



**BANCO COMERCIAL PORTUGUÊS, S. A.
MACAU BRANCH**

**DISCLOSURE OF INFORMATION
31 DECEMBER 2020**

(Circular No. 026/B/2012-DSB/AMCM)

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STATUS OF THE BRANCH

Banco Comercial Português, S. A. – Macau Branch (the Branch) is the Macau Branch of Banco Comercial Português, S. A. ('BCP' or the 'Head-Office') as from 11 May 2010 and has its registered office and principal place of business at Avenida Comercial de Macau, Quarteirão 5, Lote A, Finance and IT Centre of Macau Building, 19. Floor, G-l.

The Branch provides general banking and related financial services.

(Previously to 11 May 2010, since 1 July 1993, the Branch had been an offshore branch of BCP).

DISCLOSURE OF INFORMATION

The information presented hