for the year net of reversals	4 082	1 403
	12 173	10 637

16 Impairment of other assets

The amount of this caption has the following breakdown:

	2020	2019
	(Euro thousand)	
Non-current assets held for sale (note 29)		
Charge for the year	170	-
Reversals for the year	(151)	-
	19	-
Other tangible assets (note 31)		
Charge for the year	11 941	-
Other assets (note 34)		
Charge for the year	12 216	16 928
Reversals for the year	(4 719)	(5 218)
	7 497	11 710
	19 457	11 710

Within the scope of the Distribution network resizing plan, the Bank closed several branches, having, consequently, obtained the market value of those branches from independent appraisers. Based on the values evidenced by those valuations, it was necessary to recognized an impairment of Euro 11,941 thousand, as referred to in the caption Tangible assets in the table above.

17 Other provisions

The amount of this caption has the following breakdown:

	2020	2019
	(Euro thousand)	
Guarantees and commitments (note 39)		
Charge for the year	71 567	20 690
Reversals for the year	(69 081)	(15 436)
	2 486	5 254
Other risks and charges (note 39)		
Charge for the year	3 020	5 944
Reversals for the year	(1 430)	(5 190)
	1 590	754
	4 076	6 008

18 Share of profits/(losses) booked under the equity method

The share of profits/(losses) booked under the equity method is analysed as follows:

		(Euro thousand)
	2020	**2019**
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(662)	208

19 Cash and deposits at central banks

This caption is presented as follows:

		(Euro thousand)
	2020	**2019**
Cash	165 863	196 680
Deposits at central banks		
Bank of Portugal	1 282 692	809 119
Other central banks	17 695	35 853
	1 466 250	1 041 652

The caption Deposits at central banks - Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

20 Loans and deposits to credit institutions payable on demand

This caption is presented as follows:

		(Euro thousand)
	2020	**2019**
Credit institutions in Portugal	1 373	1 369
Credit institutions abroad	17 449	12 177
Amounts to be collected	14 838	16 351
	33 660	29 897

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

21 Other loans and advances to credit institutions

This caption is presented as follows:

	(Euro thousand) 2020	2019
Loans and advances to credit institutions in Portugal		
Term deposits	5 963	6 416
	5 963	6 416
Loans and advances to credit institutions abroad		
CSA's	27 949	29 109
Term deposits	63 722	37 964
Reverse repos	62 719	59 960
Other loans and advances	132 938	148 032
	287 328	275 065
	293 291	281 481
Impairment for credit risk of loans and advances to credit institutions	(287)	(178)
	293 004	281 303

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. As provided for in most CSA's celebrated by the Group, this collateral might be in the form of securities or cash, with, however, in the Group's case, all collaterals being in cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that the Group negotiated with each one of the counterparties and are materialized through an effective transfer of cash, through TARGET2 transfers to each one of the counterparties in question, as a guarantee/security of Banco Montepio Group's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2020, the Group holds an amount of Euro 27,949 thousand (31 December 2019: Euro 29,109 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

As at 31 December 2020, the caption Loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 7,093 thousand (31 December 2019: Euro 6,024 thousand) related to a deposit made and accepted as collateral in the scope of the Contribution ex-ante to the Single Resolution Fund, as per note 10.

The caption Loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited by vehicles incorporated for the purpose of the Group's securitization operations.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	178	467
Charge for the year net of reversals	(24)	(289)
Others	133	-
Closing balance	287	178

The analysis of the caption Other loans and advances to credit institutions, by period to maturity, is as follows:

(Euro thousand)

	2020	2019
Up to 3 months	204 045	62 477
3 to 6 months	54 032	6 023
6 months to 1 year	19 027	1 100
1 to 5 years	1 000	64 383
More than 5 years	11 187	129 984
Undetermined	4 000	17 514
	293 291	281 481

The caption Other loans and advances to credit institutions abroad – Other, in the undetermined period to maturity, also includes guarantee deposits in the scope of the banking activity.

In 2020, the Other loans and advances to banks were remunerated at the average rate of 0.27% (2019: 0.40%).

22 Loans and advances to customers

This caption is presented as follows:

	2020	2019
	(Euro thousand)	
Corporate		
Loans not represented by securities		
Loans	2 903 260	2 561 639
Current account loans	436 808	424 254
Finance leases	442 071	446 149
Discounted bills	35 443	63 251
Factoring	184 904	196 896
Overdrafts	601	1 935
Other loans	433 772	547 713
Loans represented by securities		
Commercial paper	333 963	294 310
Bonds	270 045	168 634
Retail		
Mortgage loans	5 580 462	5 771 290
Finance leases	52 211	59 453
Consumer credit and other loans	983 900	924 680
	11 657 440	11 460 204
Foreign loans		
Corporate	25 820	41 982
Retail	1 626	4 043
	27 446	46 025
Value correction of assets subject to hedging operations		
Other loans	8	46
Past due loans and advances and interest		
Less than 90 days	45 538	94 690
More than 90 days	626 784	688 208
	672 322	782 898
	12 357 216	12 289 173
Impairment for credit risk	(779 514)	(782 505)
	11 577 702	11 506 668

As at 31 December 2020, the caption Loans and advances to customers includes the amount of Euro 2,739,544 thousand (31 December 2019: Euro 2,721,930 thousand) related to the issue of covered bonds realized by the Group, as referred to in note 38.

As at 31 December 2020, the loans and advances that the Group granted to its shareholders and to related parties amounted to Euro 16,346 thousand (31 December 2019: Euro 15,997 thousand), as described in note 52. The celebration of business between the Group and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposal made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Department. The impairment for credit risks related to these contracts amounts to Euro 638 thousand as at 31 December 2020 (31 December 2019: Euro 100 thousand).

As at 31 December 2020, the caption Loans and advances to customers includes the amount of Euro 1,843,677 thousand (31 December 2019: Euro 2,130,303 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 c), were not the object of derecognition, as described in note 53.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). The Group periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 49.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2020 and 2019, is as follows:

(Euro thousand)

	2020	2019
Variable-rate loans and advances	10 553 862	10 616 810
Fixed-rate loans and advances	1 803 354	1 672 363
	12 357 216	12 289 173

The analysis of past due loans and advances and interest, by credit type, is as follows:

(Euro thousand)

	2020	2019
Asset-backed loans	468 552	554 333
Other guaranteed loans	119 971	131 153
Finance leases	7 021	8 696
Secured loans	33 950	34 800
Other loans and advances	42 828	53 916
	672 322	782 898

The analysis of past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2020	2019
Corporate		
Construction/Production	136 990	159 466
Investment	285 173	313 571
Treasury	144 853	203 130
Other	22 743	22 652
Retail		
Mortgage loans	45 058	39 728
Consumer credit	22 322	21 846
Other	15 183	22 505
	672 322	782 898

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2020, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	134 299	624 873	8 035 683	468 552	9 263 407
Other guaranteed loans	359 267	204 167	313 768	119 971	997 173
Finance leases	26 788	237 648	229 846	7 021	501 303
Secured loans	333 962	188 007	82 039	33 950	637 958
Other loans and advances	205 202	150 937	558 408	42 828	957 375
	1 059 518	1 405 632	9 219 744	672 322	12 357 216

The analysis of the caption Loans and advances to customers, by maturity and credit type, as at 31 December 2019, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	159 776	631 977	7 919 262	554 333	9 265 348
Other guaranteed loans	462 048	209 200	266 959	131 153	1 069 360
Finance leases	14 873	238 582	252 147	8 696	514 298
Secured loans	370 346	77 597	15 001	34 800	497 744
Other loans and advances	249 036	142 066	497 405	53 916	942 423
	1 256 079	1 299 422	8 950 774	782 898	12 289 173

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2020, is analysed as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	56 739	258 911	116 571	432 221
Outstanding interest	(10 202)	(33 725)	(20 537)	(64 464)
Residual values	18 848	60 488	47 189	126 525
	65 385	285 674	143 223	494 282

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2019, is analysed as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	60 741	236 621	135 776	433 138
Outstanding interest	(9 677)	(33 942)	(21 424)	(65 043)
Residual values	4 843	81 030	51 634	137 507
	55 907	283 709	165 986	505 602

As regards operating leases, the Group does not have significant agreements as Lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	782 505	984 078
Charge for the year net of reversals	187 784	123 296
Utilization	(190 124)	(325 879)
Exchange variation	(651)	1 010
Closing balance	779 514	782 505

During financial year 2019, the Group disposed of a portfolio of loans and advances to customers, which was in default and recorded on- and off-balance sheet, having utilized impairment for credit risk in the amount of Euro 176,324 thousand.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2020	2019
Asset-backed loans and Finance leases	559 616	549 101
Other secured loans	150 902	163 934
Unsecured loans	68 996	69 470
	779 514	782 505

The analysis utilization of impairment losses, by credit type, is as follows:

	(Euro thousand) 2020	2019
Asset-backed loans and finance leases	108 085	156 445
Other guaranteed loans	47 106	111 028
Unsecured loans	34 933	58 406
	190 124	325 879

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and for companies (SIREVE, PER) were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2020, the loan and advances to customers portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 817,234 thousand (31 December 2019: Euro 868,739 thousand) and has an impairment of Euro 368,095 thousand (31 December 2019: Euro 365,280 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans entered, as at 31 December 2020 and 2019, by credit type, is as follows:

	(Euro thousand) 2020	2019
Corporate		
Loans not represented by securities		
Loans	175 732	149 396
Current account loans	9 669	311
Finance leases	1 276	1 525
Other loans	949	2 018
Retail		
Mortgage loans	2 778	4 893
Consumer credit and other loans	6 993	6 424
	197 397	164 567

As at 31 December 2020, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 79,044 thousand, which corresponds to an impairment rate of 40% (31 December 2019: Euro 58,584 thousand, impairment rate of 35.6%).

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of small and medium-sized companies (SMEs). The legal maturity of the transaction is 25 March 2036 and the respective amount totals Euro 415,315 thousand as at 31 December 2020. As mentioned in accounting policy c.12), Banco Montepio contracted two guarantees from the EIB and the EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, bearing, respectively, commissions of 0.3% and 4.0%, with quarterly payments.

23 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

		(Euro thousand)
	2020	**2019**
Financial assets held for trading		
Securities		
Shares	3 397	1 089
Bonds	1 053	11 793
Investment Units	3 074	127
	7 524	13 009
Derivative instruments		
Derivative instruments with negative fair value	9 399	22 896
	16 923	35 905
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	13 598	13 368
	13 598	13 368

As provided for in IFRS 13, as at 31 December 2020, the financial instruments measured in accordance with the valuation levels described in note 49, are as follows:

				(Euro thousand)
		2020		
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Securities				
Shares	3 397	-	-	3 397
Bonds	1 053	-	-	1 053
Investment Units	3 074	-	-	3 074
	7 524	-	-	7 524
Derivative instruments				
Derivative instruments with negative fair value	-	2 147	7 252	9 399
	7 524	2 147	7 252	16 923
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	1 997	11 601	13 598
	-	1 997	11 601	13 598

As provided for in IFRS 13, as at 31 December 2019, the financial instruments measured in accordance with the valuation levels described in note 49, are as follows:

(Euro thousand)

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	1 089	-	-	1 089
Bonds	11 793	-	-	11 793
Investment Units	127	-	-	127
	13 009	-	-	13 009
Derivative instruments				
Derivative instruments with negative fair value	-	5 845	17 051	22 896
	13 009	5 845	17 051	35 905
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	2 125	11 243	13 368
	-	2 125	11 243	13 368

The analysis of the portfolio of securities held for trading, by maturity, as at 31 December 2020, is presented as follows:

(Euro thousand)

	2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income secutities						
Bonds						
Foreign	-	-	-	1 053	-	1 053
Variable income securities						
Shares						
Domestic	-	-	-	-	226	226
Foreign	-	-	-	-	3 171	3 171
Investment Units	-	-	-	-	3 074	3 074
	-	-	-	1 053	6 471	7 524

The analysis of the portfolio of securities held for trading, by maturity, as at 31 December 2019, is presented as follows:

(Euro thousand)

	2019					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income secutities						
Bonds						
Domestic			4 061	2 096	-	6 157
Foreign	-			5 636	-	5 636
Variable income securities						
Shares						
Domestic	-	-	-	-	293	293
Foreign	-	-	-	-	796	796
Investment Units	-	-	-	-	127	127
	-	-	4 061	7 732	1 216	13 009

Within the scope of the loan obtained from the EIB, a set of Italian and Spanish sovereign bonds with a nominal value of Euro 1,000 thousand, as at 31 December 2020 and 2019, are part of the collateral, as described in note 36.

The nominal value of the assets pledged as collateral to the European Central Bank in the context of liquidity-providing operations amounts, as at 31 December 2019, to Euro 3,357 thousand after applied a haircut, as described in note 35. As at 31 December 2020 there were no assets given in guarantee under this category.

The book value of the derivative financial instruments as at 31 December 2020 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk mitigation, can be analysed as follows:

(Euro thousand)

		2020								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the financial year (1)**	**Total Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	-	-	-	-	(191)	9	(8)	3 106	2 960
Interest rate swap	Loans and advances to customers	1 174	4	(69)	(65)	(16)	8	(38)	1 207	1 200
Interest rate swap	Others	1 644 869	9 168	(13 518)	(4 350)	(1 049)	-	-	-	-
Currency Swap (Short)	-	50 171	224	(6)	218	(85)	-	-	-	-
Currency Swap (Long)	-	50 390								
Futures (Short)	-	1 776	-	-	-		-	-	-	-
Futures (Long)	-	355								
Forwards (Short)	-	29 064	-	-	-	-	-	-	-	-
Forwards (Long)	-	28 889								
Options (Short)	-	59 675	3	(5)	(2)	(12 386)	-	-	-	-
Options (Long)	-	64 433								
		1 930 796	9 399	(13 598)	(4 199)	(13 727)	17	(46)	4 313	4 160

(1) Includes the result of derivatives disclosed in note 6.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2019 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2019								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the financial year (1)**	**Total Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	3 300	225	(34)	191	(110)	17	(61)	3 461	3 300
Interest rate swap	Deposits from customers	-	-	-	-	32	-	(11)	-	-
Interest rate swap	Loans and advances to	1 200	4	(53)	(49)	(172)	46	153	1 207	1 200
Interest rate swap	Others	1 820 428	9 499	(12 800)	(3 301)	(1 209)	-	-	-	-
Currency Swap (Short)	-	53 682	311	(8)	303	341	-	-	-	-
Currency Swap (Long)	-	53 974								
Futures (Short)	-	3 410	-	-	-	-	-	-	-	-
Forwards (Short)	-	1 493	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 494								
Options (Short)	-	56 539	12 857	(473)	12 384	402	-	-	-	-
Options (Long)	-	342 592								
		2 338 112	22 896	(13 368)	9 528	(716)	63	81	4 668	4 500

(1) Includes the result of derivatives disclosed in note 6 .

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2020, is as follows:

(Euro thousand)

	2020					
	Notional by remaining maturity				Fair Value	
	Less than 3 months	**3 months to 1 year**	**More than 1 year**	**Total**	**Assets**	**Liabilities**
Interest rate contracts						
Interest rate swaps	-	-	1 646 043	1 646 043	9 172	13 587
Options	5 245	54 891	63 972	124 108	3	5
Exchange rate contracts						
Exchange rate swaps	100 561	-	-	100 561	224	6
Forwards	57 630	323	-	57 953	-	-
Index/Equities contracts						
Futures	2 131	-	-	2 131	-	-
	165 567	55 214	1 710 015	1 930 796	9 399	13 598

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2019, is as follows:

(Euro thousand)

	2019					
	Notional by remaining maturity				Fair Value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	-	5 877	1 819 051	1 824 928	10 174	13 334
Options	2 758	159	93 385	96 302	(434)	21
Exchange rate contracts						
Currency swaps	107 656	-	-	107 656	311	8
Forwards	2 509	478	-	2 987	-	-
Index/Equities contracts						
Futures	3 410	-	-	3 410	-	-
Options	-	-	-	-	5	5
Credit contracs						
Options	-	-	288 232	288 232	12 840	-
	116 333	6 514	2 200 668	2 323 515	22 896	13 368

24 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2020	2019
Variable income securities		
Investment Units	337 226	373 220
Loans and advances to customers at fair value		
Loans not represented by securities	9 666	11 455
	346 892	384 675

The caption Variable-income securities – Investment units includes, as at 31 December 2020, the amount of Euro 69,937 thousand (31 December 2019: Euro 83,830 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 57.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 49, as follows:

(Euro thousand)

	2020			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment Units	-	-	337 226	337 226
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	9 666	9 666
	-	-	346 892	346 892

	(Euro thousand)			
	2019			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment Units	7 551	-	365 669	373 220
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	11 455	11 455
	7 551	-	377 124	384 675

As at 31 December 2020, the level 3 assets in the caption Variable-income securities – Investment units include investment units in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 337,226 thousand (31 December 2019: Euro 365,669 thousand), of which Euro 252,621 thousand (31 December 2019: Euro 256,298 thousand) are related to real estate investment funds. The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2020, for all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 33,723 thousand (31 December 2019: Euro 36,567 thousand) having been determined.

The movements occurred in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

		(Euro thousand)
	2020	2019
Opening balance	365 669	457 946
Acquisitions	313	699
Remeasurements	(15 622)	3 426
Disposals	(13 134)	(96 402)
Closing balance	337 226	365 669

The movements occurred in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations made in financial years 2020 and 2019.

25 Financial assets at fair value through other comprehensive income

This caption, in 2020, is presented as follows:

(Euro thousand)

	2020				
	Cost [(1)]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	31 693	973	-	(82)	32 584
Foreign	119 899	1 200	-	(300)	120 799
Bonds issued by other entities					
Domestic	12 735	291	(637)	(786)	11 603
Foreign	3 097	13	(25)	(13)	3 072
Variable income securities					
Shares					
Domestic	74 489	9 685	(1 750)	-	82 424
Foreign	71 598	2 045	(37 328)	-	36 315
	313 511	14 207	(39 740)	(1 181)	286 797

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

This caption, in 2019, is presented as follows:

(Euro thousand)

	2019				
	Cost [(1)]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	602 723	15 115	-	(1 360)	616 478
Foreign	805 728	6 239	(497)	(3 609)	807 861
Bonds issued by other entities					
Domestic	58 699	292	(2 077)	(175)	56 739
Foreign	240 962	2 435	(785)	(183)	242 429
Variable income securities					
Shares					
Domestic	74 240	9 885	(2 150)	-	81 975
Foreign	71 621	5 294	(22 639)	-	54 276
	1 853 973	39 260	(28 148)	(5 327)	1 859 758

(1) Acquisition cost related to variable income securities and amortised cost by debt securities.

The main assumptions used in the valuation of shares are as follows:

Almina

Banco Montepio holds 19.0% of the share capital of Almina. The book value of Almina in Banco Montepio's financial statements amounts to Euro 67,600 thousand as at 31 December 2020 (31 December 2019: Euro 67,200 thousand).

The valuation of Almina with reference to 31 December 2020 was carried out by an external entity based on the Almina Holding Group's business plan, as well as other information provided by Almina's management.

Almina's valuation exercise considered various alternative methodologies, among which the DCF model, with the respective estimation of the cash flows of the project for a forecast horizon of 20 years, and which included a set of variables and assumptions that were considered conservatively, namely:

- Macroeconomic assumptions - forecasts of the outlook for inflation and the €/USD exchange rate: with the forecasts made by the Bloomberg platform being considered;
- Forecasts on the evolution of metal prices (copper, zinc, lead, silver and tin): since the two most relevant businesses in Almina's activity correspond to the exploration of Zinc and Copper ores, the projections made by the World Bank in October 2020 were considered;
- Discount rate parameters: the rate of return on an asset considered to be theoretically risk-free was considered, in this case 30-year German public debt, increased by premiums depending on the specific risks of the project, namely size, industry, environmental impacts, country, infrastructure, among others. The discount rate considered was 8.07%, showing the evolution of the benchmark interest rates in the year 2020, as well as the evolution of some specific risk components of the projects in Almina's portfolio;
- Reasonableness of the KPIs assumed in the projection period, namely, on the zinc recovery and on commercial costs, variables in respect of which the entity has been able to respond to the demands raised by the COVID-19 pandemic and has managed to contain their impact on its production, as well as to reduce its commercial costs during financial year 2020, which suggests a good performance during the forecast period.

SIBS

The fair value of the shareholding held in SIBS (1.74%), presented in the financial statements as at 31 December 2020, is supported by a valuation that considers the methodologies of the multiples of comparable companies (market and transaction) and of the Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2020, the information included in the reports and accounts on a consolidated basis with reference to financial years 2017, 2018 and 2019, the documents prepared by management and updated to September 2020, regarding the budget and forecasts for financial year 2020, as well as information on multiples of comparable company transactions, namely from the Networks' and Payment Systems' sectors, were considered.

For the valuation of this entity, a four-year forecast horizon was considered, for which it was necessary to estimate the cash flows based on the historical cash flows and the estimated growth rates, the latter showing growth recoveries in 2021 and 2022, and evolving thereafter assuming a conservative scenario.

In the valuation using the DCF methodology, the continuity of the entity's operations was considered beyond the forecast horizon, with a conservative scenario having been considered for the annual variation of cash flows in perpetuity as well as for the levels of Investment in CAPEX and Depreciation and amortization. Cash flows were discounted at the rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, and which stood at 8.2%, with reference to 31 December 2020.

In the valuation using the market multiples method, multiples were considered for financial years 2019 and 2020, and which include companies from different geographies, supported on the Zephyr database.

Unicre

The fair value of the shareholding held in Unicre (3.84%), presented in the financial statements as at 31 December 2020, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which considered the performance through the projected Cash flows, for a forecast horizon of five years, given that at the valuation date the company's information for financial year 2020 was not yet public, and was based on the information obtained from Unicre's Reports and accounts for the 2018 and 2019 financial years. Due to the company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of income, as well as the cost of the financing to support Unicre's activity. The discount rate considered in the valuation was 10.6%, which corresponds to the opportunity cost of the company's equity, estimated according to the methodology of the CAPM model. The components of this rate were estimated based on Professor Damodaran's data and the Bloomberg platform.

The projections made consider a decrease in the company's activity due to the estimated impact of the COVID-19 pandemic and its gradual recovery in the following years to the 2019 levels. As a basis of comparison, the methodology of the market multiples of comparable companies was also used.

Regarding financial years 2020 and 2019, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2020				
	Level 1	**Level 2**	**Level 3**	**Financial instrments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	31 550	1 034	-	-	32 584
Foreign	120 799	-	-	-	120 799
Bonds issued by other entities					
Domestic	4 036	-	7 567	-	11 603
Foreign	1 018	2 054	-	-	3 072
	157 403	3 088	7 567	-	168 058
Variable income securities					
Shares					
Domestic	-	-	81 600	824	82 424
Foreign	27 980	-	7 818	517	36 315
	27 980	-	89 418	1 341	118 739
	185 383	3 088	96 985	1 341	286 797

(Euro thousand)

	2019				
	Level 1	**Level 2**	**Level 3**	**Financial instrments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	616 478	-	-	-	616 478
Foreign	807 861	-	-	-	807 861
Bonds issued by other entities					
Domestic	50 585	3 052	3 102	-	56 739
Foreign	229 858	12 571	-	-	242 429
	1 704 782	15 623	3 102	-	1 723 507
Variable income securities					
Shares					
Domestic	-	-	81 400	575	81 975
Foreign	42 669	-	11 079	528	54 276
	42 669	-	92 479	1 103	136 251
	1 747 451	15 623	95 581	1 103	1 859 758

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 49.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 9,699 thousand as at 31 December 2020 (31 December 2019: Euro 9,558 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the positive amount of Euro 9,630 thousand (31 December 2019: positive amount of Euro 11,459 thousand) recognized in fair value reserves.

In this caption, the Group has some securities measured at acquisition cost. It is the Group's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

The movements occurred in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

	(Euro thousand)	
	2020	**2019**
Opening balance	95 581	87 226
Acquisitions	5 150	-
Remeasurements	(2 671)	8 224
Transfers to level 3	-	1 603
Reimbursements	(1 075)	(1 472)
Closing balance	96 985	95 581

The movements occurred in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

	(Euro thousand)	
	2020	**2019**
Opening balance	5 327	671
Change for the financial year	8 093	9 237
Reversals for the financial year	(2)	(3)
Utilization	(12 237)	(6 991)
Transfers	-	2 413
Closing balance	1 181	5 327

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2020 is as follows:

(Euro thousand)

	2020					
	Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	-	12 245	20 339	-	32 584
Foreign	57 012	-	63 787	-	-	120 799
Bonds issued by other entities						
Domestic	-	-	5 151	5 197	1 255	11 603
Foreign	-	1 018	-	2 054	-	3 072
	57 012	1 018	81 183	27 590	1 255	168 058
Variable income securities						
Shares						
Domestic	-	-	-	-	82 424	82 424
Foreign	-	-	-	-	36 315	36 315
	-	-	-	-	118 739	118 739
	57 012	1 018	81 183	27 590	119 994	286 797

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2019 is as follows:

(Euro thousand)

	2019					
	Less than 3 months	**3 month to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	524	231 955	383 999	-	616 478
Foreign	253 255	420 556	26 300	107 751	-	807 862
Bonds issued by other entities						
Domestic	-	-	26 871	29 003	865	56 739
Foreign	1 057	14 647	93 143	133 582	-	242 429
	254 312	435 727	378 269	654 335	865	1 723 508
Variable income securities						
Shares						
Domestic	-	-	-	-	81 975	81 975
Foreign	-	-	-	-	54 275	54 275
	-	-	-	-	136 250	136 250
	254 312	435 727	378 269	654 335	137 115	1 859 758

Securities pledged as collateral, recorded in financial assets at fair value through other comprehensive income, are presented as follows:

- The nominal value of the assets pledged as collateral to the European Central Bank in the scope of liquidity providing operations amounts, as at 31 December 2020, to Euro 84,750 thousand after haircut (31 December 2019: Euro 1,608,159 thousand), as described in note 35;

- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation System have a nominal amount of Euro 1,000 thousand as at 31 December 2020 and 2019; and

- As at 31 December 2020, the EIB loan obtained is collateralized by a set of Portuguese, Spanish and Italian sovereign bonds with a nominal value of Euro 545,677 thousand (31 December 2019: Euro 205,201 thousand by Portuguese, Spanish, Greek, Dutch, French and German sovereign bonds), as described in note 36.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by the Group under the terms and conditions of the celebrated contracts.

26 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2020	2019
Assets		
Interest rate swaps	10 550	11 148
Currency rate Swaps	143	-
	10 693	11 148
Liabilities		
Interest rate swaps	397	547
Net value	10 296	10 601

Banco Montepio contracted an interest rate swap to hedge its interest rate risk arising from a bond issued at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether the Group is exposed to fair value changes, or whether it is hedging future transactions. The Group performs periodic effectiveness tests to the hedging relationships.

The Bank contracted a foreign exchange rate derivative, namely a Non-Deliverable Forward (NDF), with the objective of hedging or eliminating the foreign exchange risk underlying the shareholding in the entity Monteiro e Aranha, S.A. (an asset recorded in BRL), thus immunizing impacts on the capital ratios due to the risk of devaluation of the BRL, with a negative impact on the foreign exchange revaluation reserves.

The analysis of the hedging derivatives' portfolio, by maturity date, as at 31 December 2020 and 2019, is as follows:

(Euro thousand)

	2020			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk				
Interest rate swap	750 000	750 000	10 153	10 153
Fair value hedge derivative with interest rate risk				
Currency rate swap	27 830	27 830	143	143
	777 830	777 830	10 296	10 296

(Euro thousand)

	2019			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	10 601	10 601
	750 000	750 000	10 601	10 601

As at 31 December 2020 and 2019, the fair value hedging operations can be analysed as follows:

(Euro thousand)

2020							
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative [(1)]	Changes in fair value of derivative in the financial year	Fair value of hedged element [(2)]	Changes in fair value of hedged element in the financial year [(2)]
Interest rate swap	Debt securities issued	Interest rate	750 000	10 153	(448)	(7 567)	1 657
Currency rate swap	Shares	Currency	27 830	143	143	-	-
			777 830	10 296	(305)	(7 567)	1 657

[(1)] Includes accrued interest.
[(2)] Attributable to hedged risk.

(Euro thousand)

2019							
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative [(1)]	Changes in fair value of derivative in the financial year	Fair value of hedged element [(2)]	Changes in fair value of hedged element in the period [(2)]
Interest rate swap	Debt securities issued	Interest rate	750 000	10 601	4 935	(9 224)	(4 807)
			750 000	10 601	4 935	(9 224)	(4 807)

[(1)] Includes accrued interest.
[(2)] Attributable to hedged risk.

27 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2020	2019
Fixed income securities		
Bonds issued by public entities		
Domestic	1 360 498	699 604
Foreign	1 011 084	290 856
	2 371 582	990 460
Impairment for other financial assets at amortized cost	(8 966)	(3 135)
	2 362 616	987 325

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 49.

The caption Other financial assets at amortized cost, as at 31 December 2020, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
OT 4,95% 25-OCT-2023	10 June 2008	25 October 2021	4.950%	188 000	211 802
OT APR21	23 February 2005	14 April 2021	3.850%	120 000	124 318
OT 2,200% 17-OCT-2022	9 September 2015	17 October 2022	2.200%	212 500	220 012
OT 5.65% 15-FEV-2024	14 May 2013	15 February 2024	5.650%	109 500	132 714
OT 1.950% 15JUN2029	16 January 2019	15 June 2029	1.950%	143 500	166 120
OT 0.700% 15OCT2027	8 April 2020	15 October 2027	0.700%	25 000	26 060
OT 0.475% 18OCT2030	15 January 2020	18 October 2030	0.475%	210 000	213 639
OT 2.250% 18APR2034	18 April 2018	18 April 2034	2.250%	15 000	18 885
OT 0.900% 12OCT2035	8 July 2020	12 October 2035	0.900%	95 000	100 712
OT 3,875% 15-FEB-2030	10 September 2014	15 February 2030	3.875%	105 000	143 261
BONOS 0,750% 30JUL2021	8 March 2016	30 July 2021	0.750%	35 000	35 219
BONOS 0,350% 30JUL2023	22 May 2018	30 July 2023	0.350%	166 000	165 727
BOTS ZERO COUPON 14APR2021	14 April 2020	14 April 2021	-	25 000	24 927
BOTS ZERO COUPON 14MAY2021	14 May 2020	14 May 2021	-	45 000	44 871
BOTS ZERO COUPON 14JUN2021	12 June 2020	14 June 2021	-	104 000	103 842
ADIF 1.875% 28JAN2025	4 March 2015	28 January 2025	1.875%	15 200	16 366
BONOS 1.950% 30JUL2030	1 March 2017	30 July 2030	1.950%	20 000	23 665
BONOS 5.350% 30JUL2033	14 March 2015	30 July 2033	5.350%	65 000	81 812
BTP 1.650% 01MAR2032	1 August 2016	1 March 2032	1.650%	34 000	37 286
BTP 1,250% 01-DEC-2026	1 August 2018	1 December 2026	1.250%	70 000	74 049
BTP 2,800% 01DEC2028	17 September 2018	1 December 2028	2.800%	53 800	63 566
BTP 2,500% 15NOV2025	2 September 2019	15 November 2025	2.500%	33 000	36 743
BTP 1.350% 01APR2030	10 June 2020	1 April 2030	1.350%	82 000	87 553
BTP 1.650% 01DEC2030	16 July 2020	1 December 2030	1.650%	34 000	37 159
BTP 0.950% 15SEP2027	1 September 2020	15 September 2027	0.950%	60 000	62 296
BTP 0.500% 01FEB2026	1 October 2020	2 February 2026	0.500%	14 500	14 774
BTP 0.900% 01APR2031	11 November 2020	1 April 2031	0.900%	36 000	36 587
OT USD 7.75% Mai2021	-	25 May 2021	7.750%	3 697	3 416
OT USD 7.75% 01Nov21	-	1 November 2021	7.750%	2 465	2 289
OT USD 7.75% 02Ago21	-	2 August 2021	7.750%	2 465	2 336
OT USD 7.75% 11Out21	-	11 October 2021	7.750%	2 465	2 300
OT USD 7.75% 04Out21	-	4 October 2021	7.750%	2 465	2 304
OT USD 7.75% 10Mai21	-	10 May 2021	7.750%	1 232	1 142
OT USD 7.75% 25Out21	-	25 October 2021	7.750%	2 465	2 293
OT USD 7.75% 27Set21	-	27 September 2021	7.750%	2 465	2 308
OT USD 7.75% 18Out21	-	18 October 2021	7.750%	2 465	2 296
OT USD 7.75% 19Abr21	-	19 April 2021	7.750%	2 465	2 296
OT USD 7.75% 29Nov21	-	29 November 2021	7.750%	6 632	6 118
OT USD 7.75% 19Jul21	-	19 July 2021	7.750%	2 465	2 342
OT USD 7.75% 08Nov21	-	8 November 2021	7.750%	2 465	2 285
OT USD 7.5% 01Mar22	-	1 March 2022	7.500%	1 479	1 392
OT USD 7.5% Nov22	-	13 November 2022	7.500%	2 465	2 282
OT ME 5% Dez2022	-	10 December 2022	5.000%	12 887	11 940
OT MN 16% 10/2021	-	4 October 2021	16.000%	109	91
OT MN 16.25% 02/2022	-	28 February 2022	16.250%	150	128
Bilhete do Tesouro	-	4 March 2021	-	2 254	2 192
Bilhete do Tesouro	-	22 February 2021	-	1 503	1 467
Bilhete do Tesouro	-	8 March 2021	-	2 623	2 543
Bilhete do Tesouro	-	29 March 2021	-	656	629
Bilhete do Tesouro	-	30 March 2021	-	2 361	2 262
				2 178 698	**2 362 616**

The caption Other financial assets at amortized cost, as at 31 December 2019, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
OT APR21	23 February 2005	15 April 2021	3.850%	120 000	128 830
BONOS 0,750% 30JUL2021	08 March 2016	30 July 2021	0.750%	35 000	35 474
OT 2,200% 17-OCT-2022	9 September 2015	17 October 2022	2.200%	212 500	223 931
BONOS 0,350% 30JUL2023	22 May 2018	30 July 2023	0.350%	166 000	165 596
OT 4,95% 25-OCT-2023	10 June 2008	25 October 2023	4.950%	170 000	198 183
OT 5.65% 15-FEV-2024	14 May 2013	15 February 2024	5.650%	5 000	6 184
OT 2,875% 15-OCT-2025	20 January 2015	15 October 2025	2.875%	65 000	70 991
OT 2,875% 21JUL2026	21 January 2016	21 July 2026	2.875%	25 000	27 695
OT 4,125% 14APR2027	18 January 2017	14 April 2027	4.125%	35 000	42 261
OT ME 5% Dez2022	-	10 December 2022	5.000%	12 887	12 927
OT MN 12% 072020	-	31 July 2020	12.000%	1 331	1 392
OT MN 16% 10/2021	-	1 October 2021	16.000%	161	166
OT MN 16.25% 02/2022	-	1 Februray 2022	16.250%	222	233
OT USD 7.5% 01Mar22	-	1 March 2022	7.500%	1 605	1 638
OT USD 7.5% Nov22	-	13 November 2022	7.500%	2 674	2 690
OT USD 7.75% 01Nov21	-	1 November 2021	7,750%	2 674	2 698
OT USD 7.75% 02Ago21	-	2 August 2021	7,750%	2 674	2 749
OT USD 7.75% 04Out21	-	4 October 2021	7,750%	2 674	2 713
OT USD 7.75% 08Nov21	-	8 November 2021	7,750%	2 674	2 694
OT USD 7.75% 10Mai21	-	20 May 2021	7,750%	1 337	1 345
OT USD 7.75% 11Out21	-	11 October 2021	7,750%	2 674	2 709
OT USD 7.75% 18Out21	-	18 October 2021	7,750%	2 674	2 705
OT USD 7.75% 19Abr21	-	19 April 2021	7,750%	2 674	2 704
OT USD 7.75% 19Jul21	-	19 July 2021	7,750%	2 674	2 755
OT USD 7.75% 25Out21	-	25 October 2021	7,750%	2 674	2 702
OT USD 7.75% 27Set21	-	27 September 2021	7,750%	2 674	2 718
OT USD 7.75% 29Nov21	-	29 November 2021	7,750%	7 195	7 214
OT USD 7.75% Mai2021	-	1 May 2021	7,750%	4 011	4 026
OT USD 7.77% 03Dez20	-	3 December 2020	7.770%	1 639	1 642
OT USD 7.77% 03Set20	-	3 September 2020	7.770%	712	727
OT USD 7.77% 04Ago20	-	4 August 2020	7.770%	706	725
OT USD 7.77% 07Abr20	-	7 April 2020	7.770%	1 326	1 344
OT USD 7.77% 07Jul20	-	7 July 2020	7.770%	1 803	1 863
OT USD 7.77% 08Dez20	-	8 December 2020	7.770%	3 279	3 281
OT USD 7.77% 08Set20	-	8 September 2020	7.770%	690	704
OT USD 7.77% 11Ago20	-	11 August 2020	7.770%	711	729
OT USD 7.77% 14Abr20	-	14 April 2020	7.770%	656	664
OT USD 7.77% 14Jul20	-	14 July 2020	7.770%	1 426	1 471
OT USD 7.77% 16Set20	-	16 September 2020	7.770%	3 747	3 743
OT USD 7.77% 21Abr20	-	21 April 2020	7.770%	1 842	1 862
OT USD 7.77% 21Jul20	-	21 July 2020	7.770%	1 412	1 455
OT USD 7.77% 23Jun20	-	23 June 2020	7.770%	2 961	2 953
OT USD 7.77% 24Nov20	-	24 November 2020	7.770%	1 639	1 645
OT USD 7.77% 25Ago20	-	25 August 2020	7.770%	706	722
OT USD 7.77% 28Abr20	-	28 April 2020	7.770%	1 494	1 509
OT USD 7.77% 28Jul20	-	28 July 2020	7.770%	705	725
OT USD 7.77% Dez2020	-	1 December 2020	7.770%	1 639	1 638
				920 759	987 325

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 c). As at 31 December 2020, the loan obtained from the EIB is collateralized by Portuguese, Italian and Spanish sovereign bonds with a nominal value of Euro 120,000 thousand (31 December 2019: Euro 182,300 thousand by Portuguese and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 36.

As at 31 December 2020, the nominal value of the assets pledged as collateral to the European Central Bank under liquidity-providing operations amounts to Euro 1,991,814 thousand (31 December 2019: Euro 824,250 thousand) after applying a haircut, as described in note 35.

The nominal value of the securities given in guarantee to the Deposits' Guarantee Fund amounted to Euro 23,000 thousand (31 December 2019: Euro 21,500 thousand) as per note 48.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

		(Euro thousand)
	2020	**2019**
Opening balance	3 135	4 145
Charge for the year net of reversals	4 082	1 403
Others	1 749	(2 413)
Closing balance	8 966	3 135

28 Investments in associated companies

This caption is presented as follows:

		(Euro thousand)
	2020	**2019**
HTA - Hotés, Turismo e Animação dos Açores, S.A.	3 198	3 741
Montepio - Gestão de Activos Imobiliários, ACE	674	698
Naviser - Transportes Marítimos Internacionais, S.A.	150	150
	4 022	4 589
Impairment of investments in associated companies	(150)	(150)
	3 872	4 439

The associated companies included in the Group's consolidation perimeter are listed in note 59. The financial information of the associated companies, excluding the shareholding held in Naviser that is fully impaired, is presented in the following tables:

						(Euro thousand)
	Assets	**Liabilities**	**Equity**	**Income**	**Net profit / (loss)**	**Acquisition cost**
31 December 2020						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	35 646	19 653	15 993	3 755	(3 309)	3 198
Montepio Gestão de Activos Imobiliários, ACE	3 640	1 190	2 450		-	674
CESource, ACE	-	-	-	-	-	-
31 December 2019						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	35 015	16 310	18 705	11 297	1 441	3 741
Montepio Gestão de Activos Imobiliários, ACE	5 869	3 419	2 450	6 060	-	698
CESource, ACE	-	-	-	-	-	-

						(Euro thousand)
	Percentage held		**Book value**		**Profit / Loss**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,00%	20,00%	3 198	3 741	(662)	208
Montepio Gestão de Activos Imobiliários, ACE	29,00%	28,50%	674	698	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20,00%	20,00%	-	-	-	-
Cesource, ACE	18,00%	18,00%	-	-	-	-

The movement in this caption is analysed as follows:

	(Euro thousand)	
	2020	**2019**
Openning balance	4 439	4 282
Acquisitions	12	-
Share of profit of associated companies	(662)	208
Other reserves and retained earnings	120	(51)
Other reserves and retained earnings	(37)	-
Closing balance	3 872	4 439

The Group analyses, on a regular basis, the impairment related to its investments in associated companies.

In the 1st half of 2020, there was a transfer of a shareholding from Montepio Imóveis – Sociedade Imobiliária, S.A. to Ssagincentive of 0.5% of Montepio – Gestão de Activos Imobiliários, ACE, in the amount of Euro 12 thousand.

29 Non-current assets held for sale

As at 31 December 2020, this caption was analysed as follows:

	(Euro thousand)	
	2020	**2019**
Properties and other assets resulting from the resolution of customer loan agreements	5 573	2 021
Impairment for non-current assets held for sale	(89)	(106)
	5 484	1 915

The assets included in this caption are accounted for in accordance with the accounting policy described in note 1 h). Note 55 presents additional information on Non-current assets held for sale.

The resolution of loans and advances to customers' agreements results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or with the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in the Group's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the non-current assets held for sale. According to the Group's expectation, it is intended that these assets be available for sale in a period under 1 year and that there is a strategy for their sale. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period.

The movements occurred, in financial years 2020 and 2019, in non-current assets held for sale are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	2 021	804
Acquisitions	4 317	1 217
Disposals	(765)	-
Closing balance	5 573	2 021

The movements in impairment of non-current assets held for sale is analysed as follows:

(Euro thousand)

	2020
Opening balance	106
Charge for the year	170
Reversal for the year	(151)
Utilization	(36)
Closing balance	89

30 Investment properties

The caption Investment properties includes the real estate owned by “Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, by “Montepio Arrendamento II – Fundo de Investimento Fechado para Arrendamento Habitacional”, by “Montepio Arrendamento III – Fundo de Investimento Fechado para Arrendamento Habitacional”, by “Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular”, by “Portugal Estates Fund – Fundos de Investimento Imobiliário Fechado de Subscrição Particular” and by “Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto”, all of which are consolidated by the full consolidation method, according to the accounting policy described in note 1 b) and also the real estate held by SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

In 2020, the amount of rental income received related to investment properties totalled Euro 1,637 thousand (2019: Euro 2,581 thousand) and maintenance costs of leased and non-leased properties totalled Euro 2,887 thousand (2019: Euro 3,750 thousand).

The movements in this caption are analysed as follows:

(Euro thousand)

	2020	2019
Opening Balance	144 868	253 097
Acquisitions	1 451	-
Revaluations	2 771	7 512
Disposals	(22 568)	(85 728)
Transfers	(629)	(30 013)
Closing balance	125 893	144 868

Note 55 presents additional information on Investment properties.

31 Other tangible assets

This caption is presented as follows:

	(Euro thousand)	
	2020	**2019**
Investments		
Real estate		
For own use	226 454	222 572
Leasehold improvements in rented buildings	29 655	40 944
Equipment		
IT equipment	96 862	96 488
Fixtures	34 210	32 687
Furniture	19 201	19 687
Security equipment	7 861	7 822
Machinery and tools	2 930	2 968
Transportation equipment	2 135	2 177
Other equipment	5	5
Works of art	2 870	2 870
Assets in operating leases	74	109
Righ-of-use assets		
Real estate	34 787	28 038
Vehicles	7 161	240
Other tangible assets	14 520	20 478
Work in progress	8 468	12 623
	487 193	489 708
Accumulated depreciation		
Charge for the year	(19 060)	(16 837)
Accumulated charge in previous year	(196 712)	(189 576)
	(215 772)	(206 413)
Impairment for other tangible assets	(12 259)	(469)
	259 162	282 826

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

The movements in the caption Other tangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	222 572	3 938	56	-	226 454
Leasehold improvements in rented buildings	40 944	230	-	(11 519)	29 655
Equipment					
IT equipment	96 488	1 299	658	(267)	96 862
Fixtures	32 687	84	-	1 439	34 210
Furniture	19 687	106	283	(309)	19 201
Security equipment	7 822	108	-	(69)	7 861
Machinery and tools	2 968	15	5	(48)	2 930
Transportation equipment	2 177	957	804	(195)	2 135
Other equipment	5	-	-	-	5
Works of art	2 870	-	-	-	2 870
Assets in operating leases	109	-	35	-	74
Assets in operating leases					
Righ-of-use assets	28 038	8 270	1 547	26	34 787
Real estate	240	7 083	157	(5)	7 161
Other tangible assets	20 478	1 128	-	(7 086)	14 520
Work in progress	12 623	-	-	(4 155)	8 468
	489 708	23 218	3 545	(22 188)	487 193
Accumulated depreciation					
Real estate					
For own use	26 704	4 356	6 648	-	24 412
Leasehold improvements in rented buildings	27 071	707	131	(19)	27 628
Equipment					
IT equipment	90 658	3 209	967	-	92 900
Fixtures	21 602	1 622	110	-	23 114
Furniture	18 783	260	515	-	18 528
Security equipment	7 868	163	124	-	7 907
Machinery and tools	2 732	61	36	-	2 757
Transportation equipment	1 436	179	624	-	991
Other equipment	7	-	-	-	7
Works of art	109	-	35	-	74
Assets in operating leases					-
Righ-of-use assets	7 275	6 820	1 476	99	12 718
Real estate	78	1 678	157	1 052	2 651
Vehicles	2 090	5	12	2	2 085
	206 413	19 060	10 835	1 134	215 772
Impairment for other tangible assets	(469)				(12 259)
	282 826				259 162

The impairment of Euro 11,941 thousand in Other tangible assets results from the closure of branches, parking areas and offices (above ground floor), as referred to in note 16.

Banco Montepio

The movements in the caption Other tangible assets, during financial year 2019, are analysed as follows:

(Euro thousand)

	Opening balance	IFRS 16	Acquisitons	Disposals	Transfers	Closing balance
Investments						
Real estate						
For own use	217 948	-	642	411	4 393	222 572
Leasehold improvements in rented buildings	40 067	-	83	-	794	40 944
Equipment						
IT equipment	92 970	-	3 788	1 133	863	96 488
Fixtures	29 600	-	268	-	2 819	32 687
Furniture	18 917	-	163	77	684	19 687
Security equipment	7 589	-	104	23	152	7 822
Machinery and tools	2 701	-	146	-	121	2 968
Transportation equipment	1 546	-	234	248	645	2 177
Other equipment	5	-	-	-	-	5
Works of art	2 870	-	-	-	-	2 870
Assets in operating leases	109	-	-	-	-	109
Righ-of-use assets						
Real estate	-	27 564	4 068	3 594	-	28 038
Vehicles	-	171	69	-	-	240
Other tangible assets	2 099	-	33	2	18 348	20 478
Work in progress	1 123	-	2 625	-	8 875	12 623
	417 544	27 735	12 223	5 488	37 694	489 708
Accumulated depreciation						
Real estate						
For own use	22 819	-	3 334	25	576	26 704
Leasehold improvements in rented buildings	26 490	-	581	-	-	27 071
Equipment						
IT equipment	87 576	-	3 521	1 131	692	90 658
Fixtures	19 847	-	1 562	-	193	21 602
Furniture	18 246	-	193	78	422	18 783
Security equipment	7 253	-	141	21	495	7 868
Machinery and tools	2 643	-	18	1	72	2 732
Transportation equipment	889	-	93	51	505	1 436
Other equipment	5	-	-	-	2	7
Works of art	109	-	-	-	-	109
Assets in operating leases						
Righ-of-use assets	-	-	7 316	41	-	7 275
Real estate	-	-	78	-	-	78
Vehicles	2 068	-	-	2	24	2 090
	187 945	-	16 837	1 350	2 981	206 413
Impairment for other tangible assets	-					(469)
	229 599					282 826

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	469	718
Change for the financial year	11 941	-
Utilization	(151)	(249)
Closing balance	12 259	469

32 Intangible assets

This caption is presented as follows:

(Euro thousand)

	2020	2019
Investment		
Software	156 460	139 377
Other Intagible Assets	3 109	2 445
Work in progress	3 690	4 749
	163 259	146 571
Accumulated depreciation		
Charge for the year	(16 058)	(14 605)
Accumulated charge in previous year	(111 372)	(97 181)
	(127 430)	(111 786)
	35 829	34 785

The movements in the caption Intangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	2020				
	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	139 377	249	118	16 952	156 460
Other Intagible Assets	2 445	-	-	664	3 109
Work in progress	4 749	17 104		(18 163)	3 690
	146 571	17 353	118	(547)	163 259
Accumulated depreciation					
Software	111 582	15 748	410	(1)	126 919
Other Intagible Assets	204	310	-	(3)	511
	111 786	16 058	410	(4)	127 430
	34 785				35 829

The movements in the caption Intangible assets, during financial year 2019, are analysed as follows:

(Euro thousand)

	2019			
	Opening balance	Acquisitions	Disposals	Closing balance
Cost				
Software	124 901	1 675	12 801	139 377
Other Intagible Assets	-	2 239	206	2 445
Work in progress	4 149	13 768	(13 168)	4 749
	129 050	17 682	(161)	146 571
Accumulated depreciation				
Software	97 181	14 605	-	111 786
	31 869			34 785

33 Taxes

Deferred tax assets and liabilities, as at 31 December 2020 and 2019, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Deferred taxes not dependent on future profitability						
Impairment on loans granted	44 095	42 123	-	-	44 095	42 123
Post-employment and long-term benefits	22 815	16 149	-	-	22 815	16 149
	66 910	58 272	-	-	66 910	58 272
Deferred taxes dependent on future profitability						
Financial instruments	5 119	-	(9 652)	(19 772)	(4 533)	(19 772)
Other tangible assets	-	-	(7)	-	(7)	-
Provisions / Impairment						
Impairment on loans granted	168 077	170 140	-	(306)	168 077	169 834
Other risks and charges	9 292	8 813	-	-	9 292	8 813
Impairment in securities and non-financial assets	3 653	4 887	-	-	3 653	4 887
Impairment in financial assets	1 788	109	-	-	1 788	109
Post-employment and long-term benefits	48 798	40 273	-	-	48 798	40 273
Other	1 485	1 984		(1 401)	1 485	583
Taxes losses carried forward	200 760	171 666	-	-	200 760	171 666
Net deferred tax assets/ (liabilities)	505 882	456 144	(9 659)	(21 479)	496 223	434 665

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the special regime applicable to deferred tax assets (“Regime”), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, this Regime is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment or long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under this Regime, the recovery of deferred tax assets covered by the Regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, State rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Deferred taxes are determined using tax rates that are expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved in the balance sheet date.

Bearing in mind that the Banco Montepio Group recorded a net accounting loss in 2020, there will be conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits, and a special reserve corresponding to 110% of its amount must be constituted for this purpose.

The caption Post-employment and long-term employee benefits includes the amount of Euro 8,605 thousand (31 December 2019: Euro 9,356 thousand) related to deferred taxes associated with the remeasurements recognized against reserves as a result of the change in accounting policy realized in 2011. As at 31 December 2020, this caption also includes the amount of Euro 2,468 thousand (31 December 2019: Euro 2,715 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The negative equity variation due to the change in accounting policy related to the recognition of the remeasurements in the Pension Fund made in 2011 is deductible for tax purposes, in equal parts, over a 10-year period, starting on 1 January 2012. The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of the Banco Montepio Group).

In financial year 2020, deferred taxes associated with Post-employment and long-term employee benefits include the amount of Euro 31,479 thousand (2019: Euro 21,853 thousand) related to employee benefits in excess of the existing limits.

In financial years 2020 and 2019, and in function of (i) the tax rates effective after 1 January 2018 and ii) the expectation of the conversion into tax-accepted costs and profits and the prospects of tax profits or tax losses in each one of the subsequent periods, the Group considered the rates (base rate and surcharges) used to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, of 30.5% and 21.0%, respectively.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 t), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on the business plan used to draw up the budget and considers the expectations regarding the impacts of the pandemic at the level of the financial markets, economic activity, and the evolution of credit risk levels.

The recovery of the profitability, liquidity and capital levels of the Banco Montepio Group, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in strategic business areas, with lower capital consumption and lower risk, the improvement of the efficiency and profitability, with a focus on cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following principles:

- Reduction of operating costs, eliminating redundancies, taking advantage of synergies, and simplifying the organizational structure.
- Increase in the commercial network business with growth in credit portfolios with less risk and less capital consumption, based on an appropriate management of return on capital, exploring the potential for growth in the complementary margin in cross-selling and new business areas, and leveraging the potential of the customer base of Banco Montepio Group, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- The strategy outlined reflects a favourable effect at the level of net interest income, as well as of commissions, the latter evidencing the impacts of the management of the price list by adjusting it to Banco Montepio Group's value proposal for each segment, defined in function of its life cycle and financial profile, as well as in terms of the growth of its “first bank” quota, leading to the progressive increase of the customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions. The increase in the deposits' portfolio reflects the objective of strengthening customer resources as the main source of financing for the activity, together with the gradual reduction in the cost of deposits, namely through the mix between demand and time deposits.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, or through the reduction of trading properties.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.
- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to 31 December 2020 and 2019, the Banco Montepio Group recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax grown at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry Date	2020	2019
2026	13 106	-
2027	-	42 836
2028	-	128 830
2029	44 439	-
2030	128 830	-
2032	14 385	-
	200 760	171 666

Following the approval of the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

Tax recognized in net income/(loss) and in reserves during financial years 2020 and 2019 originated as follows:

(Euro thousand)

	2020		2019	
	Recognized in net income/ (loss)	Recognized to reserves and retained earnings	Recognized in net income/ (loss)	Recognized to reserves and retained earnings
Financial instruments	10 973	6 892	(8 317)	(9 934)
Provisions / Impairment	(1 582)	-	(17 600)	-
Post-employment and long-term benefits	5 763	8 875	2 064	(734)
Tax losses carried forward	29 094	-	1 474	-
Other	(207)	-	470	(1 670)
Deferred taxes/ recognized as profit/ (losses)	44 041	15 767	(21 909)	(12 338)
Current taxes	(1 791)	-	(3 704)	-
	42 250	15 767	(25 613)	(12 338)

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2020		2019	
	%	Value	%	Value
Profit before income tax		(119 112)		53 318
Income tax based on the current nominal tax rate	-21.0	25 014	-21.0	(11 197)
Extraordinary levy on the banking sector	1.9	(2 269)	-3.9	(2 062)
Post-employement benefits and Pension Fund	1.8	(2 102)	-7.5	(3 990)
Tax benefits	-	-	-	(4)
Charge/reversal of provisions/impairment taxed	8.3	(9 895)	-2.2	(1 189)
Autonomous taxation	0.7	(839)	-2.2	(1 156)
Fair value of financial assets	-10.1	11 992	-	-
Corrections related to prior financial periods	-2.3	2 752	2.8	1 475
Effect of differences in income tax for the period	-0.8	920	-4.4	(2 343)
Deductions / (add-backs) for taxable income purposes (*)	-12.3	14 709	-5.1	(2 704)
Other	-1.7	1 968	-4.6	(2 443)
Income tax for the year	-35.5	42 250	-48.0	(25 613)

(*) Corresponds to the losses determined by investment funds included in the perimeter and other consolidation adjustments.

Law no. 98/2019, of 4 September, amends the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes. The new regime includes a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio has not opted for the application of the new tax regime on impairment, for which reason, for the current and deferred tax assessment as at 31 December 2020, it estimated its taxes based on the regime that was in force until 31 December 2018. The entity Montepio Crédito adopted the new tax regime for impairment.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the period is the period of the exercise of that right.

Banco Montepio was subject to inspection by the Tax Authority up to and including the 2017 tax period, with the inspection of the 2018 tax period being currently underway.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the Special Taxation Regime of Groups of Companies ("RETGS"), which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the calculation of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 3,584 thousand (31 December 2019: Euro 15,531 thousand) relates, essentially, to IRC recoverable, additional payments on account and special payments on account.

34 Other assets

This caption is presented as follows:

(Euro thousand)

	2020	2019
Assets received in recovery of credit	694 438	740 584
Other debtors	39 723	51 143
Sundry debtors	14 820	19 670
Deposits placed with courts	11 473	13 502
Recoverable grants receivable from the Portuguese State	8 054	6 338
Deferred costs	4 796	5 288
Other amounts receivable	3 443	3 354
	776 747	839 879
Impairment for other assets	(161 635)	(157 097)
	615 112	682 782

The caption Assets received in recovery of credit is presented as follows:

(Euro thousand)

	2020	2019
Assets received for credit recovery	694 438	740 584
Impairment for Assets received in recovery of credit	(132 536)	(128 100)
	561 902	612 484

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

As at 31 December 2020, the caption Assets received in recovery of credit includes the amount of Euro 1,745 thousand (31 December 2019: Euro 1,661 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts, which have an associated impairment of Euro 1,745 thousand (31 December 2019: Euro 1,661 thousand).

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in the Group's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to the Group's expectation, it is intended that these assets be available for sale in a period under 1 year and that there is a strategy for their sale. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2020, properties for which promissory contracts to buy and sell, in the amount of Euro 28,659 thousand, have already been celebrated.

The movements in financial years 2020 and 2019 in Assets received in recovery of credit are analysed as follows:

		(Euro thousand)
	2020	**2019**
Opening balance	740 584	876 762
Acquisitions	24 950	33 130
Disposals	(71 212)	(198 530)
Other movements	116	6 735
Transfers	-	22 487
Closing Balance	694 438	740 584

The movement in impairment of Assets received in recovery of credit are analysed as follows:

		(Euro thousand)
	2020	**2019**
Opening balance	128 100	138 825
Charge for the financial period	9 098	12 507
Reversals for the financial period	(1 652)	(669)
Utilization and other	(3 010)	(22 563)
Closing balance	132 536	128 100

As at 31 December 2020 and 2019, the caption Other debtors is analysed as follows:

		(Euro thousand)
	2020	**2019**
Supplementary capital contributions	14 910	14 910
Public entities	2 300	2 300
Other	22 513	33 933
	39 723	51 143

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, which are fully provided against as at 31 December 2020 and 2019.

As at 31 December 2020, the caption Public entities includes the amounts receivable from public entities, mostly related to courts in the context of insolvency proceedings and loan claims lodged, which are fully provided against.

As at 31 December 2020 and 2019, the amount shown in Others, included in the caption Other debtors, considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by the Group with financial settlement in 2021 and 2020, respectively.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, in accordance with the legal provisions applicable to low-interest loans. These amounts do not bear interest and are claimed monthly.

In financial years 2020 and 2019, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

(Euro thousand)

	2020	2019
Bonifications overdue and not yet claimed	2 486	2 398
Bonifications claimed from Portuguese Government not yet settled	5 033	3 350
Bonifications processed and not yet claimed	535	590
	8 054	6 338

The movements in Impairment of other assets are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	28 997	32 109
Charge for the financial year	3 118	4 421
Reversals for the financial year	(3 067)	(4 549)
Utilization	51	(2 984)
Closing balance	29 099	28 997

The impairment of Other assets includes the exposures of Supplementary capital contributions (Euro 14,910 thousand), Deposits in court (Euro 5,226 thousand) and Other debtors (Euro 8,963 thousand).

35 Deposits from central banks

As at 31 December 2020 and 2019, this caption includes deposits obtained from the European System of Central Banks, which are collateralized by the pledge of securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 25 and 27.

These funds are composed of four operations with maturities in March 2023, in the amount of Euro 284,262 thousand, in June 2023, in the amount of Euro 898,424 thousand, in September 2023, in the amount of Euro 189,860 thousand and in December 2023, in the amount of Euro 9,999 thousand.

The analysis of the caption Deposits from central banks for the remaining period, as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

	2020	2019
Up to 6 months	-	443 600
More than 6 months	1 382 545	847 433
	1 382 545	1 291 033

The operations are remunerated at the Bank of Portugal rates in force as at the contract date.

36 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2020			2019		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	22 170	-	22 170	29 560	-	29 560
Term deposits	-	9 207	9 207	-	14 293	14 293
	22 170	9 207	31 377	29 560	14 293	43 853
Deposits from credit institutions abroad						
EIB loan	-	650 819	650 819	-	350 359	350 359
Deposits repayable on demand	18 781	-	18 781	12 119	-	12 119
Term deposits	-	-	-	-	576	576
Sales operations with repurchase agreement	-	109 712	109 712	-	109 756	109 756
Other deposits	9 949	-	9 949	6 128	-	6 128
	28 730	760 531	789 261	18 247	460 691	478 938
	50 900	769 738	820 638	47 807	474 984	522 791

The analysis of the caption Deposits from other credit institutions for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2020	2019
Up to 3 months	40 953	42 738
3 to 6 months	114 416	65 723
6 months to 1 year	4 502	4 680
1 to 5 years	350 812	404 582
more than 5 years	300 007	-
Undetermined	9 948	5 068
	820 638	522 791

The amount of the EIB loan is collateralized by Portuguese, Spanish, and Italian sovereign bonds in the nominal amount of Euro 666,677 thousand (31 December 2019: Euro 388,501 thousand by Portuguese, Greek, Spanish, Dutch, Italian, French and German sovereign bonds), recorded in the captions Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, as described in notes 23, 25 and 27, respectively.

37 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2020			2019		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 163 440	48	5 163 488	4 363 425	313 817	4 677 242
Term deposits	-	6 892 642	6 892 642	-	7 822 333	7 822 333
Saving accounts	-	127 809	127 809	-	123 952	123 952
Other deposits	318 034	-	318 034	18 919	-	18 919
	5 481 474	7 020 499	12 501 973	4 382 344	8 260 102	12 642 446

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee, under certain conditions, the reimbursement of funds deposited at credit institutions authorized to receive deposits. The criteria to calculate the annual contributions to the referred Fund are defined in Bank of Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2020	2019
Deposits repayable on demand	5 163 488	4 677 242
Term deposits and saving accounts		
Up to 3 months	1 719 960	660 568
3 to 6 months	1 237 465	2 285 023
6 months to 1 year	1 852 201	1 668 609
1 to 5 years	2 184 167	3 305 053
more than 5 years	26 658	27 032
	12 183 939	12 623 527
Other deposits		
up to 3 months	318 034	18 919
	12 501 973	12 642 446

In 2020, deposits from customers were remunerated at the average rate of 0.16% (31 December 2019: 0.27%).

38 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2020	2019
Cash bonds	3 123	7 357
Covered bonds	1 218 375	1 255 904
Securitizations	77 690	126 719
	1 299 188	1 389 980

The fair value of the debt securities issued is presented in note 49.

The caption Debt securities issued includes issues of cash bonds recognized at fair value through profit or loss, in the amount of Euro 3,123 thousand (31 December 2019: Euro 6,611 thousand), in accordance with internal valuation techniques and considering, mainly, observable market data. According to the hierarchy of valuation sources, as laid down in IFRS 13, these instruments are categorized in Level 2.

The financial liabilities at fair value through profit or loss included in this caption are revalued in accordance with the accounting policy presented in note 1 c), with a gain having been recognized in financial year 2020 in the amount of Euro 173 thousand (2019: Euro 155 thousand).

The periods to maturity of the caption Debt securities issued, as at 31 December 2020 and 2019, is as follows:

(Euro thousand)

	2020	2019
up to 6 months	3 103	4 242
6 months to 1 year	1 423	1 525
1 to 5 years	1 209 386	1 248 215
more than 5 years	77 690	126 719
	1 291 602	1 380 701
Adjustments from fair value option operations	7 586	9 279
	1 299 188	1 389 980

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, the Group has issues in circulation in a total amount of Euro 2,300,000 thousand, at nominal value, as at 31 December 2020 and 2019.

As at 31 December 2020, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	300 123	-	November 2016	November 2023	quarterly	Euribor 3M + 0.80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 074	-	December 2016	December 2026	quarterly	Euribor 3M + 0.90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 085	-	May 2017	May 2024	quarterly	Euribor 3M + 0.85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	757 933	757 933	October 2017	October 2022	annually	Fixa em 0.875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	460 442	460 442	November 2019	November 2024	annually	Fixa em 0.125%	A1/AA-/BBBh
	2 300 000	2 268 657	1 218 375					

As at 31 December 2019, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 6S	300 000	300 167	-	November 2016	November 2023	quarterly	Euribor 3M + 0.80%	A1/AA-/A
Covered bonds - 8S	500 000	500 105	-	December 2016	December 2026	quarterly	Euribor 3M + 0.90%	A1/AA-/A
Covered bonds - 9S	250 000	250 120	-	May 2017	May 2024	quarterly	Euribor 3M + 0.85%	A1/AA-/A
Covered bonds - 10S	750 000	759 001	759 001	October 2017	October 2022	annually	Fixa em 0.875%	A1/AA-/A
Covered bonds - 11S	500 000	496 903	496 903	November 2019	November 2024	annually	Fixa em 0.125%	A1/AA-/A
	2 300 000	2 306 296	1 255 904					

In financial year 2019, under Banco Montepio’s Mortgage Bond Issuance Program, the amount of Euro 500,000 thousand, with a 5-year maturity and a fixed annual interest rate of 0.125% was issued and the issue of the series 5 mortgage bonds in the amount of Euro 500,000 thousand was repaid.

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in the Group's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Bank of Portugal Notices no. 5/2006, of 11 October, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of the Bank of Portugal.

As at 31 December 2020, the value of the loans collateralizing these issues amounted to Euro 2,739,544 thousand (31 December 2019: Euro 2,721,930 thousand), according to note 22.

The movements in Debt securities issued during financial year 2020, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Reimbursements	Net purchases	Other movements [(a)]	Balance on 31 December
Cash bonds	7 357	(4 000)	-	(234)	3 123
Covered bonds	1 255 904	-	(37 100)	(429)	1 218 375
Securitisations	126 719	(49 029)	-	-	77 690
	1 389 980	(53 029)	(37 100)	(663)	1 299 188

[(a)] Included is the movement of accrued interest on the balance sheet date, corrections for operations at fair value option and exchange variation.

The movements in Debt securities issued during financial year 2019, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Other movements [(a)]	Balance on 31 December
Cash bonds	124 719	-	(114 000)	(3 362)	7 357
Covered bonds	753 612	500 000	-	2 292	1 255 904
Securitisations	215 603	-	(88 884)	-	126 719
	1 093 934	500 000	(202 884)	(1 070)	1 389 980

[(a)] Included is the movement of accrued interest on the balance sheet date, corrections for operations at fair value option and exchange variation.

In accordance with the accounting policy described in note 1 c), the purchase of debt securities issued by the Group is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2020, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Interest rate
CAIXA- MG CAPITAL CERTO BONDS 2013/2021- 1ST SERIES	28/02/2013	01/03/2021	Annual fixed rate: 5.15% (3rd year: 5.30%; 4th year: 5.30%; 5th year: 5.90%; 6th coupon Max[5.95%; Min (IPC+2%;8.25%)];7th coupon Max[6.15%; Min (IPC+2%;8.50%)]; 8th coupon Max[6.45%; Min (IPC+2%;8.50%)])	2 148
CAIXA-MG CAPITAL CERTO BONDS 2013/2021- 2nd SERIES	28/06/2013	29/06/2021	Annual fixed rate of 4.9% (3rd year: 5.1%, 4th year: 5.1%, 5th year: 5.65% and of 6th to 8th years: Max(5.95%;Min(IPC+2%;8.15%))	812
COVERED BONDS - 10S	17/10/2017	17/10/2022	Annual fixed rate of 0.875%	750 000
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	38 667
AQUA FINANCE n.º 4 A	11/07/2017	23/06/2035	Euribor 3M + 1.05%	24 023
AQUA FINANCE n.º 4 B	11/07/2017	23/06/2035	Euribor 3M + 2.65%	15 000
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				1 330 650
			Adjustments of hedging operations	7 586
			COVERED BONDS - 11S repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(1 948)
				1 299 188

As at 31 December 2019, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
OBRIGAÇÕES CAIXA-MG TAXA FIXA SETEMBRO 2010-2020	09/09/2010	09/09/2020	Annual fixed rate of 4%	100
OBRIGAÇÕES CAIXA-CRPC-2012-2020-1.SERIE	30/03/2012	31/03/2020	Annual fixed rate 5.25% (4th year: 6% e 5th year: 6.75%; 6th, 7th e 8th cupon Max[6.25% e Min (IPC+2%;9.15%)]	3 300
OBRIGAÇÕES CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ªSERIE	31/05/2012	01/06/2020	Annual fixed rate of 8.2583% (4th year: 9.7083%; 5th year: 10.7250%; 6th year: 7.4750%; 7th year: 8.3% and 8th year: 11.1583%)	600
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	28/02/2013	01/03/2021	Annual fixed rate: 5.15% (3rd year: 5.30%; 4th year: 5.30%; 5th year: 5.90%; 6th coupon Max[5.95%; Min (IPC+2%;8.25%)];7th coupon Max[6.15%; Min (IPC+2%;8.50%)]; 8th coupon Max[6.45%; Min (IPC+2%;8.50%)])	2 148
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	28/06/2013	29/06/2021	Annual fixed rate of 4.9% (3rd year: 5.1%, 4th year: 5.1%, 5th year: 5.65% and of 6th to 8th years: Max(5.95%;Min(IPC+2%;8.15%))	812
OBRIGAÇÕES HIPOTECÁRIAS - 10S	17/10/2017	17/10/2022	Annual fixed rate of 0.875%	750 000
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	45 799
AQUA FINANCE n.º 4 A	11/07/2017	23/06/2035	Euribor 3M + 1.05%	65 919
AQUA FINANCE n.º 4 B	11/07/2017	23/06/2035	Euribor 3M + 2.65%	15 000
OBRIGAÇÕES HIPOTECÁRIAS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				1 383 678
			Adjustments of hedging operations	9 279
			Accrual based accounting, deferred income and costs	(2 977)
				1 389 980

39 Provisions

This caption is presented as follows:

	(Euro thousand)	
	2020	**2019**
Provisions for guarantees and commitments	21 218	20 660
Provisions for other risks and charges	17 436	17 887
	38 654	38 547

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to the Group's activity, being revised at each reporting date in order to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies (Stamp Duty, Corporate income tax (IRC), Property taxes (IMI) and TSC), lawsuits and fraud.

The movements in provisions for guarantees and commitments occurred in financial years 2020 and 2019, are analysed as follows:

	(Euro thousand)	
	2020	**2019**
Opening balance	20 660	15 410
Charge for the year	71 567	20 690
Reversal for the year	(69 081)	(15 436)
Utilization and exchange variation	(1 928)	(4)
Closing balance	21 218	20 660

The movements in provisions for other risk and charges are analysed as follows:

	(Euro thousand)	
	2020	**2019**
Opening balance	17 887	17 134
Charge for the year	3 020	5 944
Reversal for the year	(1 430)	(5 191)
Utilization and exchange variation	(2 041)	-
Closing balance	17 436	17 887

40 Other subordinated debt

As at 31 December 2020 and 2019, the main characteristics of subordinated debt, are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest rate	2020	2019
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 044	50 044
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 824	107 803
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2030	50 000	9.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 705	-
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 323	-
					216 896	157 847

The movements in Other subordinated debt during financial years 2020 and 2019, were as follows:

(Euro thousand)

	2020			
	Balance at 1 January	Issued	Other movements [(a)]	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 803	-	21	107 824
MONTEPIO EMTN SUB 2020/2030	-	50 000	2 705	52 705
FINIBANCO VALOR INVEST 2010	-	-	6 323	6 323
	157 847	50 000	9 049	216 896

[(a)] Includs accrued interest.

	2019			
	Balance at 1 January	Issued	Other movements [(a)]	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	-	100 000	7 803	107 803
	50 044	100 000	7 803	157 847

[(a)] Includs accrued interest.

In financial year 2019, under the Euro Medium Term Note Programme (EMTN) of Banco Montepio, bonds were issued in the amount of Euro 100,000 thousand, with a 10-year maturity, with a rate of 10.50% in the first five years and a call option, at par, in the 5th year.

In the 1st half of 2020, under the Euro Medium Term Note Programme (EMTN) of Banco Montepio, bonds were issued in the amount of Euro 50,000 thousand, with a 10-year maturity, with a rate of 9.5% in the first five years and a call option, at par, in the 5th year.

The issue of “Finibanco Valor Invest 2010” was transferred to this liability category, as described in note 41. The main characteristics of this issue are as follows:

- Interest rate: fixed rate of 7% on the first 4 interest payment dates and on the following interest payment dates, a variable rate corresponding to the Euribor rate for the period of 6 months plus 2.75%, with a minimum of 5%;
- Maturity: Not applicable (not subject to mandatory refund);
- Refund amount: Refund at nominal value. As a result of applicable laws or regulations, including any European Union directives or regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

41 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2020	2019
Domestic and foreign operations pending settlement	84 801	95 523
Sundry creditors	39 442	9 478
Post-employment benefits	9 630	13 807
Staff charges payable	40 310	27 139
Lease liabilities	15 367	21 273
Other expenses	14 628	36 954
Suppliers	10 493	10 722
Administrative public sector	10 656	11 773
Deferred income	526	534
	225 853	227 203

As at 31 December 2020, the caption Staff charges payable includes the amount of Euro 19,789 thousand (31 December 2019: Euro 19,853 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2020, this caption also includes the amount of Euro 2,523 thousand (31 December 2019: Euro 2,071 thousand) related to end-of-career awards. This caption also includes, as at 31 December 2020, the amount of Euro 13,331 thousand related with the adjustment program.

As at 31 December 2020, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	2020	2019
Up to 1 year	4	1 263
1 to 5 years	13 690	19 107
More than 5 years	1 673	903
	15 367	21 273

42 Share capital

As at 31 December 2020 and 2019, Banco Montepio's share capital, which is fully realized, amounts to Euro 2,420,000 thousand.

In financial year 2020, MGAM sold 7,500 (financial year 2019: 3,000) shares of Banco Montepio's share capital, which is now held as follows:

	2020		2019	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.9922999%	2 419 838 080	99.993309%
Other Shareholders	169 420	0.007001%	161 920	0.006691%
	2 420 000 000	100%	2 420 000 000	100%

43 Other equity instruments

The issue of Euro 15,000 thousand, occurred in the 1st quarter of 2010, of Subordinated Perpetual Securities with conditional interest ("Finibanco Valor Invest 2010" – ISIN: PTFNI1OM0011) made by Montepio Investimento, S.A. (previously designated Finibanco, S.A.), and that, in the scope of the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated Finibanco Holding, S.G.P.S., S.A.) and its subsidiaries, was integrated in Banco Montepio's equity.

At the Bondholders' Meeting held on 29 January 2020 and ratified at the General Meeting of 30 June 2020, it was deliberated to amend the bond's technical sheet to adapt its conditions to the prudential treatment adopted.

Within the scope of the proposed changes, this instrument was reclassified to the caption Other subordinated liabilities.

44 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

The movement in the legal reserve is analysed in note 45.

45 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

	(Euro thousand)	
	2020	**2019**
Fair value reserves		
Fair value reserve		
Financial assets at fair value through other comprehensive income		
Debt instruments	1 815	20 722
Equity instruments	(27 348)	(9 610)
Loans and advances to customers	103	557
Own credit risk	18	157
Exchange reserve coverage	1 244	-
	(24 168)	11 826
Taxes		
Financial assets at fair value through other comprehensive income	(4 096)	(10 847)
Loans and advances to customers	(31)	(170)
	(4 127)	(11 017)
	(28 295)	809
Other reserves and retained earnings		
Legal reserve	193 266	191 969
Consolidation exchange reserves	(112 892)	(94 052)
Other reserves and retained earnings	(1 073 533)	(1 106 295)
	(993 159)	(1 008 378)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The caption Loans and advances to customers records the amount of the fair value reserve related to the loans and advances to customers' portfolio reclassified from Other financial assets at fair value through other comprehensive income to Loans and advances to customers.

The caption Foreign exchange hedging reserve relates to the hedging or elimination of foreign exchange risk subjacent to the shareholding in the entity Monteiro e Aranha, SA (asset recorded in BRL), as described in note 26.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income, during financial year 2020, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment recognised in the period	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	15 115	(200)	464	(15 684)	1 278	973
Bonds issued by foreign public entities	5 742	(3 309)	1 200	(5 742)	3 309	1 200
Bonds issued by other entities:						
Domestic	(1 785)	1 591	195	264	(611)	(346)
Foreign	1 650	(188)	-	(1 644)	170	(12)
	20 722	(2 106)	1 859	(22 806)	4 146	1 815
Variable income securities						
Shares						
Domestic	7 735	200	-	-	-	7 935
Foreign	(17 345)	(17 938)	-	-	-	(35 283)
	(9 610)	(17 738)	-	-	-	(27 348)
	11 112	(19 844)	1 859	(22 806)	4 146	(25 533)

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income, during financial year 2019, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Recognized impairment in the financial year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	863	1 242	14 344	-	(1 334)	15 115
Bonds issued by foreign public entities	(5 009)	3 169	5 664	5 094	(3 176)	5 742
Bonds issued by other entities:						
Domestic	(1 329)	322	(440)	(317)	(21)	(1 785)
Foreign	(584)	1 344	979	36	(125)	1 650
	(6 059)	6 077	20 547	4 813	(4 656)	20 722
Variable income securities						
Shares						
Domestic	2 099	4 461	1 175	-	-	7 735
Foreign	(15 303)	(2 034)	(8)	-	-	(17 345)
	(13 204)	2 427	1 167	-	-	(9 610)
	(19 263)	8 504	21 714	4 813	(4 656)	11 112

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2020	2019
Amortized cost of financial assets at fair value through other comprehensive income	313 511	1 853 973
Recognised accumulated impairment	(1 181)	(5 327)
Amortised cost of financial assets at fair value through other comprehensive income net of impairment	312 330	1 848 646
Market value of financial assets at fair value through other comprehensive income	286 797	1 859 758
Potential realised gains/ (Losses) recognized in the fair value reserve	(25 533)	11 112

The movement in financial years 2020 and 2019 in retained earnings is presented in the consolidated statement of changes in equity.

46 Distribution of dividends

In financial years 2020 and 2019, Banco Montepio did not distributed dividends.

47 Non-controlling interests

This caption is presented as follows:

(Euro thousand)

	Balance sheet		Income Statement	
	2020	2019	2020	2019
Finibanco Angola, S.A.	9 299	11 550	1 881	2 497

The movements in this caption are analysed as follows:

	(Euro thousand) 2020	2019
Opening balance	11 550	15 551
Foreign exchange differences	(4 132)	(6 730)
Other reservers	-	1 008
Dividends	-	(776)
	7 418	9 053
Net income attributable to non-controlling interests	1 881	2 497
	9 299	11 550

			Percentage held by non-controlling interests	
Name	Home office	Segment	2020	2019
Finibanco Angola, S.A.	Luanda	Banca	19.78%	19.78%

48 Guarantees and other commitments

This caption is presented as follows:

	(Euro thousand) 2020	2019
Guarantees provided	507 617	513 824
Commitments assumed to third parties	1 561 957	1 315 399
Deposit and custody of securities	7 639 492	7 327 873
	9 709 066	9 157 096

The amounts of Guarantees provided, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)

	2020	2019
Garantees provided		
Guarantees	463 536	464 734
Documentary credits	44 081	49 090
	507 617	513 824
Commitments assumed to third parties		
Irrevocable commitments		
Irrevocable commitments	721 300	579 670
Securities subscription	1 209	7 813
Term liability to the Guarantee Deposits Fund	23 957	22 768
Potential liability with the Investor's Indemnity System	6 606	1 431
Revocable commitments		
Revocable credit facilities	808 885	703 717
	1 561 957	1 315 399

Guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by the Group.

Documentary credits correspond to irrevocable commitments, by the Group, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. Substantially, all credit concession commitments require that customers maintain certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, with the Group requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2020 and 2019, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by the Group, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2020, in the scope of the Deposits Guarantee Fund, the Group pledged treasury bonds (OT 4.95% 25.10.2023), recorded as Other financial assets at amortized cost, with a nominal value of Euro 23,000 thousand (31 December 2019: Euro 21,500 thousand), as described in note 27.

As at 31 December 2020 and 2019, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that the Group assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 c). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by the Group in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

49 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of the Group.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13, as follows:

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

  a) Financial instruments shall be classified in level 2 if they are:

     i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or
     ii. valued using indicative third-party purchase prices, based on observable market data.

  b) For financial instruments that do not have a 30-day history available in the system, the fair value level shall be assigned based on the available history.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

  a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:
     i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;
     ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or
     iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g. degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

  b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.

- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

  The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters.

  Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

i. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces and their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.
ii. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

  For Deposits from Central Banks it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is negative in 0.33% for live operations as at 31 December 2020 (31 December 2019: negative in 0.4%).

  For the remaining loans and advances, and deposits received, the discount rate used reflects the current conditions applied by the Group to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2020 and 2019, the average discount rate was a negative 0.21%.

  For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

  These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

  Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

  The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by the Group to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. The average discount rate was 2.067% for mortgage loans (31 December 2019: 2.81%), 6.45% for private individual loans (31 December 2019: 5.86%) and 2.89% for the remaining loans (31 December 2019: 4.24%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by the Group to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of the Group at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2020 was 0.08% (31 December 2019: 0.18%).

- *Debt securities issued and Other subordinated debt*

For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which the Group applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of the Group.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

  Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

	Type of instruments		Valuation methods	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	Implied Volatilities
		Interest rate options	Normal Model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3]
Financial assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied Volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

[1] In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

[2] Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

[3] Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with the Group with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio Group's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of these adjustments is shown in the table.

CVA and DVA Movements

(Euro thousand)

	2020		2019
	CVA	DVA	CVA
Adjustment	393	394	446
Of which: Derivatives expiry	1	-	(4)

Fair value of assets received in recovery of credit and of Investment properties

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation;
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as “expert appraisers” with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of the Bank of Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

Investment properties

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods:

- Comparative market method;
- Income method;
- Cost method;

as described in note 1 n).

As at 31 December 2020, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, including Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Japanese yean**
1 day	-0.495	0.165	0.09	-0.725	-0.15
7 days	-0.578	0.098	0.09	-0.595	-0.33
1 month	-0.554	0.17	0.09	-0.6	-0.33
2 months	-0.5498	0.18	0.09	-0.745	-0.31
3 months	-0.545	0.19	0.09	-0.6	-0.28
6 months	-0.526	0.22	0.145	-0.69	-0.27
9 months	-0.5125	0.25	0.195	-0.63	-0.21
1 year	-0.499	0.28	0.195	-0.64	-0.26
2 years	-0.524	0.349698	0.194905	-0.7125	-0.260163
3 years	-0.508	0.419396	0.194905	-0.675	-0.260163
5 years	-0.4575	0.558983	0.194905	-0.561	-0.260163
7 years	-0.3845	0.698378	0.194905	-0.441	-0.260163
10 years	-0.265	0.907854	0.194905	-0.2875	-0.260163
15 years	-0.072	1.145451	0.194905	-0.1125	-0.260163
20 years	0.009	1.309	0.194905	-0.1125	-0.260163
30 years	-0.025	1.39835	0.194905	-0.1125	-0.260163

As at 31 December 2019, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, including Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Japanese yean**
1 day	-0.51	1.53	0.745	-0.745	-0.2
7 days	-0.499	1.586327	0.745	-0.77	-0.0846
1 month	-0.438	1.79	0.745	-0.755	-0.37
2 months	-0.411417	1.85	0.81	-0.725	-0.31
3 months	-0.383	1.92	0.85	-0.695	-0.35
6 months	-0.324	1.93	0.92	-0.65	-0.31
9 months	-0.285892	1.91	0.945	-0.58	-0.13
1 year	-0.249	1.94	0.995	-0.59	-0.27
2 years	-0.2935	1.937916	0.992537	-0.607	-0.270156
3 years	-0.238	1.935827	0.992537	-0.558	-0.270156
5 years	-0.1195	1.931643	0.992537	-0.436	-0.270156
7 years	0.016	1.927458	0.992537	-0.302	-0.270156
10 years	0.211	1.92119	0.992537	-0.112	-0.270156
15 years	0.467	1.958212	0.992537	0.094	-0.270156
20 years	0.599	2.027	0.992537	0.094	-0.270156
30 years	0.631	2.056	0.992537	0.094	-0.270156

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**2020**	**2019**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.2271	1.1234	6.925	6.675	6.55	6.525	6.45
EUR/GBP	0.89903	0.8508	8.4	7.925	7.575	7.475	7.325
EUR/CHF	1.0802	1.0854	4.613	4.85	5.05	5.25	5.31
EUR/JPY	126.49	121.94	6.475	6.75	7.1	7.225	7.338
EUR/BRL	6.3735	4.5157	20.15	18.725	18	17.75	17.375
EUR/AOA	797.1291	540.037	-	-	-	-	-

Regarding exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of the Group, as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

	2020				
	At fair value through profit or loss	At fair value through profit or loss	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 466 250	1 466 250	1 466 250
Loans and deposits to credit institutions repayable on demand	-	-	33 660	33 660	33 660
Other loans and advances to credit institutions	-	-	293 004	293 004	293 004
Loans and advances to customers	1 207	-	11 576 495	11 577 702	11 494 189
Financial assets held for trading	16 923	-	-	16 923	16 923
Financial assets at fair value through profit or loss	346 892	-	-	346 892	346 892
Financial assets at fair value through other comprehensive income	-	286 797	-	286 797	286 797
Hedging derivatives	10 693	-	-	10 693	10 693
Other financial assets at amortized cost	-	-	2 362 616	2 362 616	2 412 670
	375 715	286 797	15 732 025	16 394 537	16 361 078
Financial liabilities					
Deposits from central bank	-	-	1 382 545	1 382 545	1 382 545
Deposits from other credit institutions	-	-	820 638	820 638	816 225
Deposits from customers	-	-	12 501 973	12 501 973	12 509 680
Debt securities issued	6 212	-	1 292 976	1 299 188	1 295 243
Financial liabilities held for trading	13 598	-	-	13 598	13 598
Hedging derivatives	397	-	-	397	397
Other subordinated debt	-	-	216 896	216 896	200 803
	20 207	-	16 215 028	16 235 235	16 218 491

(Euro thousand)

	2019				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 041 652	1 041 652	1 041 652
Loans and deposits to credit institutions repayable on demand	-	-	29 897	29 897	29 897
Other loans and advances to credit institutions	-	-	281 303	281 303	281 303
Loans and advances to customers	1 207	-	11 505 461	11 506 668	11 319 181
Financial assets held for trading	35 905	-	-	35 905	35 905
Financial assets at fair value through profit or loss	384 675	-	-	384 675	384 675
Financial assets at fair value through other comprehensive income	-	1 859 758	-	1 859 758	1 859 758
Hedging derivatives	11 148	-	-	11 148	11 148
Other financial assets at amortized cost	-	-	987 325	987 325	927 464
	432 935	1 859 758	13 845 638	16 138 331	15 890 983
Financial liabilities					
Deposits from central bank	-	-	1 291 033	1 291 033	1 291 033
Deposits from other credit institutions	-	-	522 791	522 791	528 445
Deposits from customers	-	-	12 642 446	12 642 446	12 526 985
Debt securities issued	6 587	-	1 383 393	1 389 980	1 383 789
Financial liabilities held for trading	13 368	-	-	13 368	13 368
Hedging derivatives	547	-	-	547	547
Other subordinated debt	-	-	157 847	157 847	172 668
	20 502	-	15 997 510	16 018 012	15 916 835

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2020:

(Euro thousand)

	2020				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 466 250	-	-	-	1 466 250
Loans and deposits to credit institutions repayable on demand	33 660	-	-	-	33 660
Other loans and advances to credit institutions	-	-	293 004	-	293 004
Loans and advances to customers	-	1 207	11 492 982	-	11 494 189
Financial assets held for trading	7 524	3 984	5 415	-	16 923
Financial assets at fair value through profit or loss	-	-	346 892	-	346 892
Financial assets at fair value through other comprehensive income	185 383	3 088	97 041	1 285	286 797
Hedging derivatives	-	10 693	-	-	10 693
Other financial assets at amortized cost	2 412 670	-	-	-	2 412 670
	4 105 487	18 972	12 235 334	1 285	16 361 078
Financial liabilities					
Deposits from central bank	1 382 545	-	-	-	1 382 545
Deposits from other credit institutions	-	-	816 225	-	816 225
Deposits from customers	-	-	12 509 680	-	12 509 680
Debt securities issued	-	6 212	1 289 031	-	1 295 243
Financial liabilities held for trading	-	13 598	-	-	13 598
Hedging derivatives	-	397	-	-	397
Other subordinated debt	-	-	200 803	-	200 803
	1 382 545	20 207	14 815 739	-	16 218 491

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2019:

(Euro thousand)

	2019				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 041 652	-	-	-	1 041 652
Loans and deposits to credit institutions repayable on demand	29 897	-	-	-	29 897
Other loans and advances to credit institutions	-	-	281 303	-	281 303
Loans and advances to customers	-	1 207	11 317 974	-	11 319 181
Financial assets held for trading	13 009	7 785	15 111	-	35 905
Financial assets at fair value through profit or loss	7 551	-	377 124	-	384 675
Financial assets at fair value through other comprehensive income	1 747 451	15 623	95 581	1 103	1 859 758
Hedging derivatives	-	11 148	-	-	11 148
Other financial assets at amortized cost	927 464	-		-	927 464
	3 767 024	35 763	12 087 093	1 103	15 890 983
Financial liabilities					
Deposits from central bank	1 291 033	-	-	-	1 291 033
Deposits from other credit institutions	-	-	528 445	-	528 445
Deposits from customers	-	-	12 526 985	-	12 526 985
Debt securities issued	-	6 587	1 377 202	-	1 383 789
Financial liabilities held for trading	-	13 368	-	-	13 368
Hedging derivatives	-	547	-	-	547
Other subordinated debt	-	-	172 668	-	172 668
	1 291 033	20 502	14 605 300	-	15 916 835

50 Post-employment and long-term benefits

Banco Montepio, Montepio Crédito and Montepio Valor assumed the responsibility to pay their employees and members of the Management Bodies old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 s).

In accordance with the same policy, the Group calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

The Group's general pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

To the respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of the Group, or as employees who had been permanent employees of the Group and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

The Group's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to the payment by the Pension Fund of a pension calculated as per the preceding paragraph, proportional to the time of service rendered to the Group.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

The Group has no other mechanisms to ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, the Group signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS were now made based on a fixed cost per employee and were no longer indexed to salaries.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2020	**2019**
Financial assumptions		
Salary growth rate	0.5%	0.75%
Pension growth rate	0.3%	0.5%
Rate of return of the Fund	1.15%	1.5%
Discount rate	1.15%	1.5%
Revaluation rate		
Salary growth rate - Social Security	1.25%	1.5%
Monetary correction rate	1%	1%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2020, the average duration of the pension liabilities of the Group's employees is 19 years (31 December 2019: 19.7 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2020	**2019**
Active	3 204	3 386
Retirees and survivors	1 473	1 313
	4 677	4 699

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

	(Euro thousand)	
	2020	**2019**
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(390 463)	(318 871)
Active	(409 548)	(461 544)
	(800 011)	(780 415)
Liabilities with healthcare benefits		
Pensioners	(27 022)	(22 884)
Active	(43 811)	(43 873)
	(70 833)	(66 757)
Liabilities with death benefits		
Pensioners	(2 240)	(1 913)
Active	(1 799)	(1 825)
	(4 039)	(3 738)
Total liabilities	(874 883)	(850 910)
Coverages		
Pension Fund value	865 523	837 103
Net assets/(liabilities) in the balance sheet	(9 360)	(13 807)
Accumulated actuarial remeasurements recognized in other comprehensive income	301 211	300 878

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2020				2019			
	Pension benefits	**Healthcare benefits**	**Death benefits**	**Total**	**Pension benefits**	**Healthcare benefits**	**Death benefits**	**Total**
Liabilities at the beginning of the financial year	780 415	66 757	3 738	850 910	683 366	56 124	3 006	742 496
Recognized in net income/(loss) (note 11)								
Current service cost	5 579	1 850	81	7 510	4 786	1 477	59	6 322
Interest cost	11 699	1 001	56	12 756	15 376	1 263	68	16 707
Early retirement	14 179	-	-	14 179	344	-	-	344
Recognized in Equity (note 45)								
Actuarial gains /(losses)								
Changes in assumptions	1 801	2 399	205	4 405	81 235	-	-	81 235
Not related to Changes in assumptions	6 881	(1 174)	(41)	5 666	15 186	7 893	605	23 684
Other								
Pensions paid by the Fund	(20 556)	-	-	(20 556)	(19 507)	-	-	(19 507)
Pensions paid by Banco Montepio	(2 395)	-	-	(2 395)	(2 764)	-	-	(2 764)
Participant contributions	2 408	-	-	2 408	2 393	-	-	2 393
Liabilities at the end of the financial year	800 011	70 833	4 039	874 883	780 415	66 757	3 738	850 910

The evolution of the Pension Fund's net asset value in financial year ended 31 December 2020 and 2019 can be analysed as follows:

(Euro thousand)

	2020	2019
Value of the Fund at beginning of financial year	837 103	725 797
Recognized in net income/(loss)		
Share of net interest	12 215	16 331
Recognized in equity (note 45)		
Financial deviations	9 738	27 089
Other		
Contributions from Banco Montepio	24 615	85 000
Participant contributions	2 408	2 393
Pensions paid by the Fund	(20 556)	(19 507)
Fund's value at the end of the financial year	865 523	837 103

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2020 and 2019, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2020				2019			
	Assets of the fund	%	Quoted	Unquoted	Assets of the fund	%	Quoted	Unquoted
Variable-income securities								
Equities	48 386	6%	48 386	-	46 229	6%	46 229	-
Equity Investment Funds	130 640	15%	-	130 640	106 585	13%	-	106 585
Bonds	592 530	68%	521 857	70 673	530 645	63%	475 324	55 321
Real estate	5 629	1%	-	5 629	5 494	1%	-	5 494
Real estate investment Funds	34 820	4%		34 820	34 722	4%	685	34 037
Venture capital Funds	6 334	1%	-	6 334	5 638	1%	-	5 638
Loans and advances to banks and other	47 184	5%	-	47 184	107 790	13%	-	107 790
Total	865 523	100%	570 243	295 280	837 103	100%	522 238	314 865

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of the Group, are analysed as follows:

(Euro thousand)

	2020	2019
Loans and advances in banks and other	47 184	107 790
Real estate	5 629	5 494
Bonds	2 138	2 110
	54 951	115 394

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2020	2019
Actuarial gains/(losses) at the beginning of the financial year	300 878	223 048
Actuarial gains/(losses) in the financial period		
Changes in discount rate	55 079	111 474
Payroll update	(22 635)	(30 239)
Pension growth rate update	(28 039)	-
Deviation on the Pension Fund return	(9 738)	(27 089)
Other	5 666	23 684
Actuarial gains/(losses) recognized in other comprehensive income	301 211	300 878

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2020	2019
Current service cost	7 510	6 322
Net interest income/(expense) on the liabilities coverage balance	541	376
Costs with early retirement, mutually agreed termination and other	14 179	344
Costs for the financial year	22 230	7 042

The evolution of net assets/(liabilities) in the balance sheet, in financial years ended 31 December 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020	2019
At the beginning of the financial year	(13 807)	(16 699)
Contributions by Banco Montepio	24 615	85 000
Current service cost	(7 510)	(6 322)
Net interest income/(expense) on the liabilities coverage balance	(541)	(376)
Actuarial gains/(losses)	(10 071)	(104 919)
Financial gains/(losses)	9 738	27 089
Pensions paid by Banco Montepio	2 395	2 764
Early retirement, mutually agreed terminations and others	(14 179)	(344)
At the end of the financial year	(9 360)	(13 807)

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, the Group performed a sensitivity analysis to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2020		2019	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(36 803)	39 332	(36 015)	38 434
Salary growth rate (0.25% change)	28 682	(26 214)	26 717	(24 678)
Pension growth rate (0.25% change)	34 886	(33 239)	33 564	(32 097)
SAMS contribution (0.25% change)	3 741	(3 741)	3 796	(3 796)
Future mortality (1 year change)	(27 703)	26 730	(25 947)	25 907

In 2020, the cost associated with the end-of-career awards amounted to Euro 2,523 thousand (2019: Euro 2,071 thousand), in accordance with the accounting policy described in note 1 s) and as per note 41.

51 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2020 and 2019, the amount of the funds for which the Group acts as depository bank is analysed as follows:

(Euro thousand)

	2020	2019
Securities Investment Funds	158 724	189 629
Real estate Investment Funds	594 370	563 828
Pension Funds	265 616	249 258
Bank and insurance	955	996
	1 019 665	1 003 711

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

52 Related parties

As defined in IAS 24, the companies detailed in note 59, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of the Group. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article no. 85 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties.

The Group’s first-line managers are considered Other key management personnel.

On this basis, with reference to 31 December 2020, the list of related parties considered by the Group is presented as follows:

Major shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chairman of the Board of Directors
Carlos Manuel Tavares da Silva
Non-executive members
Manuel Ferreira Teixeira
Amadeu Ferreira de Paiva
Carlos Francisco Ferreira Alves
José da Cunha Nunes Pereira
Pedro Jorge Gouveia Alves
Rui Pedro Brás de Matos Heitor
Vítor Manuel do Carmo Martins
Executive Committee
Chief Executive Officer
Pedro Manuel Moreira Leitão
Members
Dulce Maria Pereira Cardoso Mota Jorge Jacinto
Helena Catarina Gomes Soares de Moura Costa Pina
Jorge Paulo Almeida e Silva Baião [1]
José Carlos Sequeira Mateus
Leandro Rodrigues da Graça Silva
Nuno Cardoso Correia da Mota Pinto
Pedro Miguel Nunes Ventaneira
Audit Committee
Chairman of the Audit Committee
Manuel Ferreira Teixeira
Members
Amadeu Ferreira de Paiva
Carlos Francisco Ferreira Alves
José da Cunha Nunes Pereira
Vítor Manuel do Carmo Martins

Board of Directors of Other Related parties
Amândio Manuel Carrilho Coelho
António Manuel de Jesus Gouveia
António Paulo da Silva Gonçalves Raimundo
Carlos Vicente Morais Beato
Edite da Encarnação Paiva Baptista Cheira
Fernanda Maria da Costa Simões Brázia
Fernando Ferreira Santo
Fernão Vasco de Almeida Bezerra Fernandes Thomaz
Francisco José Gonçalves Simões
Idália Maria Marques Salvador Serrão
Isabel Margarida Carvalho Simões Cidrais Guimarães
Isabel Maria Loureiro Alves Brito
Joana Cristina Veiga Carvalho Barbosa [2]
João Andrade Lopes
João António Morais da Costa Pinto
João Carlos Carvalho das Neves
João Carlos Martins da Cunha Neves
João Filipe Milhinhos Roque
João Francisco Mendes Almeida de Gouveia
Joaquim Mariano Gargana Cabaço
Jorge Manuel Santos Oliveira
José António Fonseca Gonçalves
José António Truta Pinto Rabaça
José Luís Esparteiro da Silva Leitão
José Mendes Alfaia
Laura Catarina Simões Cardoso Duarte Teodósio
Luís Filipe dos Santos Costa
Luís Filipe Pocinho Coutinho Antunes
Luís Gabriel Moreira Maia de Almeida
Luís Paulo da Silva Mendes
Manuel Carlos Costa da Silva
Manuel de Pinho Baptista
Margarida Maria Pinto Rodrigues D'Archambeau Duarte
Maria Dalila Correia Araújo Teixeira
Maria Lúcia Ramos Bica
Maria Manuela Traquina Rodrigues
Maria Margarida Carrusca Pontes do Rosário Ribeiro de Andrade
Maria Rosa Almas Rodrigues

Board of Directors of Other Related parties (cont.)
Nuno Henrique Serra Mendes
Nuno Manuel Marques da Silva
Nuno Ribeiro Quesada Van Zeller
Paulo José Martins Jorge da Silva
Pedro Manuel Gaspar de Vasconcelos Carrasco
Pedro Miguel Moura Líbano Monteiro
Pedro Miguel Rodrigues Crespo
Ricardo Canhoto de Carvalho
Rui Miguel Alves Eugénio de Sousa de Nápoles
Tereza de Jesus Teixeira Barbosa Amado
Vasco Francisco Coelho Almeida
Virgílio Manuel Boavista Lima
Vitor Guilherme de Matos Filipe
Vítor Manuel Lopes Marques Saraiva

Other Key Management Personnel
Alexandra Maria Borges Ferreira Rolo Pimenta Santos
Alexandra Melo Ponciano
Ana Maria Nascimento Sá Couto Júdice Pargana
Ana Maria Sousa Capelão Teixeira Fernandes Mendonça Neves
Ana Paula Maia Fernandes
António Fernando Figueiredo Lopes
António José Boavista Coelho
António José Miranda Lopes Coutinho
António Miguel Coelho Oliveira
Armando Jorge Pereira Oliveira Lopes
Armando José Lemos Cardoso
Bruno Manuel Ferro Espadanal Torres Magalhães
Carlos Alberto Figueiral Azevedo
Daniel Maximino Caçador
Fernando Jorge Lopes Centeno Amaro
Fernando Manuel Silva Costa Alexandre
Filipa Castro Costa
Filipe José Silva Rocha
Gabriel Fernando Sá Torres
Helder Ferreira Reis
Hélio Miguel Gomes Marques
Inês Maria Pinho Mourinho Oliveira Sousa Dargan
Jaquelina Maria Almeida Rodrigues Miguens
João Tiago Maia Barros Silva Teixeira
Joaquim António Canhoto Gonçalves Silva
Jorge Humberto Cruz Barros Jesus Luís
José Luís Dias Jesus
José Miguel Carneiro Mello
Luis Filipe Pereira Cruz Nunes
Luís Miguel Oliveira Melo Correia
Manuel Fernando Caixado Castanho
Maria Carmo Martins Ventura Calvão
Maria Eduarda Madureira Osório Botelho Fernandes
Maria Fernanda Infante Melo Costa Correia
Miguel Alexandre Teixeira Coelho
Mónica Susana Martins Ferreira Sousa Araújo
Nuno Augusto Pereira Coelho
Patricia Ester Carvalho Esteves Fernandes
Paulo Jorge Andrade Rodrigues
Paulo Miguel Ferreira Trindade
Pedro Jorge Ponte Araújo
Pedro Miguel Soares Vieira
Pedro Nuno Coelho Pires
Ricardo Artur Silva Ribeiro
Rui Jorge Correia Pereira Santos
Rui Luís Magalhães Moura
Rui Sérgio Carvalho Santos Calheiros Gama
Sandra Maria Santos Gameiro Henriques Jesus Brito Pereira
Sanguini Shirish
Susana Cristina Costa Pinheiro
Tânia Carina Cardoso Madeira
Tiago Luís Marques Coelho Martins
Tiago Miguel Fidalgo Oliveira Coito
Vítor António Santos Ventura
Vitor Fernando Santos Cunha

[1] Mr. Jorge Paulo Almeida e Silva Baião was appointed by cooptation on 18 February 2021 and authorized by the Bank of Portugal 09 February 2021, having taken as executive member on 22 February 2021.
[2] Ms. Joana Cristina Veiga Carvalho Barbosa tendered his resignation as member of The Board of Directors of Banco Empresas Montepio, with effect from 10 de March de 2021.

Other Related parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
CESource, ACE
Clínica CUF Belém, S.A
Empresa Gestora de Imóveis da Rua do Prior S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.
In Posterum, A.C.E.
Leacock - Prestação de Serviços, LDA.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio Residências para Estudantes, S.A.
Montepio Gestão de Activos - S.G.O.I.C., S.A.
Montepio Gestão de Ativos Imobiliários, ACE
Montepio Seguros, S.G.P.S., S.A.
NAVISER - Transportes Marítimos Internacionais, S.A.
Nova Câmbios - Instituição de Pagamento, S.A.
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

Related parties resulting from the shareholding held in Finibanco Angola, S.A.

Banco de Negócios Internacional, S.A. (BNI)
Banco Terra, S.A.
Bifashion
Chamavo e Companhia
Cominder Comércio e Industria
Consar Gestão de Empreendimentos e Serviços
Fundação Mucusso
Gelcon Holding Company
Geminas
Gesimet Industria Siderugica de Angola, S.A.
Grupo Gema
Himoinsa Angola
Iberpartners Cafés
Jameg, Lda.
Medabil Angola
Novacal
Porto Seco da Mulemba
Shafaris
Vauco Automóveis e Equipamentos

As at 31 December 2020, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2020							
Companies	**Loans and advances to customers**	**Impairment of loans and advances to customers**	**Financial assets at fair value through other comprehensive income**	**Impairment of financial assets at fair value through other comprehensive income**	**Other assets**	**Guarantees and commitments provided**	**Provisions for guarantees and commitments provided**	**Total**
Board of Directors	622	-	-	-	-	-	-	622
Board of Directors of Other Related Parties	2 555	2	-	-	-		-	2 553
Other Key Management Personnel	3 905	4	-	-	-	-	-	3 901
Bolsimo - Gestão de Activos, S.A.	7 483	393	-	-	22	5 431	-	12 543
CESource, A.C.E.	-	-	-	-	48	-	-	48
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	26	-	-	27
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	-	-	-	500	-	500
Lusitania Vida, Companhia de Seguros, S.A.	-	-	-	-	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	1 867	612	86	46	-	1 387
Moçambique Companhia de Seguros, S.A.R.L.	-	-	415	-	-	-	-	415
Montepio Geral Associação Mutualista	2	8	-	-	1 947	120	1	2 060
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	10	-	-	11
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	648	-	-	648
NovaCâmbios - Instituição de Pagamento, S.A.	830	92	-	-	-	1 446	8	2 176
Residências Montepio, Serviços de Saúde, S.A.	948	139	-	-	47	500	7	1 349
	16 346	638	2 283	612	2 834	8 043	16	28 240

As at 31 December 2019, assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2019							
Companies	**Loans and advances to customers**	**Impairment of loans and advances to customers**	**Financial assets at fair value through other comprehensive income**	**Impairment of financial assets at fair value through other comprehensive income**	**Other assets**	**Guarantees and commitments provided**	**Provisions for guarantees and commitments provided**	**Total**
Board of Directors	664	-	-	-	-	-	-	664
Board of Directors of Other Related Parties	2 499	1	-	-	-	8	-	2 506
Other Key Management Personnel	3 600	3	-	-	-	-	-	3 597
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	-	-	-	13	-	-	14
CESource, A.C.E.	-	-	-	-	49	-	-	49
Germont – Empreendimentos Imobiliários, S.A.	69	18	-	-	-	11 931	18	11 964
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	-	-	-	500	1	499
Lusitania Vida, Companhia de Seguros, S.A.	1	-	-	-	-	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	923	58	93	46	-	1 004
Moçambique Companhia de Seguros, S.A.R.L.	-	-	415	-	-	-	-	415
Montepio Geral Associação Mutualista	5	-	-	-	5 465	382	-	5 852
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	2	-	-	-	-	2
Montepio Imóveis – Sociedade Imobiliária, S.A.	7 544	56	-	-	-	-	-	7 488
NovaCâmbios - Instituição de Pagamento, S.A.	968	17	-	-	-	1 354	10	2 295
Residências Montepio, Serviços de Saúde, S.A.	646	5	-	-	9	500	1	1 149
	15 997	100	1 340	58	5 629	14 721	30	37 499

As at 31 December 2020, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2020		
Companies	**Deposits from customers**	**Debt securies issued and other subordinated debt**	**Total**
Board of Directors	1 757	-	1 757
Board of Directors of Other Related Parties	3 479	-	3 479
Other Key Management Personnel	2 406	-	2 406
Bolsimo - Gestão de Activos, S.A.	1 902	-	1 902
Clínica CUF Belém, S.A.	10	-	10
Empresa Gestora de Imóveis da Rua do Prior S.A	166	-	166
Fundação Montepio Geral	838	-	838
Fundo de Pensões - Montepio Geral	39 188	2 103	41 291
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	493	-	493
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	89	-	89
In Posterum, A.C.E.	93	-	93
Lusitania Vida, Companhia de Seguros, S.A.	10 396	-	10 396
Lusitania, Companhia de Seguros, S.A.	4 031	-	4 031
Montepio Geral Associação Mutualista	140 129	200 388	340 517
Montepio Gestão de Activos - S.G.O.I.C., S.A.	1 600	-	1 600
Montepio Gestão de Activos Imobiliários, A.C.E.	2 450	-	2 450
Montepio Residências para Estudantes, S.A:	537	-	537
Montepio Seguros, S.G.P.S., S.A.	2 028	-	2 028
NovaCâmbios - Instituição de Pagamento, S.A.	512	-	512
Residências Montepio, Serviços de Saúde, S.A.	138	-	138
SAGIES - Segurança e Higiene no Trabalho, S.A.	45	-	45
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 122	-	3 122
Sociedade Portuguesa de Administrações, S.A.	148	-	148
	215 557	202 491	418 048

As at 31 December 2019, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2019		
Companies	Deposits from customers	Debt securies issued and other subordinated debt	Total
Board of Directors	1 881	-	1 881
Board of Directors of Other Related Parties	3 640	-	3 640
Other Key Management Personnel	2 088	-	2 088
Bolsimo - Gestão de Activos, S.A.	358	-	358
Clínica CUF Belém, S.A.	29	-	29
Clínica de Serviços Médicos Computorizados de Belém, S.A.	2	-	2
Empresa Gestora de Imóveis da Rua do Prior S.A	113	-	113
Fundação Montepio Geral	918	-	918
Fundo de Pensões - Montepio Geral	87 682	2 100	89 782
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	327	-	327
Germont – Empreendimentos Imobiliários, S.A.	1 125	-	1 125
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	71	-	71
In Posterum, A.C.E.	100	-	100
Lusitania Vida, Companhia de Seguros, S.A.	19 297	-	19 297
Lusitania, Companhia de Seguros, S.A.	2 998	-	2 998
Montepio Geral Associação Mutualista	131 971	140 105	272 076
Montepio Gestão de Activos - S. G. F. O. I.C. , S.A.	1 830	-	1 830
Montepio Gestão de Activos Imobiliários, A.C.E.	2 388	-	2 388
Montepio Imóveis – Sociedade Imobiliária, S.A.	22	-	22
Montepio Residências para Estudantes, S.A:	526	-	526
Montepio Seguros, S.G.P.S., S.A.	1 021	-	1 021
N Seguros, S.A.	327	-	327
NovaCâmbios - Instituição de Pagamento, S.A.	1 150	-	1 150
Residências Montepio, Serviços de Saúde, S.A.	560	-	560
SAGIES - Segurança e Higiene no Trabalho, S.A.	32	-	32
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	2 948	-	2 948
Sociedade Portuguesa de Administrações, S.A.	189	-	189
	263 593	142 205	405 798

As at 31 December 2020, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Companies	2020					
	Interest and similar income	Interest and similar expense	Net fee and commission income	Staff costs	Other operating income	General and administrative expenses
Board of Directors	-	2	1	-	-	-
Board of Directors of Other Related Parties	9	5	3	-	-	-
Other Key Management Personnel	24	4	3	-	1	-
Bolsimo -Gestão de Activos, S.A.	424	3	1	(110)	-	-
CESource, A.C.E.	-	-	-	(578)	-	-
Fundo de Pensões - Montepio Geral	-	15	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	2 729	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	6	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 136	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	6 810	-	9	-
Montepio Geral Associação Mutualista	8	15 818	1 245	(14 896)	1	2 171
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	2	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(4 057)	(3 125)	83
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	38	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	37	-	62	-	6	-
Residências Montepio, Serviços de Saúde, S.A.	36	-	24	(113)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	5	1	-	-	-
	544	15 853	15 056	(19 754)	(3 108)	2 254

As at 31 December 2019, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

Companies	2019					
	Interest and similar income	Interest and similar expense	Net fee and commission income	Staff costs	Other operating income	General and administrative expenses
Board of Directors	-	2	1	-	1	-
Board of Directors of Other Related Parties	8	5	3	-	1	-
Other Key Management Personnel	23	5	3	-	1	-
Bolsimo -Gestão de Activos, S.A.	-	-	1	(65)	-	-
CESource, A.C.E.	-	-	-	(580)	-	-
Fundação Montepio Geral	-	-	1	-	-	-
Fundo de Pensões - Montepio Geral	-	32	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	6	2 577	-	-	-
Germont – Empreendimentos Imobiliários, S.A.	203	-	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	20	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	11	4 411	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	10	6 234	-	8	-
Montepio Geral Associação Mutualista	3	12 577	1 761	(9 450)	3	2 213
Montepio Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	1	5	-	-	-
Montepio - Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 523)	-	3 632
Montepio Imóveis – Sociedade Imobiliária, S.A.	218	3	-	-	-	-
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	28	-	-	-
N Seguros, S.A.	-	1	16	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	40	-	61	-	5	-
Residências Montepio, Serviços de Saúde, S.A.	17	-	17	(105)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	9	-	-	-	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-	-
	532	12 663	15 121	(12 723)	19	5 845

In financial years 2020 and 2019, there were no transactions with the Group's Pension Fund.

53 Securitization of assets

As at 31 December 2020 and 2019, there are seven securitization operations, five of which originated in Banco Montepio, one in Montepio Crédito – Instituição Financeira de Crédito, S.A. and one in Montepio Investimento, S.A., currently integrated in the Group following the success of the General and Voluntary Public Offering over the representative shares of Montepio Holding, S.G.P.S., S.A. (previously named Finibanco Holding, S.G.P.S., S.A.) and the transmission of almost all assets and liabilities (business acquisition) to the Group.

We present next some additional details of these securitization operations.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), *Pelican Mortgages* no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, *Pelican Mortgages* no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

As at 9 December 2008, Montepio Investimento S.A. sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March 2009, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 5. The total period of the operation is 52 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,027,500 thousand. The sale was made at par, with the initial sale process costs representing 0.0564% of par.

As at 5 March 2012, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 6. The total period of the operation is 51 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,107,000 thousand. The sale was made at par, with the initial sale process costs representing 0.1083% of the Asset Backed Notes.

As at 7 May 2014, Banco Montepio and Montepio Crédit, Instituição Financeira de Crédito, S.A. celebrated with Tagus, a contract for the sale of consumer loans originated by same in the scope of a loan securitization contract (Pelican Finance no. 1). The total period of the operation is 14 years, with an initial revolving period of 18 months, amended in November 2015 to 42 months and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 308,700 thousand. The sale was made at par, with the initial sale process costs representing 0.1871% of the Asset-backed Notes.

As at 11 July 2017, Montepio Crédito celebrated with Tagus, a consumer loan securitization contract (Aqua Finance no. 4). The total period of the operation is 18 years, with a revolving period of 18 months and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 200,200 thousand. The sale was made at par, with the initial sale process costs representing 0.6991% of the Asset Backed Notes.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Mortgages no. 5, Pelican Mortgages no. 6, Aqua Mortgages no. 1 and Pelican Finance no. 1). Montepio Crédito – Instituição Financeira de Crédito, S.A. assures the same functions for the operation Pelican Finance no. 1.

The Group does not hold any direct or indirect shareholding in the companies Tagus and Sagres.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Group retained most of the risks and rewards associated with the securitized loans. If the Group substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2020, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

				Loans and advances		Securities issued		
Issue	Settlement date	Currency	Asset transferred	Initial amount	Current amount	Initial nominal amount	Current nominal amount	Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	145 122	762 375	150 653	38 677
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	452 144	1 028 600	482 450	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	76 148	236 500	79 203	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage loans	1 027 500	452 911	1 027 500	478 456	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage loans	1 107 000	570 033	1 107 000	648 080	-
Pelican Finance No. 1	May 2014	euro	Consumer loans	308 700	74 659	308 700	85 149	-
Aqua Finance No. 4	July 2017	euro	Consumer loans and other	200 200	72 660	200 200	84 223	39 013
				4 670 875	1 843 677	4 670 875	2 008 214	77 690

* Includes nominal value, accrued interest and other adjustments.

As at 31 December 2019, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

				Loans and advances		Securities issued		
Issue	Settlement date	Currency	Asset transferred	Initial amount	Current amount	Initial nominal amount	Current nominal amount	Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	171 989	762 375	177 299	45 799
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	495 965	1 028 600	528 439	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	87 968	236 500	90 177	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage loans	1 027 500	499 050	1 027 500	524 377	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage loans	1 107 000	637 106	1 107 000	713 822	-
Pelican Finance No. 1	May 2014	euro	Consumer loans	308 700	118 586	308 700	136 103	-
Aqua Finance No. 4	July 2017	euro	Consumer loans and other	200 200	119 639	200 200	126 118	80 920
				4 670 875	2 130 303	4 670 875	2 296 335	126 719

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and nature of contract, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations							
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Mortgage n.º 5*	*Pelican Mortgage n.º 6*	*Pelican Finance n.º 1*	*Aqua Finance n.º 4*	**Total**
Domestic loans and advances								
Corporate								
Other loans	-	-	-	-	-	-	25 260	25 260
Retail								
Mortgage	143 949	450 648	75 261	451 592	561 277	-	-	1 682 727
Consumer loans and other	-	-	-	-	-	69 748	44 932	114 680
	143 949	450 648	75 261	451 592	561 277	69 748	70 192	1 822 667
Credit and overdue interest								
Less than 90 days	107	648	541	344	2 260	263	29	4 192
More than 90 days	1 066	848	346	975	6 496	4 648	2 439	16 818
	1 173	1 496	887	1 319	8 756	4 911	2 468	21 010
	145 122	452 144	76 148	452 911	570 033	74 659	72 660	1 843 677

Additionally, the detail of the securitized loans not derecognized, by securitization operation and nature of contract, as at 31 December 2019, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations							
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Mortgage n.º 5*	*Pelican Mortgage n.º 6*	*Pelican Finance n.º 1*	*Aqua Finance n.º 4*	**Total**
Domestic loans and advances								
Corporate								
Other loans	-	-	-	-	-	-	55 270	55 270
Retail								
Mortgage	170 787	494 581	86 853	497 884	629 540	-	-	1 879 645
Consumer loans and other	-	-	-	-	-	113 804	61 455	175 259
	170 787	494 581	86 853	497 884	629 540	113 804	116 725	2 110 174
Credit and overdue interest								
Less than 90 days	86	726	365	424	2 394	236	134	4 365
More than 90 days	1 116	658	750	742	5 172	4 546	2 780	15 764
	1 202	1 384	1 115	1 166	7 566	4 782	2 914	20 129
	171 989	495 965	87 968	499 050	637 106	118 586	119 639	2 130 303

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Mortgages no. 5, Pelican Mortgages no. 6 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1, Pelican Mortgages no. 4, Pelican Mortgages no. 5, Pelican Mortgages no. 6 and Pelican Finance no. 1) and partially, in the case of Pelican Mortgages no. 3 and Aqua Finance no. 4.

The bonds held by Banco Montepio or by entities integrated in the consolidation perimeter of the Banco Montepio Group ("Interests held by the Group") are eliminated in the consolidation process for which reason they are presented below for information purposes only.

As at 31 December 2020, the securities issued by the special purpose vehicles are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	Group's interest held (nominal amount) euros	Maturity	Rating (initial)				Rating (initial)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	138 350 012	99 598 316	2054	AAA	Aaa	AAA	n.a.	BBB-	A3	BBB-	n.a.
	Class B	14 250 000	3 572 001	3 572 001	2054	AA-	Aa2	AA-	n.a.	BBB-	Ba1	B-	n.a.
	Class C	12 000 000	3 008 001	3 008 001	2054	A	A3	A	n.a.	BB	B2	B-	n.a.
	Class D	6 375 000	1 598 001	1 598 001	2054	BBB	Baa3	BBB	n.a.	B	Caa1	B-	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	357 936 501	357 936 501	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AA
	Class B	55 500 000	31 685 880	31 685 880	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	34 255 005	34 255 005	2056	A-	n.a.	n.a.	BBB	BBB	n.a.	n.a.	n.a.
	Class D	25 000 000	14 272 919	14 272 919	2056	BBB	n.a.	n.a.	B+	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	15 700 211	15 700 211	2056	BB	n.a.	n.a.	B	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	314 319 574	314 319 574	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAA
	Class B	195 000 000	110 086 392	110 086 392	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	15 525 004	15 525 004	2061	B	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	27 500 000	15 525 004	15 525 004	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	292 879 799	292 879 799	2063	A	n.a.	A-	AA	A+	n.a.	AA	AAH
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	57 093 499	57 093 499	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A	AAA
	Class B	29 824 000	18 609 200	18 609 200	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	43 715 916	43 715 916	2028	A	n.a.	n.a.	A	A+	n.a.	n.a.	AAL
	Class B	91 100 000	26 732 717	26 732 717	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	14 700 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Finance n.º 4	Class A	140 000 000	24 023 487	-	2035	n.a.	A3	n.a.	AL	n.a.	A1	n.a.	A
	Class B	15 000 000	15 000 000	-	2035	n.a.	Ba2	n.a.	BBBL	n.a.	Baa3	n.a.	BBBH
	Class C	45 200 000	45 200 000	45 200 000	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2019, the securities issued by the special purpose vehicles, are analysed as follows:

Issue	Bonds	Initial nominal amount euros	Current nominal amount euros	Group's interest held (nominal amount) euros	Maturity	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	163 508 676	117 781 633	2054	AAA	Aaa	AAA	n.a.	BBB	A2	A	n.a.
	Class B	14 250 000	4 221 562	4 221 562	2054	AA-	Aa2	AA-	n.a.	BBB	Ba1	BB-	n.a.
	Class C	12 000 000	3 555 000	3 555 000	2054	A	A3	A	n.a.	BB+	B2	B	n.a.
	Class D	6 375 000	1 888 594	1 888 594	2054	BBB	Baa3	BBB	n.a.	BB	Caa1	B-	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	394 205 764	394 205 764	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AAH
	Class B	55 500 000	34 896 571	34 896 571	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	37 726 022	37 726 022	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	15 719 176	15 719 176	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	17 291 094	17 291 094	2056	BB	n.a.	n.a.	B	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	346 010 604	346 010 604	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAA
	Class B	195 000 000	121 185 768	121 185 768	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	17 090 301	17 090 301	2061	B	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	27 500 000	17 090 301	17 090 301	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	358 622 246	358 622 246	2063	A	n.a.	A-	AA	A+	n.a.	AA	AAA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	65 596 503	65 596 503	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	21 080 228	21 080 228	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	75 334 714	75 334 714	2028	A	n.a.	n.a.	A	A+	n.a.	n.a.	AH
	Class B	91 100 000	46 067 926	46 067 926	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	14 700 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Finance n.º 4	Class A	140 000 000	65 917 710	-	2035	n.a.	A3	n.a.	AL	n.a.	A1	n.a.	A
	Class B	15 000 000	15 000 000	-	2035	n.a.	Ba2	n.a.	BBBL	n.a.	Baa3	n.a.	BBBH
	Class C	45 200 000	45 200 000	45 200 000	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

The Bank has an operation underway that configures a synthetic securitization structure. The operation started on 18 December 2020 and is based on a loan portfolio of small and medium-sized companies (SMEs). The legal maturity of the operation is 25 March 2036 and the respective amount totals Euro 395,000 thousand as at 31 December 2020. This operation has an estimated average maturity of 2.85 years.

54 Balance sheet and income statement indicators by operating and geographical segments

The segmental reporting is presented in accordance with IFRS 8. In compliance with the Group's management model, the disclosed segments correspond to the segments used for management purposes by the Board of Directors. The Group develops banking and financial services activities in Portugal and abroad, with a special focus on the domestic market through the following business segments: Retail, Social Economy, and Corporate and Investment Banking.

Products and services include the entire offer inherent in the universal banking activity, namely deposit taking, credit concession and the provision of financial and custodianship services to companies and individuals, as well as the trading of investment funds and life and non-life insurance. Additionally, the Group executes short, medium- and long-term investments in the financial and currency markets to take advantage of price variations or as a mean to obtain returns on its available financial resources.

As at 31 December 2020, the Banco Montepio Group had (i) a domestic network of 298 branches, among which 7 branches of proximity and convenience of Banco Montepio and 7 branches for corporate clients of BEM, (ii) a credit institution in Cape Verde and (iii) a bank in Angola with 24 branches.

The information by operating segments on 31 December 2020 reflects the organizational and management model of the Banco Montepio Group, which follows the approved strategic guidance. The control over the performance of the activities carried out by the Group follows the allocation between the operating segments, with the respective management information considering the accounting policies underlying the preparation of the financial statements, as well as the internal management criteria. It is the responsibility of the Strategic Planning and Control Department to develop, produce and report management information related to the performance of the various operating segments and the respective control in relation to the objectives defined, reporting hierarchically to the Chief Financial Officer (CFO). The Executive Committee monitors the performance of the operating segments of the internal organizational model in a timely manner, as well as that of the respective budgetary control. The management information is reported to the Executive Committee and to the Board of Directors according to the model established, as well as to the competent organic units.

In evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Banking, which includes the sub segments of Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and Micro businesses;

2) Social Economy, which incorporates the customers allocated to the Social Economy and Public Sector business areas;

3) Specialized credit, which includes the consumer credit business primarily developed by the subsidiary Montepio Crédito;

4) Asset Management, which reflects the activity of Montepio Valor;

5) Corporate and Investment Banking, which includes the Large Companies, the Small and Medium Enterprises allocated to this segment and the Financial Institutions, as well as the activity presently developed in the Investment Banking area carried out by Banco de Empresas Montepio (BEM);

6) International Activity, which incorporates the contribution of Montepio Geral Cabo Verde, presented in the financial statements as a Discontinued Operation, and Finibanco Angola;

7) Markets, which includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding; and

8) Other segments, which includes all the operations not included in the other segments, namely the operations related to the management of real estate held for trading and of non-performing loans. Each segment is allocated the Group's structures that are directly or indirectly dedicated to same, as well as the autonomous units of the Group which activity is also allocated.

Geographically, even though the Group concentrates its activity in Portugal, the international activity of the Group is assured by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.

Description of the operating segments

On a consolidated basis, each of the reportable segments includes income and costs related to the following activities, products, customers, and Group structures:

Retail Banking

This operating segment corresponds to all the activity developed by the Group in Portugal with individuals, self-employed individuals, small and medium enterprises allocated to this segment and micro businesses, commercially designated as the Individuals and Small Businesses segment, fundamentally originated by the branch network, electronic channels and promotor network. The financial information of this segment includes, among others, products and services, such as mortgage loans, individual or consumer credit, demand and term deposits and other savings applications, retirement solutions products, namely PPRs, debit and credit cards, account management and electronic payment services, and investment fund placement, securities' trading and custodianship services, as well as insurance brokerage and non-financial services.

Social Economy

This operating segment reinforces the Group's role while agent of reference of the Social Economy, in the market and with the different stakeholders, incorporating the activity related to the Social Economy and Public Sector business areas.

Specialized Credit

This operating segment highlights one of the cornerstones of the Transformation Plan, reflecting the focus on consumer credit. This segment reflects the activity developed by Montepio Crédito.

Asset Management

This operating segment incorporates the activity developed by the subsidiary Montepio Valor.

Corporate and Investment Banking

This operating segment includes the activity developed by the Group with Small, Medium and Large companies, through the commercial structure dedicated to this segment. It also includes the institutional customers' business, namely the financial sector. Of note among the products and services provided are treasury and investment financing, commercial discounting, provision of guarantees, leasing, factoring, renting, foreign operations, such as documentary credits, cheques and remittances, deposits, payment and reception services, cards, as well as custodianship services.

The Corporate Banking business includes the Corporate segment in Portugal which operates, in the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group companies.

In addition, this operating segment includes the activity developed in the Investment Banking area by Banco de Empresas Montepio (Banco BEM).

International Activity

This segment reflects the contribution of Montepio Geral Cabo Verde and of Finibanco Angola.

Markets

This segment includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding.

Other segments

This segment includes all the support activity developed in respect of the main activities constituting the core business of the segments mentioned above, namely the operations related to the management of real estate held for trading and of non-performing loans, and the Group's global financial management activity. In this segment are also included the impacts of strategic decisions with a transversal impact across the Group, the investments in minority financial shareholdings, and the activity related to interest and exchange rate risk management.

Allocation criteria of the results to the segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information on which decisions are made in the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related to the operating segments are consistent with those used in the preparation of the financial statements, which are described in note 1, with the following principles having been adopted:

Measurement of segmental profit or loss

The Group uses the net profit/(loss) as a measure of the profits or losses to evaluate the performance of each operating segment.

Autonomous operating units

As mentioned above, each autonomous operating unit is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the primary business developed by same, their assets, liabilities, income and expenses are included in the corresponding Operating Segments.

Group structures dedicated to the segment

The Group's activity covers practically all the operating segments and is, therefore, broken down accordingly.

In preparing the financial information, the following criteria are used:

(i) The operations are allocated to each business segment in function of their origination by the commercial structures, even if, at a later date, and as an example, it is decided to securitize some of the assets originated in same;

(ii) The calculation of the net interest income is performed considering the business negotiated with customers and other counterparties recognized in each one of the segments, taking into account the respective associated interest rates;

(iii) The determination of the net interest income also considers the impact of the transfer of the assets and liabilities of each product/segment to a pool, which balances these and adjusts the respective interest, considering the market interest rates at each moment, namely, Euribor for the different periods;

(iv) The allocation of the direct costs of the respective structures dedicated to each segment;

(v) The allocation of the indirect costs (central support and IT services), in function of previously defined criteria;

(vi) The allocation of credit risk is performed in accordance with the impairment model used by the Group.

(vii) The allocation of the tax burden to the operating segments results, with the exception of the international activity, from the application of the marginal tax rate of 30.5% to the profit before tax, with the remainder of the tax amount recognized in the income statement being allocated to the other segments.

Operations between the legally autonomous units of the Group are realized at market prices. The price of intersegment services, namely the prices established for internal funding, is determined by the adjustment system through the above mentioned pool (with prices varying in accordance with the strategic relevance of the product and the equilibrium of the structures funding and lending functions). The remaining services are allocated to the segments in accordance with predefined criteria.

The interest rate, exchange rate, liquidity and other risks, except for credit risk, are included in the segment Other Segments.

Interest and similar income/expense

Since the Group's consolidated activity is, essentially, related to the banking business, the greater part of the income generated results from the difference between the interest earned on its assets and the interest borne with the funding it secures. This situation, and the fact that the activity of the segments represents the direct business developed by the business units for each product, means that the revenue of the intermediation activity is presented, as permitted by IFRS 8 (23), at the net interest value under the designation of Net Interest Income.

Investments consolidated according to the equity method

Investments in associated companies presented according to the equity method are included in the segment designated Operations of other Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets in the segment in which they are mostly used.

Assets and liabilities for post-employment benefits

Considering that the factors that influence both the amount of the liabilities and of the assets of the Group's Pension Fund correspond, fundamentally, to variables external to the management of each segment, the Group considers that said impacts should not influence the performance of the Operating Segments which activities are carried out with customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.

The financial and economic elements related to the international area are those presented in the financial statements of those units with the respective consolidation and elimination adjustments.

As at 31 December 2020, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated										
	Commercial Banking										
	Retail	Social Economy	Specialized credit	Asset management	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	187 801	4 767	19 077	-	**211 645**	47 332	12 698	28 576	15 586	(12 157)	**303 680**
Interest and similar expense	31 341	750	776	-	**32 867**	6 245	2 615	39 133	8 113	(28 087)	**60 886**
NET INTEREST INCOME	**156 460**	**4 017**	**18 301**	**-**	**178 778**	**41 087**	**10 083**	**(10 557)**	**7 473**	**15 930**	**242 794**
Dividends from equity instruments	-	-	-	-	**-**	-	-	-	-	3 052	**3 052**
Net fee and commission income	94 290	1 754	4 576	-	**100 620**	12 441	1 701	-	(3 093)	3 642	**115 311**
Net gains/(losses) arising from financing operations	-	-	28	-	**28**	(1 646)	14 783	11 047	(3)	(6 347)	**17 862**
Other operating income/(expense)	121	(75)	(2 348)	-	**(2 302)**	(817)	51	30 220	8 297	(20 724)	**14 725**
OPERATING INCOME	**250 871**	**5 696**	**20 557**	**-**	**277 124**	**51 065**	**26 618**	**30 710**	**12 674**	**(4 447)**	**393 744**
Staff costs	73 428	2 695	6 398	-	**82 521**	6 017	5 469	1 416	6 540	87 292	**189 255**
General and administrative expenses	17 713	268	4 958	-	**22 939**	2 198	3 329	1 803	1 583	35 137	**66 989**
Depreciation and amortization	1 110	4	823	-	**1 937**	536	1 613	1	3	31 028	**35 118**
Operating cost	**92 251**	**2 967**	**12 179**	**-**	**107 397**	**8 751**	**10 411**	**3 220**	**8 126**	**153 457**	**291 362**
Total provisions and impairment	35 006	2 364	1 380	-	**38 750**	16 805	4 349	8 238	155 700	(3 010)	**220 832**
Share of profit/(loss) of associated companies under the equity method	-	-	-	-	**-**	-	-	-	-	(662)	**(662)**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**123 614**	**365**	**6 998**	**-**	**130 977**	**25 509**	**11 858**	**19 252**	**(151 152)**	**(155 556)**	**(119 112)**
Taxes	31 522	93	1 903	-	**33 518**	6 591	2 354	4 909	(37 345)	(52 277)	**(42 250)**
Non-controlling interests	-	-	-	-	**-**	-	1 881	-	-	-	**1 881**
Net income/(loss) from discontinued operations	-	-	-	(213)	**(213)**	-	238	-	-	(1 968)	**(1 943)**
RESULTADO LÍQUIDO	**92 092**	**272**	**5 095**	**(213)**	**97 246**	**18 918**	**7 861**	**14 343**	**(113 807)**	**(105 247)**	**(80 686)**
Assets	8 457 236	186 576	550 405	6 028	**9 200 245**	2 056 269	304 148	4 806 141	1 977 179	(402 976)	**17 941 006**
Liabilities	10 834 085	879 027	491 791	1 056	**12 205 959**	569 105	249 271	3 719 269	-	(129 757)	**16 613 847**
Investments in associated companies	-	-	-	-	**-**	-	-	3 872	-	-	**3 872**

The caption Income/(loss) from discontinued operations includes the contribution of Banco Montepio Geral – Cabo Verde, S.A., and Montepio Valor, S.G.O.I.C., S.A., which impact on the various captions of the Income Statement is disclosed in note 60.

The preparation of the segmental reporting follows the logic of the contribution to the consolidation, with the reportable segments excluding the respective intercompany balances, identified in note 52.

As at 31 December 2019, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated										
	Commercial Banking										
	Retail	Social Economy	Specialized credit	Asset management	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	217 066	5 036	18 173	-	**240 275**	50 999	17 727	34 326	15 614	(24 727)	**334 214**
Interest and similar expense	49 633	1 907	1 490	-	**53 030**	9 156	4 127	42 488	10 082	(38 897)	**79 986**
NET INTEREST INCOME	**167 433**	**3 129**	**16 683**	**-**	**187 245**	**41 843**	**13 600**	**(8 162)**	**5 532**	**14 170**	**254 228**
Dividends from equity instruments	-	-	-	-	**-**	0	-	-	-	7 631	**7 631**
Net fee and commission income	102 442	1 126	3 611	-	**107 179**	10813	4 043	-	(5 454)	5 977	**122 558**
Net gains/(losses) arising from financing operations	-	-	(13)	-	**(13)**	(2 378)	14 570	55 085	(30)	(2 791)	**64 443**
Other operating income/(expense)	188	(73)	(288)	-	**(173)**	1 018	(2 060)	10 024	8 765	(6 047)	**11 527**
OPERATING INCOME	**270 063**	**4 182**	**19 993**	**-**	**294 238**	**51 296**	**30 153**	**56 947**	**8 813**	**18 940**	**460 387**
Staff costs	73 654	2 408	6 063	-	**82 125**	3 466	6 748	1 568	7 080	61 365	**162 352**
General and administrative expenses	16 852	293	5 066	-	**22 211**	2 143	4 659	1 783	2 691	34 644	**68 131**
Depreciation and amortization	1 106	4	478	-	**1 588**	277	2 490	3	4	29 172	**33 534**
Operating cost	**91 612**	**2 705**	**11 607**	**-**	**105 924**	**5 886**	**13 897**	**3 354**	**9 775**	**125 181**	**264 017**
Total provisions and impairment	2 174	4 632	167	-	**6 973**	10 011	2 303	9 467	115 082	(576)	**143 260**
Share of profit/(loss) of associated companies under the equity method	-	-	-	-	**-**	-	-	-	-	208	**208**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**176 277**	**(3 155)**	**8 219**	**-**	**181 341**	**35 399**	**13 953**	**44 126**	**(116 044)**	**(105 457)**	**53 318**
Taxes	41 308	(805)	1 059	-	**41 562**	8 278	3 334	11 252	(28 914)	(9 899)	**25 613**
Non-controlling interests	-	-	-	-	**-**	-	2 497	-	-	-	**2 497**
Net income/(loss) from discontinued operations	-	-	-	(1 519)	**(1 519)**	-	141	-	-	(2 146)	**(3 524)**
NET INCOME/LOSS	**134 969**	**(2 350)**	**7 160**	**(1 519)**	**138 260**	**27 121**	**8 263**	**32 874**	**(87 130)**	**(97 704)**	**21 684**
Assets	8623538	133 676	502 548	6 474	**9 266 236**	1 880 313	404 660	4 620 516	2 301 747	(733 330)	**17 740 142**
Liabilities	10 908 229	604 824	452 067	1 748	**11 966 868**	332 683	337 781	3 361 686	-	289 136	**16 288 154**
Investments in associated companies	-	-	-	-	**-**	-	-	4 439	-	-	**4 439**

As at 31 December 2020, the net contribution of the main geographical areas is presented as follows:

(Euro thousand)

Income Statement	Activity		
	Domestic	International	Total
Interest and similar income	290 982	12 698	303 680
Interest and similar expense	59 410	1 476	60 886
Intersegment	1 139	(1 139)	-
Net interest income	232 711	10 083	242 794
Dividends from equity instruments	3 052	-	3 052
Net fee and commission income	113 610	1 701	115 311
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(18 695)	-	(18 695)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	23 693	-	23 693
Net gains/(losses) arising from foreign exchange differences	(1 919)	14 783	12 864
Net gains/(losses) arising from sale of other financial assets	43 020	-	43 020
Other operating income/(expense)	(28 346)	51	(28 295)
Operating income	367 126	26 618	393 744
Staff costs	183 786	5 469	189 255
General and administrative expenses	63 660	3 329	66 989
Depreciation and amortization	33 505	1 613	35 118
	280 951	10 411	291 362
Impairment of loans and advances	185 831	(705)	185 126
Impairment of other financial assets	8 314	3 859	12 173
Impairment of other assets	19 457	-	19 457
Other provisions	2 881	1 195	4 076
Operating profit/(loss)	(130 308)	11 858	(118 450)
Share of profit/(loss) of associated companies under the equity	(662)	-	(662)
Profit/(loss) before taxes and non-controlling interests	(130 970)	11 858	(119 112)
Current taxes	(563)	2 354	1 791
Deferred taxes	(44 041)	-	(44 041)
Profits/(losses) from discontinued operations	(213)	(1 730)	(1 943)
Profits/(losses) from discontinued operations: intersegment	(1 968)	1 968	-
Non-controlling interests	-	1 881	1 881
Consolidated net income/(loss) for the financial period attributable to the Shareholders	(88 547)	7 861	(80 686)

As at 31 December 2020, the net contribution of the main geographical areas is presented as follows:

(Euro thousand)

Balance Sheet	Activity		
	Domestic	International	Total
Cash, deposits and advances and loans to credit institutions	1 606 272	186 642	1 792 914
Loans and advances to customers	11 552 262	25 440	11 577 702
Investments in financial assets and associated companies	2 969 087	58 706	3 027 793
Investment properties	125 893	-	125 893
Non-current assets held for sale - discontinued operations	-	1 310	1 310
Other assets	1 382 235	27 675	1 409 910
Total Assets	17 635 903	305 103	17 941 006
Deposits from central banks and other credit institutions	2 202 514	669	2 203 183
Deposits from customers	12 373 421	128 552	12 501 973
Debt securities issued and Other subordinated debt	1 516 084	-	1 516 084
Non-current liabilities held for sale - discontinued operations	-	109 619	109 619
Other liabilities	271 602	11 386	282 988
Total Liabilities	16 363 621	250 226	16 613 847
Non-controlling interests	-	9 299	9 299
Total Equity attributable to the Shareholders	1 272 282	45 578	1 317 860
Total Shareholders' Equity	1 272 282	54 877	1 327 159
Total Liabilities and Sahreholders' Equity	17 635 903	305 103	17 941 006

As at 31 December 2019, the net contribution of the main geographical areas is presented as follows:

(Euro thousand)

Income Statement	Activity: Domestic	Activity: International	Total
Interest and similar income	316 487	17 727	334 214
Interest and similar expense	77 865	2 121	79 986
Intersegment	2 006	(2 006)	-
Net interest income	240 628	13 600	254 228
Dividends from equity instruments	7 631	-	7 631
Net fee and commission income	118 515	4 043	122 558
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	8 510	-	8 510
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	42 269	-	42 269
Net gains/(losses) arising from foreign exchange differences	(906)	14 570	13 664
Net gains/(losses) arising from sale of other financial assets	22 931	-	22 931
Other operating income/(expense)	(9 344)	(2 060)	(11 404)
Operating income	430 234	30 153	460 387
Staff costs	155 604	6 748	162 352
General and administrative expenses	63 472	4 659	68 131
Depreciation and amortization	31 044	2 490	33 534
	250 120	13 897	264 017
Impairment of loans and advances	120 313	(5 408)	114 905
Impairment of other financial assets	9 474	1 163	10 637
Impairment of other assets	11 710	-	11 710
Other provisions	(540)	6 548	6 008
Operating profit/(loss)	39 157	13 953	53 110
Share of profit/(loss) of associated companies under the equity	208	-	208
Profit/(loss) before taxes and non-controlling interests	39 365	13 953	53 318
Current taxes	370	3 334	3 704
Deferred taxes	21 909	-	21 909
Profits/(losses) from discontinued operations	(1 189)	(2 335)	(3 524)
Profits/(losses) from discontinued operations: intersgment	(2 476)	2 476	-
Non-controlling interests	-	2 497	2 497
Consolidated net income/(loss) for the financial period attributable to the Shareholders	13 421	8 263	21 684

As at 31 December 2019, the net contribution of the main geographical areas is presented as follows:

Balance Sheet	Activity		
	Domestic	**International**	**Total**
Cash, deposits and advances and loans to credit institutions	1 120 777	232 075	1 352 852
Crédito a clientes	11 464 542	42 126	11 506 668
Investments in financial assets and associated companies	3 195 003	88 247	3 283 250
Non-current assets held for sale - discontinued operations	-	1 915	1 915
Investment properties	144 868	-	144 868
Other assets	1 410 290	40 299	1 450 589
Total Assets	17 335 480	404 662	17 740 142
Deposits from central banks and other credit institutions	1 813 194	630	1 813 824
Deposits from customers	12 343 386	299 060	12 642 446
Debt securities issued and Other subordinated debt	1 526 015	21 812	1 547 827
Other liabilities	267 776	16 281	284 057
Total Liabilities	15 950 371	337 783	16 288 154
Non-controlling interests	-	11 550	11 550
Total Equity attributable to the Shareholders	1 385 109	55 329	1 440 438
Total Shareholders' Equity	1 385 109	66 879	1 451 988
Total Liabilities and Sahreholders' Equity	17 335 480	404 662	17 740 142

55 Risk management

Objectives of the Risk Management Policy

The Group is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, the Group is subject to other non-financial risks, namely operating, reputation, and strategy and business risks. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce potential losses for the Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Department, the unit responsible for the risk management function of the Group, which regularly informs the Board of Directors of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Group's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is the non-executive body with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of the Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Commission in these areas.

The Board of Directors seeks to ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

The Group has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

The Group's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks – credit, market, liquidity, real estate and operating – to which the Group's business is subject.

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Department is responsible for promoting that all Group companies, including those located abroad, implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio risk management function, in the Banco Montepio Group's Risk Management Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Department is responsible for monitoring the risk management activity of Group companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Department is more effective and efficient.

Credit risk

Credit risk is associated with the level of uncertainty of the expected returns, due to the inability of the borrower (and of the guarantor, if any), or the issuer of a security or counterparty of a contract to comply with the obligations arising for same.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses.

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g. the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Self-employed Individuals ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 19 classes, of which the first 15 correspond to performing risk classes, classes 16 to 18 to credit incidents/

record of arrears in the financial system, and class 19 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings, and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Specialized Credit Analysis Department, a body independent of the commercial structure. The Risk Department is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio Group's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk deterioration (Early Warning Signs).

The Banco Montepio Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 c.10.4).

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 10%: impact of 1.06% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of 10%: impact of -1.15% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 7.30% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.99% of total impairment of the loan portfolio.

The Group's credit risk exposure can be analysed as follows:

(Euro thousand)

	2020	2019
Deposits at credit institutions repayable on demand	33 660	29 897
Loans and advances to credit institutions	293 004	281 303
Loans and advances to customers	11 577 702	11 506 668
Financial assets held for trading	10 452	34 689
Financial assets at fair value through profit or loss	9 666	11 455
Financial assets at fair value through other comprehensive income	168 058	1 723 507
Hedging derivatives	10 693	11 148
Other financial assets at amortized cost	2 362 616	987 324
Investments in associated companies	3 872	4 439
Other assets	48 103	57 985
Guarantees and standby letters provided	507 617	513 824
Irrevocable credit lines	721 300	579 670
	15 746 743	15 741 909

The analysis of the main credit risk exposures by sector of activity, for financial year 2020, can be analysed as follows:

(Euro thousand)

	2020															
Activity	Deposits at other credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Investments in associated companies	Guarantees provided	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Gross value	Gross value	Gross value	Impairment	Gross value	Gross value	Impairment	Gross value	Off-balance sheet value		Provisions
Corporate																
Agriculture, forestry and fishing	-	-	-	97 319	4 045	-	-	5 204	54	-	-	-	-	652	6 071	241
Extractive Industries	-	-	-	14 704	625	-	-	-	-	-	-	-	-	1 477	1 928	21
Manufacturing industries	-	-	-	980 759	94 182		1 440			-	-	-	-	20 155	120 572	1 477
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	68 620	4 558		-			-	-	-	-	1 057	9 789	21
Water supply	-	-	-	69 130	2 623	-	-	-	-	-	-	-	-	2 219	4 854	40
Construction	-	-	-	626 502	167 744		588	-	-	-	-	-	-	100 554	106 874	5 798
Wholesale and retail trade	-	-	-	914 706	107 021	-	3 364			-	-	-	-	50 476	152 587	6 527
Transport and storage	-	-	-	404 431	46 455	-	6	-	-	-	-	-	-	5 290	16 637	285
Accommodation and catering activities	-	-	-	532 779	23 429	-	-	-	-	-	-	-	3 198	14 814	33 665	606
Information and Communication	-	-	-	58 844	3 394	-	-	-	-	10 693	-	-	-	1 769	22 845	112
Financial and insurance activities	33 660	293 291	287	627 449	102 668	9 399	150	4 143	708	-		-	-	236 663	49 054	403
Real estate activities	-	-	-	736 415	86 826	-	85	-	-	-	-	-	-	24 524	109 396	1 595
Consulting, scientific, technical and similar	-	-	-	263 921	10 082	-	2 943	-	-	-	-	-	-	20 908	29 126	654
Administrative and supporting service activities	-	-	-	109 996	6 848	-	47	-	-	-	-	-	674	5 927	21 492	313
Public administration and defence, compulsory social security	-	-	-	45 737	272	1 053	904	153 765	382	-	2 371 582	8 966	-	116	557	14
Education	-	-	-	63 262	2 922	-	-	-	-	-	-	-	-	254	4 809	34
Healthcare services and social support	-	-	-	236 059	9 356	-	-	4 060	24	-	-	-	-	4 301	15 525	404
Artistic activities, shows and recreational	-	-	-	66 829	10 590	-	-	-	-	-	-	-	-	9 172	5 303	179
Other services	-	-	-	62 884	381	-	139	-	-	-	-	-	-	3 674	10 148	74
Retail																
Mortgage Loans	-	-	-	5 636 438	55 782	-	-	2 067	13	-	-	-	-	-	-	-
Others	-	-	-	740 432	39 711	-	-	-	-	-	-	-	-	3 615	68	2 420
	33 660	**293 291**	**287**	**12 357 216**	**779 514**	**10 452**	**9 666**	**169 239**	**1 181**	**10 693**	**2 371 582**	**8 966**	**3 872**	**507 617**	**721 300**	**21 218**

The analysis of the mains credit risk exposures by sector of activity, for financial year 2019, can be analysed as follows:

(Euro thousand)

Activity	2019															
	Deposits at other credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Investments in associated companies	Guarantees provided	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Gross value	Off-balance sheet value		Provisions
Corporate																
Agriculture, forestry and fishing	-	-	-	85 292	4 674	-	-	-	-	-	-	-	-	976	4 516	236
Extractive Industries	-	-	-	13 716	582	-	-	-	-	-	-	-	-	1 463	1 479	136
Manufacturing industries	-	-	-	934 565	85 586	-	1 621	75 812	59	-	-	-	-	21 330	94 509	1 100
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	48 716	6 768	-	-	57 075	72	-	-	-	-	1 089	13 107	36
Water supply	-	-	-	76 928	1 577	-	-	-	-	-	-	-	-	1 959	2 434	72
Construction	-	-	-	710 720	230 820	-	398	2 090	2	-	-	-	-	100 966	97 074	8 782
Wholesale and retail trade	-	-	-	858 920	94 981	-	3 342	10 679	20	-	-	-	-	64 141	115 292	5 644
Transport and storage	-	-	-	368 063	34 072	-	15	-	-	-	-	-	-	6 886	16 376	747
Accommodation and catering activities	-	-	-	443 850	13 017	-	1	1 207	2	-	-	-	3 741	9 558	15 458	321
Information and Communication	-	-	-	45 401	3 057	-	-	11 403	9	-	-	-	-	1 742	24 053	79
Financial and insurance activities	29 897	281 481	178	572 263	63 787	22 896	149	105 756	120	11 148	-	-	-	229 955	43 083	119
Real estate activities	-	-	-	754 678	104 157	-	71	-	-	-	-	-	-	23 562	85 783	1 798
Consulting, scientific, technical and similar	-	-	-	298 513	16 129	-	2 892	4 023	8	-	-	-	-	23 470	26 572	478
Administrative and supporting service activities	-	-	-	101 238	8 460	-	100	-	-	-	-	-	698	6 805	11 399	409
Public administration and defence, compulsory social security	-	-	-	46 185	512	11 793	2 665	1 438 777	4 976	-	990 459	3 135	-	216	445	3
Education	-	-	-	59 090	3 316	-	-	-	-	-	-	-	-	307	3 841	24
Healthcare services and social support	-	-	-	202 057	5 781	-	-	-	-	-	-	-	-	3 666	8 707	279
Artistic activities, shows and recreational	-	-	-	55 570	8 716	-	-	-	-	-	-	-	-	8 397	6 423	91
Other services	-	-	-	62 836	2 487	-	201	19 586	53	-	-	-	-	3 889	9 047	102
Retail																
Mortgage Loans	-	-	-	5 822 992	59 060	-	-	2 426	6	-	-	-	-	-	-	-
Others	-	-	-	727 580	34 966	-	-	-	-	-	-	-	-	3 447	72	203
	29 897	**281 481**	**178**	**12 289 173**	**782 505**	**34 689**	**11 455**	**1 728 834**	**5 327**	**11 148**	**990 459**	**3 135**	**4 439**	**513 824**	**579 670**	**20 660**

The Group's total credit exposure, which includes the caption Loans and advances to customers (including the entities subject to the adoption of IFRS 5), and the guarantees and standby letters provided in the aggregate amount of Euro 507,617 thousand (31 December 2019: Euro 513,824 thousand) and the irrevocable credit facilities amounting to Euro 721,300 thousand (31 December 2019: Euro 579,670 thousand), broken down between loans with impairment and loans without impairment, is presented as follows:

(Euro thousand)

	2020			2019		
Impacts by stage	**Grosse value**	**Impairment**	**Net value**	**Grosse value**	**Impairment**	**Net value**
Collective analysis	**8 892 593**	**235 950**	**8 656 643**	**8 769 847**	**240 872**	**8 528 975**
Stage 1	6 462 170	14 105	6 448 065	7 019 755	11 292	7 008 463
Stage 2	2 110 739	60 661	2 050 078	1 378 041	46 050	1 331 991
Stage 3	319 684	161 184	158 500	372 051	183 530	188 521
Individual analysis	**4 693 540**	**564 782**	***4 128 758***	**4 612 820**	**562 293**	**4 050 527**
	13 586 133	**800 732**	**12 785 401**	**13 382 667**	**803 165**	**12 579 502**

As at 31 December 2020 and 2019, the detail of the application of Stages to other financial assets is presented as follows:

(Euro thousand)

Impacts by stage	2020 Grosse value	2020 Impairment	2020 Net value	2019 Grosse value	2019 Impairment	2019 Net value
Amortized cost (AC)	**2 371 582**	**8 966**	**2 362 616**	**990 460**	**3 135**	**987 325**
Stage 1	2 371 582	8 966	2 362 616	990 460	3 135	987 325
Fair value (FVOIC)	**169 239**	**1 181**	**168 058**	**1 728 834**	**5 327**	**1 723 507**
Stage 1	165 570	556	165 014	1 725 949	5 264	1 720 685
Stage 2	3 669	625	3 044	2 885	63	2 822
Loans to credit institutions	**293 291**	**287**	**293 004**	**281 481**	**178**	**281 303**
Stage 1	293 291	287	293 004	277 481	139	277 342
Stage 2	-	-	-	4 000	39	3 961
	2 834 112	**10 434**	**2 823 678**	**3 000 775**	**8 640**	**2 992 135**

As at 31 December 2020 and 2019, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

Segment	2020 Grosse value	2020 Impairment	2020 Net value	2019 Grosse value	2019 Impairment	2019 Net value
Retail	**6 353 311**	**90 275**	**6 263 036**	**6 515 122**	**91 601**	**6 423 521**
Mortgage loans	5 623 950	54 989	5 568 961	5 802 804	58 690	5 744 114
Stage 1	4 361 981	1 211	4 360 770	4 873 258	507	4 872 751
Stage 2	1 158 396	15 052	1 143 344	803 797	12 867	790 930
Stage 3	103 573	38 726	64 847	125 749	45 316	80 433
Consumer credit	677 683	31 147	646 536	653 771	29 638	624 133
Stage 1	530 212	2 376	527 836	508 462	1 541	506 921
Stage 2	109 131	8 312	100 819	97 375	5 148	92 227
Stage 3	38 340	20 459	17 881	47 934	22 949	24 985
Credit cards	51 678	4 139	47 539	58 547	3 273	55 274
Stage 1	27 637	714	26 923	32 811	251	32 560
Stage 2	20 573	1 012	19 561	22 223	1 188	21 035
Stage 3	3 468	2 413	1 055	3 513	1 834	1 679
Corporate	**2 539 282**	**145 675**	**2 393 607**	**2 254 725**	**149 271**	**2 105 454**
Non-Construction	2 306 550	131 308	2 175 242	2 049 811	131 414	1 918 397
Stage 1	1 397 666	8 938	1 388 728	1 470 909	8 226	1 462 683
Stage 2	765 164	33 714	731 450	415 209	24 895	390 314
Stage 3	143 720	88 656	55 064	163 693	98 293	65 400
Construction	232 732	14 367	218 365	204 914	17 857	187 057
Stage 1	144 673	867	143 806	134 188	764	133 424
Stage 2	57 475	2 571	54 904	39 565	1 955	37 610
Stage 3	30 584	10 929	19 655	31 161	15 138	16 023
	8 892 593	**235 950**	**8 656 643**	**8 769 847**	**240 872**	**8 528 975**

As at 31 December 2020 and 2019, impairment is detailed as follows:

(Euro thousand)

	2020						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	4 670 560	559 562	2 538 703	145 676	7 209 263	705 238	6 504 025
Retail - mortgage loans	12 489	794	5 623 950	54 988	5 636 439	55 782	5 580 657
Retail - other loans	10 491	4 426	729 940	35 286	740 431	39 712	700 719
	4 693 540	564 782	8 892 593	235 950	13 586 133	800 732	12 785 401

(Euro thousand)

	2019						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	4 577 371	559 868	2 254 724	149 271	6 832 095	709 139	6 122 956
Retail - mortgage loans	20 188	369	5 802 804	58 690	5 822 992	59 059	5 763 933
Retail - other loans	15 261	2 056	712 319	32 911	727 580	34 967	692 613
	4 612 820	562 293	8 769 847	240 872	13 382 667	803 165	12 579 502

As at 31 December 2020, the transfer between Stages is presented as follows:

(Euro thousand)

	Transfers betwween stages					
	From 2 to 1	From 1 to 2	From 3 to 2	From 2 to 3	From 3 to 1	From 1 to 3
Exposure	284 251	1 700 599	31 563	58 935	6 764	21 527
Impairment	1 436	51 100	1 311	17 434	44	5 860

As at 31 December 2020 and 2019, the fair value analysis of collaterals associated with the Group's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collateral	2020	2019
Individual analysis		
Securities and other financial assets	*188 701*	*122 499*
Real Estate - Mortgage loans	*17 902*	*36 443*
Real Estate - Construction and CRE	*2 478 108*	*2 527 130*
Other real estate	*1 815 472*	*1 745 690*
Other guarantees	*504 571*	*781 665*
Collective analysis - Stage 1		
Securities and other financial assets	*144 592*	*190 368*
Real Estate - Mortgage loans	*9 722 484*	*10 662 097*
Real Estate - Construction and CRE	*199 467*	*262 048*
Other real estate	*423 715*	*752 599*
Other guarantees	*330 689*	*388 019*
Collective analysis - Stage 2		
Securities and other financial assets	*66 706*	*37 797*
Real Estate - Mortgage loans	*2 172 996*	*1 531 454*
Real Estate - Construction and CRE	*156 836*	*135 459*
Other real estate	*479 697*	*295 949*
Other guarantees	*41 050*	*28 879*
Collective analysis - Stage 3		
Securities and other financial assets	*1 941*	*3 326*
Real Estate - Mortgage loans	*155 858*	*171 902*
Real Estate - Construction and CRE	*66 543*	*62 372*
Other real estate	*61 691*	*83 100*
Other guarantees	*8 856*	*14 257*
	19 037 875	**19 833 053**

The Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

The Group's total loans and advances portfolio, by segment and respective impairment, constituted in financial years 2020 and 2019, is presented as follows:

(Euro thousand)

	2020		2019	
Segment	Total exposure	Total exposure	Total exposure	Total exposure
Corporate	5 178 734	402 024	4 773 994	336 713
Construction and CRE	2 030 529	303 215	2 058 101	372 426
Retail - Mortgage loans	5 636 438	55 782	5 822 992	59 060
Retail - Other loans	740 432	39 711	727 580	34 966
	13 586 133	800 732	13 382 667	803 165

The live loans and advances portfolio, by segment and by production year, as at 31 December 2020, is presented as follows:

(milhares de euros)

	Corporate			**Construction and CRE**			**Retail - Mortage loans**			**Retail - Other**		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	661	29 786	1 649	783	109 054	50 242	43 356	1 290 591	13 504	24 721	7 431	742
2005	204	13 384	994	198	34 198	21 324	10 605	514 350	6 580	8 180	3 716	238
2006	322	25 827	2 407	233	72 557	44 626	13 018	639 510	10 057	18 426	13 850	2 846
2007	470	28 916	1 475	315	47 001	13 490	13 290	650 172	10 048	43 156	16 635	1 318
2008	1 383	46 178	5 604	517	21 869	5 914	6 933	340 173	5 111	64 762	18 387	1 267
2009	2 211	71 575	3 827	680	45 169	18 128	3 767	207 113	2 279	50 099	16 339	2 146
2010	1 914	96 371	12 294	471	38 934	11 101	3 796	236 546	2 278	36 198	9 290	1 277
2011	2 752	96 032	6 477	595	22 649	6 313	1 446	86 627	587	29 800	9 250	2 136
2012	3 011	94 831	10 766	431	31 235	10 180	886	53 770	521	21 315	6 531	1 227
2013	5 014	264 158	51 742	728	76 541	21 363	1 146	69 600	457	21 521	13 859	2 371
2014	6 793	391 323	36 500	2 076	135 456	19 335	1 361	86 147	341	25 780	29 788	4 628
2015	7 548	337 073	74 156	1 240	68 923	15 499	1 600	103 279	290	24 015	36 925	4 021
2016	9 704	595 984	50 993	2 359	172 691	19 708	2 242	167 242	660	38 303	58 411	4 085
2017	12 234	445 987	31 485	1 998	291 022	11 370	3 077	246 503	732	32 126	73 819	3 411
2018	12 728	515 011	49 814	2 677	170 305	18 285	3 247	268 258	826	43 773	104 807	2 913
2019	13 425	663 211	36 320	2 533	313 662	9 359	3 841	325 728	1 096	37 967	134 287	3 163
2020	20 630	1 463 086	25 521	3 527	379 264	6 977	4 003	350 830	415	37 447	187 106	1 923
	101 004	5 178 733	402 024	21 361	2 030 530	303 214	117 614	5 636 439	55 782	557 589	740 431	39 712

The live loans and advances portfolio, by segment and by production year, as at 31 December 2019, is presented as follows:

(Euro thousand)

	Corporate			**Construction and CRE**			**Retail - Mortage loans**			**Retail - Other**		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	1 386	78 851	2 348	880	146 164	65 670	47 081	1 462 840	15 610	25 682	9 225	826
2005	620	17 081	1 947	244	44 414	27 597	11 416	566 718	7 294	8 198	4 582	257
2006	736	32 967	2 773	306	77 723	41 571	13 825	700 174	11 551	18 667	15 258	1 783
2007	904	33 053	1 757	408	69 229	23 973	14 125	710 212	11 017	45 231	20 168	1 665
2008	2 623	49 116	5 459	668	32 557	5 535	7 320	370 105	5 020	68 507	23 091	1 338
2009	2 608	73 653	3 390	814	70 817	24 854	3 997	228 028	2 305	53 116	20 269	2 230
2010	2 536	110 795	12 563	583	49 218	15 505	4 098	259 683	2 255	38 281	11 973	1 465
2011	3 147	106 328	6 874	697	30 663	10 267	1 531	95 286	556	31 930	12 295	3 186
2012	3 953	108 744	14 019	554	40 882	12 315	957	60 519	732	23 401	9 664	1 578
2013	6 546	301 027	46 836	937	84 197	16 973	1 240	78 021	366	23 602	21 744	2 997
2014	9 350	468 519	36 284	2 751	161 788	25 788	1 459	96 111	323	28 866	41 359	4 924
2015	10 963	434 242	62 348	1 733	87 833	12 433	1 755	119 931	225	28 110	52 701	3 329
2016	12 667	668 153	43 320	2 545	227 137	31 104	2 441	189 204	474	43 883	81 357	3 292
2017	14 707	531 024	31 552	2 405	343 363	26 319	3 316	270 372	479	36 431	99 298	2 620
2018	15 041	566 272	35 791	3 057	211 759	23 314	3 458	286 857	394	48 411	136 239	2 064
2019	19 899	1 194 170	29 451	3 421	380 356	9 209	3 986	328 931	458	42 396	168 357	1 413
	107 686	4 773 995	336 712	22 003	2 058 100	372 427	122 005	5 822 992	59 059	564 712	727 580	34 967

The gross exposure of loans and advances and impairment, individual and collective, by segment, in financial years 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020									
	Corporate		**Construction and CRE**		**Retail - Mortage loans**		**Retail - Other**		**Total**	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	3 136 893	284 668	1 533 667	274 895	12 489	794	10 492	4 425	4 693 541	564 782
Collective	2 041 841	117 356	496 862	28 320	5 623 949	54 988	729 940	35 286	8 892 592	235 950
	5 178 734	402 024	2 030 529	303 215	5 636 438	55 782	740 432	39 711	13 586 133	800 732

(Euro thousand)

	2019									
	Corporate		**Construction and CRE**		**Retail - Mortage loans**		**Retail - Other**		**Total**	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 968 298	218 552	1 609 073	341 316	20 188	370	15 261	2 055	4 612 820	562 293
Collective	1 805 696	118 161	449 028	31 110	5 802 804	58 690	712 319	32 911	8 769 847	240 872
	4 773 994	336 713	2 058 101	372 426	5 822 992	59 060	727 580	34 966	13 382 667	803 165

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for the companies, in financial years 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020											
	Construction		**Industry**		**Trade**		**Real Estate activities**		**Other activities**		**Total**	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	594 823	159 530	619 407	57 933	323 281	56 726	736 006	82 231	2 397 043	203 142	4 670 560	559 562
Collective	232 732	14 367	527 918	39 289	727 097	43 464	132 774	6 222	918 182	42 334	2 538 703	145 676
	827 555	173 897	1 147 325	97 222	1 050 378	100 190	868 780	88 453	3 315 225	245 476	7 209 263	705 238

(Euro thousand)

	2019											
	Construction		**Industry**		**Trade**		**Real Estate activities**		**Other activities**		**Total**	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	695 159	217 149	602 766	46 714	334 594	51 446	740 806	99 895	2 204 045	144 664	4 577 370	559 868
Collective	204 914	17 857	466 311	40 830	665 104	44 349	115 996	4 538	802 400	41 697	2 254 725	149 271
	900 073	235 006	1 069 077	87 544	999 698	95 795	856 802	104 433	3 006 445	186 361	6 832 095	709 139

The gross exposure of performing and non-performing loans and advances, in financial years 2020 and 2019, is analysed as follows:

(Euro thousand)

2020	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90 days	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	3 178 778	-	-	33 950	33 950	33 950	-	13 633	-	15 147	-	45	-
Other balance sheet credit exposures (b)	13 356 649	35 436	86 159	1 255 605	1 248 476	1 253 943	729 736	123 782	3 882	637 386	364 235	419 956	319 659
Off-balance sheet exposures (c)	2 037 802	1 757	199	127 061	94 223	127 061	571	10 374	5	10 844	41	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

(Euro thousand)

2019	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90 days	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	3 215 706	-	-	34 800	34 800	34 800	-	10 481	-	4 824	-	613	-
Other balance sheet credit exposures (b)	12 959 151	53 140	97 600	1 476 260	1 474 685	1 474 819	780 353	100 204	3 670	674 182	362 620	537 397	351 627
Off-balance sheet exposures (c)	1 821 410	1 396	1 185	119 712	119 691	119 712	915	8 328	6	12 332	76	-	-

(a) Includes Debt instruments of the Financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	2 387	293 504	1 548	62 102	92 014	11 734 884	287	8 123
>= 0.5 M€ e <1M€	175	123 826	33	20 201	416	258 140	1	500
>= 1 M€ e <5M€	218	488 766	28	51 735	43	62 434	-	-
>= 5 M€ e <10M€	32	225 940	8	58 009	2	13 781	-	-
>= 10 M€ e <20M€	22	301 711	1	13 318	-	-	-	-
>= 20 M€ e <50M€	12	391 572	1	46 000	-	-	-	-
>= 50M€	7	1 075 634	-	-	-	-	-	-
	2 853	2 900 953	1 619	251 365	92 475	12 069 239	288	8 623

The fair value of the collateral underlying the loans and advances portfolio of the Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2019, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	2 855	349 488	1 773	79 010	96 253	12 082 492	303	9 307
>= 0.5 M€ e <1M€	200	141 041	49	32 212	383	239 340	1	500
>= 1 M€ e <5M€	210	458 419	34	67 666	45	67 948	-	-
>= 5 M€ e <10M€	36	261 907	7	53 860	-	12 116	-	-
>= 10 M€ e <20M€	26	347 346	-	-	2	-	-	-
>= 20 M€ e <50M€	12	391 331	1	46 000	-	-	-	-
>= 50M€	6	1 086 164	-	-	-	-	-	-
	3 345	3 035 696	1 864	278 749	96 683	12 401 896	304	9 807

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE and Mortgage segments, as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

Segment/ Ratio	2020 Number of properties	2020 Total exposure	2020 Impairment	2019 Number of properties	2019 Total exposure	2019 Impairment
Corporate						
Without associated property (*)	-	4 160 165	304 389	-	3 719 494	253 532
< 60%	2 578	398 914	37 566	1 923	363 769	37 829
>= 60% and < 80%	763	422 072	34 903	810	456 534	25 442
>= 80% and < 100%	766	190 852	23 766	1 849	227 225	18 407
>= 100%	16	6 731	1 402	18	7 279	1 504
Construction and CRE						
Without associated property (*)	-	951 688	122 667	-	917 344	152 870
< 60%	1 327	562 734	85 399	1 445	545 720	116 723
>= 60% and < 80%	550	312 656	34 687	762	336 625	48 031
>= 80% and < 100%	828	159 072	27 256	961	215 196	25 054
>= 100%	148	44 379	33 206	156	43 216	29 748
Mortgage						
Without associated property (*)	-	557 929	9 933	-	468 522	12 001
< 60%	61 292	2 460 038	11 662	62 697	2 507 291	11 750
>= 60% and < 80%	23 684	1 934 460	12 495	25 020	2 039 924	11 419
>= 80% and < 100%	7 053	645 616	12 521	8 436	760 932	13 688
>= 100%	446	38 312	9 169	530	46 323	10 201

(*) Includes operations with other associated collateral. namely financial collateral.

The fair value and the net value of real estate received in recovery/execution of loans, by asset type, recorded in the caption Other assets (note 34), as at 31 December 2020 and 2019, are presented as follows:

(Euro thousand)

Assets	2020 Number of properties	2020 Fair value of assets	2020 Book value
Land	**1 754**	**345 776**	**306 503**
Urban	1 467	292 982	257 527
Rural	287	52 794	48 976
Buildings under construction	**491**	**71 661**	**63 933**
Commercial	53	6 716	6 193
Residential	332	64 191	57 024
Other	106	754	716
Constructed buildings	**1 633**	**218 334**	**191 466**
Commercial	747	131 513	115 693
Residential	502	78 847	68 840
Other	384	7 974	6 933
	3 878	635 771	561 902

(Euro thousand)

Assets	2019 Number of properties	Fair value of assets	Book value
Land	**1 898**	**348 524**	**322 848**
Urban	1 614	294 457	272 348
Rural	284	54 067	50 500
Buildings under construction	**467**	**74 435**	**68 458**
Commercial	59	4 819	4 594
Residential	313	68 871	63 165
Other	95	745	699
Constructed buildings	**1 811**	**246 760**	**221 178**
Commercial	675	121 728	107 147
Residential	714	119 237	105 487
Other	422	5 795	8 544
	4 176	669 719	612 484

The time elapsed since the receipt in recovery/execution of real estate, recorded in the caption Other assets (note 34), as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2020 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**9 287**	**17 629**	**116 369**	**163 218**	**306 503**
Urban	8 571	14 587	101 766	132 603	257 527
Rural	716	3 042	14 603	30 615	48 976
Buildings under construction	**5 444**	**13 398**	**14 580**	**30 511**	**63 933**
Commercial	667	1 755	1 657	2 114	6 193
Residential	4 594	11 624	12 892	27 914	57 024
Other	183	19	31	483	716
Constructed buildings	**20 784**	**16 798**	**53 274**	**100 610**	**191 466**
Commercial	10 115	10 085	35 867	59 626	115 693
Residential	8 156	6 385	14 903	39 396	68 840
Other	2 513	328	2 504	1 588	6 933
	35 515	47 825	184 223	294 339	561 902

(Euro thousand)

Elapsed time since recovery/execution	2019 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**8 182**	**78 326**	**68 156**	**168 184**	**322 848**
Urban	6 541	70 666	53 846	141 295	272 348
Rural	1 641	7 660	14 310	26 889	50 500
Buildings under construction	**2 195**	**19 562**	**18 804**	**27 897**	**68 458**
Commercial	356	427	1 542	2 269	4 594
Residential	1 770	19 045	17 230	25 120	63 165
Other	69	90	32	508	699
Constructed buildings	**20 814**	**25 916**	**71 501**	**99 420**	**217 651**
Commercial	3 989	13 603	42 233	47 322	107 147
Residential	16 384	11 960	26 583	50 560	105 487
Other	441	353	2 685	1 538	5 017
	31 191	123 804	158 461	295 501	608 957

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In the Group, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for the Group and, as such, there are several procedures related to its identification, measurement, and management. In order to control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios, for the various Group entities.

In order to reduce concentration risk, the Group seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Department of Banco Montepio. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the degree of regional diversification, the level of individual concentration and the degree of diversification of the quality of the corporate portfolio are regularly monitored by the Risk Department. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

The Group regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

The Group's investment portfolio is mainly concentrated on bonds, and as at 31 December 2020 this represented 84.6% (31 December 2019: 83.8%) of the total portfolio, with the dominant position being held by bonds of sovereign issuers, essentially Portugal, Spain and Italy.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2020 and 2019.

Regarding the credit quality of debt securities, circa 96.8% of the portfolio is investment grade (31 December 2019: 84.2%). Of note are the Portuguese and Italian sovereign bonds with a rating of BBB- and that represent 84.1% (31 December 2019: 66.8%) of the portfolio. Concerning the composition of the portfolio, one verifies a decrease in the corporate debt, with a special emphasis on the Portuguese corporates, partially offset by an increase in the sovereign debt exposure, essentially the Portuguese and Italian debt, despite the decrease in the Greek sovereign debt.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, is presented as follows:

Rating	**2020**		**2019**		**Change**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
AAA	-	-	8 036	0.3	(8 036)	-100
AA+	779	-	934	0	(155)	-16.6
AA	-	-	7 824	0.3	(7 824)	-100
AA-	-	-	21 085	0.8	(21 085)	-100
A+	1 090	0	17 830	0.7	(16 740)	-93.9
A	1 018	0	31 969	1.3	(30 951)	-96.8
A-	-	-	35 142	1.4	(35 142)	-100
BBB+	306 424	12.1	279 726	11	26 698	9.5
BBB	16 366	0.6	90 168	3.6	(73 802)	-81.8
BBB-	2 128 612	84.1	1 797 118	71	331 494	18.4
BB +	-	-	20 571	0.8	(20 571)	-100
BB	185	0	21 228	0.8	(21 043)	-99.1
BB-	7 001	0.3	88 371	3.5	(81 370)	-92.1
B+	-	-	257 294	10.2	(257 294)	-100
CCC	58 650	2.3	-	-	58 650	-
NR	11 602	0.5	45 328	1.8	(33 726)	-74.4
Total	2 531 727	100	2 722 624	100	(190 897)	7

The position in bonds recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 168,058 thousand (31 December 2019: Euro 1,723,507 thousand), the position in Other financial assets at amortized cost stood at Euro 2,362,616 thousand (31 December 2019: Euro 987,324 thousand), and the position in Financial assets held for trading stood at Euro 1,053 thousand (31 December 2019: Euro 11,793 thousand).

Regarding the trading portfolio, as at 31 December 2020, the main VaR indicators are as follows:

(Euro thousand)

	2020	**Average**	**Minimum**	**Maximum**	**2019**
Market VaR	1 545	1 187	99	2 236	244
Interest rate risk	30	212	15	416	167
Exchange risk	155	205	103	192	142
Price risk	1 548	788	98	1 183	94
Spread Risk	55	549	237	1 023	80
Diversification effect	(243)	(567)	(354)	(578)	*(239)*

Bank portfolio’s interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating the Group (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, in financial years 2020 and 2019:

(milhares de euros)

	Up to 3 months	3 to 6 months	6 mounths to 1 year	1 to 5 years	More than 5 years
31 December 2020					
Assets	89 347	287 945	59 950	920 554	1 168 720
Debt securities	6 740 103	3 010 619	1 171 148	775 080	305 812
Loans and advances	89 290	-	-	-	38 945
Others	1 148	-	6 654	756 654	-
Off-balance sheet					
Total	6 919 888	3 298 564	1 237 752	2 452 288	1 513 477
Liabilities					
Debt securities issued	8 584	812	57 283	1 408 516	19 398
Term deposits	2 803 388	1 491 623	2 133 847	720 428	-
Others	460 548	54 245	392	1 609 929	301 096
Off-balance sheet	750 008	-	16	131	1 295
Total	4 022 528	1 546 680	2 191 538	3 739 004	321 789
GAP (Assets - Liabilities)	2 897 360	1 751 884	(953 786)	(1 286 716)	1 191 688
31 December 2019					
Ativo	386 404	175 868	360 588	1 137 944	775 881
Debt securities	7 085 768	2 837 778	984 203	797 045	66 209
Loans and advances	-	-	-	-	-
Others	36 446	-	-	-	28 788
Off-balance sheet	4 758	-	6 672	763 307	-
Total	7 513 376	3 013 646	1 351 463	2 698 297	870 879
Liabilities	9 914	1 455	57 407	1 368 142	23 365
Debt securities issued	3 000 960	1 490 544	1 980 208	1 515 407	-
Term deposits	-	-	-	-	-
Others	159 034	443 112	393 890	706 239	29 803
Off-balance sheet	753 376	-	17	137	1 388
Total	3 923 285	1 935 111	2 431 522	3 589 926	54 556
GAP (Assets - Liabilities)	3 590 091	1 078 535	(1 080 059)	(891 629)	816 322

(Euro thousand)

	2020				2019			
	December	Annual Average	Maximum	Minimum	December	Annual Average	Maximum	Minimum
Interest Rate Gap	3 600 429	3 834 051	4 067 673	3 600 429	3 513 259	3 314 547	3 513 259	3 032 618

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2020, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a decrease in the economic value expected from the banking portfolio of circa Euro 55,508 thousand (31 December 2019: decrease of Euro 31,581 thousand).

The following table presents the average interest rates, in relation to the Group's major asset and liability categories for financial years 2020 and 2019, as well as the respective average balances and the income and expenses for the financial year:

(Euro thousand)

	2020			2019		
	Average balance	**Average interest rate (%)**	**Interest**	**Average balance**	**Average interest rate (%)**	**Interest**
Interest- generating assets						
Deposits at central banks and other credit institutior	888 935	0.65	5 909	1 146 116	0.49	5 708
Loans and advances to other credit institutions	303 081	0.27	841	265 227	0.4	1 065
Loans and advances to customers	12 416 349	2.12	267 459	12 640 900	2.27	290 323
Securities portfolio	2 680 256	0.55	15 108	2 499 413	0.87	22 134
Other assets at fair value	9 937	1.52	154	22 169	1.12	252
Other (includes derivatives)	-	-	14 209	-	-	14 732
	16 298 558	**1.83**	**303 680**	**16 573 825**	**1.99**	**334 214**
Interest-generating liabilities						
Deposits from ECB	1 452 221	0.06	907	1 384 894	0.24	3 323
Deposits from other credit institutions	586 711	0.35	2 094	1 087 520	0.71	7 862
Deposits from customers	12 344 078	0.16	19 454	12 595 724	0.27	34 435
Senior debt	1 337 543	0.68	9 287	1 051 217	0.97	10 359
Subordinated debt	188 656	9.11	17 468	131 638	8.84	11 803
Other (includes derivatives)	-	-	11 676	-	-	12 204
	15 909 209	**0.38**	**60 886**	**16 250 993**	**0.50**	**79 986**
Net interest income		**1.47**	**242 794**		**1.51**	**254 228**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, in financial years 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020							
	Euro	U. S. Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Brazilian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	1 440 072	5 534	17 043	1 931	908	-	762	1 466 250
Loans and advances to credit institutions repayable on demand	791	29 226	-	2 377	426	-	840	33 660
Other loans and advances to credit institutions	206 888	55 657	30 459	-	-	-	-	293 004
Loans and advances to customers	11 500 506	51 481	25 706	-	9	-	-	11 577 702
Financial assets held for trading	12 722	3 600	-	134	467	-	-	16 923
Other financial assets at fair value value through profit or loss	346 892	-	-	-	-	-	-	346 892
Financial assets at fair value through other comprehensive income	258 817	-	-	-	-	27 980	-	286 797
Hedging derivatives	10 693	-	-	-	-	-	-	10 693
Other financial assets at amortized cost	2 303 815	58 801	-	-	-	-	-	2 362 616
Investments in associates	3 872	-	-	-	-	-	-	3 872
Non current assets held for sale	5 484	-	-	-	-	-	-	5 484
Non-current assets held for sale - - Discontinued Operations	1 292	10	-	-	1	-	7	1 310
Investment properties	125 893	-	-	-	-	-	-	125 893
Other tangible assets	227 813	-	31 349	-	-	-	-	259 162
Intangible assets	35 829	-	-	-	-	-	-	35 829
Current tax assets	3 584	-	-	-	-	-	-	3 584
Deferred Tax Assets	496 223	-	-	-	-	-	-	496 223
Other assets	557 484	55 308	2 319	-	1	-	-	615 112
Total Assets	**17 538 670**	**259 617**	**106 876**	**4 442**	**1 812**	**27 980**	**1 609**	**17 941 006**
Liabilities by currency								
Deposits from central banks	1 382 545	-	-	-	-	-	-	1 382 545
Deposits from other credit institutions	788 975	31 246	-	29	124	-	264	820 638
Deposits from customers	12 246 044	162 281	60 375	3 972	9 926	-	19 375	12 501 973
Debt securities issued	1 299 188	-	-	-	-	-	-	1 299 188
Financial liabilities held for trading	13 598	-	-	-	-	-	-	13 598
Hedging derivatives	397	-	-	-	-	-	-	397
Non current liabilities held for sale - Discontinued operations	95 774	10 253	-	-	3 592		-	109 619
Provisions	33 765	-	4 889	-	-	-	-	38 654
Current tax liabilities	4 486	-	-	-	-	-	-	4 486
Other subordinated debt	216 896	-	-	-	-	-	-	216 896
Other liabilities	218 082	776	5 812	412	438	-	333	225 853
Total Liabilities	**16 299 750**	**204 556**	**71 076**	**4 413**	**14 080**	**-**	**19 972**	**16 613 847**
Exchange forward transactions	-	(50 171)	-	(69)	12 013	(28 007)	38 377	
Exchange gap	-	4 890	35 800	(40)	(255)	(27)	20 014	-

(Euro thousand)

	2019							
	Euro	U. S. Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Brazilian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	1 027 942	8 130	-	2 939	1 081	-	1 560	1 041 652
Loans and advances to credit institutions repayable on demand	(15 411)	37 589	5 619	852	442	-	806	29 897
Other loans and advances to credit institutions	239 563	14 686	-	-	3 688	-	23 366	281 303
Loans and advances to customers	11 420 467	86 193	-	-	8	-	-	11 506 668
Financial assets held for trading	26 966	8 939	-	-	-	-	-	35 905
Other financial assets at fair value value through profit or loss	384 675	-	-	-	-	-	-	384 675
Financial assets at fair value through other comprehensive income	1 817 089	-	-	-	-	42 669	-	1 859 758
Hedging derivatives	11 148	-	-	-	-	-	-	11 148
Other financial assets at amortized cost	987 325	-	-	-	-	-	-	987 325
Investments in associates	4 439	-	-	-	-	-	-	4 439
Non-current assets held for sale - - Discontinued Operations	1 915	-	-	-	-	-	-	1 915
Investment properties	144 868	-	-	-	-	-	-	144 868
Other tangible assets	282 826	-	-	-	-	-	-	282 826
Intangible assets	34 785	-	-	-	-	-	-	34 785
Current tax assets	15 531	-	-	-	-	-	-	15 531
Deferred Tax Assets	434 665	-	-	-	-	-	-	434 665
Other assets	651 305	31 185	-	-	73	-	219	682 782
Total Assets	**17 470 098**	**186 722**	**5 619**	**3 791**	**5 292**	**42 669**	**25 951**	**17 740 142**
Liabilities by currency								
Deposits from central banks	1 291 033	-	-	-	-	-	-	1 291 033
Deposits from other credit institutions	424 021	71 385	-	16	3 971	-	23 398	522 791
Deposits from customers	12 470 971	114 938	-	2 514	12 288	-	41 735	12 642 446
Debt securities issued	1 389 980	-	-	-	-	-	-	1 389 980
Financial liabilities held for trading	13 368	-	-	-	-	-	-	13 368
Hedging derivatives	547	-	-	-	-	-	-	547
Non current liabilities held for sale - Discontinued operati	38 547	-	-	-	-	-	-	38 547
Provisions	4 392	-	-	-	-	-	-	4 392
Other subordinated debt	157 847	-	-	-	-	-	-	157 847
Other liabilities	225 825	487	-	738	4	-	149	227 203
Total Liabilities	**16 016 531**	**186 810**	**-**	**3 268**	**16 263**	**-**	**65 282**	**16 288 154**
Exchange forward transactions	-	(50 635)	-	(2 441)	11 095	-	39 863	
Exchange gap	-	(50 723)	5 619	(1 918)	124	42 669	532	-
Stress Test	-	**(1 140)**	**(7 728)**	**381**	**(25)**	**(8 534)**	**275**	-

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including minority interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Banco Montepio contracted a Non-Deliverable Forward (NDF) in order to hedge or eliminate the foreign exchange risk underlying the shareholding held in Monteiro e Aranha, SA (asset recorded in BRL), thus immunizing impacts on capital ratios through the risk of devaluation of the BRL, with a negative impact on foreign exchange revaluation reserves.

The purpose of the hedge is to cover the foreign exchange risk of the shareholding held in Monteiro e Aranha, SA, considering the strategy approved by the Board of Directors regarding the sale of non-core assets, among which the sale of this stake was identified, having materialized in March 2021.

Banco Montepio contracted a Non-Deliverable Forward (NDF) with a nominal value of 178.5 million Brazilian Reais (BRL), as at 31 December 2020, in the scope of its foreign currency management.

Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR prudential ratio is performed monthly.

As at 31 December 2020, the LCR value was 200.7% (31 December 2019: 179.9%).

As at 31 December 2020, the Group's financing structure was as follows:

(Euro thousand)

	2020	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	1 382 545	-	-	-	-	1 382 545
Deposits from other credit institutions	820 638	-	50 901	114 416	4 502	650 819
Deposits from customers	12 501 973	-	7 201 482	1 237 465	1 852 201	2 210 825
Debt securities issued	1 299 188	-	9 852	837	1 423	1 287 076
Financial liabilities held for trading	13 598	-	10			13 588
Financial liabilities held for sale - - Discontinuing operations	109 619	109 619	-	-	-	-
Other subordinated debt	216 896	-	-	-	10 573	206 323
Other liabilities	225 853	225 853	-	-	-	-
Total funding	**16 570 310**	**335 472**	**7 262 245**	**1 352 718**	**1 868 699**	**5 751 176**

As at 31 December 2019, the Group's financing structure was as follows:

(Euro thousand)

	dez 2019	Undetermined	Up 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	1 291 033	-	443 600	-	-	847 433
Deposits from other credit institutions	522 791	-	47 806	65 723	4 680	404 582
Deposits from customers	12 642 446	-	5 367 151	2 280 540	1 663 802	3 330 953
Debt securities issued	1 389 980	-	9 393	4 129	1 525	1 374 933
Financial liabilities held for trading	13 368	-	17	34	6	13 311
Other subordinated debt	157 847	-	-	-	7 847	150 000
Other liabilities	227 203	227 203	-	-	-	-
Total funding	**16 244 668**	**227 203**	**5 867 967**	**2 350 426**	**1 677 860**	**6 121 212**

In the scope of Bank of Portugal Instruction no. 28/2014, of 15 January 2015, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2020 and 2019, on the assets and related collaterals:

(Euro thousand)

	2020			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets from the reporting institutions	3 103 517	-	14 837 489	-
Equity instruments	-	-	462 435	462 374
Debt securities	783 897	880 019	2 367 154	1 596 005
Other assets	-	-	1 732 038	-

(Euro thousand)

	2019			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets from the reporting institutions	1 730 525	-	16 023 618	-
Equity instruments	-	-	510 621	510 616
Debt securities	617 449	535 399	2 506 565	2 072 801
Other assets	-	-	2 018 918	-

Encumbered assets, encumbered collateral received and associated liabilities	2020	2019
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	1 800 701	1 764 452
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	3 076 570	1 703 967

(Euro thousand)

The encumbered assets are mostly related to the Group's funding operations, namely of the ECB, of repo operations, of the issuance of covered bonds and of securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repo transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position in financial years 2020 and 2019 and reflect the high level of collateralization of the wholesale funding of the Group. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2020, to Euro 1,705,570 thousand (31 December 2019: Euro 2,324,202 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2020, amounts to Euro 3,107,546 thousand (31 December 2019: Euro 3,622,315 thousand) with a usage of Euro 1,407,650 thousand (31 December 2019: Euro 1,308,333 thousand):

(Euro thousand)

	2020	2019
Total eligible collateral	**4 296 080**	**4 150 167**
Total collateral in the pool	3 107 546	3 622 315
Collateral outside the pool	1 188 534	527 852
Used collateral	**2 590 510**	**1 825 965**
Collateral used for ECB	1 407 650	1 308 333
Collateral committed to other financing operations	1 182 860	517 632
Collateral available for ECB	**1 699 896**	**2 313 982**
Total available collateral	**1 705 570**	**2 324 202**

Note: collateral amount considers the applied haircut

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2020 and 2019, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	2020	2019
Non-current assets held for sale	5 484	1 915
Real estate received in recovery of credit	567 386	608 959
Investment properties	125 893	144 868
Investment units in Real Estate Funds	252 621	256 298
	951 384	1 012 040
Stress test	(95 138)	(101 204)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Department exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring in 2020, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; Customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Department.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

The year 2020 was marked by the epidemiological situation related to the COVID-19 pandemic. This situation forced a reorganization of some processes resulting from the Activation of the Business Continuity Plan and the rules issued by the Portuguese General Health Department.

In this context, the Business Continuity Plan was activated, with the measures foreseen for the crisis situation having been taken, with the objective of ensuring that the critical processes are carried out without disruption, or that the impact on these is not significant, which, to date, has been successfully achieved.

As provided for in the Business Continuity Plan, the Crisis Management Office was also activated, which is responsible for crisis management, for the management and execution of the Operational Continuity Plans and for the coordination of the business recovery teams and the return to normality.

Despite this situation presenting a set of challenges, Banco Montepio managed to respond in a timely manner to the needs that arose under the principle of safeguarding the safety and health of its Employees and its Customers.

Pension Fund risk

The Pension Fund risk results from the potential devaluation of the Fund's asset portfolio or the decrease in the respective expected returns, as well as the increase in the Fund's liabilities as a result of the evolution of the different actuarial assumptions. In such scenarios, Banco Montepio will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of Banco Montepio’s Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Department ensures the production of monthly reports with the evolution of the market value of the Pension Fund’s portfolio and the associated risk indicators.

Considering the provisions of the investment policy of the Montepio Geral Pension Fund relating to the exposure to various risks and to the different legal provisions, the Bank ensures a daily monitoring of the control of the legal limits by means of a detailed analysis of “legal limits and investments exceeded”, with a set of procedures being performed if the limits are exceeded.

The Risk Department monitors the effect of possible measures adopted and their impact on the investment policy. At the same time, the levels of exposure to the legal and prudential limits that regulate the Montepio Geral Pension Fund are also monitored.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's “QIS Pension Funds” studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations or possible call option exercises are calculated for one month. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

With regard to other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

The Group does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The own funds of the Group are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of the Bank of Portugal and Regulation (EU) no. 2020/873 of the European Parliament and Council, which introduced some amendments to the CRR in response to the COVID-19 pandemic. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

- *Level 1 Core Own Funds or Common Equity Tier 1 (CET1):* this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. Non-controlling interests are only eligible to the extent necessary to cover the Group's capital requirements attributable to minority shareholders. The book value of the amounts related to goodwill, other intangible assets, as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles no. 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made under article 36 paragraph k) in alternative to applying a risk weighting of 1 250%. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. As part of the implementation of the requirements defined in Regulation (EU) no. 575/2013, a transition period was defined to allow for a gradual recognition of the major impacts of this new regulation. This transition plan reached total recognition in 2018 (i.e. 100%) for almost all the captions encompassed. Only for the deferred tax assets that do not depend on future profitability, in the balance sheet as at 1 January 2014, is the transitional cumulative recognition plan maintained on a 10% annual basis, with, in 2019, this having attained 60%. With the revision of Regulation (EU) no. 575/2013, of 27 June 2019, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019.
- *Level 1 Own Funds or Tier 1 (T1):* includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the

Bank of Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.

- *Level 2 Own Funds or Tier 2 (T2):* includes capital equivalent instruments, which conditions are in accordance with article 63 of the CRR and that have been approved by the Bank of Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Totals Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. Therefore, in 2020, Banco Montepio only recognized prudentially 30.0% of the initial impact related to the adoption of IFRS 9.

With the entry into force of Regulation (EU) no. 2020/873 of the European Parliament and Council, the dynamic component of the transitional plan applied to the IFRS 9 impacts (Regulation (EU) no. 2017/2395) was revised, with the introduction of an additional plan regarding the impacts of increased IFRS 9 impairment occurring after 01/01/2020 in Stages 1 and 2. These increases are subject to a transitional plan to derecognize these impacts in 100% in 2020 and 2021, 75% in 2022, 50% in 2023 and 25% in 2024. Regarding the transitional plan applicable to impairment increases in Stages 1 and 2 between 01/01/2018 and 31/12/2019, Banco Montepio has no impacts subject to this plan.

As referred in 2020, the effects of Basel III's new regulation related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the adoption of IFRS 9 are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1, 6% for Tier 1 and 8% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by the Bank of Portugal. For 2020, the Bank of Portugal defined a 0% Counter-Cyclical Reserve. Regarding the Conservation Reserve, its value is 2.5%. With respect to the Reserve for Other Systemic Institutions, the Bank of Portugal has set a reserve for Banco Montepio, on a consolidated basis, of 0.1875% in 2020 and 2021 and 0.25% in 2022.

Pursuant to these provisions, as at 31 December 2020, the regulatory ratios, considering all the reserves, for Common Equity Tier 1, Tier 1 and Total were 9.016%, 11.125% and 13.938%, respectively, including the own funds reserves referred to above. However, as a result of the COVID-19 virus pandemic, in line with the decision taken by the ECB for significant institutions, the Bank of Portugal allows the less significant credit institutions subject to its supervision to operate, on a temporary basis, with a level lower than the combined capital reserve (OCR), considering that capital reserves were designed to allow credit institutions to resist especially adverse situations. As a result, the minimum regulatory ratios as at 31 December 2020 for Common Equity Tier 1, Tier 1 and Total were 6.328%, 8.438% and 11.25%, respectively.

The summary of the calculation of the Group's capital requirements as at 31 December 2020 and 2019, under phase-in, is presented as follows:

(Euro thousand)

	2020	2019
Common Equity Tier 1 Capital		
Share capital	2 420 000	2 420 000
Net income/(loss), reserves and retained earnings	(1 102 140)	(985 885)
Non-controlling interests eligible for CET1	3 064	4 598
Other regulatory adjustments	(206 736)	(164 845)
	1 114 188	1 273 868
Tier 1 Capital		
Non-controlling interests eligible for Tier 1	225	252
	1 114 413	1 274 120
Tier 2 Capital		
Subordinated debt	206 323	156 323
Non-controlling interests eligible for Tier 2	225	-
	206 548	156 323
Total own funds	1 320 961	1 430 443
Own funds requirements		
Credit risk	667 306	717 673
Market risk	4 402	7 811
Operating risk	55 046	60 896
Other requirements	39 401	37 509
	766 155	823 889
Prudential Ratios		
Common Equity Tier 1 Ratio	11.6%	12.4%
Tier 1 Ratio	11.6%	12.4%
Total Capital Ratio	13.8%	13.9%

It should be noted that the ratios, as at 31 December 2020 and 2019, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 33.

On 16 March 2020, in the context of the pandemic induced by the COVID-19 outbreak, the Bank of Portugal took a series of measures to make the regulatory and supervisory requirements more flexible, with the result that the minimum total capital ratio decreased to 11.25%. Even though the total capital ratio calculated with reference to 31 December 2020 is above this threshold, the Board of Directors has initiated a series of initiatives aimed at strengthening capital ratios, and which, at the present date, are in progress.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. If Banco Montepio did not apply this transitional plan, as well as the recent transitional plan defined in Regulation (EU) no. 2020/873, to the impacts arising from the adoption of IRFS 9, the Banco Montepio Group's prudential ratios as at 31 December 2020 and 2019 would be:

	2020	2019
Capital Common Equity Tier 1	958 502	1 153 442
Capital Tier 1	958 727	1 153 693
Total own funds	1 165 275	1 310 016
Own funds requirements	754 937	817 021
Prudential Ratios		
Common Equity Tier 1 Ratio	10.16%	11.29%
Tier 1 Ratio	10.16%	11.30%
Total Capital Ratio	12.35%	12.83%

(Euro thousand)

If only the transitional plan applied to the initial impacts of the adoption of IFRS 9 was considered, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2020, would be:

(Euro thousand)

	2020
Capital Common Equity Tier 1	1 055 057
Capital Tier 1	1 055 282
Total own funds	1 261 830
Own funds requirements	762 280
Prudential Ratios	
Common Equity Tier 1 Ratio	11.07%
Tier 1 Ratio	11.08%
Total Capital Ratio	13.24%

56 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2020:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2020:

- 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.

- IFRS 9, IAS 39 and IFRS 7 (amendment), ‘Interest rate benchmark (IBOR) reform – phase 1’. 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 reliefs relate to hedge accounting, regarding: 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, the objective being that the 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.

- 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.

- Conceptual framework, 'Amendments in referencing to 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.

These amendments had no material impact on the financial statements of the Group.

2. Standards (new and amended) published, the application of which is mandatory for annual periods beginning on or after 1 January 2021, already endorsed by the European Union:

a) IFRS 16 (amendment), 'Leases – COVID-19 related rent concessions' (effective for annual periods beginning on or after 1 June 2020). This amendment introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether the rent concessions granted by lessors due to the COVID-19 pandemic 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 elect to apply this practical expedient, recognise the change in rent payments, as variable rents in the period(s) in which the event or condition that triggers the reduced payment 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.

b) IFRS 4 (amendment), 'Insurance contracts – deferral of IFRS 9' (effective for annual periods beginning on or after 1 January 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.

These amendments had no material impact on the Group's financial statements.

3. Standards (new and amended) published, the application of which is mandatory for annual periods beginning on or after 1 January 2021, but which the European Union has not yet endorsed:

a) IAS 1 (amendment), 'Presentation of financial statements – classification of liabilities' (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. 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.

b) 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.

c) 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 labor 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.

d) Improvements to the 2018 - 2020 standards, (to be applied to annual periods beginning on or after 1 January 2022). These amendments are still subject to endorsement by the European Union. This improvement cycle amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

e) 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.

f) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments), '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.

g) 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 "building block approach" is based on discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM'), 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.

h) 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. IFRS 17 is applied retrospectively. On the issue this amended the end date for applying IFRS 9 (temporary exemption or overlay approach) under the IFRS 4 standard, was extended to 1 January 2023, aligned with the effective date of IFRS 17.

The Banco Montepio Group does not anticipate any significant impact on the application of these amendments to its consolidated financial statements.

57 Transfer of assets

The Group carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of the Group, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same. The funds specialized in the recovery of credit that acquired financial assets from the Group are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same. These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds. The management structure of the fund has as main responsibilities to:

- define the objective of the fund; and
- manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which the Group holds minority positions, incorporate companies under Portuguese law in order to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies. These junior bonds, when subscribed by the Group, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, the Group subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where the Group has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end;
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, the Group, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, the Group derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2020			2019		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	**Amount received**	**Result obtained with the transfer**	**Net assets transferred**	**Amount received**	**Result obtained with the transfer**
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	45 349	45 509	160	45 349	45 509	160
	99 964	117 533	17 569	99 964	117 533	17 569

As at 31 December 2020 and 2019, the assets received under these operations are as follows (see note 24):

(Euro thousand)

	2020	2019
	Senior securities	
Fundo Vega, FCR	25 107	27 824
Discovery Portugal Real Estate Fund	15 844	16 397
Fundo Aquarius, FCR	11 748	13 154
Fundo de Reestruturação Empresarial, FCR	17 238	26 455
	69 937	83 830

Although the subordinated securities are fully provided against, the Group also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

58 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Bank of Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, the Group is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal based, among others, on the amount of its liabilities. As at 31 December

2020, the periodic contribution made by the Group amounted to Euro 4,441 thousand (31 December 2019: Euro 4,296 thousand), based on a contribution rate of 0.060%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Bank of Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Bank of Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco's status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

With the presentation of the results for financial year 2020, Novo Banco will request compensation in the amount of Euro 598.3 million under the CCA due to the losses of protected assets and the regulatory capital requirements.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As of this date, the conclusions of the independent assessment exercise to estimate the level of credit recovery for each class of lender in the hypothetical scenario of the normal insolvency process of Banif as at 20 December 2015 are not yet known. As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

In order to preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these consolidated financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final decision of the Competition Authority on the administrative process PRC-2012/9

("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

The Decision is subject to appeal to the Court of Competition, Regulation and Supervision by all parties concerned, including Banco Montepio. The lodging of an appeal determines the suspension of the obligation to pay the fine until the decision has become final or the provision of a guarantee, in an amount to be set by the Court, which decision is awaited. In like manner to many other institutions targeted that have publicly announced this intention, Banco Montepio challenged this Decision on 21 October 2019. In the light of all the relevant circumstances, it is considered that there is a serious and significant likelihood that the administrative fine will not become effective in light of the legal remedies that come to be lodged against the Decision. Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to suspending the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that Court.

We are not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the relevant circumstances, it is considered that the chances of success of any legal actions brought against Banco Montepio based on the Decision would be reduced.

Bank of Portugal

As at 31 December 2020, the Bank has been the subject of several administrative offense processes instituted by the Bank of Portugal, for alleged practices and infractions in regulatory matters that are applicable to the Bank, in a maximum global amount of possible fines that amounts to approximately Euro 30 million, even though the Court of Competition, Regulation and Supervision reduced the fine to be applied in respect of one of the processes.

The evolution of these processes is regularly monitored by the Bank's Board of Directors, with technical-legal intervention under the responsibility of its Legal Department and, in certain cases, by law firms.

For some of these processes, the Bank of Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine. Other processes are still in a preliminary phase, with the evidence requested by the defendants still not having been produced, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, with regard to most of the infractions attributed to it.

Thus, the Board of Directors admits as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to many of the infractions that are attributed to it, even though the respective risk of conviction still exists, in relation to some of the imputed infractions, but not exceeding, however, the amount of provisions recognized by the Bank as at 31 December 2020.

59 Subsidiary and associated companies

As at 31 December 2020 and 2019, the companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group	
					% of control	% of effective part
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	Praia	992 000 000	Escudo Cabo Verdiano	Banking	100%	100%
Finibanco Angola, S.A.	Luanda	7 516 296 830	Kwanza	Banking	51%	80%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	euro	Specialised loans	100%	100%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	euro	Managements of shareholding	100%	100%
Montepio Investimento, S.A.	Lisbon	180 000 000	euro	Banking	100%	100%
Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Lisbon	1 550 000	euro	Managements of investment funds	100%	100%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Management of real estate	100%	100%

As at 31 December 2020, the Group´s associated companies accounted for under the equity method, are as follows:

(euros)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	29%
CESource, ACE	Lisbon	-	Management of IT systems	18%

As at 31 December 2019, the Group´s associated companies accounted for under the equity method, are as follows:

(euros)

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisboa	2 449 707	Management of real estate	28.5%
CESource, ACE	Lisboa	-	Management of IT systems	18%

NAVISER – Transportes Marítimos Internacionais, S.A. is, since 30 July 2018, in the process of dissolution and liquidation.

Finibanco Angola

In 2015, a contract was signed for the sale of 1,727,782 shares of Finibanco Angola S.A., representing 30.57% of the share capital, for USD 26,346,178.

The sale operation of 30.57% of Finibanco Angola was realized without any related payment being received. The ownership rights of the shares remained with the Group, including the right to vote and to receive dividends. Therefore, considering that there was no substantive transfer of the associated risks and rewards, the Group did not derecognize the shares object of the transaction, that is, it will not recognized the disposal of the financial shareholding until the respective settlement is made.

In 2017, the financial settlement corresponding to 11,476 shares, representing 0.20% of the share capital, was made in the amount of USD 174,984, with the Group coming to hold 80.37% of the subsidiary Finibanco Angola, S.A.

In May 2018, a financial settlement corresponding to 65,040 shares, representing 1.15% of the share capital, was made in the amount of USD 991,764, with the Group coming to hold 80.22% of the subsidiary Finibanco Angola, S.A.

Upon full settlement of the two transactions, the Group continued to control Finibanco Angola, S.A.

Finibanco Angola, in 2020, failed to comply with the criteria set out in IFRS 5 to be considered as a discontinued entity. Hence, and in accordance with the provisions of IFRS 5, it was fully consolidated, line by line, retrospectively.

As at 31 December 2020 and 2019, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisbon	100%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisbon	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Mortgages No 5	2009	2009	Lisbon	100%	Full
Pelican Mortgages No 6	2012	2012	Lisbon	100%	Full
Pelican Finance No 1	2014	2014	Lisbon	100%	Full
Aqua Finance No 4	2017	2017	Lisbon	100%	Full

60 Non-current assets and liabilities held for sale – Discontinued operations

With reference to 31 December 2020, the discontinued operations are presented as follows:

	2020		
	Banco Montepio Geral - Cabo Verde	**Montepio Valor**	**Total**
Cash and deposits at central banks and credit institutions	152	-	152
Other tangible assets	64	325	389
Deferred tax assets	-	140	140
Other assets	29	600	629
Total Assets	**245**	**1 065**	**1 310**
Deposits from customers	108 462	-	108 462
Provisions	-	46	46
Current tax liabilities	8	-	8
Other liabilities	138	965	1 103
Total Liabilities	**108 608**	**1 011**	**109 619**

The main income statement captions related to these discontinued operations are analysed as follows:

(Euro thousand)

	2020			2019		
	Banco Montepio Geral - Cabo Verde	Montepio Valor	Total	Banco Montepio Geral - Cabo Verde	Montepio Valor	Total
Net interest income	(1 255)	(7)	(1 262)	(1 798)	(13)	(1 811)
Fee and commission income	-	3 028	3 028	(1)	3 027	3 026
Net gains/ (losses) arising from financing activities	6	-	6	-	-	-
Other operating income/ (expense)	2	(21)	(19)	-	38	38
Total operating income	**(1 247)**	**3 000**	**1 753**	**(1 799)**	**3 052**	**1 253**
Staff costs	196	2 252	2 448	191	1 772	1 963
General and administrative expenses	272	1 217	1 489	340	1 677	2 017
Depreciation and amortisation	5	161	166	5	193	198
Total operating expense	**473**	**3 630**	**4 103**	**536**	**3 642**	**4 178**
Loans, other assets and other provisions impairment	2	(564)	(562)	-	140	140
Operating profit	**(1 722)**	**(66)**	**(1 788)**	**(2 335)**	**(730)**	**(3 065)**
Profit before income tax	**(1 722)**	**(66)**	**(1 788)**	**(2 335)**	**(730)**	**(3 065)**
Taxes	(8)	(147)	(155)	-	(459)	(459)
Net profit/ (loss) for the year	**(1 730)**	**(213)**	**(1 943)**	**(2 335)**	**(1 189)**	**(3 524)**

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding in this entity was reclassified to Non-current assets held for sale.

Decree-Law no. 82/2020, of 18 November, extended the term established in Law no. 79/IX/2020, of 23 March, which establishes a transitional period for credit institutions with restricted authorization, constituted and authorized to operate in the Cape Verdean financial system, if desired, to proceed by the end of 2021 to the statutory and organizational changes necessary to start operating as banks with a general authorization. According to the same legal framework, after that date, the authorizations of institutions that do not promote these changes shall be revoked.

The shareholding in the subsidiary Montepio Valor, considering the decisions taken by the Management and Administration Bodies for its disposal, was reclassified to non-current assets held for sale.

61 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format, as follows:

Credit quality of restructured exposures

(Euro thousand)

	Gross carrying amount / nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on exposures with forbearance measures	
	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures			Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures		Of which: Collateral and Financial guarantees received on non-performing exposures with forbearance measures
			of which: Defaulted	of which: Impaired				
Loans and advances	86 159	729 736	727 451	729 694	(3 881)	(364 235)	319 658	254 830
Other financial corporations	-	55 265	55 265	55 265	-	(8 359)	46 903	46 903
Non-financial corporations	47 324	598 937	596 698	598 895	(3 011)	(323 420)	204 011	172 574
Households	38 835	75 534	75 488	75 534	(870)	(32 456)	68 744	35 353
	86 159	**729 736**	**727 451**	**729 694**	**(3 881)**	**(364 235)**	**319 658**	**254 830**

(NPE) Information on performing and non-performing exposures

(Euro thousand)

	Gross carrying amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 years <= 5 years	Past due > 5 years <= 7 years	Past due > 7 years	Of which: defaulted
Loans and advances	**12 101 045**	**12 065 609**	**35 436**	**1 255 605**	**469 039**	**15 415**	**138 165**	**126 590**	**223 528**	**188 800**	**94 070**	**1 248 477**
Central banks	1 317 306	1 317 306	-	-	-	-	-	-	-	-	-	-
General governments	114 610	114 610	-	-	-	-	-	-	-	-	-	-
Credit institutions	310 419	310 419	-	-	-	-	-	-	-	-	-	-
Other financial corporations	28 259	28 217	43	55 324	55 257	10	8	46	3	-	-	55 324
Non-financial corporations	3 810 050	3 800 104	9 946	1 012 143	333 041	8 406	123 629	104 328	189 536	171 195	82 009	1 005 120
Of Which: SME	3 316 916	3 306 970	9 946	906 868	266 928	7 983	118 242	104 108	156 697	170 901	82 009	899 845
Households	6 520 401	6 494 953	25 447	188 138	80 741	6 999	14 528	22 216	33 989	17 605	12 061	188 033
Debt securities	**3 144 828**	**3 144 828**	**-**	**33 950**	**-**	**-**	**-**	**950**	**33 000**	**-**	**-**	**33 950**
General governments	2 508 967	2 508 967	-	-	-	-	-	-	-	-	-	-
Credit institutions	1 018	1 018	-	-	-	-	-	-	-	-	-	-
Other financial corporations	21 032	21 032	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	613 811	613 811	-	33 950	-	-	-	950	33 000	-	-	33 950
Off-balance sheet exposures	**1 910 740**			**127 060**								**94 223**
General governments	1 453			-								-
Credit institutions	218 444			-								-
Other financial corporations	50 000			2								2
Non-financial corporations	1 187 709			122 713								89 878
Households	453 134			4 345								4 343
	17 156 613	**15 210 437**	**35 436**	**1 416 615**	**469 039**	**15 415**	**138 165**	**127 540**	**256 528**	**188 800**	**94 070**	**1 376 650**

Credit stage of performing and non-performing exposures and provisions

(Euro thousand)

	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Accumulated partial write-offs	Collateral and financial guarantees received	
	Performing			Non-performing		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			on performing exposures	on non-performing exposures
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 3			
Loans and advances	12 101 045	8 994 330	3 098 710	1 255 605	1 255 605	(123 782)	(21 995)	(101 787)	(637 386)	(637 386)	(69 151)	8 284 180	419 956
Central Banks	1 317 306	1 317 306	-	-	-	-	-	-	-	-	-	-	-
General governments	114 610	111 176	2 530	-	-	(295)	(226)	(68)	-	-	-	1 344	-
Credit institutions	310 419	310 419	-	-	-	(287)	(287)	-	-	-	-	-	-
Other financial corporations	28 259	19 589	8 670	55 324	55 324	(478)	(88)	(390)	(8 398)	(8 398)	-	19 681	46 903
Non-financial corporations	3 810 050	2 147 966	1 655 184	1 012 143	1 012 143	(89 495)	(16 633)	(72 863)	(549 517)	(549 517)	(69 151)	2 265 336	286 899
Of which: SME	3 316 916	1 846 466	1 467 011	906 868	906 868	(78 417)	(14 608)	(63 808)	(480 083)	(480 083)	-	2 099 698	262 961
Households	6 520 401	5 087 874	1 432 326	188 138	188 138	(33 227)	(4 761)	(28 466)	(79 471)	(79 471)	-	5 997 819	86 154
Debt securities	3 144 828	3 140 661	4 167	33 950	33 950	(13 633)	(13 002)	(631)	(15 147)	(15 147)	-	6 835	45
Debt securities	2 508 967	2 508 967	-	-	-	(9 334)	(9 334)	-	-	-	-	-	-
Central Banks	1 018	-	1 018	-	-	-	-	-	-	-	-	-	-
Other financial corporations	21 032	18 381	2 651	-	-	(736)	(112)	(624)	-	-	-	-	-
Non-financial corporations	613 811	613 313	498	33 950	33 950	(3 563)	(3 556)	(7)	(15 147)	(15 147)	-	6 835	45
Off-balance sheet exposures	1 910 741	1 270 046	640 695	127 061	127 060	(10 375)	(3 546)	(6 830)	(10 844)	(10 844)	-	-	-
General governments	1 453	1 399	54	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	218 444	66 338	152 107	-	-	(12)	-	(12)	-	-	-	-	-
Other financial corporations	50 000	42 379	7 621	2	2	(366)	(28)	(338)	-	-	-	-	-
Non-financial corporations	1 187 709	905 014	282 695	122 713	122 713	(7 084)	(2 783)	(4 301)	(10 834)	(10 834)	-	-	-
Households	453 135	254 916	198 218	4 346	4 345	(2 912)	(734)	(2 179)	(10)	(10)	-	-	-
	17 156 614	**13 405 037**	**3 743 572**	**1 416 616**	**1 416 615**	**(147 790)**	**(38 543)**	**(109 248)**	**(663 377)**	**(663 377)**	**(69 151)**	**8 291 015**	**420 001**

Warranties obtained by swearing-in and enforcement proceedings

(Euro thousand)

	Warranties obtained by acquisition of possession	
	Value at initial recognition	Accumulated negative changes
Tangible fixed assets	5 330	-
Others, except tangible fixed assets	304 650	(86 506)
Real estate	62 593	(14 480)
Comercial real estate	221 254	(67 966)
Others, except tangible fixed assets	20 803	(4 060)
	309 980	**(86 506)**

62 Exposures and impacts resulting from COVID-19 measures taken

Following the recommendations of the European Banking Authority, and in accordance with Instruction no. 19/2020 on the reporting and dissemination of information on exposures subject to measures applied in response to the COVID-19 crisis as per the EBA guidelines (EBA/GL/2020/07), we present below the following details regarding moratoria and loans granted under the new public guarantee plans:

Information on loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to EBA-compliant moratoria	2 938 388	2 690 743	51 560	2 040 479	247 645	177 906	234 470	(157 813)	(70 969)	(2 373)	(68 560)	(86 844)	(70 734)	(82 009)	43 003
of which: Households	1 194 139	1 156 054	15 611	820 095	38 086	29 183	33 488	(26 938)	(14 961)	(347)	(14 690)	(11 977)	(9 711)	(10 540)	4 232
of which: Collateralised by residential immovable propert	1 027 040	1 001 055	11 413	700 374	25 985	19 966	22 055	(16 320)	(9 512)	(164)	(9 402)	(6 808)	(5 412)	(5 916)	2 342
of which: Non-financial corporations	1 741 469	1 531 909	35 948	1 217 614	209 559	148 723	200 982	(130 745)	(55 877)	(2 026)	(53 739)	(74 868)	(61 023)	(71 470)	38 771
of which: SME	1 456 568	1 309 770	34 095	1 046 412	146 798	88 548	139 470	(91 300)	(46 918)	(1 927)	(45 062)	(44 382)	(31 879)	(41 709)	37 118
of which: Collateralised by commercial immovable prope	992 171	838 929	21 601	651 584	153 242	112 504	150 322	(75 624)	(28 201)	(932)	(27 139)	(47 423)	(41 201)	(46 251)	23 984

Overview of EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Number of obligors	Gross carrying amount						
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria			
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
EBA-compliant moratoria loans and advances: requested	41 275	3 379 003						
EBA-compliant moratoria loans and advances: granted	38 229	3 208 626	2 898 484	270 238	473 493	33 638	2 018	2 699 478
Of which: Households		1 263 129	1 154 236	68 990	99 866	33 100	2 018	1 128 145
of which: Collateralised by residential immovable property		1 068 630	1 024 083	41 590	63 749	39	-	1 004 842
of which: Non-financial corporations		1 942 581	1 741 469	201 112	373 317	537	-	1 568 726
Of which:SME		1 646 033	1 456 568	189 465	350 951	537	-	1 294 545
of which: Collateralised by commercial immovable property		1 109 925	992 171	117 753	204 333	-	-	905 592

63 Subsequent events

The Banco Montepio Group analyses events occurring after the balance sheet date, i.e. the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (adjusting events);

- Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events occurring after the balance sheet date).

Events occurring after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

There were no relevant transactions and/or events, after 31 December 2020, that merit disclosure and/or adjustment in the financial statements.

TRANSLATION NOTE

These Consolidated Financial Statements and Notes to the Consolidated Financial Statements are a free translation from the original version in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

Banco Montepio

FINANCIAL STATEMENTS AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Banco Montepio

Individual Income Statement for the financial years of 2020 and 2019

	Notes	2020	2019
Interest and similar income	3	273 286	306 098
Interest and similar expense	3	78 682	104 188
Net interest income		194 604	201 910
Dividends from equity instruments	4	3 052	7 631
Net fee and commission income	5	112 644	122 742
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	6	(9 648)	42 732
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	7	23 671	42 210
Net gains/ (losses) arising from exchange differences	8	4 428	1 884
Net gains/ (losses) arising from sale of other financial assets	9	43 643	23 522
Other operating income/ (expense)	10	(29 702)	(13 408)
Total operating income		342 692	429 223
Staff costs	11	173 471	147 454
General and administrative expenses	12	56 603	55 274
Depreciation and amortization	13	31 873	31 312
Total operating cost		261 947	234 040
Impairment of loans and advances to customers and to credit institutions	14	187 629	138 617
Impairment of other financial assets	15	8 238	9 467
Impairment of other assets	16	33 031	14 261
Other provisions	17	2 733	(484)
Profit before income tax		(150 886)	33 322
Income Tax			
Current	30	1 939	(667)
Deferred	30	32 326	(19 684)
Net profit/ (loss) for the year		(116 621)	12 971
Earnings per share			
Basic		-0,047	0,005
Diluted		-0,047	0,005

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual statement of comprehensive Income
for the financial years of 2020 and 2019

(Thousands of Euro)

	Notes	2020	2019
Items that may be reclassified into the Income Statement			
Fair value reserves			
Financial assets at fair value			
through other comprehensive income			
Debt instruments	43	(18 792)	27 422
Loans and advances to customers	43	(454)	(934)
Own credit risk	43	(138)	(13)
Taxes related to fair value changes	30 and 43	6 868	(10 070)
		(12 516)	16 405
Items that will not be reclassified into the Income Statement			
Fair value reserves			
Financial assets at fair value			
through other comprehensive income			
Equity instruments	43	(16 496)	3 504
Profit / (loss) with equity instruments	43	3 750	24
Acturial gains/ (losses) for the year	47	(274)	(76 861)
Taxes	30	8 875	(734)
		(4 145)	(74 067)
Other comprehensive income/ (loss) for the financial year		(16 661)	(57 662)
Net profit/ (loss) for the financial year		(116 621)	12 971
Total comprehensive income/ (loss) for the year		(133 282)	(44 691)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Balance Sheet as at 31 December 2020 and 2019

(Euro thousand)

	Notes	2020	2019
Assets			
Cash and deposits at central banks	18	1 446 314	1 003 648
Loans and deposits to credit institutions payable on demand	19	53 498	51 993
Other loans and advances to credit institutions	20	858 704	532 033
Loans and advances to customers	21	10 732 604	10 921 170
Financial assets held for trading	22	11 508	29 904
Financial assets at fair value through profit or loss	23	569 612	654 438
Financial assets at fair value through other comprehensive income	24	265 320	1 833 441
Hedging derivatives	25	10 693	11 148
Other financial assets at amortized cost	26	3 981 949	2 793 157
Investments in associated companies	27	319 648	341 008
Non-current assets held for sale	27	8 997	-
Other tangible assets	28	215 839	240 302
Intangible assets	29	33 104	31 822
Current tax assets	30	2 313	9 823
Deferred tax assets	30	510 364	462 295
Other assets	31	694 024	745 324
Total Assets		19 714 491	19 661 506
Liabilities			
Deposits from central banks	32	1 372 546	1 291 033
Deposits from other credit institutions	33	1 006 828	701 674
Deposits from customers	34	12 549 423	12 527 546
Debt securities issued	35	1 221 498	1 263 261
Financial liabilities associated with transferred assets	36	1 721 697	1 939 462
Financial liabilities held for trading	22	11 761	11 098
Hedging derivatives	25	397	547
Provisions	37	33 000	30 268
Current tax liabilities	-	812	1 056
Other subordinated debt	38	216 896	157 847
Other liabilities	39	206 235	224 419
Total liabilities		18 341 093	18 148 211
Equity			
Share capital	40	2 420 000	2 420 000
Other equity instruments	41	-	6 323
Fair value reserves	43	(28 867)	145
Other reserves and Retained earnings	42 and 43	(901 114)	(926 144)
Net profit / (loss) for the financial year		(116 621)	12 971
Total equity		1 373 398	1 513 295
Total liabilities + equity		19 714 491	19 661 506

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Statement of cash flows
for the years of 2020 and 2019

(Thousands of Euo)

	2020	2019
Cash flows arising from operating activities		
Interest income received	261 209	298 734
Interest expense paid	(61 487)	(99 607)
Commission income received	131 638	143 275
Commission income paid	(19 307)	(19 137)
Payments to employees and suppliers	(221 448)	(253 925)
Recovery of loans and interests	1 493	6 751
Other payments and receivables	(27 195)	(69 182)
Income tax payment	9 205	(4 168)
	74 108	2 741
(Increases) / decreases in operating assets		
Loans and advances to credit institutions and customers	(326 899)	514 779
Deposits held for monetary control purposes	(473 573)	606 919
(Purchase) / Sale of financial assets held for trading	6 580	21 462
(Purchase) / Sale of financial assets at fair value through other comprehensive income	1 555 329	(1 377 448)
Interest received from financial assets at fair value through other comprehensive income	66 430	7 214
(Purchase) / Sale of Hedging derivatives		-
(Purchase) / Sale of other financial assets at amortized cost	(1 352 028)	623 245
Other assets	27 056	37 573
	(497 105)	433 744
(Increases) / decreases in operating liabilities		
Deposits from customers	26 773	(92 869)
Deposits from credit institutions	304 762	(740 520)
Deposits from central banks	67 160	(100 000)
	398 695	(933 389)
	(24 302)	(496 904)
Cash from investing activities		
Dividends received	3 052	7 631
Purchase of fixed assets	(20 522)	(21 540)
	(17 470)	(13 909)
Cash from financing activities		
Other equity instruments	(292)	(321)
Issuance of cash bonds and subordinated debt	50 000	600 000
Repayment of cash bonds and subordinated debt	(41 100)	(114 000)
	8 608	485 679
Effect of changes in cash exchange rate and cash equivalents	3 762	1 488
Net change in cash and cash equivalents	(29 402)	(23 646)
Cash and cash equivalents at the beginning of the year:		
Cash (note 18)	194 529	194 596
Loans and advances to credit institutions repayable on demand (note 19)	51 993	75 572
	246 522	270 168
Cash and cash equivalents at the end of the year:		
Cash (note 18)	163 622	194 529
Loans and advances to credit institutions repayable on demand (note 19)	53 498	51 993
	217 120	246 522

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual statement of changes in equity
for the years of 2020 and 2019

(Thousands of Euro)

	Share capital (note 40)	Other equity intruments (note 41)	Legal reserve (note 42)	Fair value reserve (note 43)	Retained earnings (note 43)	Total Shareholders' equity
Balance on 01 january 2019	**2 420 000**	**6 323**	**191 766**	**(19 764)**	**(1 040 018)**	**1 558 307**
Other comprehensive income:						
Remeasurements in the year (note 47)	-	-	-	-	(76 861)	(76 861)
Taxes (note 30)	-	-	-	-	(734)	(734)
Changes in fair value (note 43)	-	-	-	29 979	-	29 979
Gains related to Equity instruments	-	-	-	-	-	-
Reserves realized - Shares	-	-	-	-	24	24
Taxes related on changes in fair value (note 30)	-	-	-	(10 070)	-	(10 070)
Net income for the year	-	-	-	-	12 971	12 971
Total comprehensive income / (loss) for the year	-	-	-	19 909	(64 600)	(44 691)
Financial costs related to the issue of perpetual subordinated debt (note 41)	-	-	-	-	(321)	(321)
Legal Reserve	-	-	202	-	(202)	-
Balance on 31 december 2019	**2 420 000**	**6 323**	**191 968**	**145**	**(1 105 141)**	**1 513 295**
Other comprehensive income:						
Remeasurements in the year (note 47)	-	-	-	-	(274)	(274)
Taxes (note 30)	-	-	-	-	8875	8 875
Changes in fair value (note 43)	-	-	-	(35 880)	-	(35 880)
Reserves realized - Shares	-	-	-	-	3 750	3 750
Taxes related on changes in fair value (note 30)	-	-	-	6 868	-	6 868
Net income for the year	-	-	-	-	(116 621)	(116 621)
Total comprehensive income / (loss) for the year	-	-	-	(29 012)	(104 270)	(133 282)
Perpetual subordinated debt reclassification (nota 41)	-	(6 323)	-	-	-	(6 323)
Financial cost of Perpetual subordinated debt	-	-	-	-	(292)	(292)
Legal Reserve	-	-	1 297	-	(1 297)	-
Balance on 31 dezember 2020	**2 420 000**	**-**	**193 265**	**(28 867)**	**(1 211 000)**	**1 373 398**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter “Banco Montepio”) is a credit institution, with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, majority held by Montepio Geral Associação Mutualista (hereinafter “MGAM”), incorporated on 24 March 1844. It is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if previously authorized by the Bank of Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to “caixa económica bancária”.

On 14 September 2017, the by-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of the Bank of Portugal, of 7 December, Banco Montepio’s financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed by the European Union (“EU”). IFRS comprise accounting standards issued by the International Accounting Standards Board (“IASB”) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and its predecessor body. Banco Montepio adopted in the preparation of the separate financial statements as at 31 December 2020 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2020.

The separate financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 29 April 2021 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes. The financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The associated estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the book values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main estimates and assumptions involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in the accounting policy described in note 1 y).

b) Financial instruments – IFRS 9

b.1) Classification of financial assets

The Bank classifies its financial assets into one of the following valuation categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- Financial assets at fair value through profit or loss.

The classification requirements for debt and equity instruments are as follows:

b.1.1) Debt instruments

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories is based on the following two elements:

- the Bank's business model for financial asset management, and
- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Bank classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

- they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and

- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

- they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and

- the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Bank's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Bank also considered whether it expects to recover the book value of the asset through the sale to a third party.

Also included in this portfolio are all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term.

- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.

- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Bank manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Bank's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of "another" business model and recognized at fair value through profit or loss. Factors considered by the Bank in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to management, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading are held, primarily, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, taking into account the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Sales that are closed to the maturity date and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if those sales are an immaterial value, both individually or in aggregate (even if infrequent). To this purpose, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not match with the reference interest rate term (for example, the interest rate is adjusted every three months), the Bank assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model involves holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the “solely payments of principal and interest” (“SPPI”) test). In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

b.1.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. Generally, the Bank exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

b.2) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other subordinated debt;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 c);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option)

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;

- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);

- the financial liabilities contain embedded derivatives;

(iv) Financial liabilities associated with transferred assets

This category includes liabilities associated with credit securitization operations that were not derecognized following the application of IFRS 9 - Financial instruments. These liabilities are initially recorded at the amount received on the cession of the loans and are subsequently valued at amortized cost, in a manner coherent with the valuation of the corresponding assets and the conditions defined in the securitization operation.

b.3) Recognition and initial valuation of financial instruments

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e. level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

Banco Montepio recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

b.4) Subsequent valuation of financial instruments

Subsequent to initial recognition, the Bank values its financial assets at (i) amortized cost, (ii) fair value through other comprehensive income or (iii) fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

b.5) Interest recognition

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income, as well as the interest on financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, Banco Montepio estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified as Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income).

b.6) Reclassifications between financial instrument categories

Reclassifications of financial assets can only occur when Banco Montepio changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

Modification of loans

Occasionally, the Bank renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Bank assesses whether the new contract terms are substantially different from the original terms. The Bank makes this analysis considering, among others, the following factors:

- If the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- A significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- A significant extension of the contract maturity when the debtor is not in financial difficulty;
- A significant change in interest rate;
- A change from the currency in which the credit was contracted;
- The inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. The renegotiation date is considered the initial recognition date for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment) especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or modification, does not result in de-recognition and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Bank may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 (“ECL lifetime”) or from Stage 2 to Stage 1 (“ECL 12 months”), except for financial assets acquired or originated in impairment that are classified in Stage 3. This situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank continues to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

b.7) De-recognition that does not result from a modification

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Bank substantially transfers all risks and rewards associated with holding the asset, or (ii) the Bank neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not control the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Bank engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Bank:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;

- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees provided by the Bank (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria.

Financial liabilities are derecognized when the underlying obligation is settled, expires, or is cancelled.

b.8) *Write-off policy*

Banco Montepio recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by Banco Montepio turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

b.9) *Impairment of financial assets*

The Bank determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against an accumulated impairment caption in the balance sheet, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions are recognized in the income statement in the caption Impairment of loans and advances to customers and to credit institutions, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The charges and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

c) <u>Credit losses:</u> correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

   The Bank estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

   For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, taking into account the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

d) <u>Expected credit losses:</u> correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events. The following distinction shall be taken into account: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a 12-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of 12 months from the reference date.

b.10.1) <u>Impairment model of loans and advances to customers</u>

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following instruments of Banco Montepio that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);

- Financial assets classified as debt instruments at fair value through other comprehensive income;

- Commitments and financial guarantees issued.

No impairment is recognized on equity instruments since these are measured at fair value and the gains or losses resulting on their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;

- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

- Stage 3: instruments for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

The calculation of impairment losses is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since initial recognition; and

- Incorporation of forward-looking information in the ECL calculation.

Calculation of ECLs

ECLs correspond to unbiased weighted estimates of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that Banco Montepio expects to receive;

- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;

- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that Banco Montepio expects to receive;

- Financial guarantees: the present value of the expected reimbursement payments less the amounts that Banco Montepio expects to recover.

b.10.2) *Definition of default*

Banco Montepio aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by Banco Montepio are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures

- Individually significant customers with individual impairment

- Bankruptcy/insolvency customers

- Customers with loans written off from assets in Banco Montepio in the last 5 years

- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

b.10.3) *Significant increase in credit risk (SICR)*

In order to determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e. risk of default), Banco Montepio considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on Banco Montepio´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure's risk rating at the reporting date, and

- The exposure's risk rating attributed at the initial moment of the exposure´s recognition.

Banco Montepio identifies the occurrence of a significant increase in credit risk through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower as the higher the original rating was.

When evaluating the significant increase in credit risk, Banco Montepio also considers the existence of arrears of more than 30 days, as well as other indicators of customer behaviour vis-à-vis Banco Montepio and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the CRC).

In the context of the current pandemic crisis, and with the aim of anticipating the risk deterioration associated with moratoria exposures, the following adjustments at the level of classification in Stage 2 were considered:

- Customers in the corporate and self-employee's segment: operations with capital and interest under moratoria conditions were classified as Stage 2. This criterion is expected to be revised in 2021, considering the rating/scoring update with financial information for 2020;
- Customers of the individuals' segment: worsening of the behavioural scoring, considering the adjustment of certain input variables, namely related to the evolution of the customers' resources or professional situation of unemployment.

b.10.4) *Measurement of ECL – Collective analysis*

The main inputs used for measuring ECLs on a collective basis include the following parameters:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach considers parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated using statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);

- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and

- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. Banco Montepio collects default and performance indicators regarding its credit risk exposures through analyses by type of customers and products.

The segmentation of the PDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating, economic activity code and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. Banco Montepio estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or customer enters default. Banco Montepio obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, Banco Montepio calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity. For the purpose of incorporating the forward-looking component, 3 scenarios are considered, according to the following characteristics:

1. Baseline scenario, with a 60% probability of occurrence:

2. Pessimistic scenario, with a 20% probability of occurrence;

3. Optimistic scenario, with a 20% probability of occurrence.

Regarding the process of incorporating macroeconomic projections into the parameters for the impairment estimation, the established process provides for the projections to be updated at least annually. In financial year 2020, to ensure the consideration of updated projections, especially relevant in a context of economic instability, the projections were updated twice, for the June and December account closing processes.

Additionally, in order to do not distort the estimates obtained with the effect of the loans under moratoria conditions, the 2020 observations were disregarded for the purpose of updating the historical information considered in the estimation of the risk parameters.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2019	2020	2021	2022
Unemployment rate (1)				
Base scenario	6.63%	8.79%	7.15%	5.53%
Worst-case scenario	6.63%	10.34%	11.48%	10.46%
Best-case scenario	6.63%	8.72%	6.75%	5.07%
GDP growth rate (2)				
Base scenario	0.73%	-7.99%	3.9%	4.47%
Worst-case scenario	0.73%	-10.97%	2.48%	4.77%
Best-case scenario	0.73%	-5.26%	3.06%	4.22%
Growth rate of median house prices (2)				
Base scenario	1.84%	-11.46%	5.77%	6.4%
Worst-case scenario	1.84%	-15.46%	-10.1%	6.55%
Best-case scenario	1.84%	-9.11%	7.33%	6.78%

(1) Source: Eurostat; Projections: Moody's Analytics

(2) Souce: Instituto Nacional de Estatística; Projections: Moody's Analytics

b.10.5) Measurement of ECL – Individual analysis

In the group of individually significant customers, customer exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of same, the collateral and existing guarantees as well as the remaining factors relevant for this analysis.

For individually significant financial assets of counterparties/customers classified in Stage 3, the impairment value is determined using the discounted cash flow method, with the impairment value corresponding to the difference between the credit value and the sum of the expected cash flows from the customer's various operations, discounted according to the original interest rates of each operation.

For the financial assets of individually significant counterparties/customers classified in Stages 1 and 2, the expected credit loss (ECL) is attributed according to the collective analysis methodology, given that individually no impairment level is observed.

The criteria for the determination of impairment of individually significant loans

All customers or economic groups that meet the following conditions are subject to individual analysis:

1. Economic Groups with a global exposure amount ≥ € 0.5 million in which at least one of the participants is the holder of operations classified as Stage 3, with customers with an exposure amount ≥ € 0.1 million being selected;

2. Customers holding Stage 2 operations with an exposure amount ≥ €1.0 million and customers with an exposure amount ≥ € 1.0 million that are part of the same Economic Group;

3. Customers holding Stage 1 operations with an exposure amount ≥ € 2.5 million;

4. Customers corresponding to Shareholding Management Companies (SGPS) and/or Customers holding loans under Project Finance with an exposure amount ≥ €1.0 million;

5. Other customers when duly justified.

For the exposure of customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations subject to write-off.

The individual analysis is the responsibility of the Specialized Credit Analysis Department and in the evaluation of impairment losses the following factors are, essentially, considered:

- Total exposure of each customer and/or economic group, internal rating of the customer and/or economic group, the staging associated with each operation and the existence of signs of impairment;
- Economic and financial viability of the customer or economic group and the respective ability to generate future cash flows to pay the debt;

- Existence of collaterals associated with each credit and their respective valuation;

- Customers' or guarantors' net assets;

- Situation of bankruptcy or insolvency of the customers and/or guarantors;

- Expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and according to the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment is made when the expected cash flows are lower than the contractual cash flows due by the customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method:

- In case of the continuity of operations (going concern) a critical analysis is done of the companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the customer. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;

- In the case of the cessation of the activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these customers, the annually projected cash flows, after adjustments, are discounted at the original effective interest rate of the operations;

- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

- For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

b.11) *Securitized loans and advances not derecognized*

Banco Montepio does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Credits sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

b.12) *Synthetic securitization*

The Bank has an operation underway that configures a synthetic securitization structure. The operation started on 18 December 2020 and is based on a loan portfolio of small and medium-sized companies (SMEs).

This operation aims to reinforce the CET1 ratio, without generating any increase in liquidity. In this operation, there was no sale of loans to third parties, issue of bonds or participation of Credit Securitization Companies, Credit Securitization Vehicles and Credit Securitization Funds, or the need to maintain Reserve Accounts. Also, there was no transfer of loan collections.

The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Bank transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF will be the guarantors of the senior and mezzanine tranches, with the Bank bearing a commission of 0.3% and 4.5% to guarantee each of the tranches, respectively. Banco Montepio retained the risk of the junior and of the excess spread tranches.

With this operation, the Bank reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio; however, as most of the risks and benefits associated with these loans were not transferred, the derecognition criteria of the financial assets defined in the accounting policy presented in b.7) above are not met.

c) Derivative financial instruments and hedge accounting

Banco Montepio designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities, in the scope of IFRS 9, since 2020. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, Banco Montepio may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

d) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognized in equity as a deduction from the amount of the issue. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs.

Distributions made on account of equity instruments are deducted from equity as dividends when declared.

e) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date. Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Bank usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

f) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

Banco Montepio carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

g) **Investments in subsidiaries and associated companies**

Investments in subsidiaries and associated companies are accounted for in Banco Montepio's separate financial statements at historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by Banco Montepio. Banco Montepio controls an entity when it is exposed to, or has rights to, the variability of returns from its involvement with that entity and can take possession of same through its power over the relevant activities of that entity (de facto control).

Associated companies are entities over which Banco Montepio has significant influence but does not control their financial and operating policy. Banco Montepio is presumed to have significant influence when it has the power to exercise more than 20% of the associated company's voting rights. If Banco Montepio, directly or indirectly, holds less than 20% of the voting rights, Banco Montepio is presumed not to have significant influence, except when such influence can be clearly demonstrated.

Significant influence on the part of Banco Montepio is usually demonstrated in one or more of the following ways:

- representation on the Board of Directors or equivalent management body of the investee;
- participation in policy-making processes, including participation in decisions involving dividends or other distributions;
- material transactions between Banco Montepio and the investee;
- interchange of management personnel; and
- provision of essential technical information.

Impairment

The recoverable value of investments in subsidiaries and associated companies is assessed whenever there is evidence of impairment. Impairment losses are calculated based on the difference between the recoverable value of investments in subsidiaries or associated companies and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period. The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value and business risks.

h) **Assets received in recovery of credit, non-current assets held for sale and discontinued operations**

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

Banco Montepio also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable.

Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, with the unrealized losses being, in this manner, recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Bank intends to immediately sell all properties and other assets received in recovery of credit, during financial year 2019 the Bank changed the classification of these assets from non-current assets held for sale to the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. However, the accounting method has not changed from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e. an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e. substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Impact from the lessee's perspective

Banco Montepio recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
    - fixed payments, less lease incentives receivable;
    - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;

- the amounts to be paid by the lessee as residual value guarantees;
- the exercise price of a call option if the lessee is reasonably certain to exercise that option;
- payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Banco Montepio risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is re-measured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

Banco Montepio re-measures a lease liability and calculates the related adjustment to the right-of-use asset whenever:

- there is a change in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is re-measured, discounting the revised lease payments and also using a revised discount rate;
- there is a change in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is re-measured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a lease agreement is modified but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is re-measured, discounting the revised lease payments using a revised discount rate.

Banco Montepio did not make any adjustments for the financial years presented.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that Banco Montepio will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the income statement is made in the following captions:

(iv) recording in Net interest income of the interest expense related to lease liabilities;

(v) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(vi) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the balance sheet is made in the following captions:

(iv)recording in Other tangible assets of the right-of-use assets recognized; and

(v) recording in Other liabilities of the amount of the lease liabilities recognized.

As regards the classification of the cash flows originated by the lease agreements, these are recorded in the statement of cash flows:

- in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;
- in the caption Cash flows from investing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments and of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: account maintenance fees);

2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);

3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation). These commissions are received in advance and are deferred and recognized over the life of the operation;

   (ii) Commissions agreed for the commitment to provide financing and the granting of credit is likely. These are commissions are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

   (vi) Commissions paid on the issuance of financial liabilities at amortized cost. These are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in Banco Montepio's financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for Banco Montepio. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Betterments in leasehold buildings	10
Other fixed assets	4 to 10

Betterments in leasehold buildings are accounted for as tangible fixed assets and are depreciated at the lower of the useful lives of the assets and the term of the lease. Expenses incurred with the dismantling or removal of these assets are considered as part of the initial cost of the respective assets when they constitute significant amounts.

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable amount is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Intangible assets

Software

Banco Montepio accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. Banco Montepio does not capitalize internal costs arising from software development.

o) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash and deposits at other credit institutions. Cash and cash equivalents exclude deposits at Central Banks.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investment activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associated companies, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in Banco Montepio’s medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, capital increases and dividend distributions.

p) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when Banco Montepio has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

q) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

r) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement (ACT) it signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the Collective Labour Agreement (ACT) and subsequent amendments, Banco Montepio set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption and old age. Protection associated with sickness, disability, survival and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by Banco Montepio and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, Banco Montepio signed a new ACT, introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 47.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

Banco Montepio´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to the date of termination of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pensions Fund.

The interest income/(expense) with the pension plan is calculated by multiplying the net asset/(liability) with retirement pensions (liabilities less the fair value of the Fund's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned above. On this basis, the net interest income/(expense) includes the interest expense associated with retirement pension liabilities and the return expected from the Fund's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

Banco Montepio recognizes in its income statement a net total amount that includes (i) the current service cost, (ii) the net interest income/(expense) from the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by Banco Montepio on an annual basis and according to a schedule of contributions drawn up to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past service costs of active employees.

Defined contribution plan

Banco Montepio has a defined contribution plan for employees who were admitted after 3 March 2009. This plan, designated as contributory, receives monthly and equal contributions, based on the effective remuneration: 1.5% to be made by the company and 1.5% to be made by the employee.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, the creation of a valid expectation for the employee or the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished and Banco Montepio paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for Banco Montepio to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at Banco Montepio's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by Banco Montepio in accordance with IAS 19 as another long-term employment benefit. The effects of the re-measurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount of Banco Montepio's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

s) Income taxes

Until 31 December 2011, Banco Montepio was an entity exempt from Corporate Income Tax ("IRC"), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code. This exemption had been recognized under an Order of 3 December 1993 of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March approving the State Budget for 1996.

With effect from 1 January 2012, Banco Montepio is now subject to the regime established by the Corporate Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods.

Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that Banco Montepio does not exercise control over the period of the reversal of the differences.

Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including reportable taxable losses).

As established in IAS 12, paragraph 74, Banco Montepio offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, Banco Montepio, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

t) Segmental reporting

Banco Montepio adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Bank: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Bank operating decisions regarding the allocation of resources to the segment and the assessment of it performance; and (iii) for which distinct financial information is available.

Given that the separate financial statements are presented together with those of the Group, and considering paragraph 4 of IFRS 8, Banco Montepio is not required to present information on a separate basis on the segments.

u) Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when (i) Banco Montepio has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities), (ii) it is probable that its settlement will be required and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost and the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or

- Present, which arises from past events, but is not recognized because:

  - It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation;

  - The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

v) Insurance and reinsurance brokerage services

Banco Montepio is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, Banco Montepio sells insurance contracts, receiving as remuneration for the services rendered brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between Banco Montepio and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

6. commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by Banco Montepio and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;

7. commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income – For insurance brokerage services.

w) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of Banco Montepio by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

x) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

iii) those that provide proof of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and

iv) those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events that occur after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

y) Significant judgements and estimates in the application of the accounting policies

IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the current COVID-19 pandemic. The most significant of these accounting estimates and judgments used in the application of the accounting policies by Banco Montepio are discussed in the following paragraphs in order to improve understanding of how their application affects Banco Montepio's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, Banco Montepio´s reported results would differ if a different treatment was chosen. The

Board of Directors believes that the choices made are appropriate and that the financial statements present Banco Montepio's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a 12-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Bank uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic drivers and how each driver impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

This corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Bank expects to receive, through cash flows generated by the Customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 20, 21, 24 and 26, with a consequent impact in the income statement of Banco Montepio.

COVID-19 Pandemic

In the context of the pandemic crisis caused by COVID-19, and in accordance with the stipulations in IFRS 9, Banco Montepio proceeded, for the purposes of measuring credit impairment losses, to update the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see note 14).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which take into account market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value. Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 22, 23, 24 and 25. The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 46.

Impairment of investments in subsidiaries and associated companies

Banco Montepio assesses the recoverable value when there are signs of evidence of impairment. Impairment losses are assessed based on the difference between the recoverable value of the investments in subsidiaries or associated companies and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period.

The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks, which require the use of certain assumptions or judgment in establishing the fair value estimates.

Different methodologies and the use of different assumptions and estimates could result in a different level of impairment losses being recognized and presented in note 27, with the consequent impact on the income statement of Banco Montepio.

Income taxes

Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business. The Bank complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the period and presented in note 30. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Bank considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September was approved, establishing the new tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, approximating the accounting and tax rules for the purpose of deducting costs in respect of the reinforcement of credit impairment. Until the end of financial year 2023, the rules in force until 2018 will continue to apply, unless the option to apply the new regime is exercised in advance. Banco Montepio opted to not apply the new tax regime for impairment, for which reason the estimated taxable income considers the tax rules in force until 2018.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out as at 31 December 2020, the tax rules resulting from Law no. 98/2019, of 4 September, were considered, with tax rules identical to those in force in financial years 2015 through 2019 having been considered insofar as Banco Montepio did not adhere to the definitive regime on impairment, as a result of which the limits set forth in Bank of Portugal Notice no. 3/95 and other specific rules must be considered for the purpose of determining the maximum amounts of impairment losses accepted for tax purposes.

In 2018, the Bank adopted IFRS 9 - Financial Instruments, and since in this respect there is no transitional regime that establishes the tax treatment of transition adjustments to IFRS 9, the treatment given resulted from the Bank's interpretation of the application of the general rules of the IRC Code.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by Banco Montepio for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 47.

Classification and valuation of assets received in recovery of credit

The classification of the real estate received in recovery of credit is determined in accordance with IFRS 5 and of the investment properties in accordance with IAS 40.

Assets received in recovery of credit are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. The fair value is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets' fair value, which are presented in note 31.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 37.

2 Net interest income and net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income

The existing IFRS require a separate disclosure of net interest income, net gains/(loss) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income, as presented in notes 3, 6 and 7. A particular business activity can generate impacts either in the net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income or in the net interest income captions. Therefore, the disclosure now presented highlights the contribution of the different business activities to the net interest income and to the net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss and from financial assets at fair value through other comprehensive income. The combined analysis of this caption is presented as follows:

(Euro thousand)

	2020	**2019**
Net interest income	194 604	201 910
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(9 648)	42 732
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	23 671	42 210
	208 627	286 852

3 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Interest and similar income		
Loans and advances to customers	239 528	261 318
Other financial assets at amortized cost	9 452	13 028
Deposits and other loans and advances	8 503	9 661
Financial assets held for trading	7 962	8 616
Hedging derivatives	6 566	6 559
Financial assets at fair value through other comprehensive income	1 252	6 699
Financial liabilities associated with transferred assets	18	141
Other interest and similar income	5	76
	273 286	306 098
Interest and similar expense		
Deposits from customers	18 654	33 165
Other subordinated debt	17 256	11 803
Financial liabilities associated with assets transferred	17 943	25 119
Debt securities issued	8 653	8 842
Financial liabilities held for trading	7 239	7 125
Deposits from central banks and other credit institutions	4 766	13 523
Hedging derivatives	3 187	3 549
Lease liabilities	887	1 061
Other interest and similar expense	97	1
	78 682	104 188
Net interest income	194 604	201 910

The caption Interest and similar income – Loans and advances to customers includes, in 2020, commissions with an amount of Euro 14,207 thousand (2019: Euro 16,309 thousand) and other gains/(losses) with an amount of Euro 1,513 thousand (2019: Euro 1,772 thousand), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 b).

The caption Interest and similar income - Financial assets at fair value through profit or loss, in 2020, includes the amount of Euro 18 thousand (2019: 141 thousand) related to loans that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

The caption Interest and similar expense – Leases refers to the interest cost related to the lease liabilities recognized in the scope of IFRS 16, as indicated in accounting policy 1 i).

4 Dividends from equity instruments

In 2020, this caption records the amount of Euro 3,052 thousand (2019: Euro 7,631 thousand) which includes Euro 1,710 thousand (2019: Euro 2,375 thousand) related to dividends received from the company Almina and Euro 1,112 thousand (2019: Euro 3,868 thousand) related to dividends received from the company Monteiro e Aranha, S.A.

5 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Fee and commission income		
From banking services	93 766	103 238
From transactions on behalf of third parties	21 281	23 145
From insurance brokerage services	10 947	10 223
Guarantees provided	4 200	4 814
Other fee and commission income	1 444	1 921
	131 638	143 341
Fee and commission expense		
From banking services provided by third parties	16 698	18 094
From transactions with securities	312	468
Other fee and commission expense	1 984	2 037
	18 994	20 599
Net fee and commission income	112 644	122 742

In 2020 and 2019, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2020	2019
Life insurance	4 136	4 176
Non-life insurance	6 811	6 047
	10 947	10 223

The remuneration of insurance brokerage services was received in full and all the commissions resulted from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

The change in commissions reflects the decrease in activity/transactionality levels verified as of the end of the first quarter of 2020 due to COVID-19 and materialized, namely, at the level of the loans granted and the moratoria (legal exemption from commissions) and of the Payment services.

6 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(Euro thousand)

	2020			2019		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	3 469	2 516	953	4 133	2 798	1 335
Issued by other entities	289	1	288	152	23	129
Shares	1 486	1 816	(330)	1 301	1 108	193
Investment units	917	733	184	532	17	515
	6 161	5 066	1 095	6 118	3 946	2 172
Derivative financial instruments						
Interest rate contracts	67 870	68 765	(895)	61 286	59 946	1 340
Exchange rate contracts	32 668	32 876	(208)	21 385	21 506	(121)
Futures contracts	3 662	4 347	(685)	2 942	4 004	(1 062)
Option contracts	1 436	2 015	(579)	1 944	2 128	(184)
Commodities contracts and other	589	12 840	(12 251)	1 039	145	894
	106 225	120 843	(14 618)	88 596	87 729	867
Financial assets at fair value through profit or loss						
Investment units	8 651	16 292	(7 641)	14 719	5 480	9 239
Loans and advances to customers	602	448	154	1 021	2 143	(1 122)
	9 253	16 740	(7 487)	15 740	7 623	8 117
Other financial assets at fair value through profit or loss						
Shares	-	131	(131)	(36)	64	(100)
Securitization units	20 945	10 980	9 965	99 739	68 693	31 046
Loans and advances to customers	35	72	(37)	189	36	153
	20 980	11 183	9 797	99 892	68 793	31 099
Financial liabilities at fair value through profit or loss						
Deposits from customers	-	-	-	11	-	11
Debt securities issued	225	52	173	2 428	2 273	155
	225	52	173	2 439	2 273	166
Hedging derivatives						
Interest rate contracts	22 534	22 799	(265)	38 042	32 924	5 118
	22 534	22 799	(265)	38 042	32 924	5 118
Hedged financial liabilities						
Debt securities issued	5 955	4 298	1 657	10 197	15 004	(4 807)
	5 955	4 298	1 657	10 197	15 004	(4 807)
	171 333	180 981	(9 648)	261 024	218 292	42 732

In financial year 2020, the Net gains/(losses) arising from derivative financial instruments shows the impact of the loss of value in a derivative resulting from a loan disposal operation, including the respective mortgage guarantees, as a result of a non-realization of that portfolio's performance compared to what was initially expected, with a loss of Euro 12,840 thousand having been recorded.

In Net gains/(losses) arising from financial assets at fair value, in 2020, the Investment units had a negative impact of Euro 7,457 thousand (2019: positive impact of Euro 9,754 thousand). In 2020, the negative impact was, essentially, recognized in the NovEnergia II fund, with Euro 5,089 thousand, in diversified investment funds with Euro 1,665 thousand, in share and mixed funds with Euro 173 thousand and in real estate funds with Euro 530 thousand.

In 2020, the Net gains/(losses) arising from the securitization fund units reflect the evolution of the securitized loan volume in the amount of Euro 1,741,366 thousand (2019: Euro 1,962,407 thousand).

7 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2020			2019		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Fixed-income securities						
Bonds						
Issued by public entities	29 183	9 953	19 230	45 297	3 223	42 074
Issued by other entities	4 714	273	4 441	136	-	136
	33 897	10 226	23 671	45 433	3 223	42 210

In 2020, the caption Bonds – Issued by public entities includes net gains obtained on the sale of Portuguese sovereign bonds in the amount of Euro 13,115 thousand, of Greek sovereign bonds in the amount of Euro 4,058 thousand and of Croatian, Italian, Chilean and Spanish sovereign bonds in the aggregate amount of Euro 2,057 thousand. In 2019, this caption included net gains generated on the sale of Portuguese sovereign bonds in the amount of Euro 41,329 thousand, of Spanish sovereign bonds in the amount of Euro 144 thousand, of Greek sovereign bonds in the amount of Euro 1,716 thousand and losses in the amount of Euro 1,115 thousand on the sale of Italian sovereign bonds.

8 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2020			2019		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differences	47 412	42 984	4 428	16 682	14 798	1 884

This caption includes the results arising from the revaluation of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 q).

9 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2020	**2019**
Disposal of financial assets at amortized cost	30 220	10 024
Disposal of other assets	13 757	6 097
Disposal of loans and advances to customers	(334)	7 401
	43 643	23 522

In 2020, the caption Disposal of financial assets at amortized cost includes the gains realized on the sale of Portuguese sovereign bonds of Euro 29,849 thousand (2019: Euro 9,983 thousand), of Greek sovereign debt of Euro 327 thousand and of Italian sovereign debt of Euro 44 thousand (2019: Euro 41 thousand).

The caption Disposal of other assets considers the result arising on the sale of properties received in recovery of loans, registering, in 2020, a gain of Euro 7,096 thousand related to the sale of a plot of land in the Greater Lisbon area.

10 Other operating income/(expense)

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2020	**2019**
Other operating income		
Management fees on demand deposits	3 374	5 517
Services provided	5 419	5 101
Reimbursement of expenses	1 797	2 168
Repurchase of own issues	380	154
Other	6 179	17 340
	17 149	30 280
Other operating expenses		
Contributions:		
Banking sector	10 365	9 330
Ex-ante to the Single Resolution Fund	6 099	6 508
National Resolution Fund	4 263	4 156
Deposits Guarantee Fund	22	22
Revaluation of investment properties	8 780	9 579
Servicing and expenses with recovery and disposal of loans	4 568	5 052
Expenses with issuances	1 915	1 213
Taxes	598	742
Donations and memberships	527	696
Other	9 714	6 390
	46 851	43 688
Other operating income/(expense)	(29 702)	(13 408)

In 2020, the caption Other operating income - Other includes income from loan recovery in the amount of Euro 3,346 thousand (2019: Euro 7,178 thousand) and from the assignment of employees - actuarial deviations in the amount of Euro 362 thousand (2019: Euro 4,996 thousand).

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55-A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments.

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Bank of Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("MUR Regulation").

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução), in cooperation with the Bank of Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2020 and 2019, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, in 2020, Banco Montepio settled Euro 7,093 thousand (2019: Euro 6,024 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 20. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of the Bank of Portugal, which may be adjusted in function of the credit institution's risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating costs - Servicing and expenses with the recovery of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

The caption Other operating costs – Expenses with properties held for trading includes, in 2020, the amount of Euro 2,988 thousand related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.. In 2019, these services were recorded under the caption General and administrative expenses – Other general and administrative expenses in the amount of Euro 2,919 thousand, as described in note 12.

11 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	**2019**
Remuneration	103 518	105 493
Mandatory social charges	31 360	31 529
Charges with Pension Funds	21 485	6 957
Other staff costs	17 108	3 475
	173 471	147 454

In 2020, within the scope of the Employee Adjustment Plan, the captions of Charges with the Pension Fund and Other costs include, respectively, the amounts of Euro 20,879 thousand and Euro 7,464 thousand, related to the resulting charges arising from early retirement and mutual-agreement termination programs.

In 2020 and 2019, the members of the Management Bodies did not receive any variable remuneration. First-line managers are considered Other key management personnel.

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee) and Other key management personnel, in 2020, are presented as follows:

(Euro thousand)

	General Meeting Board	Board of Directors	Other key management personnel	Total
Remuneration and other short-term benefits	7	3 202	3 205	6 414
Pension costs	-	892	93	985
Costs with healthcare benefits (SAMS)	-	17	54	71
Social Security charges	1	681	707	1 389
	8	4 792	4 059	8 859

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee), and Other key management personnel, in 2019, are presented as follows:

(Euro thousand)

	General Meeting Board	Board of Directors	Other key management personnel	Total
Remuneration and other short-term benefits	7	3 118	3 230	6 355
Pension costs	-	22	93	115
Costs with healthcare benefits (SAMS)	-	16	55	71
Social Security charges	1	656	707	1 364
	8	3 812	4 085	7 905

In 2020, loans granted by Banco Montepio to members of the Board of Directors (including members of the Audit Committee) amounted to Euro 622 thousand (2019: Euro 664 thousand) and to Other key management personnel to Euro 3,905 thousand (2019: Euro 3,600 thousand), as described in note 49.

The average number of employees serving Banco Montepio during financial years 2020 and 2019, distributed by major professional categories, was as follows:

	2020	2019
Administration and Coordination	228	212
Senior management	600	628
Technical staff	1 413	1 343
Administrative staff	1 238	1 328
Auxiliary staff	39	47
	3 518	3 558

12 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2020	2019
Rental costs	755	1 298
Specialized services		
IT services	11 469	11 064
Independent work	4 794	3 759
Other specialized services	15 298	12 313
Communication costs	6 010	5 829
Maintenance and repairs	5 299	4 164
Water, energy and fuel	3 369	3 833
Advertising costs	2 614	2 308
Transportation	2 264	2 683
Consumables	877	1 064
Travel, accommodation and entertainment expenses	557	956
Insurance	918	849
Training	372	358
Other general and administrative costs	2 007	4 796
	56 603	55 274

The caption Rental costs includes, in 2020, the amount of Euro 400 thousand (2019: Euro 783 thousand) related to short-term lease agreements, of which Euro 42 thousand (2019: Euro 99 thousand) correspond to leasehold rentals and Euro 358 thousand (2019: Euro 684 thousand) to motor vehicle rentals, in both cases used by Banco Montepio as lessee.

As part of the development of its activity, the Bank records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS and also with costs related to the payment of fees and retainer fees.

The caption Other specialized services includes fees billed by the Group's Statutory Auditors within the scope of their statutory audit functions, as well as other services, including those provided by their network, as follows (excluding VAT):

(Euro thousand)

	2020	2019
Audit		
Statutory audit services	1 108	622
Services other than statutory audit legally required		
Issue of Opinions on the internal control system	81	-
Issued of Opinions to regulatory authorities and support with work carried out for supervisory purposes	342	50
	423	50
Services other than statutory audit not legally required	50	448
	1 581	1 120

In 2019, the caption Other specialized services also includes the fees billed by the KPMG Statutory Audit Firm in the amount of Euro 1,942 thousand (excluding VAT).

The caption Other general and administrative expenses includes, in 2019, the amount of Euro 2,919 thousand related to services rendered by Montepio Gestão de Activos Imobiliários, A.C.E.. In 2020, these services were recorded in the caption Other operating income/(expense) – Expenses with properties held for trading in the amount of Euro 2,988 thousand, as described in note 10.

13 Depreciation and amortization

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2020	**2019**
Intangible assets		
Software	15 157	14 045
Other tangible assets		
Real Estate		
For own use	3 079	3 083
Leasehold improvements in rented buildings	583	558
Equipment		
IT equipment	3 076	3 499
Fixtures	1 542	1 539
Furniture	117	183
Security equipment	131	135
Machinery and tools	43	15
Transportation	8	1
Right-of-use assets		
Real Estate	6 486	7 124
Motor vehicles	1 651	1 130
	16 716	17 267
	31 873	31 312

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

14 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)	2020	2019
Other loans and advances to credit institutions (note 20)		
Charge for the financial year net of reversals	6 481	(2 154)
	6 481	(2 154)
Loans and advances to customers (note 21)		
Charge for the financial year net of reversals	182 641	147 522
Recovery of loans and interest	(1 493)	(6 751)
	181 148	140 771
	187 629	138 617

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 b).

15 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)	2020	2019
Impairment of financial assets at fair value through other comprehensive income (note 24)		
Charge for the financial year net of reversals	3 682	7 854
Impairment of other financial assets at amortized cost (note 26)		
Charge for the financial year net of reversals	4 556	1 613
	8 238	9 467

16 Impairment of other assets

The amount of this caption has the following breakdown:

	2020	2019
	(Euro thousand)	
Impairment of investments in associated companies (note 27)		
Charge for the financial year	12 363	7 926
Reversals for the financial year	-	(2 211)
	12 363	5 715
Intangible assets (note 29)		
Charge for the financial year	11 941	-
Impairment of other assets (note 31)		
Charge for the financial year	12 667	12 858
Reversals for the financial year	(3 940)	(4 312)
	8 727	8 546
	33 031	14 261

As referred in note 28, the caption Other tangible assets includes impairment of Euro 11,941 thousand related to the closure of branches, parking areas and offices (above ground floor), evidencing, too, the impact of the COVID-19 pandemic that, as a result of the reduction in activity levels, namely in non-food goods, which stood at 10%, led to an increase in the number of properties available on the market and a decrease in the value of rents, with a particular impact on trade areas outside Lisbon and Oporto, where, in some cases, this stood at 20%.

17 Other provisions

The amount of this caption has the following breakdown:

	2020	2019
	(Euro thousand)	
Provisions for guarantees and commitments (note 37)		
Charge for the year	46 614	14 998
Reversals for the year	(45 475)	(15 135)
	1 139	(137)
Provisions for other risks and charges (note 37)		
Charge for the year	2 982	4 235
Reversals for the year	(1 388)	(4 582)
	1 594	(347)
	2 733	(484)

18 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)

	2020	2019
Cash	163 622	194 529
Daposits at central banks		
Bank of Portugal	1 282 692	809 119
	1 446 314	1 003 648

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

19 Loans and deposits to credit institutions payable on demand

This caption is presented as follows:

(Euro thousand)

	2020	2019
Credit institutions in Portugal	1 264	1 245
Credit institutions abroad	36 449	34 147
Amounts to be collected	15 785	16 601
	53 498	51 993

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions and which are due for collection.

20 Other loans and advances to credit institutions

This caption is presented as follows:

	(Euro thousand)	
	2020	**2019**
Loans and advances to credit institutions in Portugal		
Other loans	699 093	358 937
Term deposits	5 963	6 416
Other loans and advances	-	25 001
	705 056	390 354
Loans and advances to credit institutions abroad		
CSA's	27 949	29 109
Term deposits	61 843	37 964
Reverse repos	54 216	54 199
Other loans and advances	17 750	22 036
	161 758	143 308
	866 814	533 662
Impairment for credit risk of loans and advances to credit institutions	(8 110)	(1 629)
	858 704	532 033

In 2020 and 2019, the caption Loans and advances to credit institutions in Portugal - Loans, includes loans made to subsidiaries of Banco Montepio.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. As provided for in most CSA's celebrated by Banco Montepio, this collateral might be in the form of securities or cash, with, however, in Banco Montepio's case, all collaterals being in cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that Banco Montepio negotiated with each one of the counterparties and are materialized through an effective transfer of cash, through TARGET2 transfers to each one of the counterparties in question, as a guarantee/security of Banco Montepio's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2020, Banco Montepio holds an amount of Euro 27,949 thousand (31 December 2019: Euro 29,109 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

In 2020, the caption Loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 7,093 thousand (31 December 2019: Euro 6,024 thousand) related to a deposit made and accepted as collateral in the scope of the Contribution ex-ante to the Single Resolution Fund, as per note 10.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	1 629	3 783
Charge for the year net of reversals	6 481	(2 154)
Closing balance	8 110	1 629

The analysis of the caption Other loans and advances to credit institutions, by period to maturity, is as follows:

(Euro thousand)

	2020	2019
Up to 3 months	440 446	230 021
3 to 6 months	94 082	216 644
6 months to 1 year	263 067	1 100
1 to 5 years	54 032	64 383
More than 5 years	4 000	4 000
Undetermined	11 187	17 514
	866 814	533 662

The caption Other loans and advances to credit institutions abroad – Other, in the undetermined period to maturity, also includes guarantee deposits in the scope of the banking activity.

In 2020, the Other loans and advances to banks were remunerated at the average rate of 0.39% (2019: 0.79%).

21 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)

	2020	2019
Corporate		
Loans not represented by securities		
Loans	2 798 952	2 546 888
Current account loans	436 689	424 086
Finance leases	286 980	278 249
Discounted bills	35 447	63 262
Factoring	184 667	196 586
Overdrafts	601	1 935
Other loans	411 384	525 717
Loans represented by securities		
Commercial paper	242 957	270 009
Bonds	162 944	153 687
Retail		
Mortgage loans	5 580 462	5 771 290
Finance leases	32 977	37 222
Consumer credit and other loans	661 653	652 411
	10 835 713	10 921 342
Value correction of assets subject to hedging operations	8	46
Past due loans and advances and interest		
Less than 90 days	45 238	94 169
More than 90 days	611 090	668 490
	656 328	762 659
	11 492 049	11 684 047
Impairment for credit risks	(759 445)	(762 877)
	10 732 604	10 921 170

As at 31 December 2020, the caption Loans and advances to customers includes the amount of Euro 2,739,544 thousand (31 December 2019: Euro 2,721,930 thousand) related to the issue of covered bonds realized by Banco Montepio, as referred to in note 35.

As at 31 December 2020, the loans and advances that Banco Montepio granted to its shareholders and to related parties including companies of the consolidation perimeter, amounted to Euro 16,346 thousand (31 December 2019: Euro 16,014 thousand), as described in note 49. The celebration of business between Banco Montepio and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposal made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Department. The impairment for credit risks related to these contracts amounts to Euro 638 thousand as at 31 December 2020 (31 December 2019: Euro 103 thousand).

As at 31 December 2020, the caption Loans and advances to customers includes the amount of Euro 1,741,366 thousand (31 December 2019: Euro 1,962,407 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 b), were not the object of derecognition, as described in note 50.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). Banco Montepio periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 46.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2020 and 2019, is as follows:

		(Euro thousand)
	2020	**2019**
Variable-rate loans and advances	10 291 555	10 356 789
Fixed-rate loans and advances	1 200 494	1 327 258
	11 492 049	11 684 047

The analysis of Past due loans and advances and interest, by credit type, is as follows:

		(Euro thousand)
	2020	**2019**
Asset-backed loans	465 252	551 009
Other guaranteed loans	119 756	130 528
Finance leases	4 235	3 615
Secured loans	33 950	34 800
Other loans and advances	33 135	42 707
	656 328	762 659

The analysis of Past due loans and advances and interest, by customer type and purpose, is as follows:

(Euro thousand)

	2020	2019
Corporate		
Construction/Production	136 990	159 455
Investment	284 401	311 778
Treasury	143 272	201 083
Other	18 969	17 235
Retail		
Mortgage loans	45 007	39 614
Consumer credit	12 587	16 342
Other	15 102	17 152
	656 328	762 659

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2020, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	131 505	546 766	7 784 182	465 252	8 927 705
Other guaranteed loans	359 235	189 538	313 768	119 756	982 297
Finance leases	4 199	101 116	214 642	4 235	324 192
Secured loans	242 957	95 907	67 037	33 950	439 851
Other loans and advances	200 473	110 465	473 931	33 135	818 004
	938 369	1 043 792	8 853 560	656 328	11 492 049

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2019, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	148 893	592 967	7 703 290	551 009	8 996 159
Other guaranteed loans	453 403	206 936	266 688	130 528	1 057 555
Finance leases	10 225	89 827	215 419	3 615	319 086
Secured laons	346 099	77 597	-	34 800	458 496
Other loans and advances	234 645	99 189	476 210	42 707	852 751
	1 193 265	1 066 516	8 661 607	762 659	11 684 047

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2020, is analysed as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	48 752	160 041	108 920	317 713
Outstanding interest	(8 868)	(23 318)	(18 285)	(50 471)
Residual values	1 161	9 673	41 881	52 715
	41 045	146 396	132 516	319 957

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2019, is analysed as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	56 912	144 561	111 677	313 150
Outstanding interest	(8 976)	(23 826)	(18 311)	(51 113)
Residual values	1 531	9 568	42 335	53 434
	49 467	130 303	135 701	315 471

As regards operating leases, Banco Montepio does not have significant agreements as Lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	762 877	969 740
Charge for the financial year net of reversals	182 641	147 522
Utilization	(183 790)	(334 942)
Exchange differences	(651)	-
Financial liabilities associated with transferred assets and stage 3 interest	(1 632)	(19 433)
Closing balance	759 445	762 887

During financial year 2019, Banco Montepio disposed of a portfolio of loans and advances to customers, which was in default and which was recorded on- and off-balance sheet, having utilized impairment for credit risk in the amount of Euro 176,324 thousand.

The impairment for credit risk, by credit type, is as follows:

	2020	2019
		(Euro thousand)
Asset-backed loans and finance leases	549 233	537 717
Other secured loans	150 229	162 792
Unsecured loans	59 983	62 368
	759 445	762 877

The analysis utilization of impairment losses, by credit type, is as follows:

	2020	2019
		(Euro thousand)
Asset-backed loans and finance leases	106 186	153 035
Other secured loans	47 029	110 418
Unsecured loans	30 575	71 489
	183 790	334 942

Banco Montepio has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and for companies (SIREVE, PER) were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the customer's current situation.

As at 31 December 2020, the loan and advances to customers portfolio includes loans that, given the financial difficulties of the customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 796,329 thousand (31 December 2019: Euro 857,707 thousand) and present an impairment of Euro 365,517 thousand (31 December 2019: Euro 364,070 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans entered, as at 31 December 2020 and 2019, by credit type, is as follows:

(Euro thousand)

	2020	2019
Corporate		
Loans not represented by securities		
Loans	169 210	144 404
Current account loans	9 669	311
Finance leases	569	313
Other loans	938	2 000
Retail		
Mortgage loans	2 427	4 893
Consumer credit and other loans	1 034	5 075
	183 847	156 996

As at 31 December 2020, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 77,568 thousand, which corresponds to an impairment rate of 42.2% (31 December 2019: Euro 58,142 thousand, impairment rate of 37%).

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of small and medium-sized companies (SMEs). The legal maturity of the transaction is 25 March 2036 and the respective amount totals Euro 415,315 thousand as at 31 December 2020. As mentioned in accounting policy b.12), Banco Montepio contracted two guarantees from the EIB and the EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, bearing, respectively, commissions of 0.3% and 4.0%, with quarterly payments.

22 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2020	2019
Financial assets held for trading		
Securities		
Shares	3 397	1 089
Bonds	1 053	11 793
Investment units	3 074	127
	7 524	13 009
Derivative instruments		
Derivative financial instruments with positive fair value	3 984	16 895
	11 508	29 904
Financial liabilities held for trading		
Derivative instruments		
Derivative financial instruments with negative fair value	11 761	11 098
	11 761	11 098

In 2020, the caption Financial assets held for trading – Bonds presents the disposals of Public debt securities and the caption Derivatives, as referred in note 6, records a loss related to a loan disposal operation, in the amount of Euro 12,840 thousand.

As provided for in IFRS 13, in 2020, the financial instruments measured in accordance with the valuation levels described in note 49, are as follows:

(Euro thousand)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	3 397	-	-	3 397
Bonds	1 053	-	-	1 053
Investment units	3 074	-	-	3 074
	7 524	-	-	7 524
Derivative instruments				
Derivative instruments with positive fair value	-	2 147	1 837	3 984
	7 524	2 147	1 837	11 508
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	1 996	9 765	11 761
	-	1 996	9 765	11 761

As provided for in IFRS 13, in 2019, the financial instruments measured in accordance with the valuation levels described in note 49, are as follows:

(euro thousand)

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	1 089	-	-	1 089
Bonds	11 793	-	-	11 793
Investment units	127	-	-	127
	13 009	-	-	13 009
Derivative instruments				
Derivative instruments with positive fair value	-	2 116	14 779	16 895
	13 009	2 116	14 779	29 904
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	2 126	8 972	11 098
	-	2 126	8 972	11 098

The analysis of the portfolio of securities held for trading, by maturity, as at 31 December 2020, is presented as follows:

(Euro thousand)

	2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds						
Foreign	-	-	-	1 053	-	1 053
Variable income securities						
Shares						
Domestic	-	-	-	-	226	226
Foreign	-	-	-	-	3 171	3 171
Investment units	-	-	-	-	3 074	3 074
	-	-	-	1 053	6 471	7 524

The analysis of the portfolio of securities held for trading, by maturity, as at 31 December 2019, is presented as follows:

(Euro thousand)

	2019					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income secutities						
Bonds						
Domestic	-	-	4 061	2 096	-	6 157
Foreign	-	-	-	5 636	-	5 636
Variable income securities						
Shares						
Domestic	-	-	-	-	293	293
Foreign	-	-	-	-	796	796
Investment units	-	-	-	-	127	127
	-	-	4 061	7 732	1 216	13 009

Within the scope of the loan obtained from the EIB, a set of Italian sovereign bonds with a nominal value of Euro 1,000 thousand, as at 31 December 2020 and 2019, are part of the collateral, as described in note 33.

The nominal value of the assets pledged as collateral to the European Central Bank in the context of liquidity-providing operations amounts, as at 31 December 2019, to Euro 3,357 thousand after applied a haircut, as described in note 32. As at 31 December 2020 there were no assets given in guarantee under this category.

The book value of the derivative financial instruments as at 31 December 2020 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(euro thounsad)

		2020								
		Derivative					Related Asset/Liability			
Derivative	**Related finacial asset/liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year [1]**	**Fair value**	**Changes in fair value in the year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	-	-	-	-	(191)	9	(8)	3 106	2 960
Interest rate swap	Loans and advances to customers	1 174	4	(69)	(65)	(16)	8	(38)	1 207	1 200
Interest rate swap	-	1 644 869	3 753	(11 681)	(7 928)	(895)	-	-	-	-
Currency swap (short)	-	50 171	224	(6)	218	(85)	-	-	-	-
Currency swap (long)	-	50 390								
Futures (*Short*)	-	1 776	-	-	-	-	-	-	-	-
Futures (*Short*)	-	355								
Forwards (Short)	-	29 064	-	-	-	-	-	-	-	-
Forwards (Long)	-	28 889								
Options (Short)	-	59 675	3	(5)	(2)	(12 387)	-	-	-	-
Options (Long)	-	64 433								
		1 930 796	3 984	(11 761)	(7 777)	(13 574)	17	(46)	4 313	4 160

[1] Includes the result of derivatives disclosed in note 6.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2019 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held to mitigate the risk, can be analysed as follows:

(Euro thousand)

		2019								
		Derivative					Related Asset/Liability			
Derivative	**Related finacial asset/liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year [1]**	**Fair value**	**Changes in fair value in the year**	**Book value**	**Reimbursement amount at maturity date**
Intereste rate swaps	Debt securities issued	3 300	225	(34)	191	(110)	17	(61)	3 461	3 300
Intereste rate swaps	Deposits from Customers	-	-	-	-	32	-	(11)	-	-
Intereste rate swaps	Loans and advances to customers	1 200	4	(53)	(49)	(172)	46	153	1 207	1 200
Intereste rate swaps	-	1 820 428	3 944	(10 977)	(7 033)	1 918	-	-	-	-
Currency swap (short)	-	53 682	311	(8)	303	341	-	-	-	-
Currency swap (short)	-	53 974								
Futures (*Short*)	-	3 410	-	-	-	-	-	-	-	-
Futures (*Short*)	-	-								
Forwards (Short)	-	1 493	-	-	-	-	-	-	-	-
Forwards (Long)	-	1 494								
Options *(Short)*	-	56 539	12 411	(26)	12 385	403	-	-	-	-
Options *(Short)*	-	342 592								
		2 338 112	16 895	(11 098)	5 797	2 412	63	81	4 668	4 500

(1) Includes the result of derivatives disclosed in note 6.

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2020, is as follows:

(Euro thousand)

	2020					
	Notional by remaining maturity				Fair value	
	Less than 3 months	**3 months to 1 year**	**More than 1 year**	**Total**	**Assets**	**Liabilities**
Interest rate contracts						
Interest rate swap	-	-	1 646 043	1 646 043	3 757	11 750
Options	5 245	54 891	63 972	124 108	3	5
Exchange rate contracts						
Currency swap	100 561	-	-	100 561	224	6
Forwards	57 630	323	-	57 953	-	-
Index/Equities contracts						
Futures	2 131	-	-	2 131	-	-
	165 567	55 214	1 710 015	1 930 796	3 984	11 761

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2019, is as follows:

(Euro thousand)

	2019					
	Notional by remaining maturity				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	-	5 877	1 819 051	1 824 928	4 174	11 064
Options	2 758	159	107 982	110 899	(429)	26
Exchange rate contracts						
Currency swap	107 656	-	-	107 656	311	8
Forwards	2 509	478	-	2 987	-	-
Index/Equities contracts						
Futures	3 410	-	-	3 410	-	-
Credit contracs						
Options	-	-	288 232	288 232	12 839	-
	116 333	6 514	2 215 265	2 338 112	16 895	11 098

23 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2020	2019
Variable income securities		
Investment units	467 267	539 462
Securitization units	98 920	109 661
Loans and advances to customers at fair value		
Loans not represented by securities	3 425	5 315
	569 612	654 438

The caption Variable-income securities – Investment units includes, as at 31 December 2020, the amount of Euro 30,038 thousand (31 December 2019: Euro 35,391 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 53. The securitization units correspond to the residual notes acquired by Banco Montepio.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 46, as follows:

(Euro thousand)

	2020			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment units	-	-	467 267	467 267
Securitization units	-	-	98 920	98 920
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	3 425	3 425
	-	-	569 612	569 612

(Euro thousand)

	2019			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment units	7 551	-	531 911	539 462
Securitization units	-	-	109 661	109 661
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	5 315	5 315
	7 551	-	646 887	654 438

As at 31 December 2020, the level 3 assets in the caption Variable-income securities – Investment units include investment units in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund (“NAVF”) disclosed, determined by the management company, in the amount of Euro 467,267 thousand (31 December 2019: Euro 531,911 thousand), of which Euro 425,383 thousand (31 December 2019: Euro 474,316 thousand) are related to real estate investment funds. The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2020, for all securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 56,961 thousand (31 December 2019: Euro 64,689 thousand) having been determined.

The movements occurred in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	641 572	857 523
Acquisitions	211	1 944
Remeasurements	(25 561)	29 671
Disposals	(50 035)	(247 566)
Closing balance	566 187	641 572

The movements occurred in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations made in financial years 2020 and 2019.

24 Financial assets at fair value through other comprehensive income

This caption, in 2020, is presented as follows:

(Euro thousand)

	2020				
	Cost [(1)]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	406	-	(58)	21 373
Foreign	119 899	1 200	-	(300)	120 799
Bonds issued by other entities					
Domestic	3 661	96	(633)	(707)	2 417
Foreign	2 088	4	(25)	(13)	2 054
Variable income securities					
Shares					
Domestic	74 484	9 685	(1 750)	-	82 419
Foreign	71 542	2 045	(37 329)	-	36 258
	292 699	13 436	(39 737)	(1 078)	265 320

(1) Aquisition cost related to variable income securities and amortised cost by debt securities.

This caption, in 2019, is presented as follows:

(Euro thousand)

	2019				
	Cost [(1)]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	591 535	14 344	-	(1 334)	604 545
Foreign	804 684	6 235	(496)	(3 608)	806 815
Bonds issued by other entities					
Domestic	54 684	284	(2 077)	(167)	52 724
Foreign	231 798	2 335	(785)	(170)	233 178
Variable income securities					
Shares					
Domestic	74 235	9 885	(2 150)	-	81 970
Foreign	71 554	5 294	(22 639)	-	54 209
	1 828 490	38 377	(28 147)	(5 279)	1 833 441

[(1)] Aquisition cost related to variable income securities and amortised cost by debt securities.

The main assumptions used in the valuation of shares are as follows:

Almina

Banco Montepio holds 19.0% of the share capital of Almina. The book value of Almina in Banco Montepio's financial statements amounts to Euro 67,600 thousand as at 31 December 2020 (31 December 2019: Euro 67,200 thousand).

The valuation of Almina with reference to 31 December 2020 was carried out by an external entity based on the Almina Holding Group's business plan, as well as other information provided by Almina's management.

Almina's valuation exercise considered various alternative methodologies, among which the DCF model, with the respective estimation of the cash flows of the project for a forecast horizon of 20 years, and which included a set of variables and assumptions that were considered conservatively, namely:

- Macroeconomic assumptions - forecasts of the outlook for inflation and the €/USD exchange rate: with the forecasts made by the Bloomberg platform being considered;
- Forecasts on the evolution of metal prices (copper, zinc, lead, silver and tin): since the two most relevant businesses in Almina's activity correspond to the exploration of Zinc and Copper ores, the projections made by the World Bank in October 2020 were considered;
- Discount rate parameters: the rate of return on an asset considered to be theoretically risk-free was considered, in this case 30-year German public debt, increased by premiums depending on the specific risks of the project, namely size, industry, environmental impacts, country, infrastructure, among others. The discount rate considered was 8.07%, showing the evolution of the benchmark interest rates in the year 2020, as well as the evolution of some specific risk components of the projects in Almina's portfolio;
- Reasonableness of the KPIs assumed in the projection period, namely, on the zinc recovery and on commercial costs, variables in respect of which the entity has been able to respond to the demands raised by the COVID-19 pandemic and has managed to contain their impact on its production, as well as to reduce its commercial costs during financial year 2020, which suggests a good performance during the forecast period.

SIBS

The fair value of the shareholding held in SIBS (1.74%), presented in the financial statements as at 31 December 2020, is supported by a valuation that considers the methodologies of the multiples of comparable companies (market and transaction) and of the Discounted Cash Flows (DCF).

For the valuation of SIBS with reference to 31 December 2020, the information included in the reports and accounts on a consolidated basis with reference to financial years 2017, 2018 and 2019, the documents prepared by management and updated to September 2020, regarding the budget and forecasts for financial year 2020, as well as information on multiples of comparable company transactions, namely from the Networks' and Payment Systems' sectors, were considered.

For the valuation of this entity, a four-year forecast horizon was considered, for which it was necessary to estimate the cash flows based on the historical cash flows and the estimated growth rates, the latter showing growth recoveries in 2021 and 2022, and evolving thereafter assuming a conservative scenario.

In the valuation using the DCF methodology, the continuity of the entity's operations was considered beyond the forecast horizon, with a conservative scenario having been considered for the annual variation of cash flows in perpetuity as well as for the levels of Investment in CAPEX and Depreciation and amortization. Cash flows were discounted at the rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, and which stood at 8.2%, with reference to 31 December 2020.

In the valuation using the market multiples method, multiples were considered for financial years 2019 and 2020, and which include companies from different geographies, supported on the Zephyr database.

Unicre

The fair value of the shareholding held in Unicre (3.84%), presented in the financial statements as at 31 December 2020, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which considered the performance through the projected Cash flows, for a forecast horizon of five years, given that at the valuation date the company's information for financial year 2020 was not yet public, and was based on the information obtained from Unicre's Reports and accounts for the 2018 and 2019 financial years. Due to the company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of income, as well as the cost of the financing to support Unicre's activity. The discount rate considered in the valuation was 10.6%, which corresponds to the opportunity cost of the company's equity, estimated according to the methodology of the CAPM model. The components of this rate were estimated based on Professor Damodaran's data and the Bloomberg platform.

The projections made consider a decrease in the company's activity due to the estimated impact of the COVID-19 pandemic and its gradual recovery in the following years to the 2019 levels. As a basis of comparison, the methodology of the market multiples of comparable companies was also used.

As at 31 December 2020 and 2019, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2020				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	20 339	1 034	-	-	21 373
Foreign	120 799	-	-	-	120 799
Bonds issued by other entities				-	
Domestic	-	-	2 417	-	2 417
Foreign	-	2 054	-	-	2 054
	141 138	3 088	2 417	-	146 643
Variable income securities					
Shares					
Domestic	-	-	81 600	819	82 419
Foreign	27 979	-	7 818	461	36 258
	27 979	-	89 418	1 280	118 677
	169 117	3 088	91 835	1 280	265 320

(Euro thousand)

	2019				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Bonds issued by public entities					
Domestic	604 545	-	-	-	604 545
Foreign	806 815	-	-	-	806 815
Bonds issued by other entities				-	
Domestic	46 570	3 052	3 102	-	52 724
Foreign	225 682	7 496		-	233 178
	1 683 612	10 548	3 102	-	1 697 262
Variable income securities					
Shares					
Domestic	-	-	81 400	570	81 970
Foreign	42 669	-	11 079	461	54 209
	42 669	-	92 479	1 031	136 179
	1 726 281	10 548	95 581	1 031	1 833 441

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 46.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 9,184 thousand as at 31 December 2020 (31 December 2019: Euro 9,558 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the positive amount of Euro 9,435 thousand (31 December 2019: positive amount of Euro 11,459 thousand) recognized in fair value reserves.

In this caption, Banco Montepio has some securities measured at acquisition cost. It is Banco Montepio's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

As at 31 December 2020, the impairment recorded for these level 3 securities amounted to Euro 708 thousand (31 December 2019: Euros 61 thousand).

The movements occurred in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	95 581	87 226
Revaluations	(2 671)	8 224
Transfers to level 3	-	1 603
Amortization at nominal value	(1 075)	(1 472)
Closing balance	91 835	95 581

The movements occurred in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	5 279	571
Charge for the financial year net of reversals	3 682	7 854
Utilization	(7 883)	(5 559)
Transfers	-	2 413
Closing balance	1 078	5 279

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2020 is as follows:

(Euro thousand)

	2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds issued by public entities						
Domestic	-	-	1 034	20 339	-	21 373
Foreign	57 012	-	63 787	-	-	120 799
Bonds issued by other entities						
Domestic	-	-	-	1 161	1 256	2 417
Foreign	-	-	-	2 054	-	2 054
	57 012	-	64 821	23 554	1 256	146 643
Variable income securities						
Shares						
Domestic	-	-	-	-	82 419	82 419
Foreign	-	-	-	-	36 258	36 258
	-	-	-	-	118 677	118 677
	57 012	-	64 821	23 554	119 933	265 320

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2019 is as follows:

(Euro thousand)

	2019					
	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	-	220 547	383 998	-	604 545
Foreign	252 208	420 556	26 300	107 751	-	806 815
Bonds issued by other entities						
Domestic	-		26 871	24 988	865	52 724
Foreign	-	7 486	92 110	133 582	-	233 178
	252 208	428 042	365 828	650 319	865	1 697 262
Variable income securities						
Shares						
Domestic	-	-	-	-	81 970	81 970
Foreign	-	-	-	-	54 209	54 209
	-	-	-	-	136 179	136 179
	252 208	428 042	365 828	650 319	137 044	1 833 441

Securities pledged as collateral, recorded in financial assets at fair value through other comprehensive income, are presented as follows:

- The nominal value of the assets pledged as collateral to the European Central Bank in the scope of liquidity-providing operations amounts, as at 31 December 2020, to Euro 74,713 thousand after haircut (31 December 2019: Euro 1,594,966 thousand), as described in note 32;

- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation System have a nominal amount of Euro 1,000 thousand as at 31 December 2020 and 2019; and

- As at 31 December 2020, the EIB loan obtained is collateralized by a set of Portuguese, Spanish and Italian sovereign bonds with a nominal value of Euro 545,677 thousand (31 December 2019: Euro 205,201 thousand by Portuguese, Spanish, Greek, Dutch, French and German sovereign bonds), as described in note 33.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by Banco Montepio under the terms and conditions of the celebrated contracts.

25 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2020	2019
Asset		
Interest rate swaps	10 550	11 148
Currency swap	143	-
	10 693	11 148
Liabilities		
Interest rate swaps	397	547
Net value	10 296	10 601

Banco Montepio contracted an interest rate swap to hedge its interest rate risk arising from a bond issue at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether Banco Montepio is exposed to fair value changes, or cash flow changes, or whether it is hedging future transactions.

The Bank contracted a foreign exchange rate derivative, namely a Non-Deliverable Forward (NDF), with the objective of hedging or eliminating the foreign exchange risk underlying the shareholding in the entity Monteiro e Aranha, S.A. (an asset recorded in BRL), thus immunizing impacts on the capital ratios due to the risk of devaluation of the BRL, with a negative impact on the foreign exchange revaluation reserves.

Banco Montepio performs periodic effectiveness tests to the hedging relationships.

The analysis of the hedging derivatives' portfolio, by maturity, as at 31 December 2020 and 2019, is as follows:

(Euro thousand)

	2020			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	10 153	10 153
Fair value hedge derivative with interest rate risk:				
Interest rate swap	27 830	27 830	143	143
	777 830	777 830	10 296	10 296

(Euro thousand)

	2019			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	10 601	10 601
	750 000	750 000	10 601	10 601

As at 31 December 2020, the fair value hedging operations can be analysed as follows:

(Euro thousand)

				2020			
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value(1)**	**Changes in fair value of derivative in the financial year**	**Hdged item fair value(2)**	**Changes in fair value of the hedged item in the financial year (2)**
Interest rate swap	Debt securities issued	Interest rate	750 000	10 153	(448)	(7 567)	1 657
Currency swap	Equity	Exchange rate	27 830	143	143	-	-
			777 830	10 296	(305)	(7 567)	1 657

(1) Includes accrued interest.

(2) Attributable to the hedge risk.

As at 31 December 2019, the fair value hedging operation can be analysed as follows:

(Euro thousand)

				2019			
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value(1)**	**Changes in fair value of derivative in the financial year**	**Hedged item fair value(2)**	**Changes in fair value of the hedged item in the financial year (2)**
Interest rat swap	Debt securities issued	Interest rate	750 000	10 601	4 935	(9 224)	(4 807)
			750 000	10 601	4 935	(9 224)	(4 807)

(1) Includes accrued interest.

(2) Attributable to the hedge risk.

26 Other financial assets at amortized cost

This caption is presented as follows:

		(Euro thousand)
	2020	**2019**
Fixed income securities		
Bond issued by public entities		
Domestic	1 360 498	699 604
Foreign	948 159	201 291
Bonds issued by other entities		
Foreign	1 677 982	1 894 012
	3 986 639	2 794 907
Impairment for other financial assets at amortized cost	(4 690)	(1 750)
	3 981 949	2 793 157

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 46.

The caption Other financial assets at amortized cost, as at 31 December 2020, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
Pelican Mortgages 07/15-09-2054_3_A	30 March 2007	15 September 2054	-	99 598	99 598
Pelican Mortgages 07/15-09-2054_3_B	30 March 2007	15 September 2054	-	3 572	3 572
Pelican Mortgages 07/15-09-2054_3_C	30 March 2007	15 September 2054	-	3 008	3 008
Pelican Mortgages 07/15-09-2054_3_D	30 March 2007	15 September 2054	0.132%	1 598	1 598
Pelican Mortgages 08/15-09-2056_4_A	20 May 2008	15 September 2056	-	357 937	357 937
Pelican Mortgages 08/15-09-2056_4_B	20 May 2008	15 September 2056	-	31 686	31 686
Pelican Mortgages 08/15-09-2056_4_C	20 May 2008	15 September 2056	0.057%	34 255	34 256
Pelican Mortgages 08/15-09-2056_4_D	20 May 2008	15 September 2056	0.357%	14 273	14 275
Pelican Mortgages 07/15-09-2056_4_E	20 May 2008	15 September 2056	0.707%	15 700	15 705
Pelican Mortgages 09/15-12-2061_5_A	25 March 2009	15 December 2061	-	314 320	314 320
Pelican Mortgages 09/15-12-2061_5_B	25 March 2009	15 December 2061	-	110 086	110 086
Pelican Mortgages 09/15-12-2061_5_C	25 March 2009	15 December 2061	0.357%	15 525	15 528
Pelican Mortgages 09/15-12-2061_5_D	25 March 2009	15 December 2061	0.707%	15 525	15 530
Aqua Mortgages 08/15-12-2063_1_A	9 December 2008	15 December 2063	-	57 094	57 094
Aqua Mortgages 08/15-12-2063_1_B	9 December 2008	15 December 2063	-	18 609	18 609
Pelican Mortgages 12/02-12-2063_6_A	5 March 2012	2 December 2063	-	292 880	292 880
Pelican Mortgages 12/02-12-2063_6_B	5 March 2012	2 December 2063	-	250 000	250 000
PEL FIN A 12/28	7 May 2014	25 June 2028	3%	26 242	26 247
PEL FIN B 12/28	7 May 2014	25 June 2028	-	16 051	16 055
OT 4.95% 25-OCT-2023	10 June 2008	25 October 2023	4.95%	188 000	211 802
OT APR21	23 February 2005	15 April 2021	3.85%	120 000	124 318
OT 2.200% 17-OCT-2022	9 September 2015	17 October 2022	2.2%	212 500	220 012
OT 5.65% 15-FEV-2024	14 May 2013	15 February 2024	5.65%	109 500	132 714
OT 1.950% 15JUN2029	16 January 2019	15 June 2029	1.95%	143 500	166 120
OT 0.700% 15OCT2027	8 April 2020	15 October 2027	0.7%	25 000	26 060
OT 0.475% 18OCT2030	15 January 2020	18 October 2030	0.475%	210 000	213 639
OT 2.250% 18APR2034	18 April 2018	18 April 2034	2.25%	15 000	18 885
OT 0.900% 12OCT2035	8 July 2020	12 October 2035	0.9%	95 000	100 712
OT 3.875% 15-FEB-2030	10 September 2014	15 February 2030	3.875%	105 000	143 261
BONOS 0.750% 30JUL2021	8 March 2016	30 July 2021	0.75%	35 000	35 219
BONOS 0.350% 30JUL2023	22 May 2018	30 July 2023	0.35%	166 000	165 727
BOTS ZERO COUPON 14APR2021	14 April 2020	14 April 2021	-	25 000	24 927
BOTS ZERO COUPON 14MAY2021	14 May 2020	14 May 2021	-	45 000	44 871
BOTS ZERO COUPON 14JUN2021	12 June 2020	14 June 2021	-	104 000	103 842
ADIF 1.875% 28JAN2025	4 March 2015	28 January 2025	1.875%	15 200	16 366
BONOS 1.950% 30JUL2030	1 March 2017	30 July 2030	1.95%	20 000	23 665
BONOS 5.350% 30JUL2033	24 March 2015	30 July 2033	2.35%	65 000	81 812
BTP 1.650% 01MAR2032	1 August 2016	1 March 2032	1.65%	34 000	37 286
BTP 1.250% 01-DEC-2026	1 August 2018	1 December 2026	1.25%	70 000	74 049
BTP 2.800% 01DEC2028	17 September 2018	1 December 2028	2.8%	53 800	63 566
BTP 2.500% 15NOV2025	2 September 2019	15 November 2025	2.5%	33 000	36 743
BTP 1.350% 01APR2030	10 June 2020	1 April 2030	1.35%	82 000	87 553
BTP 1.650% 01DEC2030	16 July 2020	1 December 2030	1.65%	34 000	37 159
BTP 0.950% 15SEP2027	1 September 2020	15 September 2027	0.95%	60 000	62 296
BTP 0.500% 01FEB2026	1 October 2020	2 February 2026	0.5%	14 500	14 774
BTP 0.900% 01APR2031	11 November 2020	1 April 2031	0.9%	36 000	36 587
				3 793 959	3 981 949

The caption Other financial assets at amortized cost, as at 31 December 2019, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
OT APR21	23 February 2005	15 April 2021	3.85%	120 000	128 830
BONOS 0.750% 30JUL2021	08 March 2016	30 July 2021	0.75%	35 000	35 474
OT 2.200% 17-OCT-2022	09 setembro 2015	17 October 2022	2.2%	212 500	223 931
BONOS 0.350% 30JUL2023	22 May 2018	30 July 2023	0.35%	166 000	165 596
OT 4.95% 25-OCT-2023	10 June 2008	25 October 2023	4.95%	170 000	198 183
OT 5.65% 15-FEV-2024	14 May 2013	15 February 2024	5.65%	5 000	6 184
OT 2.875% 15-OCT-2025	20 January 2015	15 October 2025	2.875%	65 000	70 991
OT 2.875% 21JUL2026	21 January 2016	21 July 2026	2.875%	25 000	27 695
OT 4.125% 14APR2027	18 January 2017	14 April 2027	4.125%	35 000	42 261
Pelican Mortgages 07/15-09-2054_3_A	30 March 2007	15 September 2054	-	117 710	117 710
Pelican Mortgages 07/15-09-2054_3_B	30 March 2007	15 September 2054	-	4 222	4 222
Pelican Mortgages 07/15-09-2054_3_C	30 March 2007	15 September 2054	0.042%	3 555	3 555
Pelican Mortgages 07/15-09-2054_3_D	30 March 2007	15 September 2054	0.357%	1 889	1 889
Pelican Mortgages 08/15-09-2056_4_A	20 May 2008	15 September 2056	-	394 206	394 206
Pelican Mortgages 08/15-09-2056_4_B	20 May 2008	15 September 2056	0.132%	34 897	34 897
Pelican Mortgages 08/15-09-2056_4_C	20 May 2008	15 September 2056	0.282%	37 726	37 729
Pelican Mortgages 08/15-09-2056_4_D	20 May 2008	15 September 2056	0.582%	15 719	15 722
Pelican Mortgages 07/15-09-2056_4_E	20 May 2008	15 September 2056	0.932%	17 291	17 297
Pelican Mortgages 09/15-12-2061_5_A	25 March 2009	15 December 2061	-	346 011	346 011
Pelican Mortgages 09/15-12-2061_5_B	25 March 2009	15 December 2061	0.182%	121 186	121 191
Pelican Mortgages 09/15-12-2061_5_C	25 March 2009	15 December 2061	0.582%	17 090	17 094
Pelican Mortgages 09/15-12-2061_5_D	25 March 2009	15 December 2061	0.932%	17 090	17 096
Aqua Mortgages 08/15-12-2063_1_A	9 December 2008	15 December 2063	-	65 597	65 597
Aqua Mortgages 08/15-12-2063_1_B	9 December 2008	15 December 2063	-	21 080	21 081
Pelican Mortgages 12/02-12-2063_6_A	2 March 2012	2 December 2063	-	358 622	358 622
Pelican Mortgages 12/02-12-2063_6_B	2 March 2012	2 December 2063	0.156%	250 000	250 003
PEL FIN A 12/28	7 May 2014	25 December 2028	-	43 473	43 488
PEL FIN B 12/28	7 May 2014	25 December 2028	-	26 591	26 602
				2 727 455	2 793 157

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 b).

As at 31 December 2020, the loan obtained from the EIB is collateralized by a set of Italian sovereign bonds with a nominal value of Euro 120,000 thousand (31 December 2019: Euro 182,300 thousand by Portuguese and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 33.

As at 31 December 2020, the nominal value of the assets pledged as collateral to the European Central Bank under liquidity-providing operations amounts to Euro 1,991,814 thousand (31 December 2019: Euro 1,942,372 thousand) after applying a haircut.

The nominal value of the securities given in guarantee to the Deposits' Guarantee Fund amounted to Euro 23,000 thousand (31 December 2019: Euro 21,500 thousand) as per note 45.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	1 750	2 550
Charge for the year net of reversals	4 556	1 613
Utilization	(1 616)	-
Transfers	-	(2 413)
Closing balance	4 690	1 750

27 Investments in subsidiaries and associated companies and Non-current assets held for sale

This caption is presented as follows:

(Euro thousand)

	2020	2019
Investments in subsidiaries and associated companies		
Montepio Holding, S.G.P.S., S.A.	413 750	413 750
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	-	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, A.C.E.	637	637
	417 587	426 584
Impairment of investments in associated companies	(97 939)	(85 576)
	319 648	341 008
Non-current Assets held for sale		
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	8 997	-

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding in this entity was reclassified to Non-current assets held for sale.

Decree-Law no. 82/2020, of 18 November, extended the term established in Law no. 79/IX/2020, of 23 March, which establishes a transitional period for credit institutions with restricted authorization, constituted and authorized to operate in the Cape Verdean financial system, if desired, to proceed by the end of 2021 to the statutory and organizational changes necessary to start operating as banks with a general authorization. According to the same legal framework, after that date, the authorizations of institutions that do not promote these changes shall be revoked.

Banco Montepio analysed the impairment of investments made in its subsidiaries, considering the recoverable value of the businesses developed by each one. The recoverable value, in accordance with the accounting policy described in this report, was determined by the higher of fair value less costs to sell and value in use, in the case of continuing subsidiaries, and fair value less costs to sell, in the case of discontinued subsidiaries.

The value in use was determined based on the business plan approved by management and, depending on the specificity of the businesses and the markets in which Banco Montepio's subsidiaries operate, differentiated levels for the discount rate, for the solvency levels required for the banking activity and for the growth of net income in perpetuity, were also considered.

The verification of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these same assumptions and, consequently, in the recoverable value determined for the subsidiaries object of this analysis.

The financial statements have been prepared on the assumption of the continuity of the respective operations, which depend on the future evolution of the assumptions underlying the recoverable value of its financial shareholdings as well as on the success of the initiatives to be taken by the Board of Directors to reinforce the net equity.

Montepio Holding, S.G.P.S., S.A.

As a result of the analyses carried out, we concluded on the need to recognize, in the financial statements as at 31 December 2020, an impairment in Banco Montepio in the amount of Euro 97,939 thousand (31 December 2019: Euro 85,576 thousand) related to the financial shareholding held in Montepio Holding, S.G.P.S., S.A. (Montepio Holding). Montepio Holding holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., Montepio Crédito – Instituição Financeira de Crédito, S.A., Montepio Valor – Sociedade Gestora de Organismos de Investimento Coletivo, S.A. and Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. and a shareholding of 80.22% in Finibanco Angola, S.A. The valuation of Montepio Holding was made considering that the best estimate for determining its fair value corresponded to the amount of its equity adjusted for the fair value effect of assets and liabilities recorded at amortized cost or historical cost, except for the shareholding in Montepio Investimento, S.A. (Banco Empresas Montepio) which considered the business plan for the next triennium.

The movements in impairment of investments in subsidiaries and associated companies are analysed as follows:

(Euro thousand)

	2020	**2019**
Opening balance	85 576	79 861
Charge for the financial year	12 363	7 926
Reversal for the financial year	-	(2 211)
Closing balance	97 939	85 576

The information related to subsidiaries and associated companies is presented in the following table:

(Euro thousand)

	Shares held	Stake (%)	Share value	Acquisition cost
31 December 2020				
Investments in subsidiaries and associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100%	1.00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	636 924	26%	1.00	637
CESource, A.C.E.	-	18%	-	-
				417 587
Non-current Assets held for sale				
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	99 200	100%	90.69	8 997
31 December 2019				
Investments in subsidiaries and associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100%	1.00	413 750
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	99 200	100%	90.69	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	636 924	26%	1.00	637
CESource, A.C.E.	-	18%	-	-
				426 584

The subsidiaries and associated companies of Banco Montepio are listed in note 55.

28 Other tangible assets

This caption is presented as follows:

(Euro thousand)	2020	2019
Investments		
Real estate		
For own use	206 236	206 292
Leasehold improvements in rented building	28 851	28 851
Equipment		
IT equipment	94 614	94 056
Fixtures	33 452	31 766
Furniture	18 189	18 425
Security equipment	7 686	7 607
Machinery and tools	2 697	2 698
Transportation equipment	472	601
Other equipment	1	1
Works of art	2 870	2 870
Assets in operating leases	74	109
Righ-of-use assets		
Real estate	26 160	27 658
Vehicles	6 948	5 339
Other tangible assets	1 844	1 877
Work in progress	750	1 228
	430 844	429 378
Accumulated depreciation		
Charge for the year	(16 716)	(17 267)
Accumulated charge in previous years	(186 348)	(171 809)
	(203 064)	(189 076)
Impairment of Other tangible assets	(11 941)	-
	215 839	240 302

The movements in the caption Other tangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	206 292	-	56	-	206 236
Leasehold improvements in rented building	28 851	-	-	-	28 851
Equipment					
IT equipment	94 056	1 202	644	-	94 614
Interior installations	31 766	82	-	1 604	33 452
Furniture	18 425	49	280	(5)	18 189
Security equipment	7 607	89	-	(10)	7 686
Machinery and tools	2 698	2	3	-	2 697
Transportation equipment	601	-	129	-	472
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	109	-	35	-	74
Righ-of-use assets	-			-	-
Real estate	27 658	33	1 547	16	26 160
Vehicles	5 339	1 771	157	(5)	6 948
Other tangible assets	1 877	-	-	(33)	1 844
Work in progress	1 228	1 128	-	(1 606)	750
	429 378	4 356	2 851	(39)	430 844
Accumulated depreciation					
Real estate					
For own use	14 083	3 079	4	-	17 158
Leasehold improvements in rented building	27 019	583	-	-	27 602
Equipment					
IT equipment	88 477	3 076	643	-	90 910
Interior installations	20 999	1 542	-	-	22 541
Furniture	17 896	117	280	-	17 733
Security equipment	7 336	131	-	-	7 467
Machinery and tools	2 530	43	3	-	2 570
Transportation equipment	560	8	130	-	438
Other equipment	1	-	-	-	1
Assets in operating lease	109	-	35	-	74
Righ-of-use assets					
Real estate	7 124	6 486	1 476	-	12 134
Vehicles	1 130	1 651	157	-	2 624
Other tangible assets	1 812	-	-	-	1 812
	189 076	16 716	2 728	-	203 064
Impairment of Other tangible assets					(11 941)
	240 302				215 839

The impairment of Euro 11,941 thousand in Other tangible assets results from the closure of branches, parking areas and offices (above ground floor), as referred to in note 16.

The movements in the caption Other tangible assets, during financial year 2019, are analysed as follows:

(Euro thousand)

	Opening balance	IFRS 16	Acquisitions	Disposals	Transfers	Closing balance
Investments						
Real estate						
For own use	206 298	-	406	412	-	206 292
Leasehold improvements in rented building	28 851	-	-	-	-	28 851
Equipment						
IT equipment	91 481	-	3 700	1 125	-	94 056
Interior installations	29 095	-	265	-	2 406	31 766
Furniture	18 445	-	56	76	-	18 425
Security equipment	7 557	-	73	23	-	7 607
Machinery and tools	2 568	-	130	-	-	2 698
Transportation equipment	559	-	42	-	-	601
Other equipment	1	-	-	-	-	1
Works of art	2 870	-	-	-	-	2 870
Assets in operating lease	109	-	-	-	-	109
Righ-of-use assets (*)					-	-
Real estate	-	27 773	3 478	3 593	-	27 658
Vehicles	-	2 967	2 393	21	-	5 339
Other tangible assets	1 846	-	33	2	-	1 877
Work in progress	1 122	-	2 625	-	(2 519)	1 228
	390 802	30 740	13 201	5 252	(113)	429 378
Accumulated depreciation						
Real estate						
For own use	11 025	-	3 083	25	-	14 083
Leasehold improvements in rented building	26 461	-	558	-	-	27 019
Equipment						
IT equipment	86 103	-	3 499	1 125	-	88 477
Interior installations	19 460	-	1 539	-	-	20 999
Furniture	17 791	-	183	78	-	17 896
Security equipment	7 222	-	135	21	-	7 336
Machinery and tools	2 516	-	15	1	-	2 530
Transportation equipment	559	-	1	-	-	560
Other equipment	1	-	-	-	-	1
Assets in operating lease	109	-	-	-	-	109
Righ-of-use assets						
Real estate	-	-	7 124	-	-	7 124
Vehicles	-	-	1 130	-	-	1 130
Other tangible assets	1 814	-	-	2	-	1 812
	173 061	-	17 267	1 252	-	189 076
	217 741					240 302

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

29 Intangible assets

This caption is presented as follows:

(Euro thousand)

	2020	2019
Investments		
Software	150 662	134 350
Other Intagible Assets	2 049	1 319
Work in progress	2 761	3 365
	155 472	139 034
Accumulated depreciation		
Charge for the financial year	(15 157)	(14 045)
Accumulated charge in previous years	(107 211)	(93 167)
	(122 368)	(107 212)
	33 104	31 822

The movements in the caption Intangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Regularization	Closing balance
Cost				
Software	134 350	-	16 312	150 662
Other Intagible Assets	1 319	-	730	2 049
Work in progress	3 365	16 438	(17 042)	2 761
	139 034	16 438	-	155 472
Accumulated depreciation				
Software	107 212	15 157	(1)	122 368
	107 212	15 157	(1)	122 368
	31 822			33 104

The movements in the caption Intangible assets, during financial year 2019, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Regularization	Closing balance
Cost				
Software	120 986	73	13 291	134 350
Other Intagible Assets	-	1 319	-	1 319
Work in progress	3 838	12 818	(13 291)	3 365
	124 824	14 210	-	139 034
Accumulated depreciation				
Software	93 167	14 045	-	107 212
	93 167	14 045	-	107 212
	31 657			31 822

30 Taxes

Deferred tax assets and liabilities, as at 31 December 2020 and 2019, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Deferred taxes not dependent on future profitability						
Impairment of loans and advances	44 095	42 123	-	-	44 095	42 123
Post-employment and long-term benefits	22 815	16 149	-	-	22 815	16 149
	66 910	58 272	-	-	66 910	58 272
Deferred taxes dependent on future profitability						
Financial instruments	22 110	24 097	(9 652)	(17 558)	12 458	6 539
Other tangible assets	-	-	(7)	(7)	(7)	(7)
Provisions/Impairment						
Impairment of loans and advances	166 835	170 724	-	-	166 835	170 724
Other risks and charges	9 292	8 459	-	-	9 292	8 459
Imparirment of securities and non-financial assets	3 653	3 759	-	-	3 653	3 759
Impairment of financial assets	1 788	2 180	-	-	1 788	2 180
Post-employment and long-term benefits	48 545	40 573	-	-	48 545	40 573
Other	130	130	-	-	130	130
Taxes losses carried forward	200 760	171 666	-	-	200 760	171 666
Net deferred tax assets/(liabilities)	520 023	479 860	(9 659)	(17 565)	510 364	462 295

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the special regime applicable to deferred tax assets ("Regime"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, this Regime is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment or long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under this Regime, the recovery of deferred tax assets covered by the Regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred

State rights by the shareholders. According to this legislation, State rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Deferred taxes are determined using tax rates that are expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved in the balance sheet date.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020, there will be conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits, and a special reserve corresponding to 110% of its amount must be constituted for this purpose.

The caption Post-employment and long-term employee benefits includes the amount of Euro 8,605 thousand (31 December 2019: Euro 9,356 thousand) related to deferred taxes associated with the remeasurements recognized against reserves as a result of the change in accounting policy realized in 2011. As at 31 December 2020, this caption also includes the amount of Euro 2,468 thousand (31 December 2019: Euro 2,715 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The negative equity variation due to the change in accounting policy related to the recognition of the remeasurements in the Pension Fund made in 2011 is deductible for tax purposes, in equal parts, over a 10-year period, starting on 1 January 2012. The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of Banco Montepio).

In financial year 2020, deferred taxes associated with Post-employment and long-term employee benefits include the amount of Euro 31,479 thousand (2019: Euro 21,853 thousand) related to post-employment and long-term benefits in excess of the existing limits.

In financial years 2020 and 2019, and in function of (i) the tax rates effective after 1 January 2018 and ii) the expectation of the conversion into tax-accepted costs and profits and the prospects of tax profits or tax losses in each one of the subsequent periods, Banco Montepio considered the rates (base rate and surcharges) used to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, of 30.5% and 21%, respectively.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 s), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on the business plan used to draw up the budget and considers the expectations regarding the impacts of the pandemic at the level of the financial markets, economic activity, and the evolution of credit risk levels.

The recovery of the profitability, liquidity and capital levels of Banco Montepio, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in strategic business areas, with lower capital consumption and lower risk, the improvement of the efficiency and profitability, with a focus on cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following principles:

- Reduction of operating costs, eliminating redundancies, taking advantage of synergies, and simplifying the organizational structure.
- Increase in the commercial network business with growth in credit portfolios with less risk and less capital consumption, based on an appropriate management of return on capital, exploring the potential for growth in the complementary margin in cross-selling and new business areas, and leveraging the potential of the customer base of Banco Montepio, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- The strategy outlined reflects a favourable effect at the level of net interest income, as well as of commissions, the latter evidencing the impacts of the management of the price list by adjusting it to Banco Montepio's value proposal for each segment, defined in function of its life cycle and financial profile, as well as in terms of the growth of its "first bank" quota, leading to the progressive increase of the customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions. The increase in the deposits' portfolio reflects the objective of strengthening customer resources as the main source of financing for the activity, together with the gradual reduction in the cost of deposits, namely through the mix between demand and time deposits.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, or through the reduction of trading properties.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.
- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to 31 December 2020 and 2019, Banco Montepio recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax grown at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	2020	2019
2026	13 106	-
2027	-	42 836
2028	-	128 830
2029	44 439	-
2030	128 830	-
2032	14 385	-
	200 760	171 666

Following the approval of the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

Tax recognized in net income/(loss) and in reserves during financial years 2020 and 2019 originated as follows:

(Euro thousand)

	2020		2019	
	Recognized in net income/(loss)	Recognized in reserves and retained earnings	Recognized in net income/(loss)	Recognized in reserves and retained earnings
Financial instruments	(949)	6 868	(9 081)	(10 070)
Provision/Impairment	(1 582)	-	(14 168)	-
Post-employment and long-term benefits	5 763	8 875	2 045	(734)
Tax losses carried forward	29 094	-	1 474	-
Other	-	-	46	-
Deferred taxes/recognized as profit/(losses)	32 326	15 743	(19 684)	(10 804)
Current taxes	1 939	-	(667)	-
	34 265	15 743	(20 351)	(10 804)

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

	2020		2019	
				(Euro thousand)
	%	Value	%	Value
Profit/(loss) before income tax		(150 886)		33 322
Income tax based on the current nominal tax rate	-20.8	31 318	-21.0	(6 998)
Fiscal Profit/(loss)	-	-	16.7	5 567
Banking sector extraordinary contribution	1.4	(2 177)	-5.9	(1 959)
Post-employement benefits and pension fund	1.4	(2 119)	-12.0	(4 009)
Taxable provisions/impairment	6.1	(9 273)	-2.4	(798)
Autonomous taxation	0.5	(812)	-3.2	(1 057)
Corrections to previous periods	-1.8	2 752	1.2	389
Effect of differences in income tax	-0.6	920	-7.0	(2 343)
Deferred tax from taxes losses carried forward	-9.7	14 709	-	-
Other	0.7	(1 053)	-27.4	(9 143)
Income tax for the financial year	-22.7	34 265	-61.1	(20 351)

Law no. 98/2019, of 4 September, amends the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes. The new regime includes a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio has not opted for the application of the new tax regime on impairment, for which reason, for the current and deferred tax assessment as at 31 December 2020, it estimated its taxes based on the regime that was in force until 31 December 2018.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the period is the period of the exercise of that right.

Banco Montepio was subject to inspection by the Tax Authority up to and including the 2017 tax period, with the inspection of the 2018 tax period being currently underway.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the Special Taxation Regime of Groups of Companies ("RETGS"), which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the calculation of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 2,313 thousand (31 December 2019: Euro 9,823 thousand) relates, essentially, to IRC recoverable, of which Euro 105 thousand (31 December 2019: Euro 6,144 thousand) relates to payments on account, additional payments on account and special payments on account.

31 Other assets

This caption is presented as follows:

	(Euro thousand)	
	2020	**2019**
Assets received in recovery of credit	649 807	687 852
Loans - Montepio Holding	127 708	130 265
Other debtors	35 109	44 114
Sundry debtors	7 320	8 342
Price deposits	11 740	13 502
Recoverable grants receivable from the Portuguese State	8 054	6 338
Deferred costs	3 179	3 027
Other receivable amounts	3 289	2 665
	846 206	896 105
Impairment of assets received for credit recovery	(126 342)	(124 184)
Impairment of other assets	(25 840)	(26 597)
	694 024	745 324

The caption Assets received in recovery of credit is presented as follows:

	(Euro thousand)	
	2020	**2019**
Assets received in recovery of credit	649 807	687 852
Impairment of assets received in recovery of credit	(126 342)	(124 184)
	523 465	563 668

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

As at 31 December 2020, the caption Assets received in recovery of credit includes the amount of Euro 1,289 thousand (31 December 2019: Euro 1,085 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts and is fully provided against.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the customer in Banco Montepio's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

Banco Montepio has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to Banco Montepio's expectation, it is intended that these assets be available for sale in a period under 1 year and that there is a strategy for their sale. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2020, properties for which promissory contracts to buy and sell, in the amount of Euro 28,659 thousand, have already been celebrated.

The movements in financial years 2020 and 2019 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	687 852	839 990
Acquisitions	24 452	31 928
Disposals	(63 039)	(187 333)
Other movements	542	3 525
Transfers	-	(258)
Closing balance	649 807	687 852

The movement in impairment of Assets received in recovery of credit are analysed as follows

(Euro thousand)

	2020	2019
Opening balance	124 184	134 639
Charge for the financial year	9 118	9 422
Reversal for the financial year	(1 208)	(175)
Utilization	(5 752)	(19 702)
Closing balance	126 342	124 184

In addition to the impairment losses observed, Banco Montepio recognized in profit or loss, in financial year 2020, gains in the amount of Euro 13,758 thousand (31 December 2019: Euro 16,531 thousand), included in the caption Disposal of other assets in note 9.

As at 31 December 2020 and 2019, the caption Other debtors is analysed as follows:

(Euro thousand)

	2020	2019
Supplementary capital contributions	14 910	14 910
Public entities	2 300	2 300
Other	17 899	26 904
	35 109	44 114

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, which are fully provided against.

As at 31 December 2020, the caption Public entities includes the amounts receivable from public entities, mostly related to courts in the context of insolvency proceedings and loan claims lodged, which are fully provided against.

Additionally, the amount shown in Others, as at 31 December 2020, included in the caption Other debtors, also considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by Banco Montepio with financial settlement in 2021.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, in accordance with the legal provisions applicable to low-interest loans. These amounts do not bear interest and are claimed monthly.

As at 31 December 2020 and 2019, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

(Euro thousand)

	2020	2019
Bonifications overdue and not yet claimed	2 486	2 398
Bonifications claimed from Portuguese Government not yet settled	5 533	3 875
Bonifications processed and not yet claimed	35	65
	8 054	6 338

The movements in Impairment of other assets are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	26 597	30 115
Charge for the financial year	3 549	3 436
Reversal for the financial year	(2 732)	(4 137)
Utilization	(1 574)	(2 817)
Closing balance	25 840	26 597

The impairment of Other assets includes the exposures of Supplementary capital contributions (Euro 14,910 thousand), Deposits in court (Euro 5,226 thousand), Guarantee commissions (Euro 433 thousand), Factoring operations (Euro 498 thousand) and Other debtors (Euro 4,773 thousand).

32 Deposits from central banks

This caption includes deposits obtained from the European System of Central Banks, which are collateralized by the pledge of securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 24 and 26.

These funds are composed of three operations with maturities in March 2023, in the amount of Euro 284,262 thousand, in June 2023, in the amount of Euro 898,424 thousand and in September 2023, in the amount of Euro 189,860 thousand.

The analysis of the caption Deposits from central banks for the remaining period, as at 31 December 2020 and 2019, is presented as follows:

		(Euro thousand)
	2020	2019
Up to 6 months	-	443 600
More than 6 months	1 372 546	847 433
	1 372 546	1 291 033

The operations are remunerated at the Bank of Portugal rates in force as at the contract date.

33 Deposits from other credit institutions

This caption is presented as follows:

	2020			2019		(milhares de euros)
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from other national credit institution						
Deposits repayable on demand	55 350	-	55 350	34 643	-	34 643
Term deposits	-	9 207	9 207	-	14 294	14 294
	55 350	9 207	64 557	34 643	14 294	48 937
Deposits from other credit institution abroad						
EIB loan	-	650 819	650 819	-	350 359	350 359
Deposits repayable on demand	55 973	-	55 973	40 137	-	40 137
Term deposits	-	116 487	116 487	-	146 987	146 987
Repurchase agreements	-	109 712	109 712	-	109 756	109 756
Other deposits	9 280	-	9 280	5 498	-	5 498
	65 253	877 018	942 271	45 635	607 102	652 737
	120 603	886 225	1 006 828	80 278	621 396	701 674

The analysis of the caption Deposits from other credit institutions for the remaining period of the operations, is presented as follows:

		(Euro thousand)
	2020	2019
Up to 3 months	227 813	221 621
3 to 6 months	114 416	65 723
6 months to 1 year	4 502	4 680
1 to 5 years	350 812	404 582
More than 5 years	300 007	-
Undetermined	9 278	5 068
	1 006 828	701 674

The amount of the EIB loan is collateralized by Portuguese, Spanish, and Italian sovereign bonds in the nominal amount of Euro 666,677 thousand (31 December 2019: Euro 388,501 thousand by Portuguese, Greek, Spanish, Dutch, Italian, French and German sovereign bonds), recorded in the captions Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, as described in notes 22, 24 and 26, respectively.

34 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2020			2019		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	5 233 897	48	5 233 945	4 413 530	313 817	4 727 347
Term deposits	-	6 869 635	6 869 635	-	7 657 328	7 657 328
Savings accounts	-	127 809	127 809	-	123 952	123 952
Other deposits	318 034	-	318 034	18 919	-	18 919
	5 551 931	6 997 492	12 549 423	4 432 449	8 095 097	12 527 546

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions. The criteria to calculate the annual contributions to the referred Fund are defined in Bank of Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2020	2019
Deposits repayable on demand	5 233 945	4 727 347
Term deposits and saving accounts		
Up to 3 months	1 714 007	1 740 402
3 to 6 months	1 234 285	1 147 441
6 months to 1 year	1 849 069	1 641 840
1 to 5 years	2 173 425	3 224 565
More than 5 years	26 658	27 032
	12 231 389	12 508 627
Other deposits		
Up to 3 months	318 034	18 919
	12 549 423	12 527 546

In 2020, deposits from customers were remunerated at the average rate of 0.15% (2019: 0.26%).

35 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2020	2019
Cash bonds	3 123	7 357
Covered bonds	1 218 375	1 255 904
	1 221 498	1 263 261

The fair value of the debt securities issued is presented in note 46.

The caption Debt securities issued includes issues of cash bonds recognized at fair value through profit or loss, in the amount of Euro 3,123 thousand (31 December 2019: Euro 6,611 thousand), in accordance with internal valuation techniques and considering, mainly, observable market data. According to the hierarchy of valuation sources, as laid down in IFRS 13, these instruments are categorized in Level 2.

The financial liabilities at fair value through profit or loss included in this caption are revalued in accordance with the accounting policy presented in note 1 b), with a gain having been recognized in financial year 2020 in the amount of Euro 173 thousand (2019: a gain in the amount of Euro 155 thousand) related to fair value changes.

The periods to maturity of the caption Debt securities issued, as at 31 December 2020 and 2019, is as follows:

(Euro thousand)

	2020	2019
Up to 6 months	3 103	4 242
6 months to 1 year	1 423	1 525
1 to 5 years	1 209 386	1 248 215
	1 213 912	1 253 982
Adjustments from fair value option operations	7 586	9 279
	1 221 498	1 263 261

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in circulation in a total amount of Euro 2,300,000 thousand, at nominal value, as at 31 December 2020 and 2019.

As at 31 December 2020, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/ Dbrs)*
Covered bonds - 6S	300 000	300 123	-	November 2016	November 2023	Quarterly	Euribor 3M + 0.80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 074	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 085	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	757 933	757 933	October 2017	October 2022	Anually	Fixed at 0.875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	460 442	460 442	November 2019	November 2024	Anually	Fixed at 0.125%	A1/AA-/BBBh
	2 300 000	2 268 657	1 218 375					

As at 31 December 2019, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/ Dbrs)*
Covered bonds - 6S	300 000	300 167	-	November 2016	November 2023	Quarterly	Euribor 3M + 0.80%	A1/AA-/A
Covered bonds - 8S	500 000	500 105	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	A1/AA-/A
Covered bonds - 9S	250 000	250 120	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	A1/AA-/A
Covered bonds - 10S	750 000	759 001	759 001	October 2017	October 2022	Anually	Fixed at 0.875%	A1/AA-/A
Covered bonds - 11S	500 000	496 903	496 903	November 2019	November 2024	Anually	Fixed at 0.125%	A1/AA-/A
	2 300 000	2 306 296	1 255 904					

In financial year 2019, under Banco Montepio's Mortgage Bond Issuance Program, the amount of Euro 500,000 thousand, with a 5-year maturity and a fixed annual interest rate of 0.125% was issued and the issue of the series 5 mortgage bonds in the amount of Euro 500,000 thousand was repaid.

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in Banco Montepio's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Bank of Portugal Notices no. 5/2006, of 11 October, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of the Bank of Portugal.

As at 31 December 2020, the value of the loans collateralizing these issues amounted to Euro 2,732,778 thousand (31 December 2019: Euro 2,719,463 thousand), according to note 21.

The movements in Debt securities issued during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Issuance	Reimbursements	Net purchases	Other movements [(a)]	Closing balance
Cash bonds	7 357	-	(4 000)	-	(234)	3 123
Covered bonds	1 255 904	-	-	(37 100)	(429)	1 218 375
	1 263 261	-	(4 000)	(37 100)	(663)	1 221 498

(a) Includes accrued interest on the balance sheet date and fair value option corrections.

The movements in Debt securities issued during financial year 2019, are analysed as follows:

(Euro thousand)

	Opening balance	Issuance	Reimbursements	Net purchases	Other movements [(a)]	Closing balance
Cash bonds	124 719	-	(114 000)	-	(3 362)	7 357
Covered bonds	753 612	500 000	-	-	2 292	1 255 904
	878 331	500 000	(114 000)	-	(1 070)	1 263 261

(a) Includes accrued interest on the balance sheet date and fair value option corrections

In accordance with the accounting policy described in note 1 b), the purchase of debt securities issued by Banco Montepio is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2020, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-1st SERIES	28/02/2013	01/03/2021	Annual fixed rate: 5.15% (3rd year's rate: 5.30%; 4th year: 5.30%; 5th year: 5.90%; 6th cupon Max[5.95%; Min (CPI+2%;8.25%)];7th cupon Max[6.15%; Min (CPI+2%;8.50%)]; 8th cupon Max[6.45%; Min (CPI+2%;8.50%)])	2 148
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-2nd SERIES	28/06/2013	29/06/2021	Annual fixed rate: 4.9% (3rd year's rate: 5.1%; 4th year: 5.1%; 5th year: 5.65% and from 6th to 8th year's rate= Max(5.95%; min(CPI+2%;8.15%))	812
Covered bonds - 10S	17/11/2017	17/11/2022	Annual fixed rate = 0.875%	750 000
Covered bonds - 11S	14/11/2019	14/11/2024	Annual fixed rate = 0.125%	500 000
				1 252 960
			Hedging operations adjustments	7 586
			Covered bonds - 11S - Repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(1 948)
				1 221 498

As at 31 December 2019, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
CAIXA-MG BONDS FIXED RATE SEPTEMBER 2010-2020	09/09/2010	09/09/2020	Annual fixed rate of 4%	100
CAIXA- MG-CRPC BONDS 2012/2020- 1ST SERIES	30/03/2012	31/03/2020	Annual fixed rate of 5.25% (4th year: 6%; 5th year: 6.75%; 6th to 8th cupon: Max[6.25% e Min (CPI+2%;9.15%)]	3 300
CAIXA-MONTEPIO CAPITAL CERTO BONDS 2012-2020-2nd SERIE	31/05/2012	01/06/2020	Annual fixed rate of 8.2583% (4th year's rate: 9.7083%; 5th year: 10.7250%; 6th year: 7.4750%; 7th year: 8.3% e 8th ano: 11.1583%)	600
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-1th SERIE	28/02/2013	01/03/2021	Anual fixed rate: 5.15% (3rd year rate: 5.30%; 4th year rate: 5.30%; 5th year rate: 5.90%; 6th cupon Max[5.95%; Min (CPI+2%;8.25%)];7th cupon Max[6.15%; Min (CPI+2%;8.50%)]; 8th cupon Max[6.45%; Min (CPI+2%;8.50%)])	2 148
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-1st SERIE	28/06/2013	29/06/2021	Annual fixed rate of 4.9% (3rd year's rate: 5.1%, 4th year rate: 5.1%, 5th year: 5.65% and from 6th to 8th year: Max(5.95%;Min(CPI+2%;8.15%))	812
Covered bonds - 10S	17/11/2017	17/11/2022	Annual fixed rate= 0.875%	750 000
Covered bonds - 11S	14/11/2019	14/11/2024	Annual fixed rate = 0.125%	500 000
				1 256 960
			Hedging operations adjustments	9 279
			Accrual based accounting, deferred income and costs	(2 978)
				1 263 261

36 Financial liabilities associated with transferred assets

In the scope of the securitization operations described in note 50, in respect of which Banco Montepio retained the majority of the risks and rewards associated with the securitized loans, it recorded the financial liabilities associated with the transferred assets, which are detailed as follows:

(Euro thousand)

	2020	2019
Pelican Mortgages No 3	144 119	170 683
Pelican Mortgages No 4	449 981	493 637
Aqua Mortgages No 1	75 354	86 041
Pelican Mortgages No 5	451 081	496 929
Pelican Mortgages No 6	559 462	624 810
Pelican Finance No 1	41 700	67 362
	1 721 697	1 939 462

37 Provisions

This caption is presented as follows:

(Euro thousand)

	2020	2019
Provisions for guarantees and commitments	16 594	15 456
Provisions for other risks and charges	16 406	14 812
	33 000	30 268

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to Banco Montepio's activity, being revised at each reporting date in order to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies (Stamp Duty, Corporate income tax (IRC), Property taxes (IMI) and TSC), lawsuits and fraud.

The movements in provisions for guarantees and commitments occurred in financial years 2020 and 2019, are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	15 456	16 540
Charge for the financial year	46 614	14 998
Reversal for the financial year	(45 475)	(15 135)
Financial liabilities associated with financial assets	(1)	(947)
Closing balance	16 594	15 456

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2020	2019
Opening balance	14 812	15 159
Charge for the financial year	2 982	4 235
Reversal for the financial year	(1 388)	(4 582)
Closing balance	16 406	14 812

38 Other subordinated debt

The characteristics of subordinated debt are analysed as follows:

(Euro thousand)

Description	Issue date	Maturity date	Notional	Interest rate	2020	2019
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 044	50 044
MONTEPIO EMTN SUB 2019/2029	Mar 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 824	107 803
MONTEPIO EMTN SUB 2020/2030	Mar 2019	Jun 2020	50 000	9.5% the first 5 years and 5y EurSwap rate + Fixing ICE (FFT 11:00 AM) + 9.742%	52 705	-
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 323	-
					216 896	157 847

The movements in Other subordinated debt during financial years 2020 and 2019, were as follows:

(Euro thousand)

	2020			
	Opening balance	Issues	Other movements (a)	Closing balance
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 803	-	21	107 824
MONTEPIO EMTN SUB 2020/2030	-	50 000	2 705	52 705
FINIBANCO VALOR INVEST 2010	-	-	6 323	6 323
	157 847	50 000	9 049	216 896

	2019			
	Opening balance	Issues	Other movements (a)	Closing balance
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	-	100 000	7 803	107 803
	50 044	100 000	7 803	157 847

(a) Includes accrued interest.

In financial year 2019, under the Euro Medium Term Note Programme (EMTN) of Banco Montepio, bonds were issued in the amount of Euro 100,000 thousand, with a 10-year maturity, with a rate of 10.50% in the first five years and a call option, at par, in the 5th year.

In financial year 2020, under the Euro Medium Term Note Programme (EMTN) of Banco Montepio, bonds were issued in the amount of Euro 50,000 thousand, with a 10-year maturity, with a rate of 9.5% in the first five years and a call option, at par, in the 5th year.

The issue of “Finibanco Valor Invest 2010” was transferred to this liability category, as described in note 41. The main characteristics of this issue are as follows:

- Interest rate: fixed rate of 7% on the first 4 interest payment dates and on the following interest payment dates, a variable rate corresponding to the Euribor rate for the period of 6 months plus 2.75%, with a minimum of 5%;
- Maturity: Not applicable (not subject to mandatory refund);
- Refund amount: Refund at nominal value. As a result of applicable laws or regulations, including any European Union directives or regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

39 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2020	2019
Domestic and foreign operations pending settlement	84 799	95 523
Sundry creditors	28 233	17 108
Lease liabilities	18 296	24 904
Post-employment benefits	9 875	14 510
Staff charges payable	37 558	24 471
Amounts payable	10 647	30 212
Suppliers	6 939	6 765
Administrative public sector	9 553	10 574
Deferred income	335	352
	206 235	224 419

As at 31 December 2020, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	2020	2019
up to 1 year	-	1 109
1 to 5 years	16 623	22 893
more than 5 years	1 673	902
	18 296	24 904

As at 31 December 2020, the caption Staff charges payable includes the amount of Euro 18,416 thousand (31 December 2019: Euro 18,874 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2020, this caption also includes the amount of Euro 2,251 thousand (31 December 2019: Euro 1,989 thousand) related to end-of-career awards, as per note 47. This caption also includes, as at 31 December 2020, the amount of Euro 13,331 thousand for the adjustment program.

The caption Amounts payable corresponds, essentially, to the application of the accruals' principle to General and administrative expenses.

40 Share capital

As at 31 December 2020 and 2019, Banco Montepio's share capital, which is fully realized, amounts to Euro 2,420,000 thousand.

In financial year 2020, MGAM sold 7,500 (financial year 2019: 3,000) shares of Banco Montepio's share capital, which is now held as follows:

	2020		2019	
	Shares held	%	Shares held	%
Montepio Geral Associação Mutualista	2 419 830 580	99.992999%	2 419 838 080	99.993309%
Other Shareholders	169 420	0.007001%	161 920	0.006691%
	2 420 000 000	100%	2 420 000 000	100%

41 Other equity instruments

The issue of Euro 15,000 thousand, occurred in the 1st quarter of 2010, of Subordinated Perpetual Securities with conditional interest ("Finibanco Valor Invest 2010" – ISIN: PTFNI1OM0011) made by Montepio Investimento, S.A. (previously designated Finibanco, S.A.), and that, in the scope of the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated Finibanco Holding, S.G.P.S., S.A.) and its subsidiaries, was integrated in Banco Montepio's equity.

At the Bondholders' Meeting held on 29 January 2020 and ratified at the General Meeting of 30 June 2020, it was deliberated to amend the bond's technical sheet to adapt its conditions to the prudential treatment adopted.

Within the scope of the proposed changes, this instrument was reclassified to the caption Other subordinated liabilities.

42 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

The movement in the legal reserve is analysed in note 43.

43 Fair value reserves, Other reserves and Retained earnings

This caption is presented as follows:

		(Euro thousand)
	2020	**2019**
Fair value reserve		
Fair value reserve		
Financial assets at fair value through other comprehensive income	(26 301)	10 230
Loans and advances to customers	103	557
Own credit risk	19	157
Currency reserve hedging	1 243	-
	(24 936)	10 944
Taxes		
Financial assets at fair value through other comprehensive income	(3 900)	(10 629)
Loans and advances to customers	(31)	(170)
	(3 931)	(10 799)
Fair value reserve net of taxes	(28 867)	145
Other reserves and retained earnigs		
Legal reserve	193 266	191 969
Other reserves and retained earnings	(1 098 398)	(1 118 381)
Realized gains on equity instruments	4 018	268
	(901 114)	(926 144)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income, and also records the amount of the fair value reserve related to the loans and advances to customers' portfolio reclassified from Other financial assets at fair value through other comprehensive income to Loans and advances to customers.

The caption Foreign exchange hedging reserve relates to the hedging or elimination of foreign exchange risk subjacent to the shareholding in the entity Monteiro e Aranha, SA (asset recorded in BRL), as described in note 25.

The caption Loans and advances to customers records the amount of the fair value reserve related to the loans and advances to customers' portfolio reclassified to Other financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income, during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Revaluation	Acquisitions	Disposals	Recognized impairment in the financial year	Closing balance
Fixed income securities						
Bonds issued by Portuguese public entities	14 344	-	464	(15 678)	1 276	406
Bonds issued by foreign public entities	5 739	-	1 499	(9 346)	3 308	1 200
Bons issued by other entities:						
Domestic	(1 793)	1 594	-	202	(540)	(537)
Foreign	1 550	2	-	(1 730)	157	(21)
	19 840	1 596	1 963	(26 552)	4 201	1 048
Variable income securities						
Shares						
Domestic	7 735	200	-	-	-	7 935
Foreign	(17 345)	(17 939)	-	-	-	(35 284)
	(9 610)	(17 739)	-	-	-	(27 349)
	10 230	(16 143)	1 963	(26 552)	4 201	(26 301)

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income, during financial year 2019, are analysed as follows:

(Euro thousand)

	Opening balance	Revaluation	Acquisitions	Disposals	Recognized impairment in the financial year	Closing balance
Fixed income securities						
Bonds issued by Portuguese public entities	-	1 334	14 344	-	(1 334)	14 344
Bonds issued by foreign public entities	(5 029)	3 185	5 664	5 095	(3 176)	5 739
Bons issued by other entities:						
Domestic	(1 699)	372	(448)	53	(71)	(1 793)
Foreign	(737)	1 391	979	44	(127)	1 550
	(7 465)	6 282	20 539	5 192	(4 708)	19 840
Variable income securities						
Shares						
Domestic	2 099	4 461	1 175	-	-	7 735
Foreign	(15 303)	(2 034)	(8)	-	-	(17 345)
	(13 204)	2 427	1 167	-	-	(9 610)
	(20 669)	8 709	21 706	5 192	(4 708)	10 230

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2020	2019
Amortized cost of financial assets at fair value through other comprehensive income	292 699	1 828 490
Recognized accumulated impairment	(1 078)	(5 279)
Net Amortized cost of financial assets at fair value through other comprehensive income	291 621	1 823 211
Market value of financial assets at fair value through other comprehensive income	265 320	1 833 441
Potential Profit/(Loss) recognized in the Fair value reserve	(26 301)	10 230

44 Distribution of dividends

In financial years 2020 and 2019, Banco Montepio did not distributed dividends.

The Annual General Meeting realized on 30 June 2020 approved the Net Income for financial year 2019, in the amount of Euro 12,971 thousand, appropriating Euro 1,297 thousand to legal reserve and Euro 11,674 thousand to retained earnings.

45 Guarantees and other commitments

The balances of these accounts are analysed as follows:

(Euro thousand)

	2020	2019
Guarantees provided	474 469	489 009
Commitments assumed to third parties	1 878 882	1 338 095
Deposit and custody of securities	7 639 492	7 327 873
	9 992 843	9 154 977

The amounts of Guarantees provided, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)

	2020	2019
Guarantees provided		
Guarantees	463 458	464 500
Documentary credits	11 011	24 509
	474 469	489 009
Commitments assumed to third parties		
Irrevocable commitments		
Irrevocable credit facilities	1 058 335	616 472
Potential liability with the Investors Indemnity System	1 209	1 431
Term liability to the Deposits Guarantee Fund	23 957	22 768
Securities subscription	2 552	2 872
Revocable commitments		
Revocable credit facilities	792 829	694 552
	1 878 882	1 338 095

Guarantees are financial operations that do not necessarily result in mobilization of funds by Banco Montepio.

Documentary credits correspond to irrevocable commitments, by Banco Montepio, on behalf of its customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to Banco Montepio's customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. Substantially, all credit concession commitments require that customers maintain certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying customer and business, with Banco Montepio requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2020 and 2019, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by Banco Montepio, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2020, in the scope of the Deposits Guarantee Fund, Banco Montepio pledged treasury bonds (OT 4.95% 25.10.2023), recorded as Other financial assets at amortized cost, with a nominal value of Euro 23,000 thousand (31 December 2019: Euro 21,500 thousand), as described in note 26.

As at 31 December 2020 and 2019, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that Banco Montepio assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 b). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by Banco Montepio in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

46 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of Banco Montepio.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of Banco Montepio.

Fair value of financial instruments

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13.

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

  c) Financial instruments shall be classified in level 2 if they are:

    iii. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

    iv. valued using indicative third-party purchase prices, based on observable market data.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

  c) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:

    iv. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;

    v. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or

    vi. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g. degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).

d) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

The following are the main methods and assumptions used in estimating the fair value of financial assets and liabilities.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.

- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

  The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters

  Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

iii. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces and their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.

iv. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recognized in the balance sheet at amortized cost

For financial instruments recognized in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

  For Deposits from Central Banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is negative in 0.33% for live operations as at 31 December 2020 (31 December 2019: negative in 0.4%).

  For repo associated with reverse repo the book value was considered. For the remaining loans and advances and deposits received, the discount rate used reflects the current conditions applied by Banco Montepio to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2020 and 2019, the average discount rate was a negative 0.21% for the remaining funds.

  For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

  These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

  Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

  The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant customers. The discount rate used reflects the current conditions applied by Banco Montepio to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. The average discount rate was 2.06% for mortgage loans (31 December 2019: 2.81%), 6.59% for private individual loans (31 December 2019: 5.98%) and 2.89% for the remaining loans (31 December 2019: 4.28%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by Banco Montepio to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of Banco Montepio at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2020 was 0.05% (31 December 2019: 0.15%).

- *Debt securities issued and Other subordinated debt*

  For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which Banco Montepio applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

  In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional customers of Banco Montepio.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

  Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

Type of instruments			Valuation methods	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	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value though profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3]
Financial Assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

(1) In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with Banco Montepio with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of these adjustments is shown in the table.

CVA and DVA Movements

(Euro thousand)

	2020		2019
	CVA	DVA	CVA
Adjustment:	**393**	**394**	**446**
of which: Financial derivatives maturity	1	-	(4)

Fair value of assets received in recovery of credit

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation;

- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

Banco Montepio

External Appraiser Companies

The selection of appraiser companies is based on the universe of entities registered as "expert appraisers" with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of the Bank of Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality, and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

As at 31 December 2020, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, including Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Japanese yean**
1 day	-0.495	0.165	0.09	-0.725	-0.15
7 days	-0.578	0.098	0.09	-0.595	-0.33
1 month	-0.554	0.17	0.09	-0.6	-0.33
2 months	-0.5498	0.18	0.09	-0.745	-0.31
3 months	-0.545	0.19	0.09	-0.6	-0.28
6 months	-0.526	0.22	0.145	-0.69	-0.27
9 months	-0.5125	0.25	0.195	-0.63	-0.21
1 year	-0.499	0.28	0.195	-0.64	-0.26
2 years	-0.524	0.349698	0.194905	-0.7125	-0.260163
3 years	-0.508	0.419396	0.194905	-0.675	-0.260163
5 years	-0.4575	0.558983	0.194905	-0.561	-0.260163
7 years	-0.3845	0.698378	0.194905	-0.441	-0.260163
10 years	-0.265	0.907854	0.194905	-0.2875	-0.260163
15 years	-0.072	1.145451	0.194905	-0.1125	-0.260163
20 years	0.009	1.309	0.194905	-0.1125	-0.260163
30 years	-0.025	1.39835	0.194905	-0.1125	-0.260163

As at 31 December 2019, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, including Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Japanese yean
1 day	-0.51	1.53	0.745	-0.745	-0.2
7 days	-0.499	1.586327	0.745	-0.77	-0.0846
1 month	-0.438	1.79	0.745	-0.755	-0.37
2 months	-0.411417	1.85	0.81	-0.725	-0.31
3 months	-0.383	1.92	0.85	-0.695	-0.35
6 months	-0.324	1.93	0.92	-0.65	-0.31
9 months	-0.285892	1.91	0.945	-0.58	-0.13
1 year	-0.249	1.94	0.995	-0.59	-0.27
2 years	-0.2935	1.937916	0.992537	-0.607	-0.270156
3 years	-0.238	1.935827	0.992537	-0.558	-0.270156
5 years	-0.1195	1.931643	0.992537	-0.436	-0.270156
7 years	0.016	1.927458	0.992537	-0.302	-0.270156
10 years	0.211	1.92119	0.992537	-0.112	-0.270156
15 years	0.467	1.958212	0.992537	0.094	-0.270156
20 years	0.599	2.027	0.992537	0.094	-0.270156
30 years	0.631	2.056	0.992537	0.094	-0.270156

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	2020	2019	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.2271	1.1234	6.925	6.675	6.55	6.525	6.45
EUR/GBP	0.89903	0.8508	8.4	7.925	7.575	7.475	7.325
EUR/CHF	1.0802	1.0854	4.613	4.85	5.05	5.25	5.31
EUR/JPY	126.49	121.94	6.475	6.75	7.1	7.225	7.338
EUR/BRL	6.3735	4.5157	20.15	18.725	18	17.75	17.375
EUR/AOA	797.1291	540.037	-	-	-	-	-

Regarding exchange rates, Banco Montepio uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of Banco Montepio as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

	2020				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 446 314	1 446 314	1 446 314
Loans and deposits to credit institutions payable on demand	-	-	53 498	53 498	53 498
Other loans and advances to credit institutions	-	-	858 704	858 704	864 077
Loans and advances to customers	1 207	-	10 731 397	10 732 604	10 652 227
Financial assets held for trading	11 508	-	-	11 508	11 508
Financial assets at fair value through profit or loss	569 612	-	-	569 612	568 383
Financial assets at fair value through other comprehensive income	-	265 320	-	265 320	265 320
Hedging derivatives	10 693	-	-	10 693	10 693
Other financial assets at amortized cost	-	-	3 981 949	3 981 949	4 034 119
	593 020	265 320	17 071 862	17 930 202	17 906 139
Financial liabilities					
Deposits from central banks	-	-	1 372 546	1 372 546	1 372 546
Deposits from other credit institutions	-	-	1 006 828	1 006 828	1 002 430
Deposits from customers	-	-	12 549 423	12 549 423	12 558 283
Debt securities issued	3 106	-	1 218 392	1 221 498	1 226 099
Financial liabilities associated with transferred assets	-	-	1 721 697	1 721 697	1 720 394
Financial liabilities held for trading	11 761	-	-	11 761	11 761
Hedging derivatives	397	-	-	397	397
Other subordinated debt	-	-	216 896	216 896	200 803
	15 264	-	18 085 782	18 101 046	18 092 713

(Euro thousand)

	2019				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	1 003 648	1 003 648	1 003 648
Loans and deposits to credit institutions repayable on demand	-	-	51 993	51 993	51 993
Other loans and advances to credit institutions	-	-	532 033	532 033	528 394
Loans and advances to customers	1 207	-	10 919 963	10 921 170	10 778 902
Financial assets held for trading	29 904	-	-	29 904	29 904
Financial assets at fair value through profit or loss	654 438	-	-	654 438	654 438
Financial assets at fair value through other comprehensive income	-	1 833 441	-	1 833 441	1 833 441
Hedging derivatives	11 148	-	-	11 148	11 148
Other financial assets at amortized cost	-	-	2 793 157	2 793 157	2 821 127
	696 697	1 833 441	15 300 794	17 830 932	17 712 995
Financial liabilities					
Deposits from central banks	-	-	1 291 033	1 291 033	1 291 033
Deposits from other credit institutions	-	-	701 674	701 674	707 958
Deposits from customers	-	-	12 527 546	12 527 546	12 529 701
Debt securities issued	6 587	-	1 256 674	1 263 261	1 263 092
Financial liabilities associated with transferred assets	-	-	1 939 462	1 939 462	1 939 835
Financial liabilities held for trading	11 098	-	-	11 098	11 098
Hedging derivatives	547	-	-	547	547
Other subordinated debt	-	-	157 847	157 847	172 668
	18 232	-	17 874 236	17 892 468	17 915 932

The following table summarizes, by valuation levels, for each group of financial assets and liabilities of Banco Montepio, their fair values with reference to 31 December 2020:

(Euro thousand)

	2020				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	1 446 314	-	-	-	1 446 314
Loans and deposits to credit institutions repayable on demand	53 498	-	-	-	53 498
Other loans and advances to credit institutions	-	-	864 077	-	864 077
Loans and advances to customers	-	1 207	10 651 020	-	10 652 227
Financial assets held for trading	7 524	3 984	-		11 508
Financial assets at fair value through profit or loss	-	-	568 383		568 383
Financial assets at fair value through other comprehensive income	169 117	3 088	91 835	1 280	265 320
Hedging derivatives	-	10 693	-	-	10 693
Other financial assets at amortized cost	4 034 119	-	-	-	4 034 119
	5 710 572	18 972	12 175 315	1 280	17 906 139
Financial liabilities					
Deposits from central banks	1 372 546	-	-	-	1 372 546
Deposits from other credit institutions	-	-	1 002 430	-	1 002 430
Deposits from customers	-	-	12 558 283	-	12 558 283
Debt securities issued	-	3 106	1 222 993	-	1 226 099
Financial liabilities associated with transferred assets		-	1 720 394	-	1 720 394
Financial liabilities held for trading	-	11 761	-	-	11 761
Hedging derivatives	-	397	-	-	397
Other subordinated debt	-	-	200 803	-	200 803
	1 372 546	15 264	16 704 903	-	18 092 713

The following table summarizes, by valuation levels, for each group of financial assets and liabilities of Banco Montepio, their fair values with reference to 31 December 2019:

(milhares de euros)

	2019				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	1 003 648	-	-	-	1 003 648
Loans and deposits to credit institutions repayable on demand	51 993	-	-	-	51 993
Other loans and advances to credit institutions	-	-	528 394	-	528 394
Loans and advances to customers	-	1 207	10 777 695	-	10 778 902
Financial assets held for trading	13 009	4 056	12 839	-	29 904
Financial assets at fair value through profit or loss	7 551	-	646 887	-	654 438
Financial assets at fair value through other comprehensive income	1 726 281	10 548	95 581	1 031	1 833 441
Hedging derivatives	-	11 148	-	-	11 148
Other financial assets at amortized cost	2 821 127	-		-	2 821 127
	5 623 609	26 959	12 061 396	1 031	17 712 995
Financial liabilities					
Deposits from central banks	1 291 033	-	-	-	1 291 033
Deposits from other credit institutions	-	-	707 958	-	707 958
Deposits from customers	-	-	12 529 701	-	12 529 701
Debt securities issued	-	6 587	1 256 505	-	1 263 092
Financial liabilities associated with transferred assets	-	-	1 936 835	-	1 936 835
Financial liabilities held for trading	-	11 098	-	-	11 098
Hedging derivatives	-	547	-	-	547
Other subordinated debt	-	-	172 668	-	172 668
	1 291 033	18 232	16 603 667	-	17 912 932

47 Post-employment and long-term benefits

Banco Montepio assumed the responsibility to pay its employees and members of the Management Bodies old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 s).

In accordance with the same policy, Banco Montepio calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

Banco Montepio's general pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

To the respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of Banco Montepio, or as employees who had been permanent employees of same and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

Banco Montepio's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to the payment by the Pension Fund of a pension calculated as per the preceding paragraph, proportional to the time of service rendered to Banco Montepio.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

Banco Montepio has no other mechanisms to ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, Banco Montepio signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS were now made based on a fixed cost per employee and were no longer indexed to salaries.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2020	**2019**
Financial assumptions		
Salary growth rate	0.5%	0.75%
Pension growth rate	0.3%	0.5%
Rate of return of the Fund	1.15%	1.5%
Discount rate	1.15%	1.5%
Revaluation rate		
Salary growth rate - Social Security	1.25%	1.5%
Monetary correction rate	1%	1%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2020, the average duration of the pension liabilities of the employees is 19.0 years (31 December 2019: 19.6 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2020	**2019**
Active	2 999	3 269
Retirees and survivors	1 469	1 310
	4 468	4 579

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)

	2020	2019
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(400 792)	(318 382)
Active	(389 474)	(453 150)
	(790 266)	(771 532)
Liabilities with healthcare benefits		
Pensioners	(26 933)	(22 821)
Active	(42 235)	(42 514)
	(69 168)	(65 335)
Liabilities with death benefits		
Pensioners	(1 752)	(1 909)
Active	(2 235)	(1 785)
	(3 987)	(3 694)
Total liabilities	(863 421)	(840 561)
Coverages		
Pension fund value	853 546	826 051
Net assets/(liabilities) in the balance sheet	(9 875)	(14 510)
Accumulated actuarial remeasurements recognized in other comprehensive income	291 131	290 857

The evolution of liabilities with pension benefits, healthcare benefits and death benefits can be analysed as follows:

(Euro thousand)

	2020				2019			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the financial year	771 532	65 335	3 694	840 561	675 843	55 028	2 973	733 844
Recognized in net income/(loss) (note 11)								
Current service cost	4 902	1 778	79	6 759	4 726	1 415	58	6 199
Interest cost	11 573	980	55	12 608	15 206	1 238	67	16 511
Early retirement, mutually agreed termination and others	14 180	-	-	14 180	344	-	-	344
Recognized in equities (Note 43)								
Actuarial gains/(losses)								
Changes in assumptions	1 983	2 270	200	4 453	79 904	-	-	79 904
Not related to changes in assumptions	6 656	(1 196)	(41)	5 419	15 408	7 654	596	23 658
Other								
Pensions paid by the Fund	(20 527)	-	-	(20 527)	(19 482)	-	-	(19 482)
Pensions paid by Banco Montepio	(2 395)	-	-	(2 395)	(2 764)	-	-	(2 764)
Participant contributions	2 362	-	-	2 362	2 347	-	-	2 347
Other	-	1	-	1	-	-	-	-
Liabilities at the end of the financial year	790 266	69 168	3 987	863 421	771 532	65 335	3 694	840 561

The evolution of the Pension Fund's net asset value in financial years ended 31 December 2020 and 2019 can be analysed as follows:

(Euro thousand)

	2020	2019
Value of the Fund at the beginning of the financial year	826 051	715 388
Recognized in net income/(loss) (note 11)		
Share of net interest	12 062	16 097
Recognized in equity (note 43)		
Financial deviations	9 598	26 701
Outros		
Contributions from Banco Montepio	24 000	85 000
Participant Contributions	2 362	2 347
Pensions paid by the Fund	(20 527)	(19 482)
Value of the Fund at the end of the financial year	853 546	826 051

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2020, Banco Montepio participates in 98.7% (31 December 2019: 97.2%) in the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

As at 31 December 2020 and 2019, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2020				2019			
	Fund's Assets	%	Quoted	Unquoted	Fund's Assets	%	Quoted	Unquoted
Variable income securities								
Equities	47 743	6%	47 743	-	45 602	6%	45 602	-
Equity Investment funds	128 906	15%	-	128 906	105 139	13%	-	105 139
Bonds	584 665	68%	514 929	69 736	523 449	63%	468 878	54 571
Real Estate	5 554	1%	-	5 554	5 420	1%	-	5 420
Real Estate investment funds	34 358	4%	-	34 358	34 252	4%	676	33 576
Venture capital funds	6 250	1%	-	6 250	5 562	1%	-	5 562
Loans and advances to banks and other	46 070	5%	-	46 070	106 627	13%	-	106 627
	853 546	100%	562 672	290 874	826 051	100%	515 156	310 895

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are Banco Montepio entities are analysed as follows:

(Euro thousand)

	2020	2019
Loans and advances in banks and other	46 070	106 627
Real Estate	5 554	5 420
Bonds	2 109	2 081
	53 733	114 128

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2020	2019
Actuarial gains/(losses) at the beginning of the financial year	290 857	213 996
Actuarial gains/(losses) in the financial year		
Changes in the discount rate	54 437	109 589
Changes in the salary growth rate	(21 970)	(29 685)
Changes in the pensions growth rate	(28 014)	-
Pension Fund's return deviation	(9 598)	(26 701)
Other changes	5 419	23 658
Actuarial gains/(losses) recognized in other comprehensive income	291 131	290 857

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2020	2019
Current service cost	6 759	6 199
Net interest income/(expense) on the liabilities coverage balance	546	414
Costs with early retirement, mutually agreed termination and other	14 180	344
Costs for the financial year	21 485	6 957

The evolution of net assets/(liabilities) in the balance sheet, in financial years ended 31 December 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020	2019
At the beginning of the financial year	(14 510)	(18 456)
Contributions by Banco Montepio	24 000	85 000
Current service cost	(6 759)	(6 199)
Net interest income/(expense) on the liabilities coverage balance	(546)	(414)
Actuarial gains/(losses)	(9 872)	(103 562)
Financial gains/(losses)	9 598	26 701
Pensions paid by Banco Montepio	2 395	2 764
Early retirement, mutually agreed termination and other	(14 180)	(344)
Other	(1)	-
At the end of the financial year	(9 875)	(14 510)

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, Banco Montepio performed a sensitivity analysis to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2020		2019	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(36 385)	38 880	(35 657)	38 047
Salary growth rate (0.25% change)	28 180	(25 738)	26 222	(24 252)
Pension growth rate (0.25% change)	34 557	(32 928)	33 307	(31 853)
SAMS contribution (0.25% change)	3 666	(3 666)	3 722	(3 722)
Future mortality (1 year change)	(27 015)	27 074	(25 804)	25 765

In 2020, the cost associated with the end-of-career awards amounted to Euro 2,251 thousand (2019: Euro 1,989 thousand), in accordance with the accounting policy described in note 1 r) and as per note 39.

48 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2020 and 2019, the amount of the funds for which Banco Montepio acts as depository bank is analysed as follows:

(Euro thousand)

	2020	2019
Securities Investment funds	158 724	189 629
Real estate Investment funds	594 370	563 828
Pension Funds	265 616	249 258
Bancassurance	955	996
	1 019 665	1 003 711

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

49 Related parties

As defined in IAS 24, the companies detailed in note 55, the Pension Fund, the members of the Corporate Bodies and the key management personnel are considered related parties of Banco Montepio. In addition to the members of the Corporate Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article no. 85 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties. Banco Montepio's first-line managers are considered Other key management personnel.

On this basis, with reference to 31 December 2020, the list of related parties considered by Banco Montepio is presented as follows:

Major Shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chairman of the Board of directors
Carlos Manuel Tavares da Silva
Non-executive members
Manuel Ferreira Teixeira
Amadeu Ferreira de Paiva
Carlos Francisco Ferreira Alves
José da Cunha Nunes Pereira
Pedro Jorge Gouveia Alves
Rui Pedro Brás de Matos Heitor
Vítor Manuel do Carmo Martins
Executive Committee
Chief Executive Officer
Pedro Manuel Moreira Leitão
Executive members
Dulce Maria Pereira Cardoso Mota Jorge Jacinto
Helena Catarina Gomes Soares de Moura Costa Pina
Jorge Paulo Almeida e Silva Baião [1]
José Carlos Sequeira Mateus
Leandro Rodrigues da Graça Silva
Nuno Cardoso Correia da Mota Pinto
Pedro Miguel Nunes Ventaneira
Audit committee
Chairman of the Audit Committee
Manuel Ferreira Teixeira
Members
Amadeu Ferreira de Paiva
Carlos Francisco Ferreira Alves
José da Cunha Nunes Pereira
Vítor Manuel do Carmo Martins

Other related parties Board of Directors
Amândio Manuel Carrilho Coelho
António Manuel de Jesus Gouveia
António Paulo da Silva Gonçalves Raimundo
Carlos Vicente Morais Beato
Edite da Encarnação Paiva Baptista Cheira
Fernanda Maria da Costa Simões Brázia
Fernando Ferreira Santo
Fernão Vasco de Almeida Bezerra Fernandes Thomaz
Francisco José Gonçalves Simões
Idália Maria Marques Salvador Serrão
Isabel Margarida Carvalho Simões Cidrais Guimarães
Isabel Maria Loureiro Alves Brito
Joana Cristina Veiga Carvalho Barbosa [2]
João Andrade Lopes
João António Morais da Costa Pinto
João Carlos Carvalho das Neves
João Carlos Martins da Cunha Neves
João Filipe Milhinhos Roque
João Francisco Mendes Almeida de Gouveia
Joaquim Mariano Gargana Cabaço
Jorge Manuel Santos Oliveira
José António Fonseca Gonçalves
José António Truta Pinto Rabaça
José Luís Esparteiro da Silva Leitão
José Mendes Alfaia
Laura Catarina Simões Cardoso Duarte Teodósio
Luís Filipe dos Santos Costa
Luís Filipe Pocinho Coutinho Antunes
Luís Gabriel Moreira Maia de Almeida
Luís Paulo da Silva Mendes
Manuel Carlos Costa da Silva
Manuel de Pinho Baptista
Margarida Maria Pinto Rodrigues D'Archambeau Duarte
Maria Dalila Correia Araújo Teixeira
Maria Lúcia Ramos Bica
Maria Manuela Traquina Rodrigues
Maria Margarida Carrusca Pontes do Rosário Ribeiro de Andrade
Maria Rosa Almas Rodrigues

Other related parties Board of Directors (cont.)
Nuno Henrique Serra Mendes
Nuno Manuel Marques da Silva
Nuno Ribeiro Quesada Van Zeller
Paulo José Martins Jorge da Silva
Pedro Manuel Gaspar de Vasconcelos Carrasco
Pedro Miguel Moura Líbano Monteiro
Pedro Miguel Rodrigues Crespo
Ricardo Canhoto de Carvalho
Rui Miguel Alves Eugénio de Sousa de Nápoles
Tereza de Jesus Teixeira Barbosa Amado
Vasco Francisco Coelho Almeida
Virgílio Manuel Boavista Lima
Vitor Guilherme de Matos Filipe
Vítor Manuel Lopes Marques Saraiva

Other key management Personnel
Alexandra Maria Borges Ferreira Rolo Pimenta Santos
Alexandra Melo Ponciano
Ana Maria Nascimento Sá Couto Júdice Pargana
Ana Maria Sousa Capelão Teixeira Fernandes Mendonça Neves
Ana Paula Maia Fernandes
António Fernando Figueiredo Lopes
António José Boavista Coelho
António José Miranda Lopes Coutinho
António Miguel Coelho Oliveira
Armando Jorge Pereira Oliveira Lopes
Armando José Lemos Cardoso
Bruno Manuel Ferro Espadanal Torres Magalhães
Carlos Alberto Figueiral Azevedo
Daniel Maximino Caçador
Fernando Jorge Lopes Centeno Amaro
Fernando Manuel Silva Costa Alexandre
Filipa Castro Costa
Filipe José Silva Rocha
Gabriel Fernando Sá Torres
Helder Ferreira Reis
Hélio Miguel Gomes Marques
Inês Maria Pinho Mourinho Oliveira Sousa Dargan
Jaquelina Maria Almeida Rodrigues Miguens
João Tiago Maia Barros Silva Teixeira
Joaquim António Canhoto Gonçalves Silva
Jorge Humberto Cruz Barros Jesus Luís
José Luís Dias Jesus
José Miguel Carneiro Mello
Luis Filipe Pereira Cruz Nunes
Luís Miguel Oliveira Melo Correia
Manuel Fernando Caixado Castanho
Maria Carmo Martins Ventura Calvão
Maria Eduarda Madureira Osório Botelho Fernandes
Maria Fernanda Infante Melo Costa Correia
Miguel Alexandre Teixeira Coelho
Mónica Susana Martins Ferreira Sousa Araújo
Nuno Augusto Pereira Coelho
Patricia Ester Carvalho Esteves Fernandes
Paulo Jorge Andrade Rodrigues
Paulo Miguel Ferreira Trindade
Pedro Jorge Ponte Araújo
Pedro Miguel Soares Vieira
Pedro Nuno Coelho Pires
Ricardo Artur Silva Ribeiro
Rui Jorge Correia Pereira Santos
Rui Luís Magalhães Moura
Rui Sérgio Carvalho Santos Calheiros Gama
Sandra Maria Santos Gameiro Henriques Jesus Brito Pereira
Sanguini Shirish
Susana Cristina Costa Pinheiro
Tânia Carina Cardoso Madeira
Tiago Luís Marques Coelho Martins
Tiago Miguel Fidalgo Oliveira Coito
Vítor António Santos Ventura
Vitor Fernando Santos Cunha

[1] Mr. Jorge Paulo Almeida e Silva Baião was co-opted in the 18th of february of 2021 and authorized by the Bank of Portugal in the 9th of february of 2021, thereby becoming a Member of the Executive committee in the 22nd of february of 2021.

Other related parties

Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
CESource, A.C.E.
Clínica CUF Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Angola, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
HTA – Hoteis, Turismo e Animação dos Açores, S.A.
In Posterum, A.C.E.
Leacock - Prestação de Serviços, Lda.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Residências para Estudantes, S.A.
Montepio Seguros, S.G.P.S., S.A.
Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Naviser - Transportes Marítimos Internacionais, S.A.
NovaCâmbios - Instituição de Pagamento, S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.

Related parties resulting from the stake held in Finibanco Angola, SA:

Banco de Negócios Internacional, S.A. (BNI)
Banco Terra. S.A.
Bifashion
Chamavo e Companhia
Cominder Comércio e Indústria
Consar Gestão de Empreendimentos e Serviços
Fundação Mucusso
Gelcon Holding Company
Geminas
Gesimet Indústria Siderúrgica de Angola S.A.
Grupo Gema
Himoinsa Angola
Iberpartners Cafés
Jameg Lda.
Medabil Angola
Novacal
Porto Seco da Mulemba
Shafaris
Vauco Automóveis e Equipamentos

As at 31 December 2020, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits and loans to other credit institutions repayable on demand, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2020									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of directors	-	-	622	-	-	-	-	-	-	622
Other related parties Board of Directors	-	-	2 555	2	-	-	-	-	-	2 553
Other key management personnel	-	-	3 905	4	-	-	-	-	-	3 901
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	-	-	-	-	-	-	55	-	-	55
Bolsimo - Gestão de Activos, S.A.	-	-	7 483	393	-	-	22	5 431	-	12 543
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-		29	-	-	29
CESource, A.C.E.	-	-	-	-	-	-	48	-	-	48
Finibanco Angola, S.A.	20 938	-	-	-	-	-	85	35 615	-	56 638
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	-	-	-	26	-	-	27
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	-	-	-	-	-	500	-	500
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	1 867	612	86	46	-	1 387
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	415	-	-	-	-	415
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	437 501	-	-	-	-	131	99 700	-	537 332
Montepio Geral Associação Mutualista	-	-	2	8	-	-	1 947	120	1	2 060
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	1	-	10	-	-	11
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-		648	-	-	648
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	127 736	-	-	127 736
Montepio Investimento, S.A.	-	262 067	-	-	-	-	1 548	238 181	2	501 794
Montepio Valor - S.G.O.I.C., S.A.	-	-	-	-	-	-	45	-	-	45
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	830	92	-	-	-	1 446	8	2 176
PEF - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	200	7	193
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	150	5	145
Residências Montepio, Serviços de Saúde, S.A.	-	-	948	139	-	-	47	500	7	1 349
	20 938	699 568	16 346	638	2 283	612	132 463	381 889	30	1 252 207

As at 31 December 2019, assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits and loans to with other credit institutions repayable on demand, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2019									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of Directors	-	-	664	-	-	-	-	-	-	664
Other relatd parties Board of directors	-	-	2 499	1	-	-	-	8	-	2 506
Other key management personnel	-	-	3 600	3	-	-	-	-	-	3 597
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	-	-	-	-	-	-	6	-	-	6
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-		41	-	-	41
CESource, A.C.E.	-	-	-	-	-	-	49	-	-	49
Finibanco Angola, S.A.	22 659	-	-	-	-	-	119	56 873	17	79 634
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	-	-	-	13	-		14
Germont – Empreendimentos Imobiliários, S.A.	-	-	69	18	-	-	-	11 931	18	11 964
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	-	-	-	-	-	500	1	499
Lusitania Vida, Companhia de Seguros, S.A.	-	-	1	-	-	-	-	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	923	58	93	46	-	1 004
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	415	-	-	-	-	415
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	358 937	-	-	-	-	62	36 020	53	394 966
Montepio Geral Associação Mutualista	-	-	5	-	-	-	5 465	382	-	5 852
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	2	-	-	-	-	2
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-		2 877	-	-	2 877
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	130 325	-	-	130 325
Montepio Imóveis – Sociedade Imobiliária, S.A.	-	-	7 544	56	-	-	-	-	-	7 488
Montepio Investimento, S.A.	-	25 000	17	3	-	-	145	181	2	25 338
Montepio Valor - S.G.O.I.C., S.A.	-	-	-	-	-	-	48	-	-	48
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	968	17	-	-	-	1 354	10	2 295
PEF - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	200	-	200
Polaris-Fundo de Investimento Imobiliário Fechado	-	-		-	-	-	-	2 000	3	1 997
Residências Montepio, Serviços de Saúde, S.A.	-	-	646	5	-	-	9	500	1	1 149
	22 659	383 937	16 014	103	1 340	58	139 252	109 995	105	672 931

As at 31 December 2020, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2020				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued	Other liabilities	Total
Board of Directors	-	1 757	-	-	1 757
Other related parties Board of directors	-	3 479	-	-	3 479
Other key management personnel	-	2 406	-	-	2 406
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	117 619	-	-	-	117 619
Bolsimo - Gestão de Activos, S.A.	-	1 902	-	-	1 902
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	9 447	-	-	9 447
Clínica CUF Belém, S.A.	-	10	-	-	10
Empresa Gestora de Imóveis da Rua do Prior S.A	-	166	-	-	166
Finibanco Angola, S.A.	36 059	-	-	4 300	40 359
Fundação Montepio Geral	-	838	-	-	838
Fundo de Pensões - Montepio Geral	-	39 188	2 103	-	41 291
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	493	-	-	493
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	89	-	-	89
In Posterum, A.C.E.	-	93	-	-	93
Lusitania Vida, Companhia de Seguros, S.A.	-	10 396	-	-	10 396
Lusitania, Companhia de Seguros, S.A.	-	4 031	-	-	4 031
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	17 984	-	-	17 984
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	7 697	-	-	7 697
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	29 320	-	-	29 320
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	6 393	-	-	6 393
Montepio Geral Associação Mutualista	-	140 129	200 388	-	340 517
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	1 600	-	-	1 600
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 450	-	-	2 450
Montepio Holding, S.G.P.S., S.A.	-	23 540	-	-	23 540
Montepio Investimento, S.A.	33 181	-	-	31	33 212
Montepio Residências para Estudantes, S.A.	-	537	-	-	537
Montepio Seguros, S.G.P.S., S.A.	-	2 028	-	-	2 028
Montepio Valor - S.G.O.I.C., S.A.	-	4 825	-	-	4 825
NovaCâmbios - Instituição de Pagamento, S.A.	-	512	-	-	512
PEF - Fundo de Investimento Imobiliário Fechado	-	3 635	-	-	3 635
Polaris-Fundo de Investimento Imobiliário Fechado	-	192	-	-	192
Residências Montepio, Serviços de Saúde, S.A.	-	138	-	-	138
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	45	-	-	45
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 122	-	-	3 122
Sociedade Portuguesa de Administrações, S.A.	-	148	-	-	148
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	20 584	-	-	20 584
	186 859	339 174	202 491	4 331	732 855

As at 31 December 2019, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2019				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued	Other liabilities	Total
Board of directors	-	1 881	-	-	1 881
Other related parties Board of Directors	-	3 640	-	-	3 640
Other key management Personnel	-	2 088	-	-	2 088
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	147 357	-	-	-	147 357
Bolsimo - Gestão de Activos, S.A.	-	358	-	-	358
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	50 152	-	-	50 152
Clínica CUF Belém, S.A.	-	29	-	-	29
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	2	-	-	2
Empresa Gestora de Imóveis da Rua do Prior S.A	-	113	-	-	113
Finibanco Angola, S.A.	27 072	-	-	-	27 072
Fundação Montepio Geral	-	918	-	-	918
Fundo de Pensões - Montepio Geral	-	87 682	2 100	-	89 782
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	327	-	-	327
Germont – Empreendimentos Imobiliários, S.A.	-	1 125	-	-	1 125
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	71	-	-	71
In Posterum, A.C.E.	-	100	-	-	100
Lusitania Vida, Companhia de Seguros, S.A.	-	19 297	-	-	19 297
Lusitania, Companhia de Seguros, S.A.	-	2 998	-	-	2 998
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	15 292	-	-	15 292
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	6 012	-	-	6 012
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	27 824	-	-	27 824
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	2 457	-	-	2 457
Montepio Geral Associação Mutualista	-	131 971	140 105	-	272 076
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	1 830	-	-	1 830
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 388	-	-	2 388
Montepio Holding, S.G.P.S., S.A.	-	16 487	-	333	16 820
Montepio Imóveis – Sociedade Imobiliária, S.A.	-	22	-	-	22
Montepio Investimento, S.A.	5 093	-	-	447	5 540
Montepio Residências para Estudantes, S.A.	-	526	-	-	526
Montepio Seguros, S.G.P.S., S.A.	-	1 021	-	-	1 021
Montepio Valor - S.G.O.I.C., S.A.	-	5 236	-	-	5 236
N Seguros, S.A.	-	327	-	-	327
NovaCâmbios - Instituição de Pagamento, S.A.	-	1 150	-	-	1 150
PEF - Fundo de Investimento Imobiliário Fechado	-	617	-	-	617
Polaris-Fundo de Investimento Imobiliário Fechado	-	71	-	-	71
Residências Montepio, Serviços de Saúde, S.A.	-	560	-	-	560
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	32	-	-	32
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2 948	-	-	2 948
Sociedade Portuguesa de Administrações, S.A.	-	189	-	-	189
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	16 929	-	447	17 376
	179 522	404 670	142 205	1 227	727 624

As at 31 December 2020, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2020						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	Net gains/ (losses) arising from financial assets and liabilities at fair value through other comprehensive income	Staff costs	General and administrative expenses
Board of directors	-	2	1	-	-	-	-
Other related parties Board of directors	9	5	3	-	-	-	-
Other key management personnel	24	4	3	1	-	-	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	-	1 968	1	99	-	(72)	-
Bolsimo - Gestão de Ativos, S.A.	424	3	1	-	-	(110)	-
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	7	125	-	2 583	-	-
CESource, A.C.E.	-	-	-	-	-	(578)	-
Finibanco Angola, S.A.	-	-	1	-	-	(112)	-
Fundo de Pensões - Montepio Geral	-	15	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-		2 729	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	6	-	1	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-		4 136	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-		6 810	9	-	-	-
Montepio Arrendamento - F.I.I. Fechado para Arrendamento Habitacional	-	-	59	1	-	-	-
Montepio Arrendamento II - F.I.I. Fechado para Arrendamento Habitacional	-	-	28	1	-	-	-
Montepio Arrendamento III - F.I.I. Fechado para Arrendamento Habitacional	-	-	104	1	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 473	-	13	278	-	(287)	-
Montepio Geral Associação Mutualista	8	15 818	1 245	1	-	(14 896)	2 171
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	2	-	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 988)	-	(4 057)	-
Montepio Hording, S.G.P.S., S.A.	-	-	13	51	-	(790)	-
Montepio Investimento, S.A.	668	-	24	422	-	-	-
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	38	-	-	-	-
Montepio Valor - S.G.O.I.C., S.A.	-	-	294	172	-	(575)	-
NovaCâmbios - Instituição de Pagamento, S.A.	37	-	62	6	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	1	-	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	1	-	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	36	-	24	-	-	(113)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	5	1	-	-	-	-
	3 687	17 828	15 733	(1 946)	2 583	(21 590)	2 171

As at 31 December 2019, Banco Montepio's income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Staff costs, and General and administrative expenses, are analysed as follows:

(Euro thousand)

Company	2019 Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	Staff costs	General and administrative expenses
Board of Directors	-	2	1	1	-	-
Other related parties Board of Directors	8	5	3	1	-	-
Other key management personnel	23	5	3	1	-	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	2	2 476	1	99	(71)	-
Bolsimo - Gestão de Ativos, S.A.	-	-	1	-	(65)	-
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	115	124	-	-	-
CESource, A.C.E.	-	-	-	-	(579)	-
Finibanco Angola, S.A.	-	-	-	-	(137)	-
Fundação Montepio Geral	-	-	1	-	-	-
Fundo de Pensões - Montepio Geral	-	32	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	6	2 577	-	-	-
Germont – Empreendimentos Imobiliários, S.A.	203	-	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	20	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	11	4 411	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	10	6 234	8	-	-
Montepio Arrendamento - F.I.I. Fechado para Arrendamento Habitacional	-	30	193	1	-	-
Montepio Arrendamento II - F.I.I. Fechado para Arrendamento Habitacional	-	27	162	1	-	-
Montepio Arrendamento III - F.I.I. Fechado para Arrendamento Habitacional	-	30	204	1	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	3 385	-	18	30	(161)	-
Montepio Geral Associação Mutualista	3	12 577	1 761	3	(9 450)	2 213
Montepio Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	1	5	-		-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	(2 523)	2 919
Montepio Holding, S.G.P.S., S.A.	788	-	4	-	-	-
Montepio Imóveis – Sociedade Imobiliária, S.A.	218	3	-	-	-	-
Montepio Investimento, S.A.	78	8	60	416	(794)	-
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	28	-	-	-
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	-	11	331	-	(546)	-
N Seguros, S.A.	-	1	16	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	40	-	61	5	-	-
PEF - Fundo de Investimento Imobiliário Fechado	2	-	12	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	41	-	3	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	17	-	17	-	(105)	-
SAS Apostas Sociais, Jogos e Apostas Online, S.A.	-	-	-	-	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	9	-	-	-	-
SAGIS - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-	-
	4 828	15 360	16 233	567	(14 431)	5 132

Remuneration and social charges with the members of the Board of Directors (including members of the Audit Committee), and Other key management personnel are detailed in note 11.

In financial years 2020 and 2019, there were no transactions with Banco Montepio's Pension Fund.

50 Securitization of assets

As at 31 December 2020 and 2019, there are six securitization operations, five of which originated in Banco Montepio, and one in Montepio Investimento, S.A., currently integrated in Banco Montepio following the success of the General and Voluntary Public Offering over the representative shares of Montepio Holding, S.G.P.S., S.A. (previously named Finibanco Holding, S.G.P.S., S.A.) and the transmission of almost all assets and liabilities (business acquisition) to Banco Montepio, as referred to in the accounting policy described in note 1 a).

We present next some additional details of these securitization operations.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), Pelican Mortgages no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, *Pelican Mortgages* no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

As at 9 December 2008, Montepio Investimento S.A. (at that date, Finibanco, S.A.) sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years. It should be noted that Montepio Investimento disposed of this securitization portfolio to Banco Montepio in 2011.

As at 25 March 2009, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 5. The total period of the operation is 52 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,027,500 thousand. The sale was made at par, with the initial sale process costs representing 0.0564% of par.

As at 5 March 2012, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, Pelican Mortgages no. 6. The total period of the operation is 51 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,107,000 thousand. The sale was made at par, with the initial sale process costs representing 0.1083% of the Asset-Backed Notes.

As at 7 May 2014, Banco Montepio and Montepio Crédito celebrated with Tagus, a contract for the sale of consumer loans originated by same in the scope of a loan securitization contract (Pelican Finance no. 1). The total period of the operation is 14 years, with a revolving period of 18 months, amended in November 2015 to 42 months and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 308,700 thousand, of which 60.0% were constituted by Banco Montepio. The sale was made at par, with the initial sale process costs representing 0.1871% of the Asset-backed Notes.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Mortgages no. 5, Pelican Mortgages no. 6 and Aqua Mortgages no. 1).

Banco Montepio does not hold any direct or indirect shareholding in the companies Tagus and Sagres.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Bank retained most of the risks and rewards associated with the securitized loans. If the Bank substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2020, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

Issue	Issuance date	Currency	Transferred asset	Loans and advances: Amount issued	Loans and advances: Current amount	Securities issued: Nominal value issued	Securities issued: Current nominal value	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	145 122	762 375	111901	38 667
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	452 144	1 028 600	482450	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	76 528	236 500	79 203	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage loans	1 027 500	452 911	1 027 500	478 456	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage loans	1 107 000	570 032	1 107 000	648 080	-
Pelican Finance No. 1	May 2014	euro	Consumer loans	185 300	44 629	185 300	51 094	-
				4 347 275	1 741 366	4 347 275	1 851 184	38 667

* Includes nominal amount, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and nature of contract, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations: *Pelican Mortgage n.º 3*	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Mortgage n.º 5*	*Pelican Mortgage n.º 6*	*Pelican Finance n.º 1*	Total
Domestic loans and advances							
Retail							
Mortgage	143 949	450 648	75 641	451 592	561 276	-	1 683 106
Consumer and other loans	-	-	-	-	-	42 348	42 348
	143 949	450 648	75 641	451 592	561 276	42 348	1 725 454
Past due loans and advances and interest							
Less than 90 days	107	648	541	344	2 260	243	4 143
More than 90 days	1 066	848	346	975	6 496	2 038	11 769
	1 173	1 496	887	1 319	8 756	2 281	15 912
	145 122	452 144	76 528	452 911	570 032	44 629	1 741 366

As at 31 December 2019, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

Issue	Issuance date	Currency	Transferred asset	Loans and advances: Amount issued	Loans and advances: Outstanding amount	Securities issued: Nominal value issued	Securities issued: Current nominal value	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	171 989	762 375	177 299	45 799
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	495 966	1 028 600	528 439	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	87 968	236 500	90 177	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage loans	1 027 500	499 050	1 027 500	524 377	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage loans	1 107 000	637 096	1 107 000	713 822	-
Pelican Finance No. 1	May 2014	euro	Consumer loans	185 300	70 338	185 300	136 103	-
				4 347 275	1 962 407	4 347 275	2 170 217	45 799

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and nature of contract, as at 31 December 2019, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations						
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Mortgage n.º 5*	*Pelican Mortgage n.º 6*	*Pelican Finance n.º 1*	**Total**
Domestic loans and advances							
Retail							
Mortgage	170 787	494 581	86 852	497 884	629 539	-	1 879 643
Consumer and other loans	-	-	-	-	-	68 194	68 194
	170 787	494 581	86 852	497 884	629 539	68 194	1 947 837
Past due loans and advances and interest							
Less than 90 days	86	726	365	424	2 394	182	4 177
More than 90 days	1 116	659	751	742	5 163	1 962	10 393
	1 202	1 385	1 116	1 166	7 557	2 144	14 570
	171 989	495 966	87 968	499 050	637 096	70 338	1 962 407

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Mortgages no. 5, Pelican Mortgages no. 6 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1, Pelican Mortgages no. 4, Pelican Mortgages no. 5, Pelican Mortgages no. 6 and Pelican Finance no. 1) and partially, in the case of Pelican Mortgages no. 3.

In the case of the more senior notes, these are recorded as Other financial assets at amortized cost (note 26), while in the case of the residual notes these are recorded in the caption Financial assets at fair value through profit or loss (note 23), and, as at 31 December 2020, these are analysed as follows:

Issue	Bonds	Initial nominal amount euro	Current nominal amount euro	Nominal amount held by Banco Montepio euros	Maturity date	Bond ratings (initial)				Bond ratings (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	138 350 012	99 598 316	2054	AAA	Aaa	AAA	n.a.	BBB-	A3	BBB-	n.a.
	Class B	14 250 000	3 572 001	3 572 001	2054	AA-	Aa2	AA-	n.a.	BBB-	Ba1	B-	n.a.
	Class C	12 000 000	3 008 001	3 008 001	2054	A	A3	A	n.a.	BB	B2	B-	n.a.
	Class D	6 375 000	1 598 001	1 598 001	2054	BBB	Baa3	BBB	n.a.	B	Caa1	B-	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	357 936 501	357 936 501	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AA
	Class B	55 500 000	31 685 880	31 685 880	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	34 255 005	34 255 005	2056	A-	n.a.	n.a.	BBB	BBB	n.a.	n.a.	n.a.
	Class D	25 000 000	14 272 919	14 272 919	2056	BBB	n.a.	n.a.	B+	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	15 700 211	15 700 211	2056	BB	n.a.	n.a.	B	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	57 093 499	57 093 499	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	18 609 200	18 609 200	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	314 319 574	314 319 574	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195 000 000	110 086 392	110 086 392	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	15 525 004	15 525 004	2061	B	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	27 500 000	15 525 004	15 525 004	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	292 879 799	292 879 799	2063	A	n.a.	A-	AA	A+	n.a.	A	AAA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	43 715 916	26 242 477	2028	A	n.a.	n.a.	A	A+	n.a.	n.a.	AAL
	Class B	91 100 000	26 732 717	16 051 368	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	8 800 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2019, the securities issued by the special purpose vehicles, are analysed as follows:

Issue	Bonds	Initial nominal amount euro	Current nominal amount euro	Nominal amount held by Banco Montepio euro	Maturity date	Bond ratings (Initial)				Bond ratins (Current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	163 508 676	117 781 633	2054	AAA	Aaa	AAA	n.a.	BBB	A2	A	n.a.
	Class B	14 250 000	4 221 562	4 221 562	2054	AA-	Aa2	AA-	n.a.	BBB	Ba1	BB-	n.a.
	Class C	12 000 000	3 555 000	3 555 000	2054	A	A3	A	n.a.	BB+	B2	B	n.a.
	Class D	6 375 000	1 888 594	1 888 594	2054	BBB	Baa3	BBB	n.a.	BB	Caa1	B-	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	394 205 764	394 205 764	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AAH
	Class B	55 500 000	34 896 571	34 896 571	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	37 726 022	37 726 022	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	15 719 176	15 719 176	2056	BBB	n.a.	n.a.	B+	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	17 291 094	17 291 094	2056	BB	n.a.	n.a.	B	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	65 596 503	65 596 503	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	21 080 228	21 080 228	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	346 010 604	346 010 604	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAA
	Class B	195 000 000	121 185 768	121 185 768	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	17 090 301	17 090 301	2061	B	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	27 500 000	17 090 301	17 090 301	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	358 622 246	358 622 246	2063	A	n.a.	A-	AA	A+	n.a.	AA	AAA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	72 419 692	43 451 815	2028	A	n.a.	n.a.	A	A+	n.a.	n.a.	AH
	Class B	91 100 000	44 285 361	26 571 216	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	8 800 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

51 Risk management

Objectives of the Risk Management Policy

Banco Montepio is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate and Pension Fund risks. Additionally, Banco Montepio is subject to other non-financial risks, namely operating, reputation, and strategy and business risks. Depending on the nature and relevance of the risk, plans, programs or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce potential losses for Banco Montepio.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Department, the unit responsible for the risk management function of Banco Montepio, which regularly informs the Board of Directors of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

Banco Montepio's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is the non-executive body with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of Banco Montepio and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Commission in these areas.

The Board of Directors seeks to ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Banco Montepio has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

Banco Montepio's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks – credit, market, liquidity, real estate and operating – to which Banco Montepio's business is subject.

Credit risk

Credit risk is associated with the level of uncertainty of the expected returns, due to the inability of the borrower (and of the guarantor, if any), or the issuer of a security or counterparty of a contract to comply with the obligations arising for same.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses.

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g. the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans and credit cards.

Sole traders (“Empresários em nome individual” – “ENI”) and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the company's activity, namely start-up companies.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 19 classes, of which the first 15 correspond to performing risk classes, classes 16 to 18 to credit incidents/ record of arrears in the financial system, and class 19 to default, in accordance with the applicable internal definition, which follows the regulators’ prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels, the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Specialized Credit Analysis Department, a body independent of the commercial structure. The Risk Department is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk deterioration (Early Warning Signs).

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 b.10.4).

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

3. Macroeconomic projection degradation scenario of 10%: impact of 2.63% of total impairment of the loan portfolio;
4. Macroeconomic projection improvement scenario of 10%: impact of -2.77% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

3. Parameter degradation scenario of 5%: impact of 7.22% of total impairment of the loan portfolio;
4. Parameter improvement scenario of 5%: impact of -7.10% of total impairment of the loan portfolio.

Banco Montepio's credit risk exposure can be analysed as follows:

	(Euro thousand)	
	2020	**2019**
Loans and deposits to credit institutions payable on demand	53 498	51 993
Other loans and advances to credit institutions	858 704	532 033
Loans and advances to customers	10 732 604	10 921 170
Financial assets held for trading	5 037	28 688
Financial assets at fair value through profit or loss	102 345	114 976
Financial assets at fair value through other comprehensive income	146 643	1 702 206
Hedging derivatives	10 693	11 148
Other financial assets at amortized cost	3 981 949	2 793 157
Other assets	164 909	176 099
Guarantees and Commitments	474 469	489 009
Irrevocable credit lines	1 058 335	616 472
	17 589 186	17 436 951

The analysis of the main credit risk exposures by sector of activity, for financial year 2020, can be analysed as follows:

	2020														
Sector	**Deposits at credit institutions repayable on demand**	**Loans and advances to credit institutions**		**Loans and advances to customers**		**Financial assets held for trading**	**Financial assets at fair value through profit or loss**	**Financial assets at fair valur through other compensative income**		**Hedging derivatives**	**Other financial assets at amortized cost**		**Guarantees and Commitments**	**Irrevocable credit lines**	**Provisions for off-balance sheet liabilities**
	Book value	**Gross value**	**Impairment**	**Gross value**	**Impairment**	**Book value**	**Book value**	**Gross value**	**Impairment**	**Book value**	**Gross value**	**Impairment**	**Off-balance sheet value**		**Provisions**
Corporate															
Agriculture, forestry, and fishing	-	-	-	81 052	3 879	-	-	-	-	-	-	-	600	6 071	241
Extractive industries	-	-	-	13 721	621	-	-	-	-	-	-	-	1 378	1 928	21
Manufacturing industries	-	-	-	864 350	92 671		1 440	-	-	-	-	-	18 769	120 572	1 475
Electricity generation and distribution, gas steam and air conditioning	-	-	-	68 620	4 558		-	-	-	-	-	-	983	9 789	21
Water supply	-	-	-	65 389	2 596	-	-	-	-	-	-	-	2 070	4 854	40
Construction	-	-	-	605 170	167 257		588			-	-	-	94 000	106 874	5 798
Wholesale and retail trade	-	-	-	820 105	100 284	-	217			-	-	-	46 993	152 587	1 956
Transport and storage	-	-	-	303 588	44 748	-	6	-	-	-	-	-	4 834	16 637	285
Accommodation and catering activities	-	-	-	510 627	22 862	-	-	-		-	-	-	14 166	33 665	602
Information and Communication	-	-	-	52 840	3 126	-	-	-	-	10 693	-	-	1 675	22 845	112
Financial and insurance activities	53 498	866 814	8 110	547 071	102 330	3 984	-	3 125	708	-		-	221 088	387 104	419
Real estate activities	-	-	-	711 455	86 364	-	85	-	-	-	-	-	22 936	109 396	1 581
Consulting, scientific, technical and similar	-	-	-	226 727	9 710	-	-	-	-	-	-	-	19 486	29 126	629
Administrative and supporting service activities	-	-	-	92 319	6 599	-	47	-	-	-	-	-	5 537	21 492	313
Public administration and defence, compulsory social security	-	-	-	45 486	272	1 053	904	142 529	357	-	2 308 656	4 690	109	557	14
Education	-	-	-	62 433	2 900	-	-	-	-	-	-	-	236	4 809	34
Health care and Social support activities	-	-	-	229 913	9 186	-	-	-	-	-	-	-	4 048	15 525	404
Artistic activities, shows and recreational	-	-	-	64 967	10 347	-	-	-	-	-	-	-	8 485	5 303	179
Other services	-	-	-	65 979	821	-	138	-	-	-	-	-	3 702	9 133	75
Retail															
Mortgage	-	-	-	5 631 703	55 654	-	98 920	2 067	13		1 677 983	-	-	-	-
Other	-	-	-	428 534	32 660	-	-	-	-	-	-	-	3 374	68	2 395
	53 498	**866 814**	**8 110**	**11 492 049**	**759 445**	**5 037**	**102 345**	**147 721**	**1 078**	**10 693**	**3 986 639**	**4 690**	**474 469**	**1 058 335**	**16 594**

The analysis of the mains credit risk exposures by sector of activity, for financial year 2019, can be analysed as follows:

	2019														
Sectors	Deposits at others credit institutions repayable on demand	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other compensative income		Hedging derivatives	Other financial assets at amortized cost		Guarantees and Commitments	Irrevocable credit lines	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	75 615	4 512	-	-	-	-	-	-	-	856	3 845	168
Extractive industries	-	-	-	12 662	567	-	-	-	-	-	-	-	1 382	1 479	101
Manufacturing industries	-	-	-	892 658	83 433	-	1 621	75 811	59	-	-	-	20 161	94 182	816
Electricity generation and distribution, gas steam and air conditioning	-	-	-	48 199	6 698	-	-	56 044	71	-	-	-	1 032	13 107	27
Water supply	-	-	-	74 328	1 552	-	-	-	-	-	-	-	1 857	2 434	54
Construction	-	-	-	693 807	228 192	-	398	2 090	2	-	-	-	95 664	96 644	6 516
Wholesale and retail trade	-	-	-	802 978	91 278	-	275	5 593	10	-	-	-	59 826	113 900	4 111
Transport and storage	-	-	-	272 667	32 183	-	15	-	-	-	-	-	6 502	16 372	557
Accommodation and catering activities	-	-	-	426 939	12 651	-	1	1 207	2	-	-	-	8 722	15 317	219
Information and Communication	-	-	-	44 344	3 014	-	-	11 403	9	11 148	-	-	1 553	24 045	59
Financial and insurance activities	51 993	533 662	1 629	556 895	63 058	16 895	109 661	104 849	122	-		-	217 899	81 269	171
Real estate activities	-	-	-	740 985	102 978	-	71	-	-	-	-	-	22 147	85 657	1 334
Consulting, scientific, technical and similar	-	-	-	275 536	15 746	-	-	-	-	-	-	-	22 060	26 092	354
Administrative and supporting service activities	-	-	-	79 092	7 962	-	100	-	-	-	-	-	6 433	11 399	304
Public administration and defence, compulsory social security	-	-	-	45 605	506	11 793	2 694	1 423 532		-	900 895	1 750	76	-	-
Education	-	-	-	57 802	3 203	-	-	-	-	-	-	-	290	2 513	17
Health care and Social support activities	-	-	-	196 962	5 653	-	-	-	-	-	-	-	3 202	5 094	204
Artistic activities, shows and recreational	-	-	-	53 295	8 599	-	-	-	-	-	-	-	6 677	6 311	63
Other services	-	-	-	60 453	2 438	-	140	19 585	54	-	-	-	2 592	870	28
Retail													-		-
Mortgage Loans	-	-	-	5 817 064	58 975	-	-	2 426	5	-	1 894 012	-	-	-	-
Others	-	-	-	456 161	29 679	-	-	-	-	-	-	-	10 080	15 942	353
	51 993	**533 662**	**1 629**	**11 684 047**	**762 877**	**28 688**	**114 976**	**1 702 540**	**334**	**11 148**	**2 794 907**	**1 750**	**489 009**	**616 472**	**15 456**

As regards credit risk, the portfolio of financial assets is dominated by bonds of sovereign issuers, essentially the Portuguese Republic.

In terms of credit quality, an increase in the average level of the counterparties was observed, due to the improved rating of the Portuguese sovereign debt.

Banco Montepio's total credit portfolio, in addition to Loans and advances to customers includes the guarantees and standby letters provided and the documentary credits in the aggregate amount of Euro 474,469 thousand (31 December 2019: Euro 489,009 thousand) and the irrevocable credit facilities amounting to Euro 1,058,335 thousand (31 December 2019: Euro 616,472 thousand), is presented as follows:

(Euro thousand)

	2020			2019		
Impacts by stage	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Collective analysis	**8 403 066**	**222 574**	**8 180 492**	**8 317 526**	**227 495**	**8 090 031**
Stage 1	6 034 028	12 122	6 021 906	6 611 801	9 532	6 602 269
Stage 2	2 072 769	59 113	2 013 656	1 359 932	44 441	1 315 491
Stage 3	296 269	151 339	144 930	345 793	173 522	172 271
Individual analysis	**4 621 787**	**553 465**	**4 068 322**	**4 472 002**	**550 836**	***3 921 166***
	13 024 853	**776 039**	**12 248 814**	**12 789 528**	**778 331**	**12 011 197**

As at 31 December 2020 and 2019, the detail of the application of Stages to other financial assets is presented as follows:

(Euro thousand)

Impacts by stage	2020 Gross value	2020 Impairment	2020 Net value	2019 Gross value	2019 Impairment	2019 Net value
Amortized cost	**3 986 639**	**4 690**	**3 981 949**	**2 794 907**	**1 750**	**2 793 157**
Stage 1	3 986 639	4 690	3 981 949	2 794 907	1 750	2 793 157
Fair value	**147 721**	**1 078**	**146 643**	**1 702 541**	**5 279**	**1 697 262**
Stage 1	145 070	454	144 616	1 700 692	5 216	1 695 476
Stage 2	2 651	624	2 027	1 849	63	1 786
Other loans and advances to credit institutions	**866 814**	**8 110**	**858 704**	**533 662**	**1 629**	**532 033**
Stage 1	823 806	7 617	816 189	529 662	1 590	528 072
Stage 2	43 008	493	42 515	4 000	39	3 961
	5 001 174	**13 878**	**4 987 296**	**5 031 110**	**8 658**	**5 022 452**

As at 31 December 2020 and 2019, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

Segment	2020 Gross value	2020 Impairment	2020 Net value	2019 Gross value	2019 Impairment	2019 Net value
Retail	**6 036 738**	**83 139**	**5 953 599**	**6 240 655**	**86 251**	**6 154 404**
Mortgage	*5 619 214*	*54 860*	*5 564 354*	*5 797 810*	*58 607*	*5 739 203*
Stage 1	4 360 229	1 208	4 359 021	4 871 521	554	4 870 967
Stage 2	1 155 676	14 999	1 140 677	800 703	12 811	787 892
Stage 3	103 309	38 653	64 656	125 586	45 242	80 344
Consumer credit	*366 251*	*24 182*	*342 069*	*384 685*	*24 386*	*360 299*
Stage 1	240 028	906	239 122	257 688	688	257 000
Stage 2	100 945	7 518	93 427	93 121	4 571	88 550
Stage 3	25 278	15 758	9 520	33 876	19 127	14 749
Credit cards	*51 273*	*4 097*	*47 176*	*58 160*	*3 258*	*54 902*
Stage 1	27 270	691	26 579	32 442	244	32 198
Stage 2	20 553	1 002	19 551	22 222	1 187	21 035
Stage 3	3 450	2 404	1 046	3 496	1 827	1 669
Corporate	**2 366 328**	**139 435**	**2 226 893**	**2 076 871**	**141 244**	**1 935 627**
Non construction	*2 144 787*	*125 486*	*2 019 301*	*1 880 254*	*123 629*	*1 756 625*
Stage 1	1 270 748	8 481	1 262 267	1 323 084	7 323	1 315 761
Stage 2	739 648	33 055	706 593	405 018	23 964	381 054
Stage 3	134 391	83 950	50 441	152 152	92 342	59 810
Construction	*221 541*	*13 949*	*207 592*	*196 617*	*17 615*	*179 002*
Stage 1	135 753	836	134 917	127 066	723	126 343
Stage 2	55 947	2 539	53 408	38 868	1 908	36 960
Stage 3	29 841	10 574	19 267	30 683	14 984	15 699
	8 403 066	**222 574**	**8 180 492**	**8 317 526**	**227 495**	**8 090 031**

As at 31 December 2020 and 2019, impairment is detailed as follows:

(Euro thousand)

	2020						
	Impairment calculated on an individual basis		Impairment calculated on an portfolio basis		Total		
	Outstanding amount	Impairment	Outstanding amount	Impairment	Outstanding amount	Impairment	Net outstanding amount
Corporat loans	4 598 288	548 290	2 366 328	139 435	6 964 616	687 725	6 276 891
Mortgage loans	12 489	794	5 619 214	54 860	5 631 703	55 654	5 576 049
Other retail loans	11 010	4 381	417 524	28 279	428 534	32 660	395 874
	4 621 787	553 465	8 403 066	222 574	13 024 853	776 039	12 248 814

(Euro thousand)

	2019						
	Impairment calculated on an individual basis		Impairment calculated on an portofolio basis		Total		
	Outstanding amount	Impairment	Outstanding amount	Impairment	Outstanding amount	Impairment	Net outstanding amount
Corporate loans	4 439 433	548 434	2 076 870	141 244	6 516 303	689 678	5 826 625
Mortgag loans	19 253	369	5 797 810	58 606	5 817 063	58 975	5 758 088
Other retail loans	13 317	2 033	442 845	27 645	456 162	29 678	426 484
	4 472 003	550 836	8 317 525	227 495	12 789 528	778 331	12 011 197

As at 31 December 2020, the transfer between Stages is presented as follows:

(Euro thousand)

	Transfers between stages					
	from 2 to 1	from 1 to 2	from 3 to 2	from 2 to 3	from 3 to 1	from 1 to 3
Exposure	282 972	1 664 473	27 600	57 278	5 571	17 226
Impairment	1 419	50 187	1 128	16 949	15	4 829

As at 31 December 2020 and 2019, the fair value analysis of collaterals associated with Banco Montepio's total credit portfolio, is as follows:

(Euro thousand)

Collaterals fair value	2020	2019
Individual analysis		
Securities and other financial assets	*186 504*	*122 499*
Real estate - Mortgage loans	*17 902*	*36 443*
Real estate - Construction and CRE	*2 473 058*	*2 527 130*
Other real estate	*1 815 245*	*1 712 523*
Other guarantees	*475 019*	*737 593*
Collective analysis - Stage 1		
Securities and other financial assets	*144 527*	*190 368*
Real estate - Mortgage loans	*9 722 413*	*10 661 548*
Real estate - Construction and CRE	*199 467*	*262 048*
Other real estate	*423 300*	*746 673*
Other guarantees	*41 905*	*42 678*
Collective analysis - Stage 2		
Securities and other financial assets	*66 706*	*37 797*
Real estate - Mortgage loans	*2 172 996*	*1 531 454*
Real estate - Construction and CRE	*156 836*	*135 142*
Other real estate	*478 838*	*287 287*
Other guarantees	*25 967*	*8 963*
Collective analysis - Stage 3		
Securities and other financial assets	*1 941*	*3 326*
Real estate - Mortgage loans	*155 858*	*171 902*
Real estate - Construction and CRE	*66 543*	*62 372*
Other real estate	*61 690*	*76 618*
Other guarantees	*3 136*	*1 968*
	18 689 851	**19 356 332**

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

Banco Montepio's total loans and advances portfolio, by segment, and respective impairment, constituted as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

Segment	2020 Total exposure	2020 Total impairment	2019 Total exposure	2019 Total impairment
Corporate	5 016 073	385 723	4 495 439	317 926
Construction and CRE	1 948 543	302 001	2 020 864	371 751
Mortgage loans	5 631 703	55 654	5 817 064	58 975
Other retail loans	428 534	32 661	456 161	29 679
	13 024 853	776 039	12 789 528	778 331

The loans and advances portfolio, by segment and by production year, as at 31 December 2020, is presented as follows:

(Euro thousand)

Year	*Corporate* No. Of operations	*Corporate* Amount	*Corporate* Impairment	Construction and CRE No. Of operations	Construction and CRE Amount	Construction and CRE Impairment	Mortgage loans No. Of operations	Mortgage loans Amount	Mortgage loans Impairment	Other retail loans No. Of operations	Other retail loans Amount	Other retail loans Impairment
2004 and previous	493	29 631	1 629	748	108 483	50 193	43 342	1 289 781	13 500	20 998	6 857	723
2005	154	13 304	990	182	33 945	21 315	10 595	513 857	6 577	5 340	3 091	218
2006	248	25 474	2 390	214	72 374	44 622	12 997	638 786	10 031	14 184	12 907	2 845
2007	397	26 801	1 300	296	46 219	13 444	13 278	649 321	9 989	39 574	15 853	1 293
2008	1 301	42 907	4 985	500	21 440	5 805	6 920	339 344	5 092	62 491	17 973	1 244
2009	2 069	70 465	3 386	673	42 444	18 006	3 762	206 819	2 278	49 560	16 252	2 120
2010	1 724	91 533	11 826	451	38 639	11 088	3 791	236 348	2 268	35 597	9 158	1 172
2011	2 511	94 923	6 327	569	22 254	6 058	1 443	86 479	587	29 132	8 903	1 902
2012	2 843	94 092	9 969	414	31 233	10 180	886	53 770	522	20 746	5 957	967
2013	4 730	262 461	50 800	702	74 330	21 330	1 146	69 600	457	20 607	12 448	2 086
2014	6 397	387 525	34 888	2 044	135 412	19 328	1 361	86 112	339	24 039	25 159	4 034
2015	6 925	330 382	73 512	1 175	68 703	15 468	1 598	102 974	286	21 591	27 556	3 505
2016	8 762	586 810	50 525	2 268	172 247	19 689	2 242	167 242	660	34 287	40 409	3 374
2017	10 489	419 971	30 763	1 803	289 559	11 316	3 077	246 503	732	24 896	36 475	2 569
2018	10 996	449 505	44 940	2 481	168 074	18 256	3 247	268 258	826	35 254	50 373	2 107
2019	11 400	595 818	35 498	2 297	293 310	9 215	3 841	325 679	1 096	26 893	63 506	1 822
2020	18 359	1 494 472	21 998	3 235	329 876	6 686	4 003	350 830	414	22 171	75 657	679
	89 798	5 016 074	385 726	20 052	1 948 542	301 999	117 529	5 631 703	55 654	487 360	428 534	32 660

The loans and advances portfolio, by segment and by production year, as at 31 December 2019, is presented as follows:

(Euro thousand)

Year	*Corporate* No. Of operations	*Corporate* Amount	*Corporate* Impairment	Construction and CRE No. Of operations	Construction and CRE Amount	Construction and CRE Impairment	Mortgage loans No. Of operations	Mortgage loans Amount	Mortgage loans Impairment	Other retail loans No. Of operations	Other retail loans Amount	Other retail loans Impairment
2004 and previous	638	40 384	2 291	17 529	145 550	65 659	2 844	1 462 216	15 655	3 316	8 542	802
2005	237	16 562	1 879	800	44 167	27 596	3 185	566 009	7 256	3 458	3 765	233
2006	286	32 177	2 646	196	77 427	41 556	47 065	699 349	11 525	3 985	13 943	1 781
2007	458	30 528	1 603	240	68 315	23 943	11 402	709 168	11 000	22 350	19 071	1 610
2008	2 260	45 129	4 659	338	32 005	5 431	13 803	369 071	4 987	5 615	22 534	1 297
2009	2 415	72 277	3 158	607	68 077	24 815	14 110	227 726	2 303	14 745	20 115	2 152
2010	2 318	105 128	12 033	793	48 834	15 472	7 306	259 472	2 246	41 923	11 704	1 288
2011	2 876	102 917	6 518	551	30 529	10 250	3 991	95 133	555	66 428	11 610	2 832
2012	3 708	107 309	12 604	663	40 865	12 313	4 091	60 519	732	52 599	8 316	1 329
2013	6 092	334 025	45 408	526	81 881	16 923	1 528	78 021	366	37 664	17 177	2 644
2014	8 668	457 129	33 251	899	161 646	25 753	957	96 059	320	31 187	33 602	4 178
2015	9 832	419 153	61 309	2 697	87 263	12 380	1 240	119 604	225	22 564	37 106	2 785
2016	11 262	650 352	42 653	1 612	226 239	31 065	1 458	189 204	474	22 438	54 945	2 616
2017	12 691	481 757	29 510	2 414	340 929	26 266	1 753	270 372	479	26 691	49 130	1 874
2018	12 733	514 355	30 076	2 174	208 460	23 280	2 441	286 857	394	24 818	65 686	1 455
2019	17 529	1 086 258	28 329	2 844	358 676	9 050	3 316	328 285	459	38 265	78 915	802
	94 003	4 495 440	317 927	34 883	2 020 863	371 752	120 490	5 817 065	58 976	418 046	456 161	29 678

The gross exposure of loans and advances and impairment, individual and collective, by segment, as at 31 December 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020									
	Corporate		Construction and CRE		Mortgage loans		Other retail loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	3 129 980	273 963	1 468 308	274 326	12 489	794	11 010	4 381	4 621 787	553 464
Collective	1 886 093	111 760	480 235	27 675	5 619 214	54 860	417 524	28 280	8 403 066	222 575
	5 016 073	385 723	1 948 543	302 001	5 631 703	55 654	428 534	32 661	13 024 853	776 039

(Euro thousand)

	2019									
	Corporate		Construction and CRE		Mortgage loans		Other retail loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 854 048	207 288	1 585 385	341 145	19 253	369	13 315	2 034	4 472 001	550 836
Collective	1 641 391	110 639	435 479	30 605	5 797 810	58 606	442 845	27 645	8 317 525	227 495
	4 495 439	317 927	2 020 864	371 750	5 817 063	58 975	456 160	29 679	12 789 526	778 331

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for companies, as at 31 December 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020											
	Construction		Industries		Trade		Real estate		Other sectors		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	584 617	159 462	514 597	56 164	304 578	56 372	713 556	81 861	2 480 940	194 431	4 598 288	548 290
Collective	221 541	13 949	506 408	38 629	701 780	42 360	130 264	6 116	806 335	38 381	2 366 328	139 435
	806 158	173 411	1 021 005	94 793	1 006 358	98 732	843 820	87 977	3 287 275	232 812	6 964 616	687 725

(Euro thousand)

	2019											
	Construction		Industries		Trade		Real estate		Other sectors		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	692 074	217 122	567 481	44 999	322 395	50 224	735 366	99 863	2 122 116	136 225	4 439 432	548 433
Collective	196 616	17 615	455 380	39 922	645 964	42 803	113 719	4 454	665 191	36 449	2 076 870	141 243
	888 690	234 737	1 022 861	84 921	968 359	93 027	849 085	104 317	2 787 307	172 674	6 516 302	689 676

The gross exposure of performing and non-performing loans and advances, in financial years 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020												
	Gross carrying values of performing and non-performing exposures							Negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of wich performing but past due >30 days and <= 90 days	Of which performing forborne	Of which non-performing				on performing exposures		on non-performing exposures		on non-performing exposures	of which forborne
					of which defaulted	of which impaired	of which forborne		of which forborne		of which forborne		
Debt Securities (a)	4 673 131	-	-	33 950	33 950	33 950	-	8 190	-	15 147	-	45	-
Loans and advances (b)	13 258 863	31 276	78 309	1 217 630	1 210 800	1 216 043	716 147	125 782	3 589	624 204	361 881	405 826	302 848
Off-balance-sheet exposures (c)	2 325 634	1 678	199	94 392	94 112	94 392	571	10 233	5	6 361	41	-	-

(a) Includes debt intruments of the financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

(Euro thousand)

	2019												
	Gross carrying values of performing and non- performing exposures							Negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of wich performing but past due >30 days and <= 90 days	Of which performing forborne	Of which non-performing				on performing exposures		on non-performing exposures		on non-performing exposures	of which forborne
					of which defaulted	of which impaired	of which forborne		of which forborne		of which forborne		
Debt Securities (a)	3 061 932	-	-	34 800	34 800	34 800	-	10 149	-	4 824	-	613	-
Loans and advances (b)	12 625 640	49 603	93 077	1 423 811	1 423 811	1 422 465	763 675	97 068	3 580	659 492	360 408	512 325	333 323
Off-balance-sheet exposures (c)	1 800 033	1 366	1 185	119 657	119 657	119 657	915	3 151	6	12 305	76	-	-

(a) Includes debt intruments of the financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Construction and Commercial Real Estate ("CRE"), and Mortgage segments, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	2 387	293 504	845	50 397	92 013	11 734 813	287	8 123
>= 0.5 M€ e <1M€	175	123 826	33	20 201	416	258 140	1	500
>= 1 M€ and <5M€	218	488 766	27	48 583	43	62 434	-	-
>= 5 M€ and <10M€	31	220 890	6	44 148	2	13 781	-	-
>= 10 M€ and <20M€	22	301 711	1	13 318	-	-	-	-
>= 20 M€ and <50M€	12	391 572	1	46 000	-	-	-	-
>= 50M€	7	1 075 634	-	-	-	-	-	-
	2 852	2 895 903	913	222 647	92 474	12 069 168	288	8 623

The fair value of the collateral underlying the loans and advances portfolio of the Construction and Commercial Real Estate ("CRE"), and Mortgage segments, as at 31 December 2019, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	2 846	347 438	876	54 147	96 251	12 081 943	302	9 246
>= 0.5 M€ and <1M€	197	138 938	34	20 627	383	239 340	1	500
>= 1 M€ and <5M€	202	438 191	22	42 894	45	67 948	-	-
>= 5 M€ and <10M€	33	237 283	6	42 930	-	12 116	-	-
>= 10 M€ and <20M€	26	347 346	-	-	2	-	-	-
>= 20 M€ and <50M€	12	391 331	1	46 000	-	-	-	-
>= 50M€	6	1 086 164	-	-	-	-	-	-
	3 322	2 986 691	939	206 598	96 681	12 401 347	303	9 746

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE, and Mortgage segments, as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

Segment/ Ratio	2020 Real estate quantity	2020 Total exposure	2020 Impairment	2019 Real estate quantity	2019 Total exposure	2019 Impairment
Corporate						
Without Real estate(*)	-	4 000 310	288 105	-	3 451 197	236 027
< 60%	2 577	396 508	37 554	1 905	355 682	36 587
>= 60% and < 80%	763	422 072	34 903	809	454 664	25 404
>= 80% and < 100%	766	190 852	23 766	1 848	227 040	18 407
>= 100%	15	6 332	1 396	16	6 856	1 503
Construction and CRE						
Without Real estate(*)	-	876 476	121 522	-	880 254	152 201
< 60%	1 326	555 960	85 331	1 445	545 719	116 723
>= 60% and < 80%	550	312 656	34 687	762	336 625	48 031
>= 80% and < 100%	828	159 072	27 256	961	215 195	25 054
>= 100%	148	44 379	33 206	154	43 069	29 741
Mortgage						
Without Real estate(*)	-	553 285	9 807	-	462 680	11 917
< 60%	61 292	2 460 038	11 662	62 696	2 507 217	11 750
>= 60% and < 80%	23 684	1 934 460	12 495	25 020	2 039 924	11 419
>= 80% and < 100%	7 053	645 616	12 521	8 436	760 932	13 688
>= 100%	445	38 304	9 169	529	46 311	10 201

(*) Includes operations with other associated collaterals, namely financial collaterals.

The fair value and the net value of real estate received in recovery of loans, by asset type, as at 31 December 2020 and 2019, are presented as follows:

(Euro thousand)

Assets	2020 Real estate quantity	2020 Fair value	2020 Book value
Land	**1 603**	**324 070**	**293 513**
Urban	1 356	274 066	247 084
Rural	247	50 004	46 429
Buildings under construction	**469**	**66 988**	**59 491**
Commercial	50	6 223	5 713
Housing	313	60 011	53 062
Other	106	754	716
Builted buildings	**1 447**	**193 248**	**170 461**
Commercial	596	112 328	99 879
Housing	485	73 641	64 207
Other	366	7 279	6 375
	3 519	584 306	523 465

(Euro thousand)

Assets	2019 Real estate quantity	2019 Fair value	2019 Book value
Land	**1 733**	**341 852**	**309 066**
Urban	1 488	290 580	261 094
Rural	245	51 272	47 972
Buildings under construction	**464**	**69 162**	**63 195**
Commercial	59	4 312	4 087
Housing	310	64 105	58 409
Other	95	745	699
Builted buildings	**1 703**	**215 642**	**191 407**
Commercial	600	98 190	87 643
Housing	697	112 385	99 363
Other	406	5 067	4 401
	3 900	626 656	563 668

The time elapsed since the receipt in recovery/execution of real estate, as at 31 December 2020 and 2019, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2020 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**9 287**	**17 614**	**97 275**	**169 337**	**293 513**
Urban	8 571	14 572	84 755	139 186	247 084
Rural	716	3 042	12 520	30 151	46 429
Buildings under construction	**5 444**	**13 398**	**10 233**	**30 416**	**59 491**
Commercial	667	1 755	1 177	2 114	5 713
Housing	4 594	11 624	9 025	27 819	53 062
Other	183	19	31	483	716
Builted buildings	**20 693**	**15 538**	**38 172**	**96 058**	**170 461**
Commercial	10 115	8 825	25 458	55 481	99 879
Housing	8 065	6 385	10 644	39 113	64 207
Other	2 513	328	2 070	1 464	6 375
	35 424	46 550	145 680	295 811	523 465

(Euro thousand)

Elapsed time since recovery/execution	2019				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**8 182**	**78 311**	**47 964**	**174 609**	**309 066**
Urban	6 541	70 651	35 731	148 171	261 094
Rural	1 641	7 660	12 233	26 438	47 972
Buildings under construction	**2 195**	**19 562**	**13 637**	**27 801**	**63 195**
Commercial	356	427	1 035	2 269	4 087
Housing	1 770	19 045	12 570	25 024	58 409
Other	69	90	32	508	699
Builted buildings	**16 713**	**24 602**	**55 828**	**94 264**	**191 407**
Commercial	3 200	12 438	29 086	42 919	87 643
Housing	13 072	11 811	24 508	49 972	99 363
Other	441	353	2 234	1 373	4 401
	27 090	122 475	117 429	296 674	563 668

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. At Banco Montepio, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for Banco Montepio and, as such, there are several procedures related to its identification, measurement and management. In order to control the concentration risk of the exposure to a customer/group of customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios.

In order to reduce concentration risk, Banco Montepio seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Department. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the degree of regional diversification, the level of individual concentration and the degree of diversification of the quality of the corporate portfolio are regularly monitored by the Risk Department. Maximum exposure limits are established per customer/group of customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

Banco Montepio regularly calculates its "VaR" both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities' risks.

Banco Montepio's investment portfolio is mainly concentrated on bonds, and as at 31 December 2020 this represented 86.0% (31 December 2019: 76.8%) of the total portfolio, (excluding notes held of own securitizations not derecognized) with the dominant position being held by bonds of sovereign issuers, essentially the Portuguese Republic.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2020 and 2019.

Regarding the credit quality of debt securities, circa 99.6% of the portfolio is investment grade (31 December 2019: 87.1%). Of note are the Portuguese and Italian sovereign bonds with a rating of BBB- and that represent 86.4% (31 December 2019: 51.1%) of the bond portfolio. Concerning the composition of the portfolio, one verifies a decrease in the corporate debt, with a special emphasis on the Portuguese corporates, partially offset by an increase in the sovereign debt exposure, essentially the Portuguese and Italian debt, despite the decrease in the Greek sovereign debt.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income (excluding notes of own securitizations held) and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	**2020**		**2019**		**Change**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
AAA	-	-	8 036	0.3	(8 036)	-100
AA+	779	-	934	-	(155)	-16.6
AA	-	-	7 824	0.3	(7 824)	-100
AA-	-	-	21 085	0.8	(21 085)	-100
A+	1 090	-	17 830	0.7	(16 740)	-93.9
A	-	-	30 935	1.2	(30 935)	-100
A-	-	-	34 087	1.3	(34 087)	-100
BBB+	306 424	12.5	278 695	10.7	27 729	9.9
BBB	16 366	0.7	88 065	3.4	(71 699)	-81.4
BBB-	2 117 400	86.4	1 785 186	68.4	332 214	18.6
BB+	185	-	20 571	0.8	(20 386)	-99.1
BB	7 001	0.3	21 228	0.8	(14 227)	-67
B+	-	-	257 294	9.9	(257 294)	-100
NR	2 418	0.1	36 430	1.4	(34 012)	-93.4
Total	2 451 663	100	2 608 200	100	(156 537)	-6.0

The position in bonds (excluding notes of own securitizations held not derecognized) recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 146,643 thousand (31 December 2019: Euro 1,697,262 thousand), the position in Other financial assets at amortized cost stood at Euro 2,303,967 thousand (31 December 2019: Euro 899,145 thousand), and the position in Financial assets held for trading stood at Euro 1,053 thousand (31 December 2019: Euro 11,793 thousand).

Regarding the trading portfolio, as at 31 December 2020 and 2019, the main VaR indicators are as follows:

(Euro thousand)

	2020	Average	Minimum	Maximum	2019
Market VaR	1 545	1 187	99	2 236	244
Interest rate risk	30	212	15	416	167
Exchange risk	155	205	103	192	142
Price risk	1 548	788	98	1 183	94
Spread risk	55	549	237	1 024	80
Diversification effect	*(243)*	*(567)*	*(354)*	*(579)*	*(239)*

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the Banco Montepio entities (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps as at 31 December 2020 and 2019:

(Euro thousand)

	up to 3 months	3 to 6 months	6 month to 1 year	1 to 5 years	More than 5 years
31 December 2020					
Assets					
Debt securities	84 967	281 557	59 727	910 333	1 168 720
Loans and advances	6 744 415	2 875 481	1 099 129	430 811	233 954
Othr	105 890	32 546	-	-	38 945
Off-balance sheet	1 148	-	6 654	756 654	-
Total	6 936 419	3 189 584	1 165 509	2 097 798	1 441 619
Liabilities					
Debt securities issued	8 584	150 809	57 283	1 258 516	19 398
Term deposits	2 760 525	1 471 272	2 099 714	687 524	-
Other	577 054	54 245	392	1 600 005	301 096
Off-balance sheet	750 008	-	16	131	1 295
Total	4 096 171	1 676 326	2 157 407	3 546 177	321 789
GAP (Assets - Liabilities)	2 840 249	1 513 258	(991 897)	(1 448 380)	1 119 830
31 December 2019					
Assets					
Debt securities	383 988	170 829	353 173	1 126 482	775 881
Loans and advances	6 839 860	2 764 522	918 095	536 188	65 131
Other	36 446	-	-	-	28 788
Off-balance sheet	4 758	-	6 672	763 307	-
Total	7 265 052	2 935 351	1 277 941	2 425 977	869 801
Liabilities					
Debt securities issued	9 914	1 455	57 407	1 368 142	23 365
Term deposits	2 926 815	1 466 586	1 941 863	1 473 824	-
Other	159 034	443 112	393 890	706 239	29 803
Off-balance sheet	753 376	-	17	137	1 388
Total	3 849 140	1 911 153	2 393 178	3 548 343	54 556
GAP (Assets - Liabilities)	3 415 912	1 024 198	(1 115 237)	(1 122 366)	815 244

(Euro thousand)

	2020				2019			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate gap	3 033 060	3 830 089	4 627 117	3 033 060	3 017 751	3 081 390	3 227 752	2 998 667

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2020, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a change in the economic value expected from the banking portfolio in the negative amount of Euro 47,793 thousand (31 December 2019: negative amount of Euro 25,558 thousand).

The following table presents the average interest rates, in relation to Banco Montepio's major asset and liability categories for financial years 2020 and 2019, as well as the respective average balances and interest for the financial year:

(Euro thousand)

	2020			2019		
	Average balance	Average interest rate (%)	Intrest	Average balance	Average interest rate (%)	Intrest
Interest generating assets						
Deposits at central banks and OCI	886 629	0.62	5 621	1 125 358	0.50	5 701
Other loans and advances to credit institutions	720 087	0.39	2 882	495 866	0.79	3 960
Loans and advances to customers	11 657 287	2.02	239 528	12 111 230	2.13	261 318
Securities portfolio	4 482 625	0.24	11 029	4 558 411	0.44	20 247
Other assets at fair value	4 012	0.44	18	15 866	0.88	141
Other (including derivatives)	-	-	14 208	-	-	14 731
	17 750 640	**1.51**	**273 286**	**18 306 731**	**1.65**	**306 098**
Interest generating liabilities						
Deposits from central banks	1 451 452	0.06	907	1 384 894	0.24	3 324
Deposits from OCI	756 191	0.50	3 859	1 277 968	0.79	10 199
Deposits from customers	12 367 576	0.15	18 654	12 653 766	0.26	33 165
Senior debt	3 060 867	0.85	26 596	3 050 432	1.10	33 961
Subordinated debt	188 646	9.00	17 256	131 622	8.84	11 803
Other (including derivatives)	-	-	11 410	-	-	11 736
	17 824 732	**0.43**	**78 682**	**18 498 682**	**0.56**	**104 188**
Net interest income		**1.08**	**194 604**		**1.09**	**201 910**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, as at 31 December 2020 and 2019, is analysed as follows:

(Euro thousand)

	2020							
	Euro	US Dollar	Pound sterling	Canadian Dollar	Swiss Franc	Brazilian Real	Other foreign currencies	Total
Assets by currency								
Cash and deposits at central banks	1 437 178	5 535	908	459	1 931	-	303	1 446 314
Loans and deposits to credit institutions payable on demand	23 887	26 003	408	228	2 362	-	610	53 498
Other loans and advances to credit institutions	803 047	55 657	-	-	-	-	-	858 704
Loans and advances to customers	10 681 494	51 101	9	-	-	-	-	10 732 604
Financial assets held for trading	7 307	3 600	467	-	134	-	-	11 508
Financial assets at fair value through profit or loss	569 612	-	-	-	-	-	-	569 612
Financial assets at fair value through other comprehensive income	237 340	-	-	-	-	27 980	-	265 320
Hedging derivatives	10 693	-	-	-	-	-	-	10 693
Other financial assets at amortized cost	3 981 949	-	-	-	-	-	-	3 981 949
Investments in associated companies	319 648	-	-	-	-	-	-	319 648
Non-current assets held for sale	8 997							8 997
Other tangible assets	215 839	-	-	-	-	-	-	215 839
Intangible assets	33 104	-	-	-	-	-	-	33 104
Current tax assets	2 313	-	-	-	-	-	-	2 313
Deferred tax assets	510 364	-	-	-	-	-	-	510 364
Other assets	639 534	54 489	1	-	-	-	-	694 024
Total assets	19 482 306	196 385	1 793	687	4 427	27 980	913	19 714 491
Liabilities by currency								
Deposits from central banks	1 372 546	-	-	-	-		-	1 372 546
Deposits from other credit institutions	930 780	52 111	3 737	20 132	29	-	39	1 006 828
Deposits from customers	12 409 904	106 249	9 925	16 102	3 972	-	3 271	12 549 423
Debt securities issued	1 221 498	-	-	-	-	-	-	1 221 498
Financial liabilities associated with transferred assets	1 721 697	-	-	-	-	-	-	1 721 697
Financial liabilities held for trading	11 761	-	-	-	-	-	-	11 761
Hedging derivatives	397	-	-	-	-	-	-	397
Provisions	33 000	-	-	-	-	-	-	33 000
Current tax liabilities	812	-	-	-	-	-	-	812
Other subordinated debt	216 896	-	-	-	-	-	-	216 896
Other liabilities	204 277	776	438	300	412	-	32	206 235
Total Liabilities	18 123 568	159 136	14 100	36 534	4 413	-	3 342	18 341 093
Exchange forward transactions		(50 171)	12 013	35 630	(69)	(28 007)	2 747	
Exchange gap		(12 922)	(294)	(217)	(55)	(27)	318	
Stress Test		2 585	59	44	11	5	(63)	

(Euro thousand)

	2019							
	Euro	US Dollar	Pound sterling	Canadian Dollar	Swiss Franc	Brazilian Real	Other foreign currency	Total
Assets by currency								
Cash and deposits at central banks	989 938	8 130	1 081	1 133	2 939	-	427	1 003 648
Loans and deposits to credit institutions payable on demand	25 352	24 667	337	517	852	-	268	51 993
Other loans and advances to credit institutions	498 833	33 200	-	-	-	-	-	532 033
Loans and advances to customers	10 834 969	86 193	8	-	-	-	-	10 921 170
Financial assets held for trading	20 965	8 939	-	-	-	-	-	29 904
Financial assets at fair value through profit or loss	654 438	-	-	-	-	-	-	654 438
Financial assets at fair value through other comprehensive income	1 790 772	-	-	-	-	42 669	-	1 833 441
Hedging derivatives	11 148	-	-	-	-	-	-	11 148
Other financial assets at amortized cost	2 793 157	-	-	-	-	-	-	2 793 157
Investments in associated companies	341 008	-	-	-	-	-	-	341 008
Other tangible assets	240 302	-	-	-	-	-	-	240 302
Intangible assets	31 822	-	-	-	-	-	-	31 822
Current tax assets	9 823	-	-	-	-	-	-	9 823
Deferred tax assets	462 295	-	-	-	-	-	-	462 295
Other Assets	714 718	30 322	72	-	-	-	212	745 324
Total Assets	19 419 540	191 451	1 498	1 650	3 791	42 669	907	19 661 506
Liabilities by currency								
Deposits from central banks	1 291 033	-	-	-	-	-	-	1 291 033
Deposits from other credit institutions	609 173	65 089	3 983	23 387	16	-	26	701 674
Deposits from customers	12 407 678	90 576	8 433	14 781	2 514	-	3 564	12 527 546
Debt securities issued	1 263 261	-	-	-	-	-	-	1 263 261
Financial liabilities associated with transferred assets	1 939 462	-	-	-	-	-	-	1 939 462
Financial liabilities held for trading	11 098	-	-	-	-	-	-	11 098
Hedging derivatives	547	-	-	-	-	-	-	547
Provisions	30 268	-	-	-	-	-	-	30 268
Current tax liabilities	1 056	-	-	-	-	-	-	1 056
Other subordinated debt	157 847	-	-	-	-	-	-	157 847
Other liabilities	223 059	469	4	134	738	-	15	224 419
Total liabilities	17 934 482	156 134	12 420	38 302	3 268	-	3 605	18 148 211
Exchange forward transactions		(50 635)	11 095	37 265	(2 441)	-	2 598	
Exchange Gap		(15 318)	173	613	(1 918)	42 669	(100)	
Stress Test		3 064	(35)	(123)	384	(8 534)	20	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including minority interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Banco Montepio contracted a Non-Deliverable Forward (NDF) in order to hedge or eliminate the foreign exchange risk underlying the shareholding held in Monteiro e Aranha, SA (asset recorded in BRL), thus immunizing impacts on capital ratios through the risk of devaluation of the BRL, with a negative impact on foreign exchange revaluation reserves.

The purpose of the hedge is to cover the foreign exchange risk of the shareholding held in Monteiro e Aranha, SA, considering the strategy approved by the Board of Directors regarding the sale of non-core assets, among which the sale of this stake was identified, having materialized in March 2021.

The Bank contracted a foreign exchange rate derivative, namely a Non-Deliverable Forward (NDF), in order to hedge or eliminate the foreign exchange risk underlying the shareholding held in Monteiro e Aranha, SA (asset recorded in BRL), as described in note 25.

Liquidity risk

Liquidity risk reflects Banco Montepio's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that it fulfils its obligations in a liquidity crisis scenario. The calculation of the LCR prudential ratio is performed monthly.

As at 31 December 2020, the LCR value was 191.0% (31 December 2019: 175.1%).

As at 31 December 2020, Banco Montepio's financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	1 372 546	-	-	-	-	1 372 546
Deposits from other credit institutions	1 006 828	-	237 091	114 416	4 502	650 819
Deposits from customers	12 549 423	-	7 265 986	1 234 285	1 849 069	2 200 083
Debt securities issued	1 221 498	-	9 852	837	1 423	1 209 386
Financial liabilities associated with transferred assets	1 721 697	-	-	-	-	1 721 697
Financial liabilities held for trading	11 761	-	10	-	-	11 751
Other subordinated debt	216 896	-	-	-	10 573	206 323
Other liabilities	206 235	206 235	-	-	-	-
Total liabilities	**18 306 884**	**206 235**	**7 512 939**	**1 349 538**	**1 865 567**	**7 372 605**

As at 31 December 2019, Banco Montepio's financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	1 291 033	-	443 600	-	-	847 433
Deposits from other credit institutions	701 674	-	226 686	65 615	4 788	404 585
Deposits from customers	12 527 546	-	6 486 668	1 147 441	1 641 840	3 251 597
Debt securities issued	1 263 261	-	9 393	4 129	1 525	1 248 214
Financial liabilities associated with transferred assets	1 939 462	-	-	-	-	1 939 462
Financial liabilities held for trading	11 098	-	17	34	6	11 041
Other subordinated debt	157 847	-	-	-	7 847	150 000
Other liabilities	224 419	224 419	-	-	-	-
Total Liabilities	**18 116 340**	**224 419**	**7 166 364**	**1 217 219**	**1 656 006**	**7 852 332**

In the scope of Bank of Portugal Instruction no. 28/2014, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2020 and 2019, on the assets and related collaterals:

(Euro thousand)

	2020			
Ativos	**Carrying amount of encumbered assets**	**Fair vaue of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair vaue of unencumbered assets**
Assets from the reporting institution	3 103 517	-	16 613 169	-
Equity instruments	-	-	592 414	592 414
Debt securities	783 897	880 019	3 865 721	3 371 655
Other assets	-	-	1 965 152	-

(Euro thousand)

	2019			
Ativos	**Carrying amount of encumbered assets**	**Fair vaue of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair vaue of unencumbered assets**
Assets from the reporting institution	1 730 525	-	17 930 982	-
Equity instruments	-	-	676 858	676 858
Debt securities	617 449	535 399	4 444 975	4 076 474
Other assets	-	-	2 053 145	-

(Euro thousand)

	2020	2019
Colateral recebido	**Fair value of encumbered collateral received or debt securities issued**	
Assets from the reporting institutions	17 473	25 857
Debt securites	17 473	25 857

(Euro thousand)

	2020	2019
Encumbered assets, encumbered collateral received and associated liabilities	**Carrying amount of selected financial liabilities**	
Associated liabilities, contingent liabilities and securities borrowed	1 785 772	1 762 182
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	3 094 043	1 729 824

The encumbered assets are mostly related to Banco Montepio's funding operations, namely of the ECB, of repo operations, of the issuance of covered bonds and of securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repo transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position as at 31 December 2020 and 2019 and reflect the high level of collateralization of the wholesale funding of Banco Montepio. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2020, to Euro 1,694,981 thousand (31 December 2019: Euro 2,310,134 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2020, amounts to Euro 3,096,957 thousand (31 December 2019: Euro 3,608,247 thousand) with a usage of Euro 1,407,650 thousand (31 December 2019: Euro 1,308,333 thousand):

		(Euro thousand)
	2020	**2019**
Total eligible collateral	**4 285 491**	**4 136 099**
Total collateral in the pool	3 096 957	3 608 247
Collateral outside the pool	1 188 534	527 852
Used collateral	**2 590 510**	**1 825 965**
Collateral used for ECB	1 407 650	1 308 333
Collateral committed to other financing operations	1 182 860	517 632
Collateral available for ECB	**1 689 307**	**2 299 914**
Total available collateral	**1 694 981**	**2 310 134**

Note: collateral amount considers the applied haircut

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2020 and 2019, the exposure to real estate and investment units in real estate funds presented the following values:

(Euro thousand)

	2020	2019
Real estate received as loan guarantee	523 465	563 667
Real estate investment fund units	425 383	474 315
	948 848	1 037 982
Stress test	(94 885)	(103 798)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Department exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring in 2020, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; Customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Department.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

The year 2020 was marked by the epidemiological situation related to the COVID-19 pandemic. This situation forced a reorganization of some processes resulting from the Activation of the Business Continuity Plan and the rules issued by the Portuguese General Health Directorate.

In this context, the Business Continuity Plan was activated, with the measures foreseen for the crisis situation having been taken, with the objective of ensuring that the critical processes are carried out without disruption, or that the impact on these is not significant, which, to date, has been successfully achieved.

As provided for in the Business Continuity Plan, the Crisis Management Office was also activated, which is responsible for crisis management, for the management and execution of the Operational Continuity Plans and for the coordination of the business recovery teams and the return to normality.

Despite this situation presenting a set of challenges, Banco Montepio managed to respond in a timely manner to the needs that arose under the principle of safeguarding the safety and health of its Employees and its Customers.

Pension Fund risk

The Pension Fund risk results from the potential devaluation of the Fund's asset portfolio or the decrease in the respective expected returns, as well as the increase in the Fund's liabilities as a result of the evolution of the different actuarial assumptions. In such scenarios, Banco Montepio will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of Banco Montepio's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Department ensures the production of monthly reports with the evolution of the market value of the Pension Fund's portfolio and the associated risk indicators.

The Risk Department monitors the effect of possible measures adopted and their impact on the investment policy. At the same time, the levels of exposure to the legal and prudential limits that regulate the Montepio Geral Pension Fund are also monitored.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations or possible call option exercises are calculated for one month. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

With regard to other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

Banco Montepio does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The own funds of Banco Montepio are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of the Bank of Portugal and Regulation (EU) no. 2020/873 of the European Parliament and Council, which introduced some amendments to the CRR in response to the COVID-19 pandemic. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

- *Level 1 Core Own Funds or Common Equity Tier 1 (CET1):* this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. The book value of the amounts related to goodwill, other intangible assets, as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles no. 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Additionally, the value of the equity tranche is deducted in accordance with article 36 paragraph k) of the CRR, resulting from the synthetic securitization carried out. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. With the revision of Regulation (EU) no. 575/2013, of 27 June 2019, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019.

- *Level 1 Own Funds or Tier 1 (T1):* includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Bank of Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which Banco Montepio does not hold full ownership are also eligible if they exist. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.

- *Level 2 Own Funds or Tier 2 (T2):* includes capital equivalent instruments, which conditions are in accordance with article 63 of Regulation (EU) no. 575/2013 of the European Union and that have been approved by the Bank of Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which Banco Montepio does not hold full ownership are also eligible if they exist. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Totals Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250.0% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100.0% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period.

With the entry into force of Regulation (EU) no. 2020/873 of the European Parliament and Council, the dynamic component of the transitional plan applied to the IFRS 9 impacts (Regulation (EU) no. 2017/2395) was revised, with the introduction of an additional plan regarding the impacts of increased IFRS 9 impairment occurring after 01/01/2020 in Stages 1 and 2. These increases are subject to a transitional plan to derecognize these impacts in 100% in 2020 and 2021, 75% in 2022, 50% in 2023 and 25% in 2024. Regarding the transitional plan applicable to impairment increases in Stages 1 and 2 between 01/01/2018 and 31/12/2019, Banco Montepio has no impacts subject to this plan.

As referred, in 2020 the effects of Basel III's new regulation related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the adoption of IFRS 9 are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1, 6.0% for Tier 1 and 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by the Bank of Portugal. For 2020, the Bank of Portugal defined a 0% Counter-Cyclical Reserve. Regarding the Conservation Reserve, its value is 2.5%. Pursuant to these provisions, as at 31 December 2020, the Common Equity Tier 1, Tier 1 and Total regulatory ratios were 7.0%, 8.5% and 10.5%, respectively.

However, as a result of the COVID-19 virus pandemic, in line with the decision taken by the ECB for significant institutions, the Bank of Portugal allows the less significant credit institutions subject to its supervision to operate, on a temporary basis, with a level lower than the combined capital reserve (OCR), considering that capital reserves were designed to allow credit institutions to resist especially adverse situations. As a result, the minimum regulatory ratios in 2020 for Common Equity Tier 1, Tier 1 and Total were 4.5%, 6.0% and 8.0%, respectively.

The summary of the calculation of Banco Montepio's capital requirements as at 31 December 2020 and 2019, under phase-in, is presented as follows:

		(Euro thousand)
	2020	**2019**
Capital Common Equity Tier 1		
Share capital	2 420 000	2 420 000
Net Profit/ (loss), Reserves and Retained earnings	(1 046 602)	(913 028)
Other adjustments	(543 308)	(509 402)
	830 090	997 570
Capital Tier 1	830 090	997 570
Capital Tier 2		
Subordinated loans	206 323	156 323
	206 323	156 323
Total own funds	1 036 413	1 153 893
Regulatory own funds		
Credit risk	601 539	669 064
Market risk	1 114	4 264
Operational risk	46 140	50 710
Other requirements	39 830	43 910
	688 623	767 948
Prudential ratios		
Common Equity Tier 1 ratio	9.64%	10.39%
Tier 1 ratio	9.64%	10.39%
Total Capital ratio	12.04%	12.02%

It should be noted that the ratios, as at 31 December 2020 and 2019, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 30.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. If Banco Montepio did not apply this transitional plan, as well as the recent transitional plan defined in Regulation (EU) no. 2020/873, to the impacts arising from the adoption of IRFS 9, Banco Montepio's prudential ratios as at 31 December 2020 and 2019 would be:

(Euro thousand)

	2020	2019
Capital Common Equity Tier 1	669 157	870 043
Capital Tier 1	669 157	870 043
Total Own funds	875 480	1 026 366
Own funds requirements	675 332	755 897
Prudential ratios		
Common Equity Tier 1 ratios	7.93%	9.21%
Tier 1 ratio	7.93%	9.21%
Total capital ratio	10.37%	10.86%

If only the transitional plan applied to the initial impacts of the adoption of IFRS 9 was considered, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio as at 31 December 2020 would be:

(Euro thousand)

	2020
Capital Common Equity Tier 1	770 539
Capital Tier 1	770 539
Total Own funds	976 862
Own funds requirements	683 999
Prudential ratios	
Common Equity Tier 1 ratios	9.01%
Tier 1 ratio	9.01%
Total capital ratio	11.43%

52 Recently issued accounting policies

IFRS Disclosures – New standards as at 31 December 2020:

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2020:

- 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.

- IFRS 9, IAS 39 and IFRS 7 (amendment), 'Interest rate benchmark (IBOR) reform – phase 1'. 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 reliefs relate to hedge accounting, regarding: 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, the objective being that the 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.

- 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.

- Conceptual framework, 'Amendments in referencing to 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.

These amendments had no material impact on the financial statements of Banco Montepio.

2. Standards (new and amended) published, the application of which is mandatory for annual periods beginning on or after 1 January 2021, already endorsed by the European Union:

a) IFRS 16 (amendment), 'Leases – COVID-19 related rent concessions' (effective for annual periods beginning on or after 1 June 2020). This amendment introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether the rent concessions granted by lessors due to the COVID-19 pandemic 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 elect to apply this practical expedient, recognise the change in rent payments, as variable rents in the period(s) in which the event or condition tht triggers the reduced payment 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.

b) IFRS 4 (amendment), 'Insurance contracts – deferral of IFRS 9' (effective for annual periods beginning on or after 1 January 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.

These amendments had no material impact on the financial statements of Banco Montepio.

3. Standards (new and amended) published, the application of which is mandatory for annual periods beginning on or after 1 January 2021, but which the European Union has not yet endorsed:

a) IAS 1 (amendment), 'Presentation of financial statements – classification of liabilities' (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. 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.

b) 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.

c) 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 labor 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.

d) Improvements to the 2018 - 2020 standards, (to be applied to annual periods beginning on or after 1 January 2022). These amendments are still subject to endorsement by the European Union. This improvement cycle amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

e) 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.

f) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments), '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.

g) 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 "building block approach" is based on discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM'), 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.

h) 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. IFRS 17 is applied retrospectively. On the issue this amended the end date for applying IFRS 9 (temporary exemption or overlay approach) under the IFRS 4 standard, was extended to 1 January 2023, aligned with the effective date of IFRS 17.

Banco Montepio does not anticipate any significant impact on the application of these amendments to its consolidated financial statements.

53 Transfer of assets

Banco Montepio carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of Banco Montepio, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from Banco Montepio are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same.

These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the fund has as main responsibilities to:

- Define the objective of the fund; and
- Manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which Banco Montepio holds minority positions, incorporate companies under Portuguese law in order to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by Banco Montepio, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, Banco Montepio subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where Banco Montepio has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end;
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, Banco Montepio, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, Banco Montepio derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2020			2019		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net transferred Assets	Received amount	Net income from the transfer	Net transferred Assets	Received amount	Net income from the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Fundo de Reestruturação Empresarial, FCR	21 549	21 590	41	21 549	21 590	41
	49 406	64 714	15 308	49 406	64 714	15 308

As at 31 December 2020 and 2019, the assets received under these operations are as follows:

(Euro thousand)

	2020	2019
	Senior securities	
Fundo Vega, FCR	25 107	27 824
Fundo de Reestruturação Empresarial, FCR	4 931	7 567
	30 038	35 391

Although the subordinated securities are fully provided against, Banco Montepio also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

54 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Bank of Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, Banco Montepio is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal based, among others, on the amount of its liabilities. In 2020, the periodic contribution made by Banco Montepio amounted to Euro 4,263 thousand (2019: Euro 4,156 thousand), based on a contribution rate of 0.060%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Bank of Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Bank of Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco's status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

With the presentation of the results for financial year 2020, Novo Banco will request compensation in the amount of Euro 598.3 million under the CCA due to the losses of protected assets and the regulatory capital requirements.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As of this date, the conclusions of the independent assessment exercise to estimate the level of credit recovery for each class of lender in the hypothetical scenario of the normal insolvency process of Banif as at 20 December 2015 are not yet known. As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

In order to preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

The Decision is subject to appeal to the Court of Competition, Regulation and Supervision by all parties concerned, including Banco Montepio. The lodging of an appeal determines the suspension of the obligation to pay the fine until the Decision has become final or the provision of a guarantee, in an amount to be set by the Court, which decision is awaited. In like manner to many other institutions targeted that have publicly announced this intention, Banco Montepio challenged this Decision on 21 October 2019. In the light of all the relevant circumstances, it is considered that there is a serious and significant likelihood that the administrative fine will not become effective in light of the legal remedies that come to be lodged against the Decision. Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to suspending the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that Court.

We are not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the relevant circumstances, it is considered that the chances of success of any legal actions brought against Banco Montepio based on the Decision would be reduced.

Bank of Portugal

As at 31 December 2020, the Bank has been the subject of several administrative offense processes instituted by the Bank of Portugal, for alleged practices and infractions in regulatory matters that are applicable to the Bank, in a maximum global amount of possible fines that amounts to approximately Euro 30 million, even though the Court of Competition, Regulation and Supervision reduced the fine to be applied in respect of one of the processes.

The evolution of these processes is regularly monitored by the Bank's Board of Directors, with technical-legal intervention under the responsibility of its Legal Department and, in certain cases, by law firms.

For some of these processes, the Bank of Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine. Other processes are still in a preliminary phase, with the evidence requested by the defendants still not having been produced, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, with regard to most of the infractions attributed to it.

Thus, the Board of Directors admits as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to many of the infractions that are attributed to it, even though the respective risk of conviction still exists, in relation to some of the imputed infractions, but not exceeding, however, the amount of provisions recognized by the Bank as at 31 December 2020.

55 Subsidiaries and associated companies and Non-current assets held for sale of Banco Montepio

As at 31 December 2020 and 2019, the companies directly or indirectly held by Banco Montepio are as follows:

Company	Headquarters	Share capital	Currency	Sector	Group		B. Montepio
					Control (%)	% of effective participation	Direct stake (%)
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	Praia	992 000 000	Cape verdean escudo	Banking	100%	100%	100%
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	euro	Shareholding management	100%	100%	100%

Company	Headquarters	Share capital	Sector	Stake (%)
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and similar/hotels with restaurant	20%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Real estate management	26%
CESource, ACE	Lisbon	-	IT systems management	18%

As at 31 December 2020 and 2019, Banco Montepio held investment units in investment funds as follows:

Company	Inception year	Acquisition year	Head quart ers	% stake	Consolidation method
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Integral
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisboa	100%	Integral
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%	Integral
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Integral
PEF - Portugal Estates Fund	2013	2013	Lisboa	100%	Integral
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisboa	100%	Integral

56 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format, as follows:

Credit quality of exposures with forbearance measures

(Euro thousand)

	Gross carrying amount / nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on exposures with forbearance measures	
	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures	of which: Defaulted	of which: Impaired	Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures		Of which: Collateral and Financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	78 309	716 147	713 863	716 106	(3 588)	(361 880)	302 848	244 529
Other financial corporations	-	55 265	55 265	55 265	-	(8 359)	46 903	46 903
Non-financial corporations	41 917	586 925	584 687	586 884	(2 831)	(321 621)	189 304	162 958
Households	36 392	73 957	73 911	73 957	(757)	(31 900)	66 641	34 668
	78 309	**716 147**	**713 863**	**716 106**	**(3 588)**	**(361 880)**	**302 848**	**244 529**

(NPE) Information on performing and non-performing exposures

(Euro thousand)

	Gross carrying amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 years <= 5 years	Past due > 5 years <= 7 years	Past due > 7 years	Of which: defaulted
Loans and advances	**12 041 234**	**12 009 957**	**31 276**	**1 217 630**	**448 858**	**11 399**	**134 938**	**123 678**	**218 934**	**186 384**	**93 440**	**1 210 800**
Central banks	1 320 405	1 320 405	-	-	-	-	-	-	-	-	-	-
General governments	114 610	114 610	-	-	-	-	-	-	-	-	-	-
Credit institutions	882 835	882 835	-	-	-	-	-	-	-	-	-	-
Other financial corporations	28 260	28 217	43	55 324	55 257	10	8	46	3	-	-	55 324
Non-financial corporations	3 512 673	3 503 211	9 462	989 743	319 447	6 019	122 433	103 433	187 322	169 622	81 467	983 018
Of Which: SME	3 084 969	3 075 507	9 462	884 536	253 334	5 596	117 047	103 274	154 489	169 328	81 467	877 811
Households	6 182 451	6 160 679	21 771	172 563	74 154	5 370	12 497	20 199	31 609	16 762	11 973	172 458
Debt securities	**4 639 181**	**4 639 181**	**-**	**33 950**	**-**	**-**	**-**	**950**	**33 000**	**-**	**-**	**33 950**
General governments	2 434 806	2 434 806	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1 782 844	1 782 844	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	421 531	421 531	-	33 950	-	-	-	950	33 000	-	-	33 950
Off-balance sheet exposures	**2 231 241**			**94 392**								**94 112**
General governments	1 453			-								-
Credit institutions	556 437			-								-
Other financial corporations	50 390			2								2
Non-financial corporations	1 176 122			90 155								89 877
Households	446 839			4 235								4 233
	18 911 656	**16 649 138**	**31 276**	**1 345 972**	**448 858**	**11 399**	**134 938**	**124 628**	**251 934**	**186 384**	**93 440**	**1 338 862**

Credit stage of performing and non-performing exposures and provisions

(Euro thousand)

	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Accumulated partial write-offs	Collateral and financial guarantees received	
	Performing			Non-performing		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			on performing exposures	on non-performing exposures
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 3			
Loans and advances	12 041 234	8 958 611	3 080 784	1 217 630	1 217 630	(125 783)	(26 613)	(99 169)	(624 204)	(624 204)	(69 151)	7 984 446	405 826
Central Banks	1 320 405	1 299 467	20 938	-	-	-	-	-	-	-	-	-	-
General governments	114 610	111 176	2 530	-	-	(295)	(226)	(68)	-	-	-	1 344	-
Credit institutions	882 835	839 827	43 008	-	-	(8 110)	(7 617)	(493)	-	-	-	-	-
Other financial corporations	28 260	19 589	8 671	55 324	55 324	(478)	(88)	(390)	(8 398)	(8 398)	-	19 681	46 903
Non-financial corporations	3 512 673	1 924 797	1 586 942	989 743	989 743	(86 172)	(15 501)	(70 671)	(541 864)	(541 864)	(69 151)	2 180 528	276 316
Of which: SME	3 084 969	1 674 778	1 409 257	884 536	884 536	(75 593)	(13 672)	(61 921)	(472 496)	(472 496)	-	2 016 300	252 379
Households	6 182 451	4 763 755	1 418 695	172 563	172 563	(30 728)	(3 181)	(27 547)	(73 942)	(73 942)	-	5 782 893	82 607
Debt securities	4 639 181	4 537 112	3 149	33 950	33 950	(8 190)	(7 559)	(631)	(15 147)	(15 147)	-	6 836	45
General governments	2 434 806	2 434 806	-	-	-	(5 034)	(5 034)	-	-	-	-	-	-
Other financial corporations	1 782 844	1 681 273	2 651	-	-	(721)	(97)	(624)	-	-	-	-	-
Non-financial corporations	421 531	421 033	498	33 950	33 950	(2 435)	(2 428)	(7)	(15 147)	(15 147)	-	6 836	45
Off-balance sheet exposures	2 231 240	1 591 017	640 225	94 392	94 392	(10 235)	(3 427)	(6 806)	(6 360)	(6 361)	-	-	-
General governments	1 453	1 399	54	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	556 437	404 149	152 288	-	-	(15)	(1)	(14)	-	-	-	-	-
Other financial corporations	50 390	42 409	7 981	2	2	(379)	(28)	(351)	-	-	-	-	-
Non-financial corporations	1 176 122	894 323	281 799	90 155	90 155	(6 955)	(2 683)	(4 272)	(6 350)	(6 351)	-	-	-
Households	446 838	248 737	198 103	4 235	4 235	(2 885)	(714)	(2 169)	(10)	(10)	-	-	-
	18 911 655	**15 086 740**	**3 724 158**	**1 345 972**	**1 345 972**	**(144 208)**	**(37 599)**	**(106 606)**	**(645 711)**	**(645 712)**	**(69 151)**	**7 991 282**	**405 871**

57 Exposures and impacts resulting from COVID-19 measures taken

Following the recommendations of the European Banking Authority, and in accordance with Instruction no. 19/2020 on the reporting and dissemination of information on exposures subject to measures applied in response to the COVID-19 crisis as per the EBA guidelines (EBA/GL/2020/07), we present below the following details regarding moratoria and loans granted under the new public guarantee plans:

Information on loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to EBA-compliant moratoria	2 887 585	2 635 670	47 689	1 983 092	251 915	189 951	238 998	(155 951)	(69 092)	(2 337)	(66 651)	(86 859)	(72 492)	(82 104)	43 496
of which: Households	1 200 326	1 161 984	15 614	816 575	38 342	30 738	33 877	(26 895)	(14 911)	(347)	(14 639)	(11 984)	(9 931)	(10 582)	4 261
of which: Collateralised by residential immovable property	1 038 523	1 011 989	11 592	701 871	26 534	20 338	22 725	(16 672)	(9 633)	(165)	(9 518)	(7 040)	(5 624)	(6 179)	2 370
of which: Non-financial corporations	1 684 649	1 471 075	32 074	1 163 916	213 573	159 213	205 121	(128 937)	(54 061)	(1 991)	(51 893)	(74 875)	(62 561)	(71 522)	39 235
of which: SME	1 409 491	1 258 523	30 219	1 003 947	150 967	99 198	143 765	(89 647)	(45 430)	(1 893)	(43 643)	(44 217)	(33 248)	(41 591)	37 584
of which: Collateralised by commercial immovable property	981 770	826 479	20 370	645 155	155 291	116 466	152 444	(73 052)	(27 777)	(951)	(26 739)	(45 275)	(40 186)	(44 125)	24 825

Overview of EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Number of obligors	Gross carrying amount						
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria			
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
EBA-compliant moratoria loans and advances: requested	33 867	2 949 720						
EBA-compliant moratoria loans and advances: granted	33 513	2 932 223	2 848 177	44 638	221 655	13 736	2 695 944	889
Of which: Households		1 204 511	1 160 918	4 185	45 937	13 736	1 144 026	812
of which: Collateralised by residential immovable property		1 042 254	1 035 563	3 731	20 226	-	1 021 237	791
of which: Non-financial corporations		1 724 908	1 684 649	40 259	175 524	-	1 549 307	77
Of which:SME		1 449 173	1 409 491	39 683	165 384	-	1 283 712	77
of which: Collateralised by commercial immovable property		983 727	981 770	1 957	78 081	-	905 646	-

58 Subsequent events

Banco Montepio analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (adjusting events);

- Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events occurring after the balance sheet date).

Events occurring after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

There were no relevant transactions and/or events, after 31 December 2020, that merit disclosure and/or adjustment in the financial statements.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS

DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS

This declaration is issued under the terms of paragraph c) of no. 1 of article 245 of the Securities Code approved by Decree-Law no. 486/99, of 13 November, and republished by Law no. 35/2018.

It is the responsibility of the Board of Directors to prepare the management report and the financial statements, presenting, in a true and appropriate manner, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), the result of operations as well as the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system to prevent and detect any errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- All individual and consolidated financial information contained in the accounting documents, with reference to 31 December 2020, was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of Banco Montepio and the companies included in the consolidation perimeter;
- The management report truly exposes the evolution of the business, the performance and the position of the Institution and the companies included in the consolidation perimeter, and contains a description of the main risks and uncertainties they face.

BOARD OF DIRECTORS

Chairman	Carlos Manuel Tavares da Silva
Members	Manuel Ferreira Teixeira Amadeu Ferreira de Paiva Carlos Francisco Ferreira Alves José da Cunha Nunes Pereira Pedro Jorge Gouveia Alves Rui Pedro Brás de Matos Heitor Vítor Manuel do Carmo Martins Pedro Manuel Moreira Leitão Dulce Maria Pereira Cardoso Mota Jorge Jacinto Helena Catarina Gomes Soares de Moura Costa Pina Jorge Paulo Almeida e Silva Baião José Carlos Sequeira Mateus Leandro Rodrigues da Graça Silva Nuno Cardoso Correia da Mota Pinto Pedro Miguel Nunes Ventaneira

Lisbon, 29 April 2021

REPORTS AND OPINION OF THE SUPERVISORY BODY

Banco Montepio
Audit Committee

Activity Report of the Audit Committee

2020

I - INTRODUCTION

The Audit Committee (CAD) was set up under the provisions of article 17 of Banco Montepio's Articles of Association, dated 16 March 2018 and subparagraph b) of number 1 of article 278 of the Commercial Companies Code, with the duties foreseen in article 423-F therein.

The Regulations of the Audit Committee approved by the Board of Directors at a meeting held on 22 May 2018 were reviewed and approved on 21 May 2020.

The Audit Committee's mission, under the terms established in the law and articles of association, is to supervise the company's administration, supervise the audit activities, the process of preparation and disclosure of financial information, the efficacy of the systems of internal control, risk management, compliance control and the activity and independence of the statutory auditor.

Within the scope of the duties attributed to it and those enshrined in Notice number 3/2020 and Banco de Portugal Instruction number 18/2020, of 15 July, the Audit Committee carried out monitoring activities, obtained information and assessed policies and regulations, procedures and practices defined and implemented, enabling it to issue an opinion on the adequacy and effectiveness of Banco Montepio's and Banco Montepio Group's organizational culture and governance and internal control systems and their consistency.

The Audit Committee should ensure that the persons in charge of the internal control function can operate in an independent manner and are able to warn the supervisory function about adverse developments in terms of risk, as well as the supervision of the implementation and maintenance of policies on detection, management and mitigation of potential conflicts of interest.

The Audit Committee, which will be made up of five members as from 1 April 2020, the date on which José da Cunha Nunes Pereira took up his duties, has the following composition:

- Manuel Ferreira Teixeira, Chairman
- Amadeu Ferreira de Paiva
- Vítor Manuel do Carmo Martins
- Carlos Francisco Ferreira Alves
- José da Cunha Nunes Pereira

The Audit Committee, which holds meetings at least once a month, under the terms of article 4 of its Regulations, in 2020 held meetings at least twice a month, with the minutes being drawn up indicating the topics discussed and decisions taken. All the meetings of the Audit Committee, amounting to the total of 30, were attended by all of its members, as shown in the following table:

January / December 2020	
Manuel Ferreira Teixeira	30/30
Amadeu Ferreira de Paiva	30/30
Vitor Manuel do Carmo Martins	30/30
Carlos Francisco Ferreira Alves	30/30
José da Cunha Nunes Pereira	24/24

Its meetings were regularly attended, by invitation of the Audit Committee by, among others, the heads of the Audit and Inspection Department, the Compliance Department, the Accounting and Financial Reporting Department, the Strategic Planning and Control Department, the Credit Recovery Department, the Information Systems Department, the Information Management Office, the Statutory Auditor and the executive directors.

Duties

Without prejudice to the other duties conferred by law or the articles of association, the Audit Committee is responsible for the continuous assessment of Banco Montepio, particularly with regard to its financial performance, the definition of its strategy and general policies, the Group's corporate structure and the decisions that should be considered strategic due to their amount and risk.

In particular, it is the Audit Committee's responsibility to:

a) Supervise the management of Banco Montepio;

b) Ensure compliance with the law and the Articles of Association;

c) Oversee and supervise the effectiveness and adequacy of the governance and internal control systems;

d) Verify the regularity of the books, accounting records and documents supporting them, as well as the accuracy of the financial statements;

e) Verify that the accounting policies and valuation criteria adopted by the company lead to a correct assessment of net worth and net income;

f) Prepare an annual report on its supervisory action and issue an opinion on the report, accounts and proposals presented by the Board of Directors, as well as on the proposal regarding the action plan and budget;

g) Select and submit to the deliberation of the General Meeting the appointment of the Statutory Auditor, as well as issue an opinion on the fees payable for the provision of legal review of accounts services to the Banco Montepio Group and additional services provided by the Statutory Auditor;

h) Annually appraise the audit plan for the individual and consolidated accounts and for the internal control system of Banco Montepio and the Banco Montepio Group, as well as supervise the review of accounts;

i) Regularly meet with the Statutory Auditor, namely when assessing the individual and consolidated accounts of the Banco Montepio Group;

j) Appraise, with the Board of Directors and Statutory Auditor, any issues and decisions of material relevance for the preparation of the financial statements, including any significant changes of regulatory rules, accounting policies or judgements;

k) Participate in the Executive Committee meeting where the annual financial statements to be submitted to the Board of Directors are approved;

l) Annually prepare an opinion for Banco de Portugal issuing a detailed opinion on the adequacy and efficacy of the internal control system of Banco Montepio and the Banco Montepio Group;

m) Perform control actions and maintain an approved and updated plan of activities, containing a description of the material, technical and human resources necessary for the performance of its functions;

n) Comply with all other duties contained in the regulatory provisions of Banco de Portugal and the "Comissão do Mercado de Valores Mobiliários" (Securities Market Commission), namely, promoting, at Banco Montepio and all other companies of the Group subject to supervision on a consolidated basis, the pursuit of the fundamental objectives established on matters of internal control and risk management;

o) Issue opinions on share capital increases by deliberation of the Board of Directors;

p) Issue a prior and binding opinion on all matters relating to the organisational structure, as provided for in Article 9, number 5 of Notice 3/2020;

q) Convene the General Meeting when the Chairman of its board, having a duty to do so, fails to do so;

r) Confirm and ensure the independence of internal audit, taking cognisance of any scope restrictions or difficulties in accessing the required information;

s) Appraise the most significant reports, in particular those implying reputational risks or actual or potential relevant losses, submitted by internal audit and inspection, risk management and compliance, and the subsequent action of the management body in its management function;

t) Monitor all the inspection actions of Banco de Portugal, the "Comissão de Mercado de Valores Mobiliários" (Securities Market Commission), the "Autoridade de Supervisão de Seguros e Fundos de Pensões" (Insurance and Pension Funds Supervisory Authority) and the "Autoridade Tributária e Aduaneira" (Tax and Customs Authority) and other that are legitimately conducted to Banco Montepio and other Group companies subject to supervision on a consolidated basis.

Internal Control Duties

1. The Audit Committee is responsible for overseeing and supervising the effectiveness and adequacy of Banco Montepio's governance and internal control systems, in particular, the performance of the Audit and Inspection Department with regard to the monitoring of internal control work.

2. Within the scope of its duties and responsibilities in matters of internal control, the Audit Committee is responsible for:

   a) Approving, under proposal of the Directorate of Internal Audit and Inspection, its annual plans and organisational standards;

   b) Issue an opinion on the activity plans of the different internal control functions, prior to their approval by the Board of Directors;

   c) Give a prior binding opinion on the appointment, replacement and dismissal of those responsible for the control functions;

   d) Supervise the activity of the internal control departments;

   e) Participate in the process of evaluation of the internal control functions, as well as of the persons responsible for internal control functions;

   f) Exercise control actions in relation to internal control functions;

   g) Issue an opinion on the internal regulations for internal control functions, prior to their approval by the Board of Directors.

Compliance Function

The Audit Committee also has specific powers in relation to the compliance function, namely:

a) Supervise and oversee the effectiveness of compliance activities.

b) Analyse and issue an opinion on the compliance report, prepared in accordance with Article 28, number 1, subparagraph o) of Notice 3/2020, in particular on the recommendations for the adoption of measures to correct any flaws detected and on any situations or constraints affecting the independence of the compliance function;

c) Analyse and issue an opinion on the report prepared by the compliance function, drawn up in accordance with the provisions of Article 28, number 1, subparagraph p), with reference to the provisions of Article 27, number 1, subparagraph s) of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any flaws detected and on any situations or constraints affecting the independence of the compliance function;

d) Assess and analyse reports drawn up by the compliance function regarding complaints submitted, as well as regarding deficiencies identified in the internal control system in accordance with Article 28, number 1, subparagraph j);

e) Receive and analyse all existing information on indications of violations of legal and regulatory obligations, rules of conduct and relations with customers, as well as other duties that may cause the institution or its employees to incur an administrative offence or have a negative impact.

Risk Management Function

1. The Audit Committee promotes an integrated risk culture covering all areas of Banco Montepio's activity.

2. The Audit Committee also has specific powers in relation to the risk management function, namely:

   a) Supervise and oversee the effectiveness of risk management activities;

   b) Assess and express an opinion on the risk function's decision to exclude certain risk categories identified in the applicable legislation, regulations and guidelines, on the grounds that the underlying risk factors do not manifest themselves in the activity performed;

c) Issue an opinion, prior to its approval by the Board of Directors, on the policies and procedures to be implemented to support the risk management system and its effective application at Banco Montepio;

d) Analyse and issue an opinion on the risk management report prepared by the risk management function, pursuant to the provisions of Article 27, number 1, subparagraph r) of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any deficiencies detected and on the situations or constraints affecting the independence of the compliance function;

e) Analyse and issue an opinion on the report prepared by the risk management function, pursuant to the provisions of Article 27, number 1, subparagraph s) of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any deficiencies detected and on the situations or constraints affecting the independence of the compliance function;

Internal Audit Function

1. The Audit Committee also has specific duties in relation to the internal audit function, namely:

   a) Supervise and oversee the effectiveness of internal audit activities;

   b) Analyse and issue an opinion on the overall evaluation report, in accordance with the provisions of Article 32, number 1, subparagraph c) of Notice 3/2020;

   c) Analyse and issue an opinion on the report drawn up annually by the internal audit function, pursuant to the provisions of Article 32, number 1, subparagraph d) of Notice 3/2020;

   d) Ensure that the internal audit function performs its activities in accordance with internationally recognised and accepted standards and principles on internal audit;

   e) Approve and assess, on an annual basis, the audit action plan for the following year, as well as the adequacy of the multi-annual plan;

   f) Ensure that for each assessment carried out by the internal audit function:

      i. A programme is drawn up defining the audit objectives, identifying the internal control activities and procedures to be audited and establishing the resources needed to carry them out;

      ii. The criteria for assessing the adequacy of specific policies, procedures and controls implemented by the institution are clearly defined;

iii. A report containing the results of the assessment referred to in point (ii) above is drawn up.

g) Ensure that the deficiencies identified, as well as the consequent recommendations issued, when classified as level F3 "high" or level F4 "severe" deficiencies, are recorded and reported to the Audit Committee, taking into account the classification methodology in annex to Banco de Portugal Instruction number 18/2020, so as to ensure that the assessment is not biased and that the issues identified are promptly taken into account;

h) Ensure that the deficiencies identified are continuously monitored by the internal audit function and that the measures aimed at their correction are adopted in a timely and effective manner by the structural unit to which they relate.

II – SUMMARY OF THE ACTIVITIES UNDERTAKEN IN 2020

The main activities developed during 2020 are indicated below.

1. Meetings and opinions issued in 2020

The Audit Committee held 30 meetings during the year and issued 85 opinions, the majority of which related to credit operations by unanimous deliberation in writing, in compliance with determinations of Banco de Portugal and pursuant to the Regulations and Policy on Credit of Banco Montepio. Of those opinions, 11 were related to non-audit services.

The minutes of the thirty meetings of the Audit Committee provide a proper account of the topics discussed and decisions taken.

2. Work Plan of the Audit Committee for 2020

The Audit Committee analysed and approved, on 18 December 2019, its Work Plan for 2020, taking into consideration compliance with the provisions of Banco Montepio's Articles of Association, its own Regulations, the Credit Policy and Regulations, the applicable legislation and Banco de Portugal's determinations.

3. Activity Report of the Audit Committee for 2019

The Audit Committee drew up and approved its Activity Report for 2019, in which it stated that it had held twenty-seven meetings and issued seventy-two opinions, with regular attendance at its meetings by the heads of the Audit and Inspection Department, Compliance Department, Risk Department, Accounting and Financial Reporting Department, Strategic Planning and Control

Department, Credit Recovery Department, Information Systems Department, Information Management Office, Statutory Auditor and executive directors.

4. Review of the Regulations of the Audit Committee

The Audit Committee approved on 6 May 2020 the new version of the Regulations of the Audit Committee, approved on 21 May 2020 by the Board of Directors, after having reviewed it pursuant to no. 2 of Article 7 of the previous Regulations, which had been approved on 22 May 2018 by the Board of Directors.

The review of the Regulations of the Audit Committee included bringing them into line with the version then in force of the Bank's articles of association, approved at the Universal General Meeting of Caixa Económica Montepio Geral held on 5 December 2019, namely Articles 17 and 18, which clarify and develop Articles 3, 4 and 5.

The main changes considered in the review of the Regulations were as follows:

i) the trading name of Caixa Económica Montepio Geral, S.A. is changed to Banco Montepio and the Internal Audit Department is renamed Audit and Inspection Department;

ii) change in Article 2 the reference to Article 16 of the Articles of Association to Article 17 of the Articles of Association and to include the reference to the Regulations of the Board of Directors;

iii) change the words "statutory auditor and external auditor" throughout the document, starting with number 2 of Article 2, to "statutory auditor";

iv) change in Article 3 from "a minimum of three members" to "a minimum of three and a maximum of five members", in accordance with Article 17 of Banco Montepio's Articles of Association;

v) add to number 4 of Article 3. ("the remuneration of the members of the Audit Committee is exclusively composed of a fixed amount to be determined by the Remuneration Committee") the phrase "... by the General Meeting of the Bank...", according to article 17 of Banco Montepio's Articles of Association;

vi) include in Article 5 new subparagraphs (a) to (e), as well as subparagraphs (h), (j) and (m), closely following the wording of the Articles of Association;

vii) include in paragraph b) of number 2 of Article 5 “risk management” not previously referred to, possibly by oversight;

viii) in subparagraph g) of number 2 of Article 5, "...for risk management and compliance and the subsequent performance of the management body in its management function" has been added;

ix) in subparagraph h) of number 2 of Article 5, the reference to *Direção Geral de Impostos*, *Inspeção Geral de Impostos* and *Inspeção de Finanças* has been removed and replaced by *Autoridade Tributária e Aduaneira* (Tax and Customs Authority).

5. Appraisal of the Activity Plan of the Internal Audit Function for 2020

The Audit Committee approved the Activity Plan of DAI for 2020 for considering that it complied with the provisions of Article 22 of Notice number 5/2008 of Banco de Portugal, namely when it states that "it must ensure a comprehensive risk-oriented examination of the institution's activities, systems and processes, allowing an assessment of the adequacy and effectiveness of the internal control system" and with the Guidelines on Internal Governance set out in EBA/GL/2017/11, in number 206 of point 22. Internal Audit Function.

The Activity Plan for 2020 was subsequently revised, namely the changes due to the Covid-19 pandemic and new audit requests.

6. Appraisal of the Activity Plan of the Risk Management Function for 2020

The Audit Committee approved, pursuant to subparagraph a) of number 2 of Article 5 of its Regulations, the 2020 Activity Plan relating to the Risk Management Function, which took as a reference the fact that the Bank intends to have moderate tolerance to risk and that the Risk Appetite Statement (RAS) reflected the risk acceptance principles that guide and incorporate the Group's strategy.

The Activity Plan for 2020 was later revised as a consequence of the impact of the pandemic crisis, which led to new priorities/additional reporting, as well as operational constraints and also due to insufficient resources and their high turnover.

7. Appraisal of the Activity Plan of the Compliance Function for 2020

The Audit Committee concluded that the Activity Plan of the Compliance Function for 2020 complied with the provisions of Article 17 of Notice 5/2008 of Banco de Portugal, insofar as it would allow "the regular monitoring and assessment of the adequacy and effectiveness of the measures and procedures adopted to detect any risk of non-compliance with the legal obligations and duties to which the institution is subject, as well as the measures taken to correct any deficiencies in their compliance" and also with the European Banking Authority (EBA) Guidelines on the internal governance of institutions - EBA/GL/2017/11.

The Activity Plan of the Compliance Function for 2020 was subsequently revised, mainly due to the effects of the COVID-19 pandemic.

8. Appraisal of the Annual Plans of the Audit Functions of Banco Montepio's subsidiaries (Montepio Investimento, Montepio Crédito, Montepio Valor, Montepio Geral Cabo Verde and Finibanco Angola)

The Audit Committee assessed the Annual Plans of the Audit Functions of Banco Montepio's subsidiaries (Montepio Investimento, Montepio Crédito, Montepio Valor, Montepio Geral Cabo Verde and Finibanco Angola), and noted their integration into what it considered to be the priority control needs of the Montepio Group.

9. Annual report of the activity of the Internal Audit Function

The Audit Committee analysed the Annual Report of the Internal Audit Function, dated May 2020, in compliance with paragraph c) of number 1 of Article 22 of Notice 5/2008 of Banco de Portugal, for 2019 and 2020 (up to May), and found that the degree of compliance with the Internal Audit Plan was 92.1%, mainly due to requests outside the plan.

10. Annual report on the activity of the Risk Management Function

The Audit Committee analysed the Risk Management Function Report for the period from June 2019 to May 2020, prepared in compliance with the provisions of sub-paragraph b) of number 1 of article 16 of Notice 5/2008 and subparagraph b) of number 3 of article 305-B of the Securities Code, having verified that the DRI prepared or reviewed more than 12 service orders and issued more than 200 opinions regarding service orders, transactions with related parties, increase of risk exposure and definition of market risk management limits, counterparty credit risk and credit risk, among others. DRI had an overload of tasks due to the Covid-19 pandemic crisis, notably its DRI-DRO team, the operational risk department, which was made responsible for managing the Crisis Management Office (CMO).

11. Annual report on the activity of the Compliance Function

The Audit Committee analysed the annual report on the activity of the Compliance Function, prepared in line with what is defined in subparagraph f) of number 1 of Article 17 of Banco de Portugal Notice 5/2008, which reported that they had issued 2,033 opinions in 2019 and the other activities carried out throughout the year and which were as follows:

i) legislative and regulatory monitoring;

ii) monitoring the inspection actions of supervisors;

iii) promotion of the update of 13 service orders;

iv) developments related to information systems and installation of new applications;

v) action on the internal control system for the Prevention of Money Laundering and Terrorist Financing;

vi) action with the other Group entities (Banco BEM, where we highlight the review of most of BEM's policies and the issuance of 30 opinions; Montepio Geral Cape Verde, issuance of 6 opinions; Montepio Crédito, where we highlight the review of policies associated with the function and the issuance of 108 opinions, mostly on advertising; Montepio Valor, which also reviewed policies associated with the function and issued 16 opinions; and Finibanco, where we highlight two visits to Angola for various actions, including monitoring the activity of the local head of the function, assessing the degree of resolution of internal control deficiencies in the Compliance area and monitoring local procedures on the Prevention of Money Laundering and Financing of Terrorism).

12. External evaluation of the Internal Audit Function

The Audit Committee analysed the Ernest Young (EY) report on the Quality Assurance Review of the Internal Audit Function (FAI), which took into consideration the regulatory requirements (Banco de Portugal, Notice 5/2008 and the European Banking Authority, Guidelines 11 and 12) and reference practices of the Institute of Internal Auditing (IIA).

The Audit Committee monitored the steps and action plans that the Audit and Inspection Department established to resolve the recommendations made in the EY report, particularly the seven of high relevance.

13. Internal assessment model of the Internal Audit Function

The Audit Committee appreciated the Quality Assurance and Improvement Program (QAIP) of the Internal Audit Function, prepared by the Audit and Inspection Department following

i) the supervision measure of Banco de Portugal, within the scope of SREP 2019, which determined that "Banco Montepio should define, formalise and implement a process of assessment, at least annually, of the control functions";

ii) of EY's recommendation in its quality assessment report on the internal audit function that DAI should implement a formal internal Quality Assurance process for the Audit Function.

This DAI Action Plan defines and formalises the conceptual model of the Banco Montepio Group's global program to assess and improve the quality of the Internal Audit Function (QAIP), whose tools necessary for the full implementation of the programme will be developed by December 2020.

The document was prepared in close alignment with regulatory requirements, Banco de Portugal and the European Banking Authority (EBA), as well as with internationally recognised internal audit practices, namely the standards of the Institute of Internal Auditing (IIA).

The results of the annual self-assessment and of the independent external assessment shall be the object of specific reports, to be submitted to the Board of Directors and the Supervisory Board.

14. Quarterly monitoring report on the Plan to Resolve Internal Control Deficiencies of the Banco Montepio Group

The Audit Committee analysed the reports on the "Internal Control Deficiencies Remediation Process" - Quarterly report sent to Banco de Portugal on the deficiencies included in the internal control report (ICR) 2018/2019 and on the deficiencies that were considered after the submission of that ICR, having regularly approached the Board of Directors regarding the importance of accelerating the timely implementation of the respective recommendations.

15. Opinion on the adequacy and efficacy of the Internal Control System, on an individual and consolidated basis, of Caixa Económica Montepio Geral (Banco Montepio)

The Audit Committee, as Banco Montepio's supervisory body, is responsible for carrying out the procedures deemed necessary to issue an opinion, at the time of the annual Internal Control Report, on whether there is adherence, in materially relevant aspects, to the Internal Control System of Banco Montepio and the Banco Montepio Group, on its adequacy and effectiveness, in light of the requirements defined by Banco de Portugal Notice 5/2008.

The procedures adopted to verify the Internal Control System were conducted, with reference to the period between 1 June 2019 and 31 May 2020, with the objective of obtaining reasonable assurance as to whether the internal controls implemented at Banco Montepio, which it is responsible for analysing, comply with the principles established in Article 3 of Bank of Portugal Notice 5/2008 and meet the objectives defined in Articles 2 and 24 of the same Notice.

The Audit Committee, in order to issue its opinions on the adequacy and effectiveness of Banco Montepio's Internal Control System, based itself in particular on the Report on the Internal Control System prepared by the Board of Directors and on the opinions of the Internal Audit, Compliance and Risk Departments, attached thereto. The Audit Committee has taken into consideration the work performed by PricewaterhouseCoopers & Associados - SROC, Lda for the purposes of its opinions.

In addition, the Audit Committee held regular meetings with the Risk Department (DRI), to analyse and obtain an update on the development and reporting to the Supervisory Bodies, on the status of audits and recommendations by Banco de Portugal and on the main risk metrics in the Risk Appetite framework.

The Audit Committee also held regular meetings with the Compliance Department (DCOMP), which provided information about the progress of the work carried out and the coordination and supervision of compliance activity, with a view to ensuring the consistency of the underlying rules and practices.

The Audit Committee analysed the reports on i) the internal audits conducted by the Audit and Inspection Department (DAI), ii) the activity of the DAI, monthly until December 2019 and quarterly thereafter, iii) the annual report on the Internal Audit Function, iv) the quarterly reports on internal control, as well as v) the internal control report.

The Audit Committee also regularly analysed the monitoring reports on the Plan to Resolve Internal Control Deficiencies prepared by the Audit and Inspection Division (DAI) and the Office of the Board of Directors.

The Audit Committee also analysed the reports issued by Banco de Portugal, namely the inspection reports on i) Management processes of collateral and properties acquired as payment for credit granted, ii) Analysis of the definition of NPE, associated concepts (default, impaired and restructured) and respective marking and de-marking processes, iii) Market Risk and also the reports on iv) Information Technology Risk Assessment Exercise (CRI/2017/00001073-G of 10-02-2017) and v) SAP - Special assessment Program - Management of Distressed Loans.

The Audit Committee not only analysed the abovementioned reports but also discussed their conclusions, in particular the existing deficiencies, the opportunities for improvement detected in the period or in previous periods and that have not yet been resolved, the attributed risk level, the corrective or improvement actions suggested and their timing. The Audit Committee paid particular attention to compliance with the provisions of point iv) subparagraph b) and subparagraph c) of number 2 of Article 25 of the Notice, in the sense of the effectiveness of the corrective procedures for the deficiencies previously detected.

The Audit Committee approved two Opinions:

i) Opinion of the Audit Committee on the adequacy and effectiveness of the Internal Control System, on an individual basis, of Caixa Económica Montepio Geral - caixa económica bancária, S.A., under reference CAD_PAR_49_20200930 (copy attached);

ii) Opinion of the Audit Committee on the adequacy and effectiveness of the Internal Control System, on a consolidated basis, of Caixa Económica Montepio Geral - Caixa económica bancária, S.A., under reference CAD_PAR_50_20200930 (copy attached).

16. Opinion on the internal control system for the prevention of money laundering and financing of terrorism

The Audit Committee carried out the procedures deemed necessary to verify the adequacy and effectiveness, in materially relevant aspects, of Banco Montepio's Internal Control System for the

Prevention of Money Laundering and the Financing of Terrorism, with regard to compliance with legal and regulatory provisions in force, namely the requirements on that system set out in Banco de Portugal Notice 2/2018, and issue an opinion on the quality of that system, pursuant to Article 73, number 4, subparagraph c) of Banco de Portugal Notice 2/2018, based on the procedures carried out referred to above.

The Audit Committee, which was supported by PwC, was of the opinion, based on the procedures carried out, that, except for the possible effects of the materially relevant deficiencies identified by PwC and Internal Audit, the internal control system implemented and maintained by Banco Montepio, in the specific scope of the prevention of money laundering and financing of terrorism in force at 31 December 2019 was, for the materially relevant aspects, adequate and effective in relation to legal and regulatory standards, namely in relation to the requirements set out in Banco de Portugal Notice 2/2018 and given the activity that Banco Montepio actually developed in the reference period under analysis.

17. 2020 Recovery Plan

The Audit Committee assessed the 2020 Recovery Plan of the Banco Montepio Group, within the scope of the annual review, according to the regulatory requirements established in RGICSF, Banco de Portugal Notice 3/2015 of 11 November and Directive 2014/59/EU of the European Parliament and of the Council of the European Union of 15 May 2014, complemented by Delegated Regulations (EU) numbers 2016/778 and 2016/1075 of the European Commission.

The Audit Committee noted that the 2020 Recovery Plan was designed to ensure alignment with the other management and risk mechanisms and instruments, such as the risk appetite statement (RAS), the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), the contingent management mechanisms relating to the Business Continuity plan and the Resolution Plan.

The Audit Committee concluded that the recovery measures defined in the 2020 Recovery Plan for the Banco Montepio Group seem feasible and are expected to be effective for the Banco Montepio Group's recovery under the considered scenarios.

The Audit Committee also appreciated the DAI's report on the audit of the Banco Montepio Group's Recovery Plan, namely:

a) situations identified by Banco de Portugal, the recommendation in the SREP, relating to the Recovery Plan, recommendations that were still to be implemented relating to the assessment of the recovery plan for the 2017 cycle and recommendations of the independent review of the Audit and Inspection Department carried out in May 2019;

b) compliance with the regulatory requirements demanded in the preparation of the Recovery Plan (RP);

c) impact of the recovery measures on Key Performance Indicators (KPIs).

The Audit Committee found that the DAI had five opportunities for improvement that would allow strengthening the process of preparation, monitoring and execution of the Banco Montepio Group's Recovery Plan.

18. 2019 ICAAP Exercise

The Audit Committee has analysed the Risk Department's report on the closing figures for the ICAAP exercise, which as at 31 December 2019 showed a capital shortfall of around 54.5 million euros, as a result of the increase in capital requirements by 160.3 million euros and the reduction in the RTC by 121.8 million euros.

The Audit Committee also analysed the measures envisaged under the Capital Conservation Plan, which provided for the following operations to be carried out until the end of the 1st quarter of 2022:

i) conversion of Tier 2 capital instruments into AT1 capital instruments;

ii) issue of subordinated debt eligible for Tier 2;

which will, under the assumption of constant capital requirements, allow the Bank to run an economic capital surplus in March 2022.

19. 2019 ILAAP Exercise

The Audit Committee analysed the Report with Specific Elements of the 2019 ILAAP Institution, prepared by the Risk Department, which also included the adverse scenarios considered in the last reported Recovery Plan, approved by the Board of Directors in December 2019, and their impacts on liquidity, whose conclusions generally stated that "given the Group's current level of liquidity and the capital recovery measures adopted have no significant impact on liquidity adequacy".

The Audit Committee noted the fact that the conclusions showed an adequate level of liquidity of Banco Montepio, even in a framework of adverse scenarios, under the stress tests carried out.

20. Opinion on the 2020 Budget and Projections up to 2022

The Audit Committee assessed the 2020 Budget and Projections up to 2022, having given a favourable opinion under the assumption that, until the approval of the Funding and Capital Plan,

i) it would continue the reflection that the Board of Directors had been carrying out on the origin, causes and consequences - namely in relation to the projections for 2021 and 2022 - of the deviations recorded in 2019 in relation to the Transformation Plan;

ii) an Action Plan in line with the defined objectives would be presented to the Board of Directors;

and, furthermore,

iii) systematic and frequent monitoring of compliance with the measures and targets set out in the 2020 budget;

which, expectably, would contribute, in a sustainable manner, to the achievement of the objectives underlying the strategic pillars of the Banco Montepio Group.

21. Monitoring of the Funding and Capital Plan (FCP)

The Audit Committee regularly reviewed the reports on the Control of the Funding and Capital Plan, observing its execution, both at balance sheet and income statement levels, as well as the capital initiatives planned throughout the year.

22. Impairment Report - 31 December 2019

The Audit Committee analysed the "external auditor's report on the process of quantification of impairment of the loan portfolio 31 December 2019", whose main conclusions were as follows:

i) Conclusion without reservations on the process for quantifying the impairment of the loan portfolio;

ii) Conclusion without reservations on the individual and collective impairment of the loan portfolio.

The conclusion with reservations resulted exclusively from subsequent events occurring after 31.12.2019, which were mostly incorporated by the Bank in the accounts as at 30.06.2020.

23. Monitoring the regular activity of the Audit and Inspection Department, the Risk Department and the Compliance Department

The Audit Committee held regular meetings with the heads of the internal control functions, who attended at least one of its fortnightly meetings where the reports produced were analysed, whether monthly reports, internal audit reports or those relating to risk management, such as liquidity or solvency.

24. Review of the Risk Appetite Statement (RAS)

The Audit Committee carried out an analysis of the RAS, which was subject to adjustments of some metrics in order to consolidate the link between the RAS and the ICAAP exercise, having also changed the objective limits and limits associated with the Recovery Plan (RP), resulting from the review of the Funding & Capital Plan and the RP, having issued a favourable opinion on the document.

25. Opinion on the Management Report and Individual and Consolidated Accounts of 2019

The Audit Committee monitored the preparation of the Management Report and Accounts, drawn up in accordance with the International Financial Reporting Standard (IFRS) for the year ended on 31 December 2019. The Audit Committee, within the scope of the preparation of the opinion, held a meeting with other members of the Board of Directors, with the Strategic Planning, Control and Accounting Department, the Risk Department, the Compliance Department, the Audit and Inspection Department, and the Statutory Auditor, having requested all the information and clarifications that it considered relevant for compliance with the applicable legal and statutory rules.

The Audit Committee, under the terms of the regulations and its statutory duties, assessed

- i) the Report and Accounts for the year ended 31 December 2019 of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), approved by the Board of Directors;
- ii) the Legal Certifications of the Accounts and as well as the Additional Report on the Audit Committee, drawn up by PricewaterhouseCoopers & Associados - Revisores Oficiais de Contas, S.A., on the financial statements relative to the year ended on 31 December 2019, on an individual and consolidated basis, issued without reservations and with one emphasis concerning the possible impacts of the COVID-19 pandemic on the economy and, consequently, on the Group's future activity;

and issued a favourable opinion

- i) on Banco Montepio's Management Report and Accounts, which include the financial statements, on an individual and consolidated basis, for the year ended on 31 December 2019, approved on 30 April 2020 by the Board of Directors;

ii) that Banco Montepio's General Meeting should approve:

a) The Management Report and all the other documents presenting the financial statements, both individual and consolidated, relative to the year ended on 31 December 2019;

b) the information on corporate governance relative to 2019;

c) the Board of Directors' proposal on the appropriation of the positive net income of the value of 12,970,780.28 euros recorded in the individual balance sheet relative to 2019, as follows:

To Legal Reserve	1,297,078.03 euros
To Retained Earnings	11,673,702.25 euros

26. Opinion on the appointment of the DRI Director and Risk Officer of the Banco Montepio Group

The Audit Committee was requested by the Executive Committee to assess its recommendation for the appointment of the candidate Bruno Torres Magalhães as Director of the Risk Department (DRI) and Risk Officer of the Banco Montepio Group, and resolved, in the light of the favourable opinions of the Remuneration, Appointments and Assessment Committee and the Risk Committee, and following analysis of the candidate's CV, to issue a favourable opinion on his appointment as Director of the DRI and Risk Officer of the Banco Montepio Group.

27. Opinion on the appointment of the Director of DCOMP and head of the Compliance Function of the Banco Montepio Group

The Audit Committee considered the recommendation of the Executive Committee for the appointment of the candidate António Miguel Coelho de Oliveira as Director of DCOMP and head of the Compliance function of the Banco Montepio Group, and resolved, in the light of the favourable opinions of the Remuneration, Appointments and Assessment Committee and the Risk Committee, and following analysis of the candidate's CV and the interview with him, to issue a favourable opinion on his appointment as Director of DCOMP and head of the Compliance function of the Banco Montepio Group.

28. 2019 Whistleblowing Report

The Audit Committee, after having analysed the document, which did not report in relation to 2019 any communication of irregularities related to the administration, accounting organization and internal supervision, nor that there were indications of breaches of duties provided for in the RGICSF, in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June, approved the 2019 Irregularities Report of Banco Montepio.

29. Meetings of the Audit Committee with Banco de Portugal

At the initiative of Banco de Portugal, the Audit Committee has been meeting monthly with the heads of the Prudential Supervision Department since 2 November 2020. In these meetings, information and analysis are exchanged on the main activities of the Banco Montepio Group, giving the Audit Committee the opportunity to become aware of the Supervisor's concerns on these matters, manifesting those of the Committee, in order to increase the effectiveness of supervisory action.

III – CONCLUSION

The Audit Committee, in completing its annual report, highlights the good institutional cooperation and fruitful relations established with the Board of Directors and its Committees, with the Departments belonging to the organic structure of Banco Montepio and with the Statutory Auditor.

The Audit Committee also notes, with great appreciation, the sense of cooperation, the technical quality and the dedication to Bank Montepio of the heads and employees of all the Departments with which it worked directly, highlighting in particular the advisor of the Audit Committee itself, as well as the contribution of the other Departments and employees to the results achieved.

Finally, we would like to highlight the appropriateness and timeliness of all the written and oral information provided by the aforesaid entities, being an indispensable support to the exercise of the duties and responsibilities inherent to the activity of this Audit Committee, a fact that has greatly contributed to its good operational functioning as a supervisory body.

Lisbon, 21 April 2021

The Audit Committee

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Manuel Ferreira Teixeira
(Chairman)

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Amadeu Ferreira de Paiva

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Vítor Manuel do Carmo Martins

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Carlos Francisco Ferreira Alves

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José da Cunha Nunes Pereira

OPINION OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR OF 2020

1. The Audit Committee, under the terms of the regulations and its statutory powers, assessed the Management Report and Accounts for the year ended 31 December 2020 of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), approved by the Board of Directors.

2. The Audit Committee assessed the Additional Report to the Audit Committee, prepared by PricewaterhouseCoopers & Associados - Revisores Oficiais de Contas, SA (PwC) as well as the Audit Reports and the Legal Certification of Accounts, on the financial statements for the year ended 31 December 2020, on an individual and consolidated basis, issued without reserves. As far as this Committee is aware, the audit of PwC was conducted in accordance with International Standards on Auditing ("ISAS") and other standards and technical and ethical guidelines of the Institute of Statutory Auditors.

3. The Audit Committee monitored the preparation of the Management Report and Accounts, drawn up in accordance with the International Financial Reporting Standard (IFRS) for the year ended on 31 December 2020, namely their final version approved by the Board of Directors. For the preparation of its opinion, the Audit Committee held meetings with the Executive Committee, the Accounting and Financial Reporting Department and the Statutory Auditor, having requested all the information and clarifications that it considered relevant for compliance with the applicable legal and statutory rules.

4. As far as the Audit Committee is aware, the financial information was prepared in conformity with the applicable accounting standards, including compliance with the accounting policies defined in the IFRS, giving a true and appropriate image of the net worth, financial situation and results of Banco Montepio and the companies included in its consolidation perimeter. Likewise, and under the same assumptions, the Audit Committee considers that the Management Report correctly reflects the evolution of the business, performance and position of Banco Montepio and the companies included in its consolidation perimeter, and contains a description of the main risks and uncertainties faced.

5. The Legal Certification of Accounts and Audit Reports on the individual and consolidated financial statements of Banco Montepio were prepared in accordance with the formats resulting from Regulation (EU) 537/2014, of the European Parliament and of the Council of 16 April 2014, and Law 140/2015, of 7 September, include areas of audit focus, the so-called ''Relevant Audit Matters'' that PwC has identified as:

(i) Impairment losses on loans and advances to customers;

(ii) Valuation of real estate properties received by way of credit recovery and investment properties;

(iii) Recoverability of the deferred tax assets;

(iv) Fair value of financial instruments not listed in active markets – level 3 of the fair value hierarchy of IFRS 13;

(v) Liabilities related to pensions and other benefits;

(vi) Provisions and contingent liabilities.

All these issues were systematically monitored by Banco Montepio's Audit Committee, as evidenced in its minutes.

6. The proposed appropriation of net income is not contrary to the applicable legal and statutory provisions.

7. To conclude:

   The Audit Committee agrees with the content of the Legal Certifications of Accounts and Audit Reports prepared by PwC, and issues a favourable opinion on the Management Report and Accounts of Banco Montepio, which includes the financial statements, on an individual and consolidated basis, for the year ended on 31 December 2020, approved on 29 April 2021 by the Board of Directors.

8. In view of the above, the Audit Committee is of the opinion that Banco Montepio's General Meeting should approve:
   a) the Management Report and all the other documents presenting the financial statements, both individual and consolidated, relative to the year ended on 31 December 2020;
   b) the information on corporate governance relative to 2020;
   c) the Board of Directors' proposal to transfer the negative net income of -116,621,139.35 euros recorded in the individual balance sheet for the financial year of 2020, to retained earnings.

Lisbon, 30 April 2021

Manuel Ferreira Teixeira, Chairman

Amadeu Ferreira de Paiva, Member

Vitor Manuel do Carmo Martins, Member

Carlos Francisco Ferreira Alves, Member

José da Cunha Nunes Pereira, Member

Banco Montepio, S.A.
Summary of the Self-Assessment Report (Group) dated 3 March 2021 for the period from 1 June 2020 to 30 November 2020

This summary is presented in accordance with Article 60 of Banco de Portugal Notice 3/2020, published on 16 July 2020 (Notice).

The Self-Assessment Report (Report), prepared in accordance with the provisions of Article 55 of the Notice, in force since 16 July 2020, and of Banco de Portugal Instruction 18/2020 (Instruction), contains the results of the assessment carried out by the Banco Montepio Group (Group) regarding the adequacy and effectiveness of the financial group's internal control system to ensure compliance with the requirements defined in Article 51 of the Notice, as well as regarding the consistency between the internal control systems of the subsidiaries and the internal control system of the parent company, Banco Montepio (parent company or Bank), for the reference period from 1 June 2020 to 30 November 2020.

The Report includes a description of the activities specifically developed, ongoing, and planned for 2021, aimed at ensuring the implementation of and compliance with the provisions of the Notice and the Instruction at Group level.

Individual self-assessment reports were prepared for Banco Montepio as parent company, for Banco de Empresas Montepio and Montepio Crédito as subsidiaries and for Finibanco Angola and Banco Montepio Geral Cabo Verde as subsidiaries in third countries, entities subject to supervision on a consolidated basis, in accordance with the provisions of Notice 3/2020.

The Banco Montepio Group's Audit Committee was equipped with the necessary skills to fulfil its responsibilities, taking into account the requirements of knowledge, competence and independence, existing regulations, and access to all Banco Montepio Group entities, in particular the areas of internal control and external auditors.

The Audit Committee developed monitoring activities, analysed information it considered relevant to support its analysis and assessed policies and regulations, procedures and practices defined and implemented by the Banco Montepio Group.

The matters covered by Notice 3/2020 are reflected in policies that are defined and applicable at Group level, namely the risk management policy, the policy for managing conflicts of interest, the policy for communicating irregularities, the remuneration policies, and the code of conduct, among others. The aforementioned policies prepared at Group level are transposed into each of the entities with the adaptations considered pertinent to the local and business specificities.

In addition to the supervisory bodies themselves, the control functions of each Group entity, namely the compliance, risk management and internal audit functions, as an integral part of the internal control system, are provided with regulations designed to ensure the performance of the responsibilities envisaged in the Notice and their suitability in the Group context.

As part of the process of monitoring the internal control system, provision is made for the development of monitoring/control actions aimed at verifying the proper implementation of such policies, actions that are defined in the activity plans of the Control Functions (including the multi-annual plans of the internal audit function), in the activities of the external auditors and the Supervisory Boards of the various Group entities. The Control Functions of the parent company, in their periodic report to the Audit Committee, communicate the evolution of the activities plan, in particular the monitoring and control actions, contributing to a global and integrated vision of the Group's internal control system.

In this context, it is the responsibility of the control functions of the parent company to ensure functional coordination with the control functions of the Group's entities, with a view to aligning and monitoring practices and procedures at Group level.

In order to ensure that the Group's internal control system is adequate and effective, the service provision contracts established between Banco Montepio and each entity or the articulation processes between the control functions of the Group's entities and the parent company's control functions are provided for under the terms of article 50 of Notice 3/2020.

The Audit Committee, within the scope of its responsibilities, acts on the instruments that fall within the Internal Control Functions of the parent company, approving the organizational standards and their annual plans, ensuring a follow-up of their changes and deviations and assessing, together with the heads of the control functions, their responsibilities, resource allocations, methodologies of action and periodic reports.

The Audit Committee has access to relevant information of the Banco Montepio Group, both to the documentation produced by Banco Montepio's external auditors and to the internal audit, risk management, compliance, accounting and financial reporting, strategic planning and control areas of Banco Montepio, and may request from them any further information it deems necessary, as well as from the management and supervisory bodies of its subsidiaries.

The Audit Committee, in accordance with the best information available and in view of the articulation with the management and supervisory bodies of the subsidiaries, as well as with the external auditors of Banco Montepio and the Parent Company's Control Functions, believes that the Group reasonably presents an organizational culture and governance and internal control systems that are effective and appropriate to the nature and complexity of the activities developed.

The Audit Committee performed its duties on a permanent basis, which included 15 meetings during the period and issued 39 opinions, all unanimously approved, analysed and took a position on numerous matters during the period between 1 June and 30 November, including all the work required to respond to the requests and determinations of Banco de Portugal.

The activities developed by the Audit Committee in matters concerning the Group included work carried out with the external auditor and the Audit Firm, with the Internal Audit Function, the Risk Management Function, the Compliance Function and with the management and supervisory bodies of the different entities.

The plan of activities for 2020 of the Audit Committee encompassed the planned activities for which it is responsible.

The Report describes and characterises the deficiencies still open on the reference date - 31 January 2021, having identified a total of 483 deficiencies with an impact on the Group's internal control system, of which 147 are classified as F1 (Low), 301 as risk level F2 (Medium), 34 as risk level F3 (High), and one as risk level F4 (Severe). All deficiencies include measures and deadlines for their respective correction, with 85% being implemented and 15% in the validation process.

The aforementioned description and characterisation of the deficiencies was based on the analysis carried out on i) the evolution of the deficiencies identified in the internal control report for the period from 1 June 2019 to 31 May 2020; ii) the report issued by PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda in February 2021 with reference to November 2020; iii) the Individual Self-Assessment Reports prepared by the Banco Montepio Group entities; iv) the recommendations of Banco de Portugal; v) the reports of the control functions of Banco Montepio and vi) the external assessment of the control functions.

It should be noted that the deficiencies related to the prevention of money laundering and financing of terrorism of national entities are not included in the self-assessment reports, as they are subject to autonomous reporting, as provided for in Notice 3/2020. However, since entities with head offices abroad do not report such deficiencies to Banco de Portugal, the deficiencies on this matter that are open in entities with head offices abroad were included in the aforementioned self-assessment reports.

The Audit Committee considers that the processes for identifying, reporting and monitoring deficiencies have been defined and implemented. However, further improvements in the efficiency of the correction of deficiencies should be considered, namely through a faster implementation of the respective action plans.

The Audit Committee, based on the information provided and assessments made (opinions issued by the Audit Committee on policies, regulations and practices of the function) and taking into account the activities developed in the reference period by the Risk Management Function, the Compliance Function and the Internal Audit Function, believes that their performance is adequate and carried out with independence.

Pursuant to and for the purposes of the provisions of subparagraph f) of number 1 of Article 56 of Banco de Portugal Notice 3/2020, and based on its monitoring of the preparation of prudential and financial reports, the analysis of the aforementioned reports, the results of the assessment of the Banco Montepio Group's internal control, the information obtained from the Statutory Auditor, as well as the results of the external audit work on the quarterly, half-yearly and annual accounts, as well as the confirmation of the heads of the Control Functions in meetings held with the Audit Committee of the non-existence of non-compliance with deadlines in the exercise of their functions, the Audit Committee declares that it recognizes the reliability of the preparation process of prudential and financial reports of the Banco Montepio Group.

Pursuant to and for the purposes of the provisions of subparagraph g) of number 1 of Article 56 of Banco de Portugal Notice 3/2020, and based on the information obtained from the heads of the Control Functions and of the Banco Montepio Group's accounting and financial reporting, its monitoring of the preparation of information disclosed to the public under the legislation and regulations, including prudential and financial reports, the information obtained from the Statutory Auditor and, as well as the confirmation of the heads of the Control Functions in meetings held with the Audit Committee of the non-existence of non-compliance with deadlines in the exercise of their functions, the Audit Committee declares that it considers the preparation process of information disclosed to the public under legislation and regulations, including prudential and financial reports of the Banco Montepio Group, to be reliable.

Under the terms and for the purposes of subparagraph h) of number 1 of Article 56 of Banco de Portugal Notice 3/2020, and taking into account the information obtained from the heads of the Control Functions and accounting and financial reporting, as well as the confirmation by the heads of the Control Functions in meetings held with the Audit Committee of the non-existence of non-compliance with deadlines in the performance of their duties, the Audit Committee declares that all the duties of public disclosure were adequately fulfilled.

The Banco Montepio Group, in order to respond to the implementation of the provisions of Banco de Portugal Notice 3/2020 and Instruction 18/2020 , defined an integrated approach, having set up a Steering Committee, composed of the Chairmen of the Board of Directors, Audit Committee, Risk Committee and Executive Committee, as well as of the Chief Risk Officer and Chief Compliance Officer , and a Working Group, comprising the heads of the internal control areas: DAI, DRI, DCOMP and also by the head of GCA, supported by an external consultant. In this connection, several gap analysis sessions were held, by logical thematic block of requirements, with members of the Management and Supervisory Bodies, the Internal Control functions and other stakeholders from all Group entities. As a result of this approach, an integrated roadmap of activities for 2021 was drawn up, identifying actions, owners and timings for implementation, which aim to ensure a complete and homogeneous response to all the requirements of the Notice and the Instruction applicable to the Group's context.

The principle of consistency of the internal control systems at the Banco Montepio Group level is ensured, as already mentioned, through the control functions established under the common services, by the articulation processes between the control functions of the Group's entities and those of the parent company, by the definition, transposition and implementation of policies governing the matters set out in Notice 3/2020 and by the Audit Committee's articulation with the Group's management and supervisory bodies.

The Audit Committee is involved in the process of reviewing and assessing the relevant policies and pursues the goal of making the necessary recommendations, taking into account the Group context, expressing the importance of the adoption of these policies quickly and effectively by all entities.

However, during the reporting period, a number of internal policies and regulations remained outdated in relation to the current statutes and governance model, which are reflected in weaknesses in the integrated management of the entities that make up the Group, but which are expected to be overcome in the short term, in the context of responding to the requirements of Notice 3/2020, in accordance with the business plan defined for 2021.

The above, as well as compliance with the principle of consistency, allows ensuring a coherent application of the internal control systems in the entities and the involvement of the Control Functions of the parent company in monitoring the activity of the Group's entities.

All policies are subject to the monitoring process, with the monitoring/control actions incorporated in the activity plans of the Control Functions, as well as by the activities carried out by the external auditors and the entities' Supervisory Boards.

In the reference period, under the assessment of the consistency between the internal control systems of the Group's entities, the Audit Committee, in addition to the activities developed and already mentioned, received and analysed the evaluations of the Supervisory Bodies of all Group entities, with their opinions on the adequacy and effectiveness of the culture and systems of governance and internal control. The Supervisory Bodies conclude, in general terms, by an assessment of the sufficiency of adequacy and effectiveness of the matters addressed in Notice 3/2020, although in these reports opportunities for improvements to the governance and internal control system itself are identified, as well as the process for remedying deficiencies at the level of the Group's entities.

The Audit Committee, based on the information and clarifications provided, the evidence analysed and the assessments made, considers that, although there are opportunities to improve the system of governance and internal control, as well as in the process of remedying deficiencies at entity and Group levels, verifies that the principle of consistency is reasonably applied at the level of organisational culture and governance and internal control systems as a whole in the context of the Group.

Lisbon, 21 April 2021

The Audit Committee

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Manuel Ferreira Teixeira
(Chairman)

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Amadeu Ferreira de Paiva

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Vítor Manuel do Carmo Martins

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Carlos Francisco Ferreira Alves

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José da Cunha Nunes Pereira

Banco Montepio, S.A.
Summary of the Self-Assessment Report (Individual) dated 26 February 2021 for the period 1 June 2020 to 30 November 2020

Banco Montepio's Audit Committee (hereinafter referred to as the Audit Committee) has the necessary skills to fulfil its responsibilities, taking into account the requirements of knowledge, competence and independence, existing regulations, and access to all areas of Banco Montepio, in particular internal control and external audit areas. The Audit Committee performed its duties on a permanent basis, which included 15 meetings during the reporting period, with the appreciation, among other matters, of the monthly and quarterly reports of the internal audit, compliance and risk functions, the reports of the statutory auditors, as well as the reports of detection of deficiencies and monitoring of the implementation of the respective recommendations, as well as the internal policies and regulations and the financial statements.

Within the scope of the duties attributed to it in Banco de Portugal Notice 3/2020 and Banco de Portugal Instruction 18/2020, of 15 July, the Audit Committee, as per the previous point, carried out monitoring activities, obtained information and assessed policies and regulations, procedures and practices defined and implemented in Banco Montepio, and is therefore in a position to issue an opinion on the adequacy and effectiveness of Banco Montepio's organisational culture and its governance and internal control systems.

The approach by relevant matters for a sound and prudent management of the activity developed by Banco Montepio, defined in accordance with the aforementioned regulation, took into consideration i) conduct and organizational culture, ii) internal control system and risk management, iii) related parties and conflicts of interest, iv) reporting irregularities and v) self-assessments.

The Audit Committee, according to point 3 of Article 5 of its Regulations, has unrestricted access to all data, records, corporate bodies and their members and employees, both in relation to Banco Montepio and its subsidiaries. It also has access to the documentation produced by the internal and external auditors, and may request from them any information it deems necessary, as well as to the Internal Audit, Risk Management and Compliance, Accounting and Financial Reporting and Strategic Planning and Control areas.

The members of the Audit Committee participate, as directors, in the meetings of the General Meeting of Shareholders and of the Board of Directors (management and supervisory structure according to subparagraph b) of number 1 of Article 278 of the Portuguese Companies Code), in the meetings of the Executive Committee where the accounts for the financial year are examined (Article 423-G of the Portuguese Companies Code) and may, if they so wish, attend the meetings of the Risk Committee (number 7 of Article 5 of the Risk Committee Regulations).

The Audit Committee, which, under the terms of Article 4 of its Regulations, met at least once a month, continued to meet at least twice a month, with the minutes being drawn up with the topics discussed and the resolutions taken.

The meetings of the Audit Committee were regularly attended by the heads of the Audit and Inspection Department, Compliance Department, Risk Department, Accounting and Financial Reporting Department, Credit Recovery Department, Strategic Planning and Control Department, Information Systems Department, Information Systems Department, the Statutory Auditor and members of the Executive Committee, among others.

The Audit Committee, in accordance with the responsibilities assigned to it, acts on the instruments that fall within the internal control functions, as well as the respective activity plans.

During the reporting period, in relation to the internal control functions, the Audit Committee issued two opinions, namely:

i) Opinion on the Internal Control System regarding the Prevention of Money Laundering and Financing of Terrorism, in compliance with the legal and regulatory standards in force, namely the requirements on that system, defined in Banco de Portugal Notice 2/2018, and issued an opinion on the quality of that system, pursuant to subparagraph c) of number 4 of Article 73 of Banco de Portugal Notice 2/2018;

ii) Opinions on the adequacy and effectiveness of Banco Montepio's Internal Control System, on an individual and consolidated basis, with reference to the period between 1 June 2019 and 31 May 2020, in light of the requirements defined by Banco de Portugal Notice 5/2008 of 1 July.

The Audit Committee, in the same period, approved the review of the Internal Audit Function Regulations of the Banco Montepio Group.

The internal control functions have direct access to the Audit Committee, and there were no constraints on the independent exercise of the internal control functions.

The Audit Committee performed its monitoring duties on an ongoing basis, which included 15 meetings during the reporting period, with the appreciation, among other matters, of the monthly and quarterly reports of the internal audit, compliance and risk functions, as well as the reports of detection of deficiencies and monitoring of the implementation of the respective recommendations, as well as the internal policies and regulations and financial statements.

The Audit Committee monitored the external quality assessment of the Internal Audit Function, which was performed by EY, whose final report was subject to analysis and approval at the Audit Committee meeting. It also monitored and discussed the formulation of the Action Plan for the resolution of the 17 recommendations identified.

The Audit Committee received the annual report of the internal audit function, as referred to in subparagraph d) of number 1 of Article 32, dated 17 February 2021, having issued a favourable opinion on its approval by the Board of Directors.

In the opinions it issues on credit and other operations, as well as in the operations it supervises, the Audit Committee verifies whether the counterparties are related parties and, if so, proceeds in accordance with the Regulation and Credit Policy (PLT 2/2020, of 27 August, point 3.6.), with the provisions of the Conflict of Interest Management Policy (OS 7/2020, of 30 January, point 12) and with Article 85 of the RGICSF. The internal regulations are currently being adapted to Notice 3/2020, with number 4 and number of Article 33 being applied in practice.

Banco Montepio has a Conflict of Interest Management Policy, already referred to above, which is under revision following the gap analysis of Notice 3/2020 with the internal regulations carried out by the working group specifically formed for this purpose.

Banco Montepio has a Whistleblowing Policy, approved by the Board of Directors on 16 July 2020, which is also under review following the gap analysis of Notice 3/2020 with the internal regulations.

The Audit Committee approved the Annual Whistleblowing Report for the year 2020, submitted to Banco de Portugal under Instruction 18/2020.

The Board of Directors gave a boost to the project for implementing the changes arising from Notice 3/2020 by resolving to set up, on 12 November 2020, a Steering Committee comprising the Chairmen of the Board of Directors, the Audit Committee, the Risk Committee and the Executive Committee, as well as the Chief Risk Officer and the Chief Compliance Officer, which provided the framework for the existing Working Group to implement this Notice, comprising the heads of the internal control areas (DAI, DRI and DCOMP) and the head of the GCA, and extended it to other areas of the institution. The Board of Directors also decided to authorise the hiring of a specialised external consultant to support the implementation of the task.

The Audit Committee, based on the monitoring work carried out, is of the opinion that the assessments made, the activities developed, the information provided by Banco Montepio's own structures and the policies, procedures and practices defined and implemented in Banco Montepio, including the remuneration practices and policy, in the period from 1 June to 30 November 2020, reasonably ensure the adequacy and effectiveness of Banco Montepio's organizational culture and its governance and internal control systems.

The Audit Committee considers that the deficiencies that are open, detailed later in the Report, do not have high potential impacts on the effectiveness of the organisational culture and governance and internal control systems of the institution, not only because of their characteristics, but also taking into account that only one deficiency of level F4 (severe) and 16 deficiencies of level F3 (high) were identified, and their correction was duly included in ongoing action plans.

The Audit Committee, which, under the terms of Article 4 of its Regulations, met at least once a month, continued to meet at least twice a month, with the minutes being drawn up with the topics discussed and the resolutions taken.

The Audit Committee held 15 meetings and issued 39 opinions, all unanimously approved, most of which related to credit operations. It also analysed and took a position on numerous matters during the period to which this report refers, including all the work required to respond to the requests and determinations of Banco de Portugal.

With regard to internal control, the Audit Committee noted that 262 deficiencies were identified, 93 classified as F1, 152 as F2, 16 as F3 and 1 as F4. Of the 262 deficiencies, 83% are under implementation and 17% are in the process of validation.

The Audit Committee considers that there are defined and implemented appropriate processes for identifying and reporting deficiencies and that the control functions have sufficient resources to carry out their responsibilities and do so in a permanent, effective, responsible and independent manner.

The Audit Committee considers, however, that the improvement in efficiency in the correction of deficiencies and the timely implementation of the correction plans should be pursued, objectives that can be achieved with a better application of the procedures approved on 3 October 2019 by the Board of Directors.

It should be noted that possible deficiencies relating to the prevention of money laundering and financing of terrorism are not included in this report, as defined by Notice 3/2020.

The Audit Committee concluded that there is independence of the risk management function, the compliance function and the internal audit function.

Under the terms and for the purposes of subparagraph f) of number 1 of Article 56 of Banco de Portugal Notice 3/2020, and based on the monitoring carried out of the preparation of prudential and financial reports, the analysis of said reports, the results of the assessment of Banco Montepio's internal control, the information obtained from the Statutory Auditor, as well as the results of the external audit work on the quarterly, half-yearly and annual accounts, the Audit Committee states that the preparation process of prudential and financial reports of Banco Montepio is reliable.

Pursuant to and for the purposes of the provisions of subparagraph g) of number 1 of Article 56 of Banco de Portugal Notice 3/2020, and based on the information obtained from the heads of Banco Montepio's control, accounting and financial reporting functions, the monitoring carried out of the preparation of information disclosed to the public under legislation and regulations, including prudential and financial reports, the information obtained from the Statutory Auditor as well as the confirmation by the heads of the control functions in meetings held with the Audit Committee on the non-existence of non-compliance with deadlines in the exercise of their functions, the Audit Committee declares that the preparation process of information disclosed to the public under legislation and regulations, including prudential and financial reports of Banco Montepio is reliable.

Under the terms and for the purposes of subparagraph h) of number 1 of Article 56 of Banco de Portugal Notice 3/2020, and taking into account the information obtained from the heads of the control, accounting and financial reporting functions, as well as the confirmation of the heads of the control functions in meetings held with the Audit Committee on the non-existence of non-compliance with deadlines in the performance of their duties, the Audit Committee declares that all the duties of public disclosure were adequately fulfilled.

Lisbon, 21 April 2021

The Audit Committee

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Manuel Ferreira Teixeira
(Chairman)

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Amadeu Ferreira de Paiva

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Vítor Manuel do Carmo Martins

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Carlos Francisco Ferreira Alves

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José da Cunha Nunes Pereira

STATUTORY AUDIT REPORT AND AUDITORS' REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio", "Bank" or "Group"), which comprise the consolidated balance sheet as at 31 December 2020 (which shows total assets of Euros 17,941,006 thousand and total shareholders' equity of Euros 1,327,159 thousand including a consolidated net loss of Euros 80,686 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 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 Montepio as at 31 December 2020, and its consolidated financial performance and its consolidated 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.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
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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 loans and advances to Customers *Measurement and disclosures related to impairment losses on loans and advances to customers presented in notes 1 point c), 14, 22 and 55 attached to the consolidated financial statements of the Bank*	
The significant expression of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements 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, justify that this has been key matter for the purposes of our audit. As at 31 December 2020, the gross amount of loans and advances to customers amounts to Euros 12,357,216 thousand and the corresponding impairment losses recognized at that date amounts to Euros 779,514 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 loan's portfolio, and for the remaining portfolio 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, being the impairment 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 – "going" approach; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its	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 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, taking also into consideration the impact of the current pandemic COVID-19. 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 by the Bank as of 31 December 2020, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying 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) examining the criteria for determining the significant

Key Audit Matter	*Summary of the Audit Approach*
recovery and sale – "gone" approach. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, 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 also 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 perspectives for the real estate market. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment based on a probability of occurrence. The specific context motivated by the COVID-19 pandemic led to an increase in complexity in identifying significant increases in credit risk and default indicators, taking into account the various support measures granted to families and companies, namely the release of support lines for the economy and the availability to families and companies of the possibility of adhere the temporary suspension of loan installments payments (moratoria). In these circumstances, the internal impairment models developed by the Bank were adapted to incorporate new criteria and other judgments such as (i) the use of temporary flexibility measures to prevent contractual changes resulting from the granting of moratoria conditions, would result restructured operations due to financial difficulties, in line with the guidelines of the supervisors in this matter; (ii) the consideration of additional criteria to identify a significant increase in the credit risk of exposures under moratoria conditions (e.g. criteria based on the type of moratoria conditions granted or the average amount of customer funds in their accounts); and (iii) updating the macroeconomic scenarios used to determine the expected loss, taking into account information that incorporates the potential economic effects of the COVID-19 pandemic. In view of the above, 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	increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (vi) reviewing 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 responsibles regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. 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, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) 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 considered por the exposures with moratoria conditions; (iv) review and testing of the risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters that incorporate the estimated impacts of the pandemic COVID-19; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2020. Our audit procedures also included the review of the disclosures regarding loans and advances to customers and their respective impairment losses, as well as the disclosures related with the impact of the actual pandemic COVID-19, presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
strategies, may impact 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.	
Valuation of real estate properties received through credit recovery and Investment Properties *Measurement and disclosures related to the valuation of real estate properties presented in notes 1 points h) and n), 30 and 34 attached to the consolidated financial statements of the Bank* As of 31 December 2020, the net value of real estate received in respect of loan recovery and registered in Investment properties and Other assets amounts to Euros 125,893 thousand and Euros 561,902 thousand, respectively. According with the policies in force at the Group, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which incorporate a number of assumptions, and which give rise to the recording of impairment losses whenever the value resulting from those valuations, net of selling costs, is lower than their book value. Given the significant expression of these assets in the Group's balance sheet and bearing in mind that their valuation requires the application of a number of assumptions and judgments by management, including the possible impacts due to the pandemic COVID-19, for the purposes of determining the amount and timing of recognition of the corresponding impairment losses, this was a key matter for our audit.	The audit procedures developed included the assessment of the key controls implemented by the Group to identify the real estate properties with impairment risk, classified as Other assets, in order to determine the corresponding amounts of impairment losses and to identify the need to update the fair value of real estate properties classified as Investment Properties, in order to ensure the corresponding accounting reflection in an appropriate and timely manner. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and as Investment Properties e the respective effects in the results of the year. Additionally, for a sample of properties, their valuation and, where applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. This analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Group, including the confirmation of their registration with the CMVM, as well as the assessment of the reasonableness of the methodology applied and the assumptions used by the valuation experts in determining the valuation value of the selected real estate properties. Our audit procedures also included the review of the disclosures on Investment Properties and Other Assets presented in the Group'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 1 point t) and 33 attached to the consolidated financial statements of the Bank*	

Key Audit Matter	*Summary of the Audit Approach*
In the Bank's consolidated balance sheet as of 31 December 2020, the deferred tax assets amounts to Euros 496,223 thousand, of which the recoverability of Euros 429,313 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 168,077 thousand related to the impairment losses for loans and guarantees; (ii) Euros 14,733 thousand related to other taxed impairment losses and provisions; (iii) Euros 48,798 thousand related to employee benefits and (iv) Euros 200,760 thousand originated by tax losses, where the majority of them are related to the individual activity of Banco Montepio, generated in 2015 and 2016. 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 2031. 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, taking into consideration the economic consequences originated by the pandemic COVID-19; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) 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 31 December 2020. As a result, for the purposes of our audit this was considered as a key matter.	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the 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 31 December 2020. The reasonableness of the projections used was also analyzed based on the profits before tax presented in previous years, the future taxable income in the Bank's projections for 2021-2031, future perspectives presented by the Board of Directors at those dates and other available information on this matter, namely the expectation of the economic impacts caused by the pandemic COVID-19. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy of IFRS 13 *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 notes 49 attached to the consolidated financial statements of the Bank* Due to its relevance on the Bank's consolidated financial statements context and its degree of judgement, the assessment of the fair value of	Our audit procedures included the identification and comprehension of the key controls underlying the fair value assessment methodologies, implemented by the Bank.

Key Audit Matter	*Summary of the Audit Approach*
financial instruments not listed in an active market was considered a key matter in our audit. As of 31 December 2020, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 449,348 thousand. For the financial instruments classified as level 3 of the fair value hierarchy, and when observable market data is not available, the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and inputs to be used. As of 31 December 2020, the financial instruments not listed in an active market and classified as level 3 of the fair value hierarchy are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income, (ii) derivatives classified as financial assets held for trading and (iii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. In this context, any change in the assumptions and measurement techniques used by the management, as well as the possible impacts caused by the pandemic COVID-19 and the real estate market evolution, may have material impacts on the assessment of financial instruments' fair value recognized on the Bank's consolidated financial statements.	For a sample of financial instruments whose measurement consisted substantially on non-observable data, our procedures included a reasonableness evaluation whether the models developed by the Bank, or by independent appraisers specifically hired by the Bank to perform these valuations 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. Our audit procedures also included the review of the disclosures regarding financial instruments not listed in an active market presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Employees post-employment benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point s), 11, 41 and 50 attached to the consolidated financial statements of the Bank* As of 31 December 2020, the liabilities resulting from past services of the Group in relation to its pensioners, employees and directors amounts to Euros 874.883 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour 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	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

Key Audit Matter	Summary of the Audit Approach
("ASF"). These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, duration of the responsibilities, 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 behavior 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 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. Thus, this subject was considered a key matter for the purposes of our audit.	the definition of the key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that, with independency, 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 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, whenever possible and in an independent manner, for a sample of assets. Finally, we have developed a detailed analysis of the actuarial study prepared with reference to 31 December 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 presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 1 point v), 39 and 58 attached to the consolidated financial statements of the Bank* From the provisions and contingent liabilities disclosed in notes 39 and 58 attached to the consolidated financial statements of the Bank as of 31 December 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	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)

Key Audit Matter	Summary of the Audit Approach
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 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 Montepio, due to alleged competition restrictive practices. On 9 September 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 Montepio of Euros 13 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 21 October 2019. On 21 December 2020 by decision of the Court, the Bank provided a guarantee for the amount related to half of the fine imposed, which has a provisional nature, since it is pending of the decision on the judicial impugnation made by the Bank. *Bank of Portugal* As of 31 December 2020, the Bank was sued in several administrative offence proceedings brought by the Bank of Portugal for alleged practices and infringements in regulatory matters applicable to the Bank, for a maximum overall amount of possible fines of approximately Euros 30 million. The Bank admits that its lines of defense may be successful, in whole or in part, in relation to many of the offences charged to it, even if the respective risk of conviction continues to exist, also in relation to some of the offences charged. The consolidated financial statements as of 31 December 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	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. Regarding the lawsuits initiated by the Competition Authority and by the Bank of Portugal, our work included (i) the analysis of the Bank's assessment of the nature and situation of the mentioned lawsuits, which justifies the non-constitution of provisions, in addition to the amounts recorded by the Bank for some of the administrative proceedings initiated by the Bank of Portugal and (ii) the assessment of the information obtained from the Bank's external lawyers accompanying the proceedings. We also analyzed the available information regarding the developments on these matters that occurred as from 31 December 2020. Our audit procedures also included the review of the disclosures regarding contingent liabilities, presented on the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
will not be demanded to Banco Montepio, as a participating entity of the Resolution Fund. Additionally, the Board of Directors believes that (i) the probabilities of the process ending without the Bank having to pay a penalty are higher than the alternative scenario; and (ii) overall, the fines that the Bank may have to bear as a result of the administrative offence proceedings initiated by the Bank of Portugal are below the maximum applicable ceilings. 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 materialization 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 financial position, the 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, the Corporate governance Report and the non-financial statement 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 consolidated 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

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements, the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' 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 Directors' 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 statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Directors' report the non-financial statement set forth in article No. 508.º -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 16 April 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 the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021.

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. 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 as of the same date; and

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.

30 April 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 TO THE FINANCIAL STATEMENTS

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 Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio" or "Bank"), which comprise the balance sheet as at 31 December 2020 (which shows total assets of Euros 19,714,491 thousand and total shareholders' equity of Euros 1,373,398 thousand including a net loss of Euros 116,621 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 Montepio as at 31 December 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 the Banco Montepio 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.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
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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 loans and advances to customers *Measurement and disclosures related to impairment losses on loans and advances to customers presented in notes 1 point b), 14, 21 and 52 attached to the financial statements of the Bank* The significant expression of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements 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, justify that this has been key matter for the purposes of our audit. As at 31 December 2020, the gross amount of loans and advances to customers amounts to Euros 11,492,049 thousand and the corresponding impairment losses recognized at that date amounts to Euros 759,445 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 loan's portfolio, and for the remaining portfolio 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 being the impairment 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 – "going" approach; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its	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 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, taking also into consideration the impact of the current pandemic COVID-19. 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 by the Bank as of 31 December 2020, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verifying 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) examining the criteria for determining the significant

Key Audit Matter	Summary of the Audit Approach
recovery and sale – “gone” approach. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, 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 also 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 perspectives for the real estate market. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment based on a probability of occurrence. The specific context motivated by the COVID-19 pandemic led to an increase in complexity in identifying significant increases in credit risk and default indicators, taking into account the various support measures granted to families and companies, namely the release of support lines for the economy and the availability to families and companies of the possibility of adhere the temporary suspension of loan installments payments (moratoria). In these circumstances, the internal impairment models developed by the Bank were adapted to incorporate new criteria and other judgments such as (i) the use of temporary flexibility measures to prevent contractual changes resulting from the granting of moratoria conditions, would result restructured operations due to financial difficulties, in line with the guidelines of the supervisors in this matter; (ii) the consideration of additional criteria to identify a significant increase in the credit risk of exposures under moratoria conditions (e.g. criteria based on the type of moratoria conditions granted or the average amount of customer funds in their accounts); and (iii) updating the macroeconomic scenarios used to determine the expected loss, taking into account information that incorporates the potential economic effects of the COVID-19 pandemic. In view of the above, 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	increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (vi) reviewing 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 responsibles regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. 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, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) 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 considered por the exposures with moratoria conditions; (iv) review and testing of the risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters that incorporate the estimated impacts of the pandemic COVID-19; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2020. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, and their respective impairment losses, as well as the disclosures related with the impact of the actual pandemic COVID-19, presented in the Bank’s accompanying notes to the consolidated financial statements, considering the applicable accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
strategies, may impact 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.	
Valuation of real estate properties received through credit recovery *<u>Measurement and disclosures related to the valuation of real estate properties presented in notes 1 point h) and 31 attached to the financial statements of the Bank</u>* As of 31 December 2020, the net value of real estate properties received in respect of loan recovery and registered in Other assets amounts to Euros 523,465 thousand. According with the policies in force at the Bank, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which incorporate a number of assumptions, and which give rise to the recording of impairment losses whenever the value resulting from those valuations, net of selling costs, is lower than their book value. Given the significant expression of these assets in the Bank's balance sheet and bearing in mind that their valuation requires the application of a number of assumptions and judgments by management, including the possible impacts due to the pandemic COVID-19, for the purposes of determining the amount and timing of recognition of the corresponding impairment losses, this was a key matter for our audit.	The audit procedures developed included the assessment of the key controls implemented by the Bank to identify the real estate properties with impairment risk, classified as Other assets, to determine the corresponding amounts of impairment losses and to ensure the corresponding accounting reflection in an appropriate and timely manner. Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of properties, their valuation and, where applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. This analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Group, including the confirmation of their registration with the CMVM, as well as the assessment of the reasonableness of the methodology applied and the assumptions used by the valuation experts in determining the valuation value of the selected real estate properties. Our audit procedures also included the review of the disclosures on Other Assets presented in 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 1 point s) and 30 attached to the financial statements of the Bank.</u>* In the Bank's balance sheet as of 31 December 2020, the deferred tax assets amounts to Euros 510,364 thousand, of which the recoverability of Euros 443,454 thousand depends on the ability to generate	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of

Key Audit Matter	***Summary of the Audit Approach***
future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 166,835 thousand related to the impairment losses for loans and guarantees; (ii) Euros 14,733 thousand related to other taxed impairment losses and provisions; (iii) Euros 48,545 thousand related to employee benefits and; (iv) Euros 200,760 thousand originated by tax losses where the majority of them are related to the individual activity of Banco Montepio, generated in 2015 and 2016. 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 2031. 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 taking into consideration the economic consequences originated by the pandemic COVID-19; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) 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 financial statements as of 31 December 2020. As a result, for the purposes of our audit this was considered as a key matter.	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 31 December 2020. The reasonableness of the projections used was also analyzed based on the profits before tax presented in previous years, the future taxable income in the Bank's projections for 2021-2031, future perspectives presented by the Board of Directors at those dates and other available information on this matter, namely the expectation of the economic impacts caused by the pandemic COVID-19. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy of IFRS 13 *<u>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 46 attached to the financial statements of the Bank.</u>* 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 31 December 2020, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy,	Our audit procedures included the identification and comprehension of the key controls underlying the fair value assessment methodologies, implemented by the Bank. For a sample of financial instruments whose measurement consisted substantially on non-observable data, our procedures included a reasonableness evaluation whether the models developed by the Bank, or by independent appraisers

Key Audit Matter	*Summary of the Audit Approach*
amounts to Euros 660,218 thousand. For the financial instruments classified as level 3 of the fair value hierarchy, and when observable market data is not available, the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and inputs to be used. As of 31 December 2020, the financial instruments not listed in an active market and classified as level 3 of the fair value hierarchy are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income, (ii) derivatives classified as financial assets held for trading and (iii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. In this context, any change in the assumptions and measurement techniques used by the management, as well as the possible impacts caused by the pandemic COVID-19 and the real estate market evolution may have material impacts on the assessment of financial instruments' fair value recognized on the Bank's financial statements.	specifically hired by the Bank to perform these valuations 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. Our audit procedures also included the review of the disclosures regarding financial instruments not listed in an active market presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Employees post-employment benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point r), 11, 39 and 47 attached to the financial statements of the Bank.* As of 31 December 2020, the liabilities resulting from past services of the Bank in relation to its pensioners, employees and directors amounts to Euros 863,421 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit , in particular those foreseen in the Collective Labour 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, duration of the responsibilities, 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,	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 key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that, with independency, we were able to obtain. A compliance review was performed on: (i) the

Key Audit Matter	Summary of the Audit Approach
employees and pensioners, and to the current and future behavior 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 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. Thus, this subject was considered a key matter for the purposes of our audit.	employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition 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, whenever possible, and in an independent manner, for a sample of assets. Finally, we have developed a detailed analysis of the actuarial study prepared with reference to 31 December 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 presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 1 point u), 37 and 54 attached to the financial statements of the Bank.* From the provisions and contingent liabilities disclosed in notes 37 and 54 attached to the financial statements of the Bank as of 31 December 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 Banco's sale process to Lone Star, under the terms in which	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. Regarding the lawsuits initiated by the Competition Authority and by the Bank of Portugal, our work included (i) the analysis of the Bank's assessment of the nature and situation of the mentioned lawsuits,

Key Audit Matter	*Summary of the Audit Approach*
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 Montepio, due to alleged competition restrictive practices. On 9 September 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 Montepio of Euros 13 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 21 October 2019. On 21 December 2020 by decision of the Court, the Bank provided a guarantee for the amount related to half of the fine imposed, which has a provisional nature, since it is pending of the decision on the judicial impugnation made by the Bank. *Bank of Portugal* As of 31 December 2020, the Bank was sued in several administrative offence proceedings brought by the Bank of Portugal for alleged practices and infringements in regulatory matters applicable to the Bank, for a maximum overall amount of possible fines of approximately Euros 30 million. The Bank admits that its lines of defense may be successful, in whole or in part, in relation to many of the offences charged to it, even if the respective risk of conviction continues to exist, also in relation to some of the offences charged. The financial statements as of 31 December 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 Montepio, as a participating entity of the Resolution Fund. Additionally, the Board of Directors believes that (i) the probabilities of the process ending without the Bank having to pay a penalty are higher than the alternative scenario, and (ii) overall, the fines that the Bank may have to bear as a result of the administrative offence proceedings initiated by the Bank of Portugal are below the maximum applicable ceilings.	which justifies the non-constitution of provisions, in addition to the amounts recorded by the Bank for some of the administrative proceedings initiated by the Bank of Portugal and (ii) the assessment of the information obtained from the Bank's external lawyers accompanying the proceedings. We also analyzed the available information regarding the developments on these matters that occurred as from 31 December 2020. Our audit procedures also included the review of the disclosures regarding contingent liabilities, presented on the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
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 materialization 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 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, the Corporate governance Report and the non-financial statement 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 all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements, the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' 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 Directors' 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 statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Directors' 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 16 April 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 the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021.

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. 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 as of the same date; and

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.

30 April 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Manuel Henriques Bernardo, R.O.C.

PART III

CORPORATE GOVERNANCE REPORT

PART III – CORPORATE GOVERNANCE REPORT

CONTENTS

5. Internal Organisation

I Internal Control System

a) Main elements of the internal control and risk management systems (article 245-A, subparagraph m) of the CVM)

b) Policy on communication of irregularities (whistleblowing)

II Website for consultation: Articles of Association, Regulations and Corporate Information

III Number of meetings held

6. Remunerations

I Power to establish

II Quantitative information on the annual remuneration values paid in 2020 by Banco Montepio

III Annual process of assessment of individual and collective adequacy

ANNEXES OF THE CORPORATE GOVERNANCE REPORT:

Annex I - Curricular information of members of the Board of Directors.

Annex II - Accumulation of positions by members of the Board of Directors.

1. Introduction

Founded in 1844 as an entity attached to Montepio Geral - Associação Mutualista, Caixa Económica Montepio Geral, caixa económica bancária, S.A. is a credit institution that, pursuant to Decree-Law 190/2015, of 10 September, takes the form of a savings bank, with this same legislation having given rise to its transformation into a public limited company

Following the transformation of Caixa Económica Montepio Geral into a public limited company and alteration of its institutional capital to share capital, represented by shares, conditions were created for the entry of social economy institutions into its share capital. Indeed, this occurred with the entrance of 33 social sector entities into the Institution's share capital as at 31 December 2018, strengthened with the entrance of a further 3 entities in 2019 and a 1 entity in 2020, to a total of 37 social sector entities, but without qualifying holdings.

At the beginning of the current term of office, in March 2018, a new strategy was endorsed for the Bank and the Board of Directors approved a Transformation Plan aimed at positioning Caixa Económica Montepio Geral as a reference Institution in the support to families, companies and social economy entities, based on a multidisciplinary approach, with a view to developing the different aspects of the banking business, having, for this purpose, adopted the trade name of "Banco Montepio" in February 2019, which from thereafter identifies the Institution.

The year of 2020 was marked by the serious health and economic crisis due to the Covid-19 pandemic, with profound consequences for all economic agents, including banks, which were faced with an extremely adverse and highly uncertain macroeconomic scenario. This placed in question not only the defined strategies but also the sustainability and paradigms of life of people and organisations. Under these circumstances, Banco Montepio activated the Crisis Management Office with a view to ensuring business continuity and its recovery.

In the same year, Banco Montepio approved an adjustment plan involving the optimisation of the branch network, the resizing of the staff and acceleration of the digital transition which, in a manner integrated with the Transformation Plan in course, seeks to achieve a service and business model that ensures the sustained increase of the efficiency of the Banco Montepio Group.

With this Corporate Governance Report, Banco Montepio complies with the duty to disclose annual information about the Corporate Governance structure and practices, stipulated in number 1, subparagraphs c), d), f), h), i) and m), and number 6 of article 245-A of the Securities Market Code. These rules are applicable to companies with securities, other than shares, listed for trading on regulated markets located or operating in Portugal, which is the case of Banco Montepio.

The following norms were also taken into account, among others: the Legal Framework of Credit Institutions and Financial Companies (RGICSF); the Securities Market Code (CVM); the Commercial Companies Code (CSC); Law 50/2020 of 25 August, which repealed Law 28/2009 of 19 June; Law 148/2015 of 9 September, concerning the obligations of entities of public interest; CMVM Regulation 7/2018, concerning duties of disclosure; and Banco de Portugal Notice 3/2020, which regulates the internal governance and control systems and the regulation and guidelines of the competent European regulatory and supervisory entities.

2. Mission and objectives

Banco Montepio, a public limited company since 2017, amended its Articles of Association and consequent governance model in order to comply with more stringent regulatory requirements and a tougher competitive environment, while remaining bound to the essential values of its foundation, namely regarding the important role that it performs in the context of the social economy.

Thus, Banco Montepio stands firmly as a unique financial institution in the national panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an Institution geared towards savings and provision of universal financial services for its individual Customers, at all stages of their life cycle, for all Customers of the business sectors and, in particular, institutions of the social economy and social entrepreneurs, based locally, regionally and nationally.

The General Meeting of 30 June 2020 approved the following Social Commitment Charter of Banco Montepio "Being the country's bank of mutualist inspiration, for a further 175 years":

Banco Montepio was founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral - Associação Mutualista. It is, therefore, Portugal's oldest financial institution.

Banco Montepio is also unique in the national financial panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an institution geared towards savings and provision of universal financial services for its individual customers, at all stages of their life cycle, for customers of the business sector and for institutions of the social economy and social entrepreneurs.

Throughout the more than 175 years of its existence, Banco Montepio has consistently supported families, small and medium-sized enterprises, companies and the community in general. It actively supported successive generations of Portuguese at very critical times, including wars, public health crises, public financing crises, revolutions and political upheavals. Loyal to the reason for its existence, it proved able to innovate, grow and expand, always guided by the ideals of commitment with the past, present and future of Portugal, its mutualist origin, tradition, proximity, solidity, trust, transparency, innovation and inclusion.

Thus, aware of its heritage of almost two centuries of service to the community, giving rise to enhanced social responsibilities and in matters of sustainable development, Banco Montepio is committed, before the community and to all its stakeholders, to governing its activity in conformity with the following standards and conduct

- *Offering excellent service and prioritising the interests of all its customers, including, predominantly and as a factor of differentiation, those who are also associates of MGAM and represent its mutualist base, providing an efficient and rigorous service, meeting customer expectations concerning security in its commitments, responsibility in investment, and access to instruments and services that enable improving the quality of life of people and families, and the productivity of companies;*
- *Pursuing its historical vocation of providing financial services with added value and suited to the nature of the social economy's institutions and for social entrepreneurs;*
- *Promoting technological innovation in its services and operations in the understanding that technology should be used by people and communities to improve their quality of life and support processes of social innovation;*
- *Treating its suppliers in a fair and ethical manner;*
- *Valorising its Employees, giving them working conditions that allow them to achieve balance in their professional and personal lives, adopting the criterion of merit for recruitment, remuneration and career*

progression, and fostering their training, their professional and personal valorisation and boosting gender equality;

- *Adopting best international practices and the highest ethical standards in compliance with the law and contracts, in particular with respect to money laundering, terrorism financing, tax evasion, breaches of labour or environmental legislation;*
- *Respecting and protecting the environment, adopting sustainable practices in its operations, and boosting economic, social and environmental sustainability among all its stakeholders; and*
- *Providing banking services and financing instruments adapted to situations of major crisis or public calamity, whether national, regional or local, that severely affect economic circuits and disrupt the normal operation of social structures, so as to permanently meet the community's needs and contribute to trust, confidence and security in the banking system.*

Last, but not least, creating value for all its shareholders, providing fair remuneration of the invested capital, always bearing in mind the principles that presided over the creation of Caixa Económica do Montepio Geral, now under the trademark Banco Montepio.

In the development of its different business segments, Banco Montepio stands out as a trustworthy Institution, attentive to the needs of its Customers and the national economy, boosting the full use of their diverse capabilities.

As priority is given to the domestic market, it ensures a prudent management of the existing international holdings – namely in the Portuguese-speaking countries – seeking possible alliances with international institutions with a similar philosophy, in particular of the cooperative and social economy sectors.

The social context of Banco Montepio highlights its interpersonal relations and its activity is founded on “banking of relations” between people, both in terms of geographical presence and through remote channels, with an intergenerational and interclass positioning.

In this context, it is crucial to adapt the business models, using technological innovation which enables combining increased efficiency with preservation of personalised relations with its Customers.

The commitments undertaken are based on the pillars of high standards, rigour and ethics, in strict compliance with respect for human values and for the people who work for the Institution, boosting their human capital and talent as irrefutable factors for sustained development.

The driving force underlying the Institution's destinations always bears in mind the principles of ethics in business, the primacy of the Customers' interest and protection of the savings they entrust; loyalty to Customers, investors and supervision authorities; but also, the solidarity and social responsibility that its vocation and centenary origin require.

3. Shareholder Structure

I. Qualifying holdings in the company's share capital (article 245-A, subparagraph c) of the "Código dos Valores Mobiliários" (Securities Market Code - CVM))

As at 31 December 2020 the share capital of Banco Montepio is 2,420,000.00 euros, represented by 2,419,830,580 shares held by Montepio Geral - Associação Mutualista (MGAM), which corresponds to a qualifying holding of 99.99% in the share capital, with the remaining share capital (0.01%), corresponding to 169,420 shares, being dispersed among the following 37 entities of the social economy:

	Shareholders	No. Shares
1	Santa Casa da Misericórdia de Albufeira	1 000
2	Santa Casa da Misericórdia de Alhos Vedros	1 000
3	Irmandade da Santa Casa da Misericórdia de Vila Cova de Alva	1 000
4	Santa Casa da Misericórdia do Barreiro	1 000
5	Fundação INATEL	10 000
6	A "Benéfica e Previdente" - Associação Mutualista	1 000
7	Associação e Socorros Mútuos João Deus	1 500
8	A Lacobrigense - Associação de Socorros Mútuos	1 500
9	Irmandade da Santa Casa da Misericórdia de Grândola	5 000
10	Santa Casa da Misericórdia de Évora	1 000
11	Santa Casa da Misericórdia do Porto	10 000
12	Santa Casa da Misericórdia de Boticas	1 000
13	Santa Casa da Misericórdia de Idanha-a-Nova	1 000
14	Santa Casa da Misericórdia de Vagos	1 000
15	Santa Casa da Misericórdia de Soure	1 000
16	Santa Casa da Misericórdia de Lisboa	75 000
17	CSC - Associação de Socorros Mútuos de Empregados no Comércio de Lisboa	10 000
18	União Mutualista Nossa Senhora da Conceição - Associação Mutualista	3 000
19	Santa Casa da Misericórdia de Santiago do Cacém	1 000
20	Santa Casa da Misericórdia de Vila Verde	1 000
21	CEEPS - Centro de Estudos em Economia Pública e Social	1 000
22	Santa Casa da Misericórdia da Vila de São Sebastião	1 000
23	Santa Casa da Misericórdia de Póvoa do Lanhoso	2 420
24	Santa Casa da Misericórdia de Arganil	1 000
25	Mutualidade Popular - Associação Mutualista	5 000
26	Santa Casa da Misericórdia de Alcácer do Sal	1 500
27	Santa Casa da Misericórdia de Tomar	1 000
28	Santa Casa da Misericórdia de Castelo Branco	1 000
29	A Mutualidade da Moita - Associação Mutualista	1 000
30	Montepio Rainha D. Leonor - Associação Mutualista	5 000
31	A Associação Vilanovense de Socorro Mútuo	1 000
32	AME - Associação Mutualista dos Engenheiros	5 000
33	Liga das Associações de Socorros Mútuos de Vila Nova de Gaia	5 000
34	Santa Casa da Misericórdia do Bom Jesus de Matosinhos	1 000
35	Associação de Intervenção Social de Grândola (AISGRA)	1 000
36	Santa Casa da Misericórdia de Arcos de Valdevez	1 000
37	União das Misericórdias Portuguesas	7 500
	TOTAL SHARES	**169 420**

II. Identification of shareholders with special rights and description of those rights (article 245-A, subparagraph d) of the CVM)

There are no shareholders with special rights.

Caixa Económica Montepio Geral (CEMG) is a "Caixa Económica Bancária" (Savings Bank) ruled by the "Regime Jurídico das Caixas Económicas" (Legal Framework of Savings Banks) (Decree-Law 190/2015 of 10 September). Founded in 1844 as Caixa Económica de Lisboa, it changed its name in 1989 to Caixa Económica Montepio Geral. Before the transformation into a public limited company, Banco Montepio's capital was composed of institutional capital (2,020 million euros) corresponding to cash entries of Montepio Geral Associação Mutualista and Fundo de Participação (Participation Fund) (400 million euros of which 85.4% are held by Montepio Geral Associação Mutualista).

The transformation into a public limited company – occurred in 2017 pursuant to Decree-Law 190/2015 of 10 September which approved the legal system of savings banks – marked the amendment of its Articles of Association and consequent governance model. With the Participation Fund and institutional capital having been converted into ordinary shares representing the share capital.

This was followed by a public take-over bid (public offer for acquisition or OPA) of Montepio Geral Associação Mutualista (MGAM) and a potestative acquisition that led to MGAM holding 100% of the shares from November 2017. Since 31 December 2018, it is represented by registered book-entry shares, 99.99% held by this association, with the remaining share capital being dispersed among the 37 social sector entities that hold a 0.01% stake in the share capital.

III. Any restrictions on the right to vote, such as limitations on voting rights depending on ownership of a certain number or percentage of shares, deadlines for exercising voting rights or systems highlighting ownership rights (article 245-A, subparagraph f) of the CVM)

The General Meeting is composed of the shareholders with the right to vote, and each share corresponds to one vote. Shareholders may exercise their right to vote by correspondence, but voting by electronic means is not permitted (see articles 6 and 7 of Banco Montepio's Articles of Association).

Pursuant to article 10 of Banco Montepio's Articles of Association, the determinations of the General Meeting are taken by simple majority of the votes cast. Deliberations of the General Meeting taken at an extraordinary session concerning amendment of articles of association, merger, demerger, dissolution and incorporation of or in Banco Montepio, require the approval of a majority of two thirds of the votes cast.

IV. Rules applicable to the appointment and replacement of members of the Management Body and amendment of the Company's Articles of Association (article 245-A, subparagraph h) of the CVM)

The General Meeting is responsible for electing the members of the Governing Bodies and approving the amendment of the Articles of Association. The Board of Directors is responsible, in the case of definitive absence, under the terms of subparagraph l) of article 7 of the Regulations of the Board of Directors, for proceeding with the replacement of directors by co-optation.

Under the terms of Banco Montepio's Articles of Association, article 13, number 1, subparagraph m), the Board of Directors is responsible for constituting, among others, a Remunerations, Nominations and Assessment Committee (CRNA) composed of three members from among the directors without executive functions, including its Chairman, the majority of whom, including the Chairman, must have independent status. The Board of Directors may also appoint up to two alternate members without executive functions, who participate in the meetings without the right to vote, and may cover for the absence and impediment of the permanent members and coordinate work entrusted to them.

The process of selection and assessment of the adequacy of candidates to be included in the Board of Directors, whether directors with non-executive functions or directors with executive functions, ensures compliance with the applicable legislation and is ruled by the principles of proportionality, excellence, the plurality and comparability of the candidates, and by the principle of non-discrimination. The CRNA is responsible for conducting the processes of assessment of adequacy, under the terms established in the Legal Framework of Credit Institutions and Financial Companies, and in accordance with the competences defined in its Internal Regulations.

Concerning nominations, the CRNA is responsible for formulating and conveying to the Board of Directors recommendations on candidate members of the Management and Supervisory bodies, including the process of assessment of adequacy and suitability (Fit & Proper), appraising the respective profile in terms of suitability, professional qualification, independence and availability to hold the position, commenting on supervenient alterations or nominations for new duties and about nominations in terms of knowledge, skills, diversity and experience.

V. Powers of the Management Body, namely with respect to deliberations to increase share capital (article 245-A, subparagraph i) of the CVM)

The General Meeting is responsible for deliberating on share capital increases, under proposal of the Board of Directors. However, the Board of Directors can deliberate a share capital increase, by cash entries, once or more times, up to the maximum amount corresponding to 10% of the share capital in force.

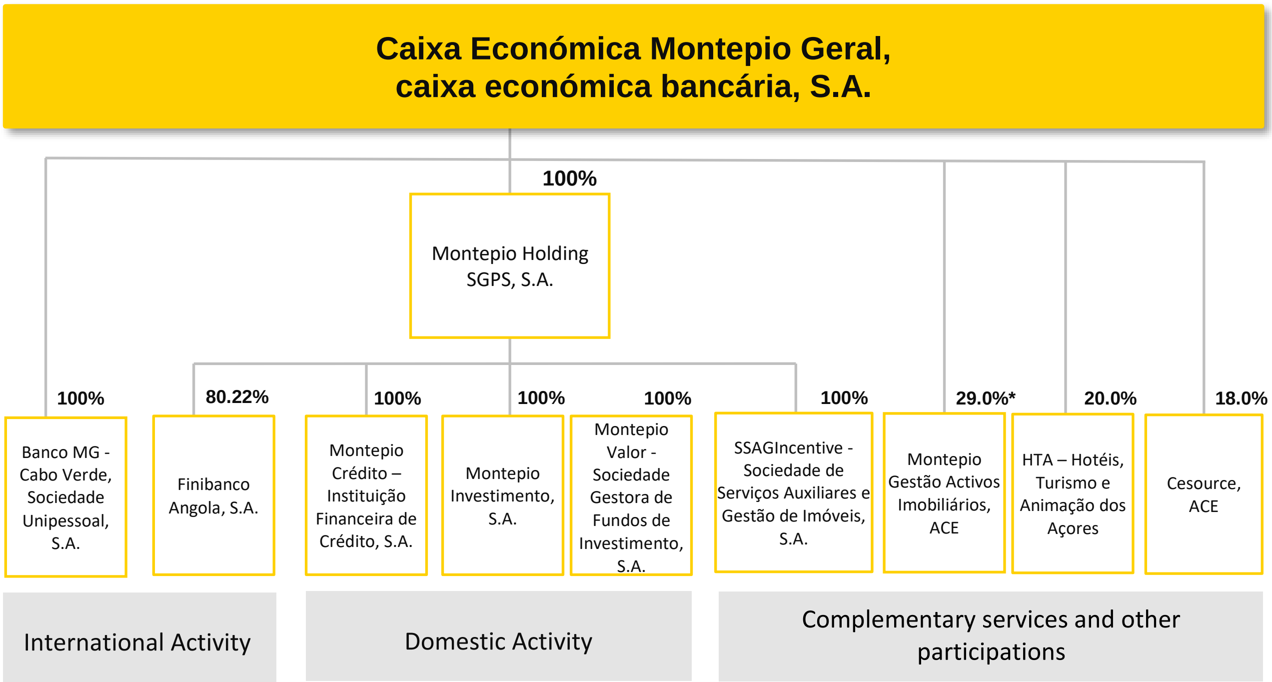
1. Governance model

I. Banco Montepio Group

As at 31 December 2020, the Banco Montepio Group was composed of the entities presented below:

- Full consolidation: Caixa Económica Montepio Geral, caixa económica bancária, S.A.; Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.; Banco Montepio Geral Cabo Verde, Sociedade Unipessoal S.A.; Finibanco Angola, S.A.; Montepio Crédito - Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A. (Banco Empresas Montepio); Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A., and SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.

- Consolidation by the equity method: Montepio Gestão de Ativos Imobiliários, ACE; HTA - Hotéis, Turismo e Animação dos Açores, S.A.; Cesource, ACE; and NAVISER – Transportes Marítimos Internacionais, S.A. (under winding-up and liquidation procedures since 20 July 2018).



**CEMG 26.0%, Montepio Investimento 1.0%, Montepio Valor 1.5%* and *SSAGIncentive 0.5%.* (% equity stake)

II. Governing and Statutory Bodies

a) Governance model

The Management and Supervisory structure of Banco Montepio corresponds to the mode established in subparagraph b) of number 1 of article 278 of the Commercial Companies Code, with a Board of Directors that includes an Audit Committee (elected at the General Meeting from among the non-executive members) and a Statutory Auditor.

Under the terms of number 3 of article 5 of Banco Montepio's Articles of Association, the duration of the terms of office is four years, with re-election being permitted.

The **Board of Directors** is responsible for deciding on any issue of the Company's management, and may specifically entrust one or more directors to deal with certain management matters. The Board of Directors is authorised by the Articles of Association to create the specialised committees and commissions deemed necessary to pursue its duties and to delegate the Company's current management to one or more directors, or to an executive committee (which is explicitly exempt from the provisions in number 2 of article 7 of the Regulations of the Board of Directors).

The Board of Directors of Banco Montepio created internal committees, composed only of non-executive directors, the majority of whom with independent status, including their chairpersons, such as the **Risk Committee**, the **Remunerations, Nominations and Assessment Committee**, which performs the duties attributed to the Nominations Committee and the Remuneration Committee established in the Legal framework of Credit Institution and Financial Companies (RGICSF) and the **Corporate Governance, Ethics and Sustainability Committee**.

The **Audit Committee**, elected at the General Meeting, supervises the company's management, supervises the audit activities, the process of preparation and disclosure of financial information, the efficacy of the internal control, risk management, control of compliance systems, and the activity and independence of the Statutory Auditor and external auditor.

By Determination of 21 May 2020, the **Board of Directors** delegated the current management of Banco Montepio to an **Executive Committee**, under the terms of provision 13 of the Regulations of the Board of Directors, with the exception of the matters reserved to the Board of Directors, identified in article 7, number 2 of these Regulations.

b) Composition of the Governing Bodies

Pursuant to number 1 of article 12 of Banco Montepio's Articles of Association, the Board of Directors is composed of a minimum of twelve and a maximum of nineteen members, including a Chairman without executive functions, all elected at the General Meeting.

The Audit Committee, under the terms of number 1 of article 17 of the Articles of Association, is composed of a minimum of three and a maximum of five members, elected at the General Meeting from among the non-executive members of the Board of Directors.

Under the terms of article 14 of the Articles of Association, the Board of Directors delegated the current management to an Executive Committee.

The current **composition of the governing bodies of Banco Montepio for the term of office 2018-2021** is as follows, with indication of the changes that occurred during 2020 and in the current year:

Board of the General Meeting	Functions
António Tavares	Chairman
Cassiano Galvão	Secretary

Board of Directors			
Name	**Functions**	**Election**	**Start of Duties**
Carlos Tavares	Chairman – without executive functions	16/03/2018	21/03/2018
Manuel Ferreira Teixeira	Director – non-executive functions	16/03/2018	21/03/2018
Amadeu Ferreira de Paiva	Director – non-executive functions	16/03/2018	21/03/2018
Carlos Ferreira Alves	Director – non-executive functions	30/10/2018	15/01/2019
José Nunes Pereira	Director – non-executive functions	05/12/2019	01/04/2020
Pedro Gouveia Alves	Director – non-executive functions	16/03/2018	23/08/2018
Rui Heitor	Director – non-executive functions	16/03/2018	21/03/2018
Vítor do Carmo Martins	Director – non-executive functions	16/03/2018	21/03/2018
Pedro Leitão	Director – executive functions	05/12/2019	09/01/2020
Dulce Mota	Director – executive functions	23/11/2018	09/01/2019
Helena Soares Moura	Director – executive functions	16/03/2018	21/03/2018
Jorge Baião *	Director – executive functions	18/02/2021	22/02/2021
José Carlos Mateus	Director – executive functions	16/03/2018	21/03/2018
Leandro Graça Silva	Director – executive functions	30/10/2018	09/11/2018
Nuno Mota Pinto	Director – executive functions	16/03/2018	21/03/2018
Pedro Ventaneira	Director – executive functions	16/03/2018	21/03/2018

NOTES:
The Executive Member Carlos Leiria Pinto, elected on 16/03/2018, resigned from his position taking effect on 31/03/2020.
* Co-opted by the Board of Directors on 18/02/2021, after having been authorised to perform duties by Banco de Portugal.

Audit Committee	Functions
Manuel Ferreira Teixeira	Chairman
Amadeu Ferreira de Paiva	Member
Carlos Ferreira Alves	Member
José Nunes Pereira	Member
Vítor do Carmo Martins	Member

During the performance of its duties, the Audit Committee supervises the Company's management, supervises the audit activities, both internal and external, supervises the integrity of the financial and reporting information, the process of preparation and disclosure of that information, the efficacy of the internal control, risk management and control of compliance systems, and the activity and independence of the Statutory Auditor and external auditor.

Without prejudice to all the other powers and duties that may be entrusted by the law or by the Articles of Association, the Audit Committee is also responsible for performing a role of continuous assessment of Banco Montepio, in particular concerning its financial performance, the definition of the strategy and general policies of the Institution, the Group's corporate structure and the decisions that should be considered strategic due to their value and risk, and in particular:

a) Supervising the management of Banco Montepio;

b) Monitoring the observance of the law and Articles of Association;

c) Verifying the correctness of the accounting ledgers, accounting records and supporting documents and the accuracy of the account verification documents;

d) Verifying that the accounting policies and valuation criteria adopted by Banco Montepio lead to a correct assessment of net worth and net income;

e) Preparing annual reports on its supervisory action and issuing opinions on the report, the accounts and the proposals submitted by the Management, as well as its proposal on the action plan and budget;

f) Selecting and submitting to the deliberation of the General Meeting the election of the Statutory Auditor, as well as issuing an opinion on the fees payable for provision of legal review of accounts and audit services to the Banco Montepio Group and additional services rendered by the Statutory Auditor;

g) Annually appraising the audit plan for the individual and consolidated accounts and for the internal control system of Banco Montepio and the Banco Montepio Group, as well as supervising the review of accounts;

h) Meeting regularly with the Statutory Auditor, namely during the appraisal of the individual and consolidated accounts of the Banco Montepio Group;

i) Appraising, with the Executive Committee and Statutory Auditor, any issues and decisions of material relevance for the preparation of the financial statements, including any significant changes of regulatory rules, accounting policies and judgements;

j) Participating in the Executive Committee's meeting in which the annual presentations of accounts to be submitted to the Board of Directors are finalised;

k) Annually preparing an opinion for Banco de Portugal issuing a detailed opinion on the adequacy and efficacy of the internal control system of Banco Montepio and the Banco Montepio Group;

l) Complying with all other duties contained in the regulatory provisions of Banco de Portugal and the "Comissão do Mercado de Valores Mobiliários" (Securities Market Commission), namely, promoting, at Banco Montepio and all other companies of the Group subject to supervision on a consolidated basis, the pursuit of the fundamental objectives established on matters of internal control and risk management.

Statutory Auditor	PricewaterhouseCoopers & Associados (PwC)*
Represented by:	José Manuel Henriques Bernardo Enrolled at the Statutory Auditors Association (OROC) under number 903
	Carlos José Figueiredo Rodrigues Enrolled at the Statutory Auditors Association (OROC) under number 1737
Firm PricewaterhouseCoopers & Associados elected at the General Meeting held on 27 May 2019, as Statutory Auditor of Banco Montepio for the three-year period 2019-2021.	

c) Composition of the internal committees of the Board of Directors

As foreseen in Chapter IV of the Regulations of the Board of Directors, the internal committees of the Board of Directors are as follows:

- Risk Committee (CR)
- Remunerations, Nominations and Assessment Committee (CRNA)
- Corporate Governance, Ethics and Sustainability Committee (CGSES)

Their current composition is as follows, with the changes occurred in 2020 being indicated:

Risk Committee	**Functions**
Vítor do Carmo Martins	Chairman
Carlos Ferreira Alves	Vice-Chairman
Amadeu Ferreira de Paiva	Member
Manuel Ferreira Teixeira	Member
Rui Heitor	Member

NOTE: The determination of the Board of Directors of 29 October 2020 approved the recomposition of the Risk Committee (CR), formerly composed of: Vítor do Carmo Martins (Chairman), Manuel Ferreira Teixeira (Member) and Rui Heitor (Member).

The mission of the Risk Committee is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Executive Committee and Board of Directors in these spheres, being responsible, in particular, for:

a) Advising the Board of Directors and the Executive Committee on Banco Montepio's risk appetite and risks strategy, take into account all the risk categories, assessing their alignment with the business strategy, the objectives, the corporate culture and values of Banco Montepio;

b) Assisting the Board of Directors in supervising the implementation of Banco Montepio's risk strategy and in compliance with the respective limits that have been established;

c) Regularly reviewing the risk profile, risk strategies and risk policies of the Institution;

d) Assessing the consistency between the business model, the strategy, the recovery plan, the remuneration policies and the budget, as well as the efficacy and the effectiveness of the structure, procedures and instruments associated with the implementation and execution of the risk strategies;

e) Issuing recommendations, namely on necessary adjustments to the risk strategy as a result of changes to the business model, the market evolution or business context in which CEMG operates, as well as on aspects under its powers and duties;

f) Analysing and assessing the methodology and respective results supporting the process of identification, assessment and measurement of risks;

g) Analysing scenarios, including stress tests, aimed at determining their impact on Banco Montepio's risk profile, and assessing the Institution's resilience to changes caused by idiosyncratic, systemic or mixed factors.

h) Analysing whether the conditions of the products and services offered to the Customers take into account the business model and risk strategy of Banco Montepio, and submitting a correction plan to the Board of Directors, when this analysis indicates that these conditions do not adequately reflect the risks;

i) Examining whether the incentives established in Banco Montepio's remuneration policy take in consideration the risk, capital, liquidity and expectations as to the results, including the dates of the revenues;

j) Assessing the existence of effective risk control processes and monitoring any flaws in internal control related to the risk management framework;

k) Assessing the conditions of authority and independence supporting the exercise of responsibility in risk management matters, including the approval of the work plan of the risk management function;

l) At the Group level, periodically reviewing and monitoring the scope and nature of the activities developed by the CEMG Group related to risk management; and

m) Assessing whether the risk management function has appropriate resources to perform its functions.

Remunerations, Nominations and Assessment Committee	Functions
José Nunes Pereira	Chairman
Amadeu Ferreira de Paiva	Member
Carlos Ferreira Alves	Member
Manuel Ferreira Teixeira	Alternate Member
Rui Heitor	Alternate Member

NOTE: The determination of the Board of Directors of 29 October 2020 approved the recomposition of the Remunerations, Nominations and Assessment Committee (CRNA), formerly composed of: Manuel Ferreira Teixeira (Chairman), Amadeu Ferreira de Paiva (Member) and Carlos Ferreira Alves (Member).

Under its activity, the Remunerations, Nominations and Assessment Committee (CRNA) observes the interests of Banco Montepio, taking into account the long-term interests of the shareholders and investors, and weighing up the interests of other relevant stakeholders for the Institution's sustainability, as well as the public interest, in order to prevent the decision-making of the Board of Directors from being dominated by any person or small group of people in detriment of the general interests of Banco Montepio. The CRNA is responsible for the matters attributed by law, by the Articles of Association and by the Board of Directors, namely a series of processes related to remunerations, nominations and assessments covering members of the Management and Supervisory Body (MOAF), key function holders (KFH) that include the control functions (compliance, risk management and internal audit) and other functions classified in this way by the Board of Directors, as well as Employees performing senior management functions reporting directly to the Board of Directors, and others placed in the remuneration bracket of the senior management and Management and Supervisory Bodies, provided that their activity has a material impact on Banco Montepio's risk profile.

Corporate Governance, Ethics and Sustainability Committee	Functions
Carlos Tavares	Chairman
Carlos Ferreira Alves	Member
José Nunes Pereira	Member
Pedro Gouveia Alves	Member
Rui Heitor	Member

NOTE: The determination of the Board of Directors of 29 October 2020 approved the recomposition of the Corporate Governance, Ethics and Sustainability Committee (CGSES), formerly composed of: Carlos Tavares (Chairman), Carlos Ferreira Alves (Member) and Rui Heitor (Member).

The mission of the Corporate Governance, Ethics and Sustainability Committee is to support the Board of Directors in the definition of governance policies and structures, sustainability and social responsibility policies, policies on conflicts of interest, principles on ethics and codes of conduct to be adopted by Banco Montepio and its subsidiaries, being responsible, in particular, for:

a) in the area of Corporate Governance, supporting the Board of Directors in the definition of the structure of the Management and Supervisory Bodies, including their commissions and committees, of Banco Montepio and its subsidiaries, and assessing the corporate governance policy of Banco Montepio and its subsidiaries;

b) in the area of Ethics, supporting the Board of Directors in matters of codes of conduct applicable to Banco Montepio and its subsidiaries, and supporting the Board of Directors in the definition and assessment of the systems for identification and settlement of conflicts of interest;

c) in the area of Sustainability, supporting the Board of Directors in the definition of a sustainability policy, including social responsibility and environmental protection principles and values to safeguard the interests of the shareholders, investors, Customers, employees and all other stakeholders of the Institution.

d) Executive Committee

The Executive Committee is responsible for exercising the powers of the current management of the Bank that are delegated to it by the Board of Directors, except for the powers related to matters whose delegation is prohibited by law, or those that the Board of Directors reserves for itself, under the terms of its Regulations.

The Chairman of the Executive Committee is especially responsible for proposing to the Board of Directors the distribution of the areas of responsibility, allocating one or more of its executive members the direct responsibility for specific areas, representing the Executive Committee and ensuring that relevant information is provided to all the other members of the Board of Directors regarding its activity and resolutions, as well as ensuring compliance with the limits of the delegation of powers, the approved strategy for the Bank and its Group, and the duties of collaboration with the Board of Directors and, in particular, its Chairman.

The composition of the Executive Committee is as follows:

Executive Committee	Functions
Pedro Leitão	Chairman
Dulce Mota	Vice-Chairman
Helena Soares Moura	Member
João Baião	Member
José Carlos Mateus	Member
Leandro Graça Silva	Member
Nuno Mota Pinto	Member
Pedro Ventaneira	Member

The Executive Committee entrusted the ongoing monitoring of certain specific issues to the following operational Committees:

- **ALCO Committee (COMALCO)**, the mission of proposing to the Board of Directors (i) the liquidity management policies; (ii) the funding strategy for the Group; and (iii) the capital adequacy policies; as well as monitoring their implementation, so as to ensure their full effectiveness;
- **Impairment Committee (COMIMP)**, the mission of analysing the loan impairments of Banco Montepio, monitoring the loan portfolios and ensuring the follow-up of non-performing exposures (NPE);
- **Credit Committee (COMCRED)**, decision-making power delegated to the Executive Committee on loan operations that are not reserved under the terms of the Regulations of the Board of Directors and that are accordingly framed under the Credit Regulation and Policy;
- **Business Committee (COMNEG)**, the mission of: (i) analysing and proposing for resolution the proposals for production and distribution of new products and services and/or significant changes to the offer being marketed (new products) with a view to submission for the approval of the Board of Directors; (ii) follow-up of compliance with the defined business objectives, analysing and proposing the commercial action priorities; (iii) monitoring the approved strategic actions for business development;
- **Cost and Investments Committee (COMCINTO)**, empowered to develop, conduct the follow-up and monitor the action programmes aimed at ensuring the optimisation of the costs and investments approved under each budget year;
- **Pension Fund Monitoring Committee (COMAFP)**, delegated by the Executive Committee to monitor the pension fund;
- **Non-Performing Assets Monitoring Committee (COMAANP)**, empowered to propose the strategy for management of the portfolio of non-performing assets (NPA) and monitor the evolution and propose the measures for appropriate management.

The composition of these committees is established in their operating regulations which, at the present date, stipulate the following attendance:

ALCO Committee (COMALCO)	**Functions**
José Carlos Mateus - chairs the committee	Chief Financial Officer (CFO)
Pedro Ventaneira	Chief Risk Officer (CRO)
Pedro Leitão (optional)	Chief Executive Officer (CEO)
Dulce Mota	Director of Credit (DC)
Leandro Graça Silva	Director of Credit Recovery (DRC)
Helena Soares de Moura (optional)	Director of Compliance (DCOMP)
Impairment Committee (COMIMP)	**Functions**
Pedro Ventaneira – chairs the committee	Director of Accounting and Financial Reporting (DCRF)
José Carlos Mateus	Chief Credit Officer (CCO)
Pedro Ventaneira	Chief Risk Officer (CRO)
José Carlos Mateus	Chief Financial Officer (CFO)
Leandro Graça Silva	Director of Credit Recovery (DRC)
Credit Committee (COMCRED)	**Functions**
Pedro Ventaneira – chairs the committee	Chief Risk Officer (CRO)
José Carlos Mateus	Chief Credit Officer (CCO)
Leandro Graça Silva	Chief Credit Recovery Officer (CCRO)
Business Committee (COMNEG)	**Functions**
Pedro Leitão – chairs the committee	Chief Marketing Officer (CMO)
José Carlos Mateus	Chief Financial Officer (CFO)
Pedro Ventaneira	Chief Risk Officer (CRO)
Helena Soares de Moura	Chief Legal Officer (CLO)
Jorge Baião	Chief Operating Officer (COO) and Chief Technical Officer (CTO)
Costs and Investments Committee (COMCINTO)	**Functions**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)
Jorge Baião – chairs the committee	Director of Central Procurement (CCOMP)
José Carlos Mateus	Chief Financial Officer (CFO)
Helena Soares de Moura (optional attendance)	Director of Compliance (DCOMP)
Pension Fund Monitoring Committee (COMAFP)	**Functions**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)
Helena Soares de Moura – chairs the committee	Director of People Management (DGP)
Pedro Ventaneira	Chief Risk Officer (CRO)
José Carlos Mateus	Chief Financial Officer (CFO)
Non-Performing Assets Monitoring Committee (COMAANP)	**Functions**
Leandro Graça Silva – chairs the committee	Director of Credit Recovery (DRC)
Pedro Ventaneira	Chief Risk Officer (CRO)
José Carlos Mateus	Chief Financial Officer (CFO)

e) Distribution of areas of responsibility

The Board of Directors has approved the distribution of areas of responsibility which, on the present date, is as follows:

	Areas of Responsibility	Replacement
Carlos Tavares Chairman of the Board of Directors	Office of the Board of Directors (GCA)	**Pedro Leitão**
	General Secretariat of the Company (SGS)	
	Office of Economic and Financial Studies (GEEF)	
	Audit and Inspection Department (DAI)	**Rui Heitor**
Pedro Leitão Chairman of the Executive Committee	People Management Department (DGP) (1)	**Helena Soares de Moura** (1)
	Strategic Marketing Department (DME)	
	Operational Marketing Department (DMO)	
	Communication and Brand Department (DCM)	
	Market Relations Office (GRM)	**José Carlos Mateus**
Dulce Mota Vice-Chairman of the Executive Committee	North and Centre Commercial Department (DCNC)	**Nuno Mota Pinto**
	South and Islands Commercial Department (DCSI)	
	Commercial Dynamization Department (DDC)	
Helena Soares de Moura Member of the Executive Committee	People Management Department (DGP) (1)	**Pedro Ventaneira**
	Legal Advisory Department (DAJ)	
	Litigation Department (DCONT)	
	Compliance Department (DCOMP)	
	Data Protection Office (GPD)	
	Customer and Quality Office (GC)	
Jorge Baião Member of the Executive Committee	Transformation and Innovation Centre (CTI)	**Leandro Silva**
	Information Systems Department (DSI)	
	Services and Operations Department (DSO)	
	Shared Services Unit (USP) (2)	
	Procurement Centre (CCOMP) (2)	
José Carlos Mateus Member of the Executive Committee	Financial and International Department (DFI)	**Nuno Mota Pinto**
	Financial Assets Monitoring Office (GAAF)	
	Strategic Planning and Control Department (DPEC)	**Jorge Baião**
	Credit Analysis Department (DAC)	
Leandro Graça Silva Member of the Executive Committee	Credit Recovery Department (DAC)	**Jorge Baião**
	Real Estate Area (MGAI) (2)	
Nuno Mota Pinto Member of the Executive Committee	Corporate Banking Department (DBE)	**Dulce Mota**
	Social Economy and Public Sector Department (DCESSP)	
Pedro Ventaneira Member of the Executive Committee	Risk Department (DRI)	**Helena Soares de Moura**
	Specialised Credit Analysis Department (DAC)	
	Model Validation Office (GVM)	
	Accounting and Financial Reporting Department (DCRF)	
	Information Management Office (GGI)	**José Carlos Mateus**

(1) With delegation of follow-up by Helena Soares de Moura.

(2) Shared service areas that are not part of the organisational chart of Banco Montepio.

f) Supervision

Pursuant to the Institution's governance model, the Audit Committee is the body that supervises the management of Banco Montepio, performing a role of continuous assessment, in particular concerning financial performance; the definition of the Institution's general strategy and policies, the Group's business structure and the decisions that should be considered strategic due to their value and risk; and all the aspects defined in article 5 of its Regulations, which supervises the audit activities, whether internal or external; the processes of preparation and disclosure of financial information; the efficacy of the internal control, risk management, control of compliance systems; in addition to the activity and independence of the Statutory Auditor and external auditor, as established in the Articles of Association of Banco Montepio and in the Regulations of the Audit Committee.

g) Procedures and criteria applicable to the intervention of the Supervisory Body for the purposes of hiring additional services from the external auditor

Pursuant to the provisions in the Regulations of the Audit Committee, this body is entitled to, on its own initiative, request independent opinions or hire specialized advisory or external consultant services.

The Board of Directors is responsible for negotiating the fees and contracting of the services to be carried out.

h) Identification of the Statutory Auditor and partners representing it

Considering the rotation policy established in the new Statutes of the Statutory Auditors Association (OROC), approved by Law 140/2015 of 7 September, which was enforced on 1 January 2016, and with a view to ensuring the maintenance of the high level of quality and independence, at the beginning of 2019, and pursuant to article 21 of the Articles of Association of Banco Montepio, the Audit Committee conducted a process of selection and assessment of the adequacy of a new Statutory Auditor. This culminated with the election, at the General Meeting held on 27 May 2019, of the firm PricewaterhouseCoopers & Associados (PwC) for the three-year period 2019-2021, represented by José Manuel Henriques Bernardo, statutory auditor number 903 and by Carlos José Figueiredo Rodrigues, statutory auditor number 1737.

i) Other services provided by the statutory auditor to the Company

PricewaterhouseCoopers & Associados (PwC), as Statutory Auditor of Banco Montepio, performs the duties of external auditor at this Institution and non-audit services, in compliance with the legal requirements of independence established in article 77 of Law 140/2015 of 7 September.

The services provided by PwC are entirely functionally and hierarchically independent in relation to Banco Montepio, pursuant to the applicable regulatory and professional standards.

Any services other than legal review of accounts are previously approved by the Audit Committee and refer to technical services, namely for the interpretation and review of the procedures required for Banco Montepio's submission of an application to use the internal ratings-based approach to calculate solvency ratios.

Pursuant to the Regulations, the Audit Committee is responsible for approving the fees payable for the provision of legal review of accounts and audit services of the Banco Montepio Group and additional services provided by the auditors.

j) Support to the Board of Directors

The **General Secretariat of the Company** (SGS) is the body responsible for providing functional support to the Board of Directors and Executive Committee, including the Company Secretary, performing the secretarial duties of the meetings, pursuant to Notice 3/2020, and the reporting to the supervisory entities of mandatory corporate information and to the members of the governing bodies, ensuring the registration of corporate acts and support to the management in performing its shareholder function among the Group's companies, on matters of corporate management. Pursuant to the Organic Statutes of the SGS and Regulations of the Remunerations, Nominations and Assessment Committee (CRNA), the Company Secretary is also responsible for supporting this committee of the Board of Directors in the investigation of the processes pf assessment of the adequacy of the candidates for membership of the governing bodies of

Banco Montepio and subsidiaries, as well as for conducting the annual processes of re-assessment of the adequacy and suitability of the performance of the members of the Management of Banco Montepio.

The main mission of the **Office of the Board of Directors** (GCA) is to advise the Board of Directors and the Executive Committee on meeting agenda management, on training, disclosure and follow-up of the resolutions, on the provision of management information and on the monitoring of relations with shareholders, regulators and other institutional entities, and to advise the Management and Supervisory Bodies on the governance of the internal control system and on the process of resolving flaws.

k) Curricular information of the current members of the Board of Directors

See ANNEX I

l) Accumulation of positions by members of the Board of Directors

See ANNEX II

5. Internal Organisation

I. Internal control system

a) Main elements of the internal control and risk management systems implemented at the Company regarding the procedure for reporting financial information (article 245-A, subparagraph m) of the CVM)

By virtue of Notice 3/2020, institutions are now duty-bound to carry out internal assessments of the adequacy and effectiveness of their organisational culture, governance and internal control systems, promoting regular reflection to consider the need to implement the necessary measures to overcome any flaws that may have been detected. The Supervisory Body's requirements have been clarified, with its assessment now covering its organisational culture, governance and internal control systems, among other aspects, as well as the determination of a review and clarification of the role of the Statutory Auditor concerning the process of preparation and disclosure of financial information.

In this regard, Banco Montepio instituted a Steering Committee composed of the Chairpersons of the Board of Directors, Audit Committee, Risk Committee and ,Executive Committee, as well as the Chief Risk Officer and the Chief Compliance Officer, and the directors responsible for the areas of internal control – Internal Audit Department (DAI), Risk Department (DRI) and Compliance Department (DCOMP) – including the Office of the Board of Directors which coordinates the work of monitoring the internal control system.

The **Board of Directors** is responsible for the implementation and maintenance of an adequate and effective internal control system that guarantees the achievement of the performance, information and compliance objectives.

The **Audit Committee** is responsible for performing a role of continuous assessment of the Institution concerning the financial performance and decisions which should be considered strategic due to their amount and risk. The Audit Committee is responsible for performing all the other duties contained in the regulatory provisions of Banco de Portugal and the Securities Market Commission (CMVM), namely, promoting at Banco Montepio and all other companies of the Group subject to supervision on a consolidated basis, the pursuit of the fundamental objectives established on matters of internal control and risk management, and annual preparation of an opinion for Banco de Portugal, issuing detailed comments on the adequacy and efficacy of the internal control system of Banco Montepio and of the Banco Montepio Group.

The mission of the **Risk Committee** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Executive Committee and Board of Directors in these spheres. At the level of the Banco Montepio Group, the Risk Committee is responsible for periodically reviewing and monitoring the scope and nature of the activities developed by the Banco Montepio Group related to risk management.

The **Audit and Inspection Department** (DAI) is responsible for the **internal audit function**, integrated in the process of monitoring the internal control system, on an ongoing basis, and provides independent and objective assessment and consulting services aimed at enhancing value and improving the operationality of the Banco Montepio Group to achieve its goals by using a systematic and disciplined approach in the assessment and improvement of the efficacy of the risk management, control and governance processes.

Thus, the internal audit function constitutes an integral part of the process of monitoring the internal control system and, as a third line of defence, assesses the activities, systems and processes, including the risk management function and the compliance function.

Department	Position	Name
Internal Audit Department (DAI)	Director	Maria Fernanda Infante Melo Costa Correia

The **Risk Department** (DRI) is a first-line organic unit in in Banco Montepio's structure, responsible for the **risk management function**, with hierarchical reporting to one of the members of the Executive Committee. It reports functionally to the Board of Directors, under which are the Audit Committee, the Bank's Supervisory Body, and the Risk Commission, the specialised advisory body of the Board of Directors and Executive Committee on matters of risk, to which the Risk Department also reports functionally in performing its duties.

Department	Position	Name
Risk Department	Director	Bruno Manuel Ferro Espadanal Torres Magalhães

The main mission of the **Compliance Department** (DCOMP) is the **compliance function** for prevention and/or detection of situations that cause, or could cause, conformity compliance risk for Banco Montepio (among others, criminal or administrative offence penalties, financial loss and/or reputational damage, on an individual and consolidated basis). DCOMP should act in a manner preventing the existence of situations of internal or external fraud, actions tending to jeopardise internal control, obstructions to information that should be known by the Management and Supervisory Bodies, among others.

Department	Position	Name
Compliance Department	Director	António Miguel Coelho Oliveira

b) Policy on communication of irregularities (whistleblowing)

Banco Montepio has implemented the specific, independent and autonomous means appropriate to the receipt, treatment and filing of reports on serious irregularities related to its management, accounting organisation, internal supervision and serious indications of breach of duty established in Legal Framework of Credit Institutions and Financial Companies (RGICSF), in Regulation (EU) 575/2013 of 26 June of the European Parliament and of the Council, in Regulation (EU) 596/2014 of 16 April of the European Parliament and of the Council, and respective regulations and delegated acts, facts related to the matters referred to in number 3 of article 388 of the Securities Market Code (CVM), as well as the duties imposed by Law 83/2017 of 18 August.

Accordingly, the Institution's employees must inform the Audit Board, the Supervisory Body, of any irregular practices they detect or of which they have become aware, or have grounds to suspect, in order to prevent or preclude irregularities which might cause financial or reputation damages to Banco Montepio.

The Regulations of Communication of Irregularities in force, reviewed in January 2020 and published and made available to all the Employees, defines the procedures and terms under which whistleblowing can be done, in person or in writing (by electronic mail or via the post), indicating all the elements and information which the Employee possesses and considers necessary for assessment of the irregularity.

The reports are addressed to the Chairman of the Audit Committee, under an arrangement of anonymity, and may be done by email to comunicar.irregularidades@montepio.pt, or sent by post to the Chairman of the Audit Committee (Presidente da Comissão de Auditoria, Rua Castilho n.º 5, Piso 10, sala 80, 1250-066 Lisboa).

Confidentiality of the received reports and the protection of the personal data of the author of the communication are assured, with the Bank being able to convey the personal data collected to supervisory entities or judicial entities, in cases where this data proves relevant.

The Audit Committee is responsible for keeping records of all reports of irregularities covered by the scope of application of the Regulations of Communication of Irregularities (www.bancomontepio.pt/politicas-regulamentos).

II. Website for consultation: articles of association, regulations and corporate information

Banco Montepio provides essential information to assure suitable knowledge on its activity through the addresses www.bancomontepio.pt\investidores (Portuguese version) and www.bancomontepio.pt\investors (English version).

The Institution's website - www.bancomontepio.pt - provides all the general corporate information about Banco Montepio, including. Among others, the articles of association and regulations of the Board of Directors, Audit Committee, Executive Committee and all the other committees, as well as the policies, miscellaneous regulations and code and rules of conduct.

The internal portal, the Intranet, also discloses the internal rules for information of all the Employees, which includes, in addition to the legal, statutory and regulatory provisions, rules on conduct and ethical standards.

With regard to compliance with the prudential standards in force and the respective periods of reporting to external entities, Work Order 9/2020 presents and systematises the set of information, time limits and department responsible for ensuring compliance with this reporting duty, with the periodic review and updating process of these standards currently being underway.

With the approval of the Banco Montepio trade name in 2019, the image and accesses to the website were redesigned, with further improvements having been made in 2020 to the accesses and contents of the institutional area, namely regarding information to the investors and on corporate governance.

III. Number of meetings held

Although Banco Montepio's Articles of Association establish that the Board of Directors should hold a meeting at least once a month, the Board held fortnightly meetings during 2020, and extraordinary meetings whenever called for such by the Chairman.

During 2020, the **Board of Directors held 34 meetings**, with the minutes having been drawn up recording the presence of its members and the following occasional absences due to holidays, sickness, training, company travel abroad duly justified and accepted by the Board: Pedro Ventaneira (1).

Although the Regulations of the Audit Committee establish that this committee should hold a meeting at least once a month, the Committee held fortnightly meetings during 2020, and extraordinary meetings whenever called for such by its Chairman or by any of the other members

During 2020, the **Audit Committee held 31 meetings**, with minutes having been drawn up recording the attendance of all its members.

Pursuant to its Regulations, the Executive Committee holds weekly meetings and whenever called by its Chairman or alternate.

During 2020, the **Executive Committee held its 54 meetings,** with the minutes having been drawn up recording the presence of the members who participated in them, including the following occasional absences due to holidays, sickness, training, company travel abroad duly justified and accepted by the Executive Committee: Dulce Mota (1), Nuno Mota Pinto (2), Pedro Ventaneira (2) and Carlos Leiria Pinto (1*)

(*) Stepped down from this position on 31/03/2020.

The Regulations of the Risk Committee establish that this committee should hold ordinary meetings on a monthly basis, and extraordinary meetings whenever deemed appropriate to the sound performance of its functions, at the substantiated request of any of the governing bodies of Banco Montepio or any of the Risk Committee's members.

During 2020, the **Risk Committee held 14 meetings**, with minutes having been drawn up recording the attendance of all its members.

The Regulations of the Remunerations, Nominations and Assessment Committee establishes that this committee should hold monthly meetings, and whenever called by the Chairman, on the Chairman's initiative or requested by the Chairman of the Board of Directors or by any of the other members of this committee.

During 2020, the **Remunerations, Nominations and Assessment Committee held 36 meetings**, with minutes having been drawn up recording the attendance of all its members.

The Regulations of the Corporate Governance, Ethics and Sustainability Committee establishes that this committee should hold a meeting at least once a quarter, preferably in the months of March, June, September and December, and whenever desired by the Chairman or requested by any of the other members.

During 2020, the **Corporate Governance, Ethics and Sustainability Committee held 13 meetings**, with minutes having been drawn up recording the attendance of all its members.

Committees of the Board of Directors	No. of meetings foreseen in the regulations	Total meetings held in 2020
Audit Committee (CAD)	Periodicity: monthly Total annual: 12	Total meetings held: **31**
Risk Committee (CR)	Periodicity: bimonthly Total annual: 6	Total meetings held: **14**
Remunerations, Nominations and Assessment Committee (CRNA)	Periodicity: bimonthly Total annual: 6	Total meetings held: **36**
Corporate Governance, Ethics and Sustainability Committee (CGSES)	Periodicity: quarterly Total annual: 4	Total meetings held: **13**

6. Remunerations

I. Power to establish

Pursuant to article 11, subparagraph c) of the Articles of Association of Banco Montepio, the General Meeting is responsible for electing a Remuneration Committee composed of three independent members empowered to establish the remunerations of the members of the Governing Bodies, as per article 399, number 1 of the Commercial Companies Code.

Considering that this Remuneration Committee is not appointed by the shareholders, the power and duty to establish the remunerations of the members of the governing bodies of Banco Montepio are entrusted, under the terms of the law, to the General Meeting.

II. Quantitative information on the annual remuneration values paid in 2020 by Banco Montepio

In compliance with the provisions in article 47 of Banco de Portugal Notice 3/2020, the **quantitative information on the remuneration values paid in 2020 by Banco Montepio** to the different categories of Employees established in article 115-C, number 2, of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), are henceforth disclosed, namely:

a) members of the Management and Supervisory Body (MOAF);
b) senior management;
c) persons in charge of risk-taking;
d) persons in charge of the control functions; and
e) Employees whose remuneration places them in the same remuneration bracket of the previous categories a), b) or c), provided that their professional activities have material impact on the Institution's risk profile.

a) Members of the Management and Supervisory Body (MOAF)

In 2020, the General Meeting neither determined nor paid any variable component of the remuneration to the MOAF.

The aggregate quantitative data on annual remunerations that were processed for the members of the Management and Supervisory Body, during 2020, in conformity with the provisions in subparagraphs g) to j) of article 450 of Regulation (EU) 575/2013, were as follows:

	Fixed remuneration	No. members
Members of the Management and Supervisory Body	€ 3 124 747.74	15

b) Senior management, persons in charge of risk-taking, persons in charge of the control functions, and others whose actions have significant impact on the Institution's risk profile:

The aggregate values of the remunerations paid in 2020 to the Employees in reference, in conformity with the provisions in subparagraphs g) to j) of article 450 of Regulation (EU) 575/2013, were as follows:

	Fixed remuneration	Variable Remuneration	No. members
Senior management	€ 4 206 166.69	€ 1,050.00	41
Persons in charge of risk-taking	€ 311,577.36	Not applicable	5
Persons in charge of the control functions	€ 405,865.14	Not applicable	7
Employees whose remuneration places them in the same remuneration bracket of the previous categories a), b) or c), provided that their professional activities have material impact on the Institution's risk profile.	n.a.	n.a.	n.a.

The remunerations paid in 2020 to the aforesaid categories of Employees were reported to the CRNA by the People Management Department which carries out the processing of the Institution's remunerations.

Concerning the quantitative information provided, the People Management Department informed that **no other situations were identified** that should be reported under the following subparagraphs of article 450 of Regulation (EU) 575/2013, namely:

i) The number of individuals with remuneration of 1 million euros or more per financial year, broken down into remuneration brackets of 500,000 euros for remuneration between 1 million and 5 million euros, and broken down into remuneration brackets of 1 million euros for remuneration of 5 million euros or more; and

j) Upon demand from the relevant Member State or competent authority, the total remuneration of each member of the Management Body or senior management.

The **Remunerations, Nominations and Assessment Committee** (CRNA) is responsible for formulating, at least on an annual basis, informed and independent judgements on the remuneration policy and practices, and respective criteria to establish the fixed and variable component or other existing remuneratory incentives, and for proposing to the Board of Directors the criteria to be used in the annual process of assessment and establishment of the variable component of the remuneration of the Executive Committee members, which should include the adequate weighting of merit, individual performance and contribution to the efficiency of the body.

The CRNA will prepare, for submission to the annual General Meeting, an assessment report on compliance with the remuneration policies and procedures endorsed by Banco Montepio in 2020, in the context of the formulation of informed and independent judgements on the remuneration policy and practices, and incentives created for purposes of risk, capital and liquidity management, pursuant to article 115 C, number 6 of the RGICSF and in article 44 of Notice 3/2020.

Remuneration policies of Banco Montepio

By unanimous determination in writing of the General Meeting of 23 April 2018, the remunerations of the Members of the Management and Supervisory Body (MOAF) of Banco Montepio were established for the term of office 2018-2021, including the annual value paid to the members of the Board of the General Meeting, under the terms of the law.

Pursuant to article 16 of the Articles of Association of Banco Montepio, the remunerations of the Members of the Management and Supervisory Body and of the Statutory Auditor are established by the Remuneration Committee as stipulated in article 11, subparagraph c) of the Articles of Association, which corresponds to the provisions established in article 399 of the Commercial Companies Code, by preparation of the decisions by the CRNA, an internal committee of the Board of Directors, foreseen in article 19 of the Articles of Association, and as established in the MOAF Remuneration Policy approved at the General Meeting.

As this Remuneration Committee is not appointed by the shareholders, the power and duty to establish the remunerations of the Members of the Management and Supervisory Body of Banco Montepio are, under the terms of the law, exclusively entrusted to the General Meeting.

The current **Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio** is published on the Bank's institutional website, and was approved at the General Meeting of 30 June 2020. This policy was subject to the annual review by the CRNA in 2021, as established in point 11.2 of this policy, with the review having been approved by the Board of Directors at its meeting held on 15 April 2020, and shall be submitted to the next General Meeting, at a date to be scheduled under the terms of the law.

The current **Remuneration Policy of the Key Employees** was approved by the Board of Directors at its meeting held on 29 April 2021, and is published in the institutional area of the Banco Montepio's website. The current version was the result of the annual review process that took place in 2021, which incorporated the recommendations issued by the regulator.

The **Remuneration Policy of the Employees** is also in force, having been approved by the Board of Directors on 5 November 2019 (OS 116/2019 of 30 December 2019), which coexists with the other two remunerations policies at Banco Montepio referred to above. And is also undergoing the annual review process for submission for the approval of the Board of Directors, after the opinion issued by the CRNA.

Review of the Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio

The proposed review of the Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio to be submitted at the next Annual General Meeting, as mentioned above, continues to ensure the compatibility of the defined remuneration mechanisms with the long-term strategy, goals and interests of Banco Montepio, and ensure sound and prudent risk management that discourages excessive and imprudent risk-taking. The review sought to accommodate clarification of concepts, definitions and procedures in light of the best remuneratory practices followed in the sector, and to incorporate the recommendations issued by the regulator.

The Remuneration Policy of the Members of the Management and Supervisory Body establishes appropriate remuneratory practices, stipulating criteria for the allocation, determination of the value, limits and composition of the variable component of remuneration, its alignment with the performance and risks incurred in the case that, if all the requirements for attribution are met, this is determined by the shareholders.

III. Annual process of assessment of individual and collective adequacy

Between July and November 2020, the CRNA conducted the annual process of assessment of the adequacy, suitability, independence and availability of the members of the Board of Directors, as well as the collective assessment of the Board of Directors, Executive Committee, Audit Committee, Risk Committee, Corporate Governance, Ethics and Sustainability Committee, and its own self-assessment, in light of the general rules of Corporate Governance and article 115-B, number 2, subparagraph c) and d) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), in addition to the applicable policies of Banco Montepio.

In conclusion, the CRNA issued a Report of the Assessment Process that was analysed during a meeting of the Board of Directors, with the results having been appraised and suitable action defined for implementation of the measures recommended by the CRNA.

Annex I - Curricular information of members of the Board of Directors.

Annex II - Accumulation of positions by members of the Board of Directors.

Annex I

Curricular information of members of the Board of Directors

- **CARLOS MANUEL TAVARES DA SILVA**

Academic qualifications:

Licentiate degree in Economics from the Faculty of Economics of Universidade do Porto.

Professional activities performed over the last few years:

Chairman of the Board of Directors and Chairman of the Corporate Governance, Ethics and Sustainability Committee of Banco Montepio (since 2018); Chairman of the Board of Directors of Montepio Holding, SGPS (since 2018); Chairman of the Board of Directors of Montepio Investimento, S.A. (since 2018); Coordinator of the Working Group for the Reformation of the Financial Supervision Model (2017); Advisor of the Board of Directors of CGD (2016-2018); Chairman of the Governing Board / Board of Directors of the Securities Market Commission (2005-2016); Vice-Chairman of the European Securities and Markets Authority (ESMA) (2011-2016); Chairman of the Committee of European Securities Regulators (CESR) (2010-2011); Vice-Chairman of the Committee of European Securities Regulators (CESR) (2007-2010); Chairman of the Committee of Economic and Markets Analysis of the CESR (2007-2010); Chairman of the Standing Committee on Risk and Research / Committee on Emerging Risks of IOSCO (2011-2015); Chairman of the European Regional Committee of IOSCO (2010-2015); Member of the Board da International Organization of Securities Commissions (IOSCO) (2010-2015); Member of the Board of Trustees of the University of Porto (2009-2014); Director of the Bureau of European Policy Advisers of the European Commission (2004-2005); Minister of the Economy of the XV Constitutional Government (2002/2004); Vice-Chairman of the Executive Committee of Banco Santander de Negócios Portugal and Executive Director of Banco Totta and Crédito Predial Português (2000-2002); Chairman of the Board of Directors of BSN Dealer and Totta Finance (2000-2002); Vice-Chairman of Banco Totta & Açores and Banco Pinto e Sotto Mayor (1999-2000); Vice-Chairman of the Board of Directors of Banco Chemical Finance, S.A.; Director of Banco Pinto Sotto Mayor, Banco Totta e Açores and Crédito Predial Português (1998-1999); Director of Banco CISF (1996-1998); Chairman of the Board of Directors of Banco Nacional Ultramarino (1992-1996); Director of CGD (1992-1993); Vice-Chairman of CGD (1993-1996); Director of SIBS - Sociedade Interbancária de Serviços (1992-1993); Chairman of the Board of Directors of Unicre - Cartão Internacional de Crédito, S.A. (1992-1993); Chairman of the Board of Directors of Espaço Atlântico – Formação Financeira (1992-1995); Director of Banco Português do Atlântico (1992); Secretary of State and Treasury of the XI Constitutional Government (1989/1991); Member of the Monetary Committee and Coordination Group of the Economic Policies of the European Communities (1986-1991); Director of INGA – Instituto Nacional de Garantia Agrícola (1986-1987); Director of the Department of Economic Studies of the Ministry of Finance (1988-1989); Director of the Office of Analysis and Financing of the State and Public Enterprises (1987-1989); Chairman of the Supervisory Board of Companhia de Seguros Bonança (1986-1989); Advisor and Consultant of the Minister of Finance (1985-1989); Member of the Department of Economic Studies of Banco Português do Atlântico (1980-1985) performing duties of coordinator of the Department of Macroeconomics and coordinator of the team of the project of construction of a macroeconomic model of the Portuguese economy; Assistant at the Faculty of Economics of Porto (1975/1985).

- **MANUEL FERREIRA TEIXEIRA**

Academic qualifications:

Licentiate degree in Economics from Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa (1981); Postgraduation in European Economics from Universidade Católica de Lisboa (1985); Masters in Economics from Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa (1989).

Professional activities performed over the last few years:

Director, Chairman of the Audit Committee (since 2018), Member of the Risk Committee (since 2019) and Alternate Member of the Remunerations, Nominations and Assessment Committee (since 2020) of Banco Montepio; Executive Member of the Board of Directors of Hospital da Cruz Vermelha (CVP - Sociedade de Gestão Hospitalar, S.A.) (since 2015); Invited Professor at Universidade Nova – IMS (since 2015); Consultant of Santa Casa da Misericórdia de Lisboa (2015-2020); Secretary of State for Health of the XIX Constitutional Government (2011-2015) and Undersecretary of State of the Minister of Health of the XX Constitutional Government (2015); Chairman of the Central Administration of the Health System (2005-2011); Secretary of State for the Budget of the XVI Constitutional Government (2004-2005); Chairman of the Instituto de Gestão Financeira da Segurança Social (2002-2004); Member of the Advisory Board of the Instituto de Gestão dos Fundos de Capitalização da Segurança Social (2002-2004); Member of the Board of Directors of the Fundo para a Revitalização e Modernização do Tecido Empresarial, SGPS, S.A. (2002-2004); Chairman of the Instituto de Gestão Informática e Financeira da Saúde (1999-2002); Member of IFADAP-Instituto de Financiamento da Agricultura e Pescas (1998-1999); Director-General of Public Accounts and subsequently Director-General of the Budget (1996-1998); Chairman of the Accounts Review Committee of the Fundação Calouste Gulbenkian (1996-1998); Member of the Audit Board of the Fundação Ricardo Espirito Santo (1996-1998); Subdirector-General of the Junta do Crédito Público (1992-1996); Member of the Audit Committee of Santa Casa Misericórdia de Lisboa (1996-2004); Consultant of the Ministry of Finance (1989-1992); Assistant at ISEG - Instituto Superior de Economia e Gestão (1982-1994).

- **AMADEU FERREIRA DE PAIVA**

Academic qualifications:

Licentiate degree in Economics from the Instituto Superior de Economia (ISE) of Universidade Técnica de Lisboa (1978); academic component of the doctorate in International Relations, Geopolitics and Geoeconomics of the Universidade Autónoma de Lisboa (2016).

Professional activities performed over the last few years:

Director, Member of the Audit Committee (since 2018) Member of the Remunerations, Nominations and Assessment Committee (since 2019) and Member of the Risk Committee (since 2020) of Banco Montepio; Vice-Chairman of the Portuguese Committee for UNICEF (since 2018); Professor at Universidade Autónoma de Lisboa (1995-1999 and from 2007 up to date); Board Advisor at SIBS Internacional, S.A. (2017-2018); Member of the General Board of Montepio Geral - Associação Mutualista (2015-2018); Director, Assistant Managing Director and Managing Director (1990-2002) and Executive Director at Unicre, IFIC, S.A. (2002-2014); Chairman of the Board of the General Meeting of ACEPI - Associação de Economia Digital (since 2013); Member of the Board of Directors of Paywatch (2009-2013); Member of the Board of Directors of Visa Portugal - Associação Nacional dos Operadores de Cartões Visa (2004-2008); Member of the

Products and Marketing Advisers Group (1992-2013) and Acquirer Forum of Visa Europe, Ltd.; Executive Director of Banco Comercial dos Açores (1989-1990); Coordinator of Montepio Geral-Associação Mutualista (1986-1988). Professor at ISE, then ISEG, and Invited Professor at Universidade dos Açores and Universidade Eduardo Mondlane (1976-2005). Researcher at CEDEP - Centro de Estudos de Economia Internacional, and its Executive Director (1978-2009).

- **CARLOS FRANCISCO FERREIRA ALVES**

Academic qualifications:

Licentiate, Masters and Doctoral degree in Economics from the Faculty of Economics of Universidade do Porto. Aggregation in Management (Finance) at the same university.

Professional activities performed over the last few years:

Director, Member of the Audit Committee (since 2019), Vice-Chairman of the Risk Committee (since 2020), Member of the Remunerations, Nominations and Assessment Committee and Member of the Corporate Governance, Ethics and Sustainability Committee (since 2019) of Banco Montepio; Member of the Coordinating Board of SEDES – Associação para o Desenvolvimento Económico e Social (since 2018); Chairman of the Academic Board of Porto Business School (since 2015); Associate Professor at the Faculty of Economics of Universidade do Porto (since 2014); Chairman and Member of the Conselho Nacional de Supervisão de Auditoria (CNSA) (2012-2015); Chairman of the Committee for Economic and Markets Analysis (CEMA) and European Securities and Markets Authority (ESMA) (2011-2015); Representative of the CMVM at the General Board of the European Systemic Risk Board (ESBR) (2010-2016); Deputy Member of the Board of Supervisors of ESMA (2010-2016); Lecturer at Porto Business School (since 2009); Vice-Chairman of ECONET (2009-2010); Member of the Board of Directors of the CMVM - Comissão do Mercado de Valores Mobiliários (2008-2016); Member of the Board of the Instituto Português de Corporate Governance (2007-2010); Member of the Board of Directors of the Associação Portuguesa de Analistas Financeiros (2002-2008); Consultant of the Governing Board of the CMVM (2000-2008); Chairman of the Advisory Board of the Comissão Gestora dos Índices de Bolsa da Euronext Lisboa (2000-2003); Vice-Chairman of the Comissão Gestora dos Índices de Bolsa da Euronext Lisboa (2000-2003); Member of the Governing Board of the CMVM (1998-2000); Chairman of the Audit Board of the Instituto Nacional de Estatística (1997-1998); Undersecretary of State for the Treasury and Finance of the XIII Constitutional Government (1995-1998); Director of the Instituto Mercado de Capitais (1994-1995); Member of the Gabinete de Estudos da Bolsa de Valores do Porto (1990-1994); Member of the Commission that drafted the White Paper on Corporate Governance in Portugal.

- **JOSÉ DA CUNHA NUNES PEREIRA**

Academic qualifications:

Licentiate degree in Law from the Faculty of Law of Universidade de Coimbra.

Professional activities performed over the last few years:

Director, Chairman of the Remunerations, Nominations and Assessment Committee, Member of the Audit Committee and Member of the Corporate Governance, Ethics and Sustainability Committee (since 2020) of Banco Montepio; Member of the Steering Board of the Instituto de Valores Mobiliários of the Faculty of Law of Universidade de Lisboa (since 2020); Member of the Ethics Committee of Banco de Portugal (2016-2019); Chairman of the Portuguese Delegation of GAFI - Grupo de Ação Financeira Internacional (2011-2014); Director of the Investigation and Disciplinary Action Department of Banco de Portugal (2011-2014); Director of the Banking Supervision Department of Banco de Portugal (2009-2010); Director of the Internal Audit Department of Banco de Portugal and Member of the Internal Auditors Committee of the European System of Central Banks, having chaired the Audit Task Force on Banknotes (2001-2009); Member of the Advisory Board of the Comissão do Mercado de Valores Mobiliários (2000-2003); Vice-Chairman of the Executive Committee of the International Organization of Securities Commissions (IOSCO) (1998-2000); Chairman of the Comissão do Mercado de Valores Mobiliários (1996-2000); Vice-Chairman of the Comissão do Mercado de Valores Mobiliários (1995); Member of the technical team appointed by the ministry to draft the Legal Framework of Credit Institutions and Financial Companies (RGICSF) (1991); Member of the Audit Board of the Comissão do Mercado de Valores Mobiliários (1991-1994); Legal Consultant of the Minister of Finance (1990-1993); Legal Consultant at Banco de Portugal (1983-1989); Member of the technical team appointed by the ministry to draft the Securities Market Code (1988); Assistant on Law of Obligations and Commercial Law at the Faculty of Law of Universidade de Coimbra (1973-1978).

- **PEDRO JORGE GOUVEIA ALVES**

Academic qualifications:

Licentiate degree in Economics from the Faculty of Economics of Universidade Católica Portuguesa, in Lisbon; Postgraduation in Marketing Management at Instituto Superior de Gestão; Postgraduation in Management of Information and Electronic Commerce at Universidade Católica Portuguesa, in Lisbon; Masters in Finance (Complete Curricular Programme, without Dissertation) at Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), Instituto Universitário de Lisboa; Advanced Executive Education of Big Data to Decision: Artificial Intelligence and Machine Learning at the London Business School; Blue Ocean Strategy Program, INSEAD, Fontainebleau.

Professional activities performed over the last few years:

Director (since 2018) and Member of the Corporate Governance, Ethics and Sustainability Committee (since 2020) of Banco Montepio; Chairman of the Board of Directors of Montepio Crédito, S.A. (since 2018); Member of the Board of ASFAC – Associação Portuguesa de Instituições de Crédito Especializado (since 2021);General Coordinator of the Corporative Centre of Montepio Geral Associação Mutualista-MGAM (2016-2018); Non-Executive Member of the Board of Directors of Bolsimo, S.A., in representation of the shareholder MGAM (2016-2018); Member of the Management Board of ASFAC Logalty (since 2015); Non-Executive Member of the Board of Directors of the Portugal Venture Capital Initiative, SICAV, FIS/AIFM (REG), in representation of the shareholder MGAM (2009-2018); Chief Executive Officer (CEO) of Montepio Crédito, IFIC, S.A. (2014-2016); Executive Chairman of the Board of Directors (CEO) of Finicrédito, IFIC, S.A. (2012-2014); Chairman of the Supervisory Board of ASFAC (2012-2016); Member of the Board of ALF - Associação Portuguesa de Leasing, Factoring e Renting (2015-2016); Director of the Commercial Department of Companies and Institutions of Banco Montepio (2011-2012); Executive Member of the Board of Directors of Finibanco, S.A. (2011); Non-Executive Member of the Board of Directors of Finicrédito, IFIC, S.A. (2011-2012); Non-Executive Member of the Board of Directors of Finibanco Holding, SGSP, S.A. (2011-2013); Non-Executive Member of the Board of Directors of Lestinvest, SGSP, S.A. (2011-2012);

Director of the Department of Planning and Economic Studies of Banco Montepio (2008-2010); Director of the Department of Marketing and New Channels of Banco Montepio (2004-2008); Director of the Department of New Distribution Channels of Banco Montepio (1999-2004); Assistant Director of the Department of Strategic Marketing of BES - Banco Espírito Santo, S.A. (1998-1999); Subdirector of the Department of Strategic Marketing of BES (1995-1997).

- **RUI PEDRO BRÁS MATOS HEITOR**

Academic qualifications:

Licentiate degree in Law from the Faculty of Law of Universidade de Lisboa; Attendance of the postgraduation in Arbitration at the Faculty of Law of Universidade Nova de Lisboa; Postgraduation in Corporate Governance from the Faculty of Law of Universidade de Lisboa-Centro Investigação Direito Privado; Corporate Governance-Leadership of Boards Programme at the Faculty of Economics of Universidade Nova de Lisboa; Inspiring Strategic Reflection Programme at the Faculty of Economics of Universidade Nova de Lisboa.

Professional activities performed over the last few years:

Director (since 2018), Member of the Risk Committee, Member of the Corporate Governance, Ethics and Sustainability Committee (since 2019) and Alternate Member of the Remunerations, Nominations and Assessment Committee (since 2020) of Banco Montepio; Non-Executive Director of HTA - Hotéis Turismo e Animação dos Açores, S.A. (since 2018); Secretary of the Board of the General Meeting of Montepio Gestão de Ativos, Sociedade Gestora de Fundos de Investimento, S.A. (since 2018); Secretary of the Board of the General Meeting of Futuro - Sociedade Gestora de Fundos de Pensões, S.A. (since 2018); Secretary of the Board of the General Meeting of Residências Montepio, Serviços de Saúde, S.A. (since 2018); Member of the General and Supervisory Board of Banco Montepio (2015-2018); Employee of Banco Montepio, working as a lawyer at the Credit Recovery Department and Litigation Department; Head of the area of lawyers at Montepio Recuperação de Crédito, A.C.E.; Head of the Department of Judicial Recovery and Lawyers of the Credit Recovery Division, and Assistant Secretary-General of Montepio Geral Associação Mutualista-MGAM (since 2005).

- **VÍTOR MANUEL DO CARMO MARTINS**

Academic qualifications:

Licentiate Degree in Finance from ISCEF - Instituto Superior de Ciências Económicas e Financeiras; Audit from *Hautes Études Commerciales* in Jouy-en-Josas, France; Financial Accounting at Arthur Andersen & Co. in Madrid; Preparatory Course for Auditors – CROC; Industrial Project Analysis – IPE; Course of the Statutory Auditors Association (OROC) in the context of continuous training; Postgraduation in Corporate Governance at the Faculty of Law, Universidade de Lisboa.

Professional activities performed over the last few years:

Director, Member of the Audit Committee (since 2018) and Chairman of the Risk Committee (since 2019) of Banco Montepio; Member of the General and Supervisory Board of Caixa Económica Montepio Geral (2015-2018); Statutory Auditor at companies of various economic, industrial, commercial, SPGS and financial Sectors (1983-2018); Auditor at Arthur Anderson & Co. (1973-1974).

- **PEDRO MANUEL MOREIRA LEITÃO**

Academic qualifications:

Licentiate degree in Economics from Universidade de Évora; Postgraduation in e-Business, Masters in Management and MBA, all at Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa; Postgraduation in Management Consulting at Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), in Lisboa; Leading Businesses into the Future and Senior Executive Program at the London Business School, London; Leading Digital Business Transformation at IMD, Switzerland; Value Creation for Owners and Directors – Corporate Governance for Long Term Value Creation at INSEAD, France; Customer Focused Innovation at Stanford University, USA.

Professional activities performed over the last few years:

Chairman of the Executive Committee (since 2020) of Banco Montepio; Vice-Chairman of the Board of Directors of Montepio Holding, SGPS (since 2021) ;Member of the Supervisory Board of Oeiras International School (since 2019); Executive Director of Banco Atlântico EUROPA, Portugal (2015-2019); Executive Director of Banco Millennium Atlântico, Angola (2011-2016); Partner of Deloitte in financial services (2001-2011); Lecturer at Porto Business School (2008-2011) and ISEG - Licentiate degree in Economics and Postgraduation for Executives (2002-2010); Director and previously Manager and Customer Manager at Banco Bilbao Vizcaya Argentaria (1997-2001).

- **DULCE MARIA PEREIRA CARDOSO MOTA JORGE JACINTO**

Academic qualifications:

Licentiate degree in Corporate Organisation and Management from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE); Senior Management Programme at AESE Business School; Top Management Programme at INSEAD.

Professional activities performed over the last few years:

Vice-Chairman of the Executive Committee (since 2019) of Banco Montepio; Non-Executive Director of Montepio Crédito, S.A. (since 2021); CEO of Banco Activobank, S.A. (2018); Member of the Board of Directors of Fundação Millennium BCP (2013-2018); at Banco Comercial Português, S.A.: Director of Communication (2016-2017), Head of the Office of the Chairman of the Board of Directors (2012-2017), Director of Private Banking Marketing (2012-2016), Head of the Area of Individuals Internet (2004-2005), Head of the Investment Product Unit (2003-2004), Head of the Real Estate Credit Product Unit (2003) and Head of the Brokerage and Securities Product Unit (2002); Member of the Board of Directors of Banco Activobank, S.A. (2006-2010); Member of the Board of Directors of AF Investimentos - Sociedade Gestora de Fundos (1995-2010); Director of Communication and Marketing of AF Investimentos (1995-2000); at CTT - Correios de Portugal, S.A.: Director of the Business Unit (1995); Central Commercial and Marketing Director (1994); Central Marketing Director (1992-1994); Director of Correspondence (1989-1991); University Professor at ISCTE (subjects of Maths and Operational Research).

- **HELENA CATARINA GOMES SOARES DE MOURA COSTA PINA**

Academic qualifications:

Licentiate degree in Law from the Faculty of Law of Universidade de Lisboa (FDUL); Postgraduation in Studies on the Society of Information and Electronic Commerce at FDUL; Attendance of the postgraduation in Industrial Law at FDUL; Attendance of the Cross-Border Dispute Resolution course at the Lex Mundi Institute, USA; Corporate Governance - Board Leadership Programme at Nova School of Business and Economics, Lisbon; International Directors Banking Programme at INSEAD, France.

Professional activities performed over the last few years:

Executive Director (since 2018) at Banco Montepio; Member of the Board of Directors of SIBS, SGPS, S.A., in representation of Banco Montepio (since 2018); Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A., in representation of Banco Montepio (since 2018); Director of Litigation of the Ageas Group in Portugal (2017-2018); Member of the Business Board of the Associação Portuguesa de Arbitragem (since 2017); Partner (2013-2017), Senior Lawyer (2009-2013), Principal Associate (2005-2008), Associate Lawyer (1999-2004) and Lawyer (1997-1999) at the law firm Morais Leitão, Galvão Teles, Soares da Silva & Associados (formerly named Morais Leitão & Galvão Teles).

- **JORGE PAULO ALMEIDA E SILVA BAIÃO**

Academic qualifications:

ISPA University attendance – 4th year of Applied Psychology – Social and Organisations Branch; Specialisation Diploma in Bank Management from the Instituto de Formação Bancária.

Professional activities performed over the last few years:

Director with executive duties (since 2021) of Banco Montepio; CIO of Grupo Crédito Agrícola - CA Serviços, ACE and CFO of CA Serviços, ACE and CA Informática, S.A. (2013-2021); Chief Executive Officer (CEO) and responsible for the conduct of Corporate Finance, M&A, Private Equity and Financial and Management Advice of Grupo Crédito Agrícola at CA Consult, S.A. (2006-2013); Executive Director for the conduct of consulting for the Financial and Health sectors - (Build & Buy Strategies for Private Equity, Value Growth Strategy and Value Based Management) at Arthur D. Little (2004-2006); Invited professor at the Instituto Superior de Economia e Gestão and at the Instituto para o Desenvolvimento de Estudos Económicos, Financeiros e Empresariais - (IT Governance and IT Strategy) (2003-2019); Director of Business Development, in the areas of Value Growth Strategy, Risk Management and OPEX/CAPEX reduction programmes for the Financial, Health and Public sectors at Deloitte Consulting, Grupo Deloitte (2001-2004); Executive Board Member of Banco Uno-e, Spain, of Grupo Financeiro BBVA (1999-2001); Director responsible for the development and implementation of Management Control, Risk Management and IT Framework models for various Banks of Grupo Santander in Latin America (Argentina, Chile, Venezuela and Brazil) (1995-1999); Coordinator of the areas of Analysis of Credit Risk and Market Risk and Information Systems applied to Management Control at Banco Santander Portugal (1992-1995); Area Manager for Information Technologies and Operations supporting the business in the areas of Credit Risk, Market Risk and Management Control at Banco Comércio e Indústria (1991-1992); Senior Analyst of Organisation, Processes and Competences at Banco Comércio e Indústria (1988-1991).

- **JOSÉ CARLOS SEQUEIRA MATEUS**

Academic qualifications:

Licentiate degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa; Masters in Maths Applied to Economics and Management (without presentation of dissertation) from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa.

Professional activities performed over the last few years:

Director with executive duties (since 2018) at Banco Montepio; Managing Director (former Executive) of the Board of Directors of Montepio Holding, SGPS (since 2018); Non-Executive Director of the Board of Directors of Montepio Investimento, S.A. (since 2018); Executive Director of the Board of Directors of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. (since 2017); Non-Executive Director of Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A. (2015-2017); Non-Executive Director of Finivalor - Sociedade Gestora de Fundos de Investimento, S.A. (2011-2013); Member of the Board of Directors of Montepio Investimento (former Finibanco) (2011); Non-Executive Director of Montepio Gestão de Ativos (2008-2012); Director of the Financial and International Department of Banco Montepio (2008-2018); Executive Director of Banco Montepio Geral Cabo Verde (2008); Non-Executive Director of Futuro-Sociedade Gestora de Fundos de Pensões, S.A. (2008-2018); Central Subdirector - Global Markets Department at Millennium BCP (2007-2008); Director of the Treasury Department of Bank Millennium, in Poland (2001-2007); Director responsible for Funding & Liquidity at the Treasury Department of Banco Comercial Português (2000-2001); Lecturer at the Instituto de Formação Bancária and at Universidade Atlântica (1994-2001); Consultant in the Ministry of the Economy (1993-2001); Director, Subdirector and Manager at Banco Mello de Investimentos (1996-2000); Technician at Banco Totta & Açores (1990-1995); Consultant for the Government of Angola (1994); Lecturer at the Instituto de Economia e Gestão and at Universidade Técnica de Lisboa (1993-1994).

- **LEANDRO RODRIGUES DA GRAÇA SILVA**

Academic qualifications:

Licentiate degree in Finance from Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa.

Professional activities performed over the last few years:

Director with executive duties (since 2018) of Banco Montepio; Managing Director of Montepio Investimento, S.A. (since 2021); Member of the Board of Directors of Montepio Gestão de Ativos Imobiliários, ACE, in representation of Banco Montepio (since 2020); Executive Director of the Board of Directors of Banco Nacional Ultramarino, S.A., in Macau (2014-2018); Member of the Board of Directors and Executive Head of Sogrupo, Compras e Serviços Partilhados, ACE, S.A. (2008-2014); Coordinator Director of the Department of Customers of Caixa Banco de Investimento, S.A. (2007-2008); Member of the Board of Directors and Executive Committee of Banco Comercial do Atlântico, S.A. and of Companhia de Seguros Garantia, S.A., in Cape Verde (2004-2007); Member of the Board of Directors of SISP - Sociedade Interbancária e Sistemas de Pagamento, S.A., in representation of Banco Comercial do Atlântico, S.A. (2004-2007); Deputy; head of Office and Advisor of the Minister of the Economy of the XV Constitutional Government (2002-2004); Deputy Director of the Research Department of Caixa Valores do Caixa Banco de Investimento, S.A. (Banco Totta

& Sottomayor Investimentos) (1999-2002); Technician of the Corporate Research Department and of the Planning and Control Department of Banco CISF, S.A., Grupo Banco Comercial Português, S.A. (1991-1999).

- **NUNO CARDOSO CORREIA DA MOTA PINTO**

Academic qualifications:

Licentiate degree in Economics from the Faculty of Economics of Universidade de Coimbra; Master in Business Administration (MBA) at INSEAD, Fontainebleau.

Professional activities performed over the last few years:

Director with executive duties (since 2018) of Banco Montepio; Managing Director (former Executive) of the Board of Directors of Montepio Investimento, S.A. (since 2019); Executive Director of the Board of Directors of Montepio Holding, SGPS (since 2018); Non-Executive Director of the Board of Directors of Montepio Crédito, S.A. (since 2018); Chairman of the Board of Directors of Finibanco Angola, S.A. (since 2018); Alternate Director of the World Bank Group (2003-2018); Member of the Administration of the World Bank Group (2003-2018); Member of the Administration of the International Bank for Reconstruction and Development - IBRD (2003-2018); Member of the Administration of the International Finance Corporation – IFC (2003-2018); Member of the Administration of the Multilateral Investment Guarantee Agency – MIGA (2003-2018); Alternate member of the Board of Directors of the Global Environment Facility (since 2003); Financial Adviser *ex-officio* at the Portuguese Embassy in Washington DC (2011-2014); Representative of Portugal at the Donors Committee of the Multilateral Investment Fund of the Inter-American Development Bank Group (2009-2015); Member of the Advisory Board of the Programme of Partnerships for Development of Fundação Calouste Gulbenkian (2013-2017); Member of the Advisory Board of the Faculty of Economics of Universidade de Coimbra (since 2010); Director at Banco Português de Investimento, S.A. and Banco BPI, S.A. (1994-2003).

- **PEDRO MIGUEL NUNES VENTANEIRA**

Academic qualifications:

Licentiate degree in Corporate Organisation and Management from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), Lisbon; Postgraduation in International Financial Management at FUTOP – Training and IESF; Strategic Management in Banking and International Directors Banking Programmes, INSEAD.

Professional activities performed over the last few years:

Director with executive duties (since 2018) at Banco Montepio; Managing Director (Chief Risk Officer) of Montepio Holding, SGPS (since 2018); Director responsible for Risk Control, Chief Risk Officer (former Executive) of the Board of Directors of Montepio Investimento, S.A. (since 2019); Non-Executive Member of the Board of Directors and Coordinator of the Risk and Asset and Liability Management Committee of Finibanco Angola, S.A. (since 2018); Haitong Bank, S.A. (formerly named Banco Espírito Santo de Investimento, S.A.): /Group Chief Risk Officer/Senior Managing Director (2016-2017), Director at the Centre/Senior Management and in the Management and Coordination of the Management Information Department (2005-2016), Director in the Management and Coordination of the Accounting and Fiscal Affairs

Department (2002-2016) and Director of Implementation and Management of the Group's Risk Control Area (2000-2016); Senior at PricewaterhouseCoopers – Audit and Financial Advisory Division (1996-1999); Certified accountant number 38845; CF 28, Financial Conduct Authority (FCA), issued in February 2017.

Annex II - Accumulation of positions by members of the Board of Directors

Accumulated positions, including additional responsibilities at commissions and committees

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Carlos Tavares	**Caixa Económica Montepio Geral** Chairman of the Board of Directors - Chairman of the Corporate Governance, Ethics and Sustainability Committee **Montepio Holding, SGPS** Chairman of the Board of Directors **Montepio Investimento, S.A.** Chairman of the Board of Directors	• Fundação da AEP - Associação Empresarial de Portugal (Representative of Banco Montepio at the Board of Trustees) • Fundação Casa da Música (Member of the Board of Founders) • APB - Associação Portuguesa de Bancos (Board Member in representation of Banco Montepio) • Fundação Benjamim Dias Costa (Chairman of the Board of Trustees)
Manuel Ferreira Teixeira	**Caixa Económica Montepio Geral** Director - Chairman of the Audit Committee - Member of the Risk Committee - Alternate Member of the Remunerations, Nominations and Assessment Committee	• Universidade Nova de Lisboa - Information Management School (Invited Professor) • Hospital da Cruz Vermelha - CVP - Sociedade de Gestão Hospitalar, S.A. (Executive Member of the Board of Directors)
Amadeu Ferreira Paiva	**Caixa Económica Montepio Geral** Director - Member of the Audit Committee - Member of the Risk Committee - Member of the Remunerations, Nominations and Assessment Committee	• Universidade Autónoma de Lisboa (Professor) • Associação do Comércio Eletrónico e da Publicidade Interativa (Chairman of the General Meeting) • Casa do Conselho de Castro Daire (Chairman of the General Meeting) • - Portuguese Committee for UNICEF - United Nations Children's Fund (Vice-Chairman)
Carlos Ferreira Alves	**Caixa Económica Montepio Geral** Director - Vice-Chairman of the Risk Committee - Member of the Audit Committee - Member of the Remunerations, Nominations and Assessment Committee - Member of the Corporate Governance, Ethics and Sustainability Committee	• Faculty of Economics of Universidade do Porto (Associate Professor with Aggregation) • CEF.UP - Centro de Economia e Finanças of Universidade do Porto (Researcher) • Porto Business School (Chairman of the Academic Board and Professor) • Futebol Clube Paços de Ferreira (Chairman of the Supervisory Board) • SEDES - Associação para o Desenvolvimento Económico e Social (Member of the Coordinating Board)
José Nunes Pereira	**Caixa Económica Montepio Geral** Director - Chairman of the Remunerations, Nominations and Assessment Committee - Member of the Audit Committee - Member of the Corporate Governance, Ethics and Sustainability Committee	• Instituto de Valores Mobiliários (Member of the Steering Board)
Pedro Gouveia Alves	**Caixa Económica Montepio Geral** Director - Member of the Corporate Governance, Ethics and Sustainability Committee **Montepio Crédito, S.A.** Chairman of the Board of Directors	• ASFAC Logalty (Member of the Management Board) • ASFAC (Board Member)
Rui Heitor	**Caixa Económica Montepio Geral** Director - Member of the Risk Committee - Member of the Corporate Governance, Ethics and Sustainability Committee - Alternate Member of the Remunerations, Nominations and Assessment Committee **HTA - Hotéis Turismo e Animação dos Açores S.A.*** Non-Executive Director * Consolidation by the equity method	• Futuro - Sociedade Gestora de Fundos de Pensões, S.A. (Secretary of the Board of the General Meeting) • Residências Montepio, Serviços de Saúde, S.A. (Secretary of the Board of the General Meeting) • Montepio Gestão de Ativos, Sociedade Gestora de Fundos de Investimento, S.A.* (Secretary of the Board of the General Meeting) * Consolidation by the equity method
Vítor do Carmo Martins	**Caixa Económica Montepio Geral** Director - Chairman of the Risk Committee - Member of the Audit Committee	• Floresta Atlântica, Soc. Gestora Fundos Investimento Imobiliário, S.A. (Chairman of the Supervisory Board) • Martins & Ahmad, SROC, Lda (Managing Partner) • CA Capital SCR, S.A. (Member of the Supervisory Board)

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Pedro Leitão	**Caixa Económica Montepio Geral** Director Chairman of the Executive Committee - Chairman of the Business Committee - Member of the ALCO Committee - Member of the Costs and Investments Committee - Member of the Pension Fund Monitoring Committee - Member of the Non-Performing Assets Monitoring Committee	• Oeiras Internacional School (Member of the Supervisory Board) • AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado (Member of the General Board, in representation of Banco Montepio)
Dulce Mota	**Caixa Económica Montepio Geral** Director Vice-Chairman of the Executive Committee - Member of the ALCO Committee - Member of the Business Committee	• Alumni ISCTE (Member of the Advisory Board) • AFIP- Associação FinTech e Insurtech Portugal (Member of the Advisory Board) • Câmara de Comércio e Indústria Portuguesa (Board Member in representation of Banco Montepio).
Helena Soares Moura	**Caixa Económica Montepio Geral** Director - Member of the Executive Committee - Chairman of the Pension Fund Monitoring Committee - Member of the ALCO Committee - Member of the Business Committee - Member of the Costs and Investments Committee	• SIBS, SGPS, S.A. (Member of the Board of Directors, in representation of Banco Montepio) • SIBS, Forward Payment Solutions, S.A. (Member of the Board of Directors, in representation of Banco Montepio) • APA - Associação Portuguesa de Arbitragem (Member of the Business Board)
Jorge Baião	**Caixa Económica Montepio Geral** Director - Member of the Executive Committee - Chairman of the Costs and Investments Committee - Member of the ALCO Committee - Member of the Business Committee	• Plenary of CISP - Comissão Interbancária para os Sistemas de Pagamentos (in representation of Banco Montepio) • Resilience and Cybersecurity Forum (in representation of Banco Montepio)
José Carlos Mateus	**Caixa Económica Montepio Geral** Director - Member of the Executive Committee - Chairman of the ALCO Committee - Member of the Impairment Committee - Member of the Credit Committee - Member of the Business Committee - Member of the Costs and Investments Committee - Member of the Pension Fund Monitoring Committee - Member of the Non-Performing Assets Monitoring Committee **Montepio Holding, SGPS** Director **Montepio Investimento, S.A.** Director **Banco Montepio Geral Cabo Verde, Soc. Unip., S.A.** Director	
Leandro Graça Silva	**Caixa Económica Montepio Geral** Director - Member of the Executive Committee - Chairman of the Non-Performing Assets Monitoring Committee - Member of the ALCO Committee - Member of the Impairment Committee - Member of the Credit Committee **Montepio Gestão de Ativos Imobiliários, ACE** Member of the Board of Directors, in representation of Banco Montepio	• Olympic Committee of Portugal (Chairman of the Supervisory Board) • Federação Portuguesa de Orientação (Chairman of the Supervisory Board)

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Nuno Mota Pinto	**Caixa Económica Montepio Geral** Director - Member of the Executive Committee **Montepio Holding, SGPS** Director **Montepio Investimento S.A**. Director **Montepio Crédito, S.A.** Director **Finibanco Angola, S.A.** Chairman of the Board of Directors	• Startup Lisboa (AIEL - Associação Para a Inovação e Empreendedorismo de Lisboa; Member of the Board in representation of Banco Montepio)
Pedro Ventaneira	**Caixa Económica Montepio Geral** Director - Member of the Executive Committee - Chairman of the Impairment Committee - Chairman of the Credit Committee - Member of the ALCO Committee - Member of the Business Committee - Member of the Pension Fund Monitoring Committee - Member of the Non-Performing Assets Monitoring Committee **Montepio Investimento S.A**. Director **Finibanco Angola, S.A.** Director	• APB - Associação Portuguesa de Bancos (B Board Member in representation of Banco Montepio)

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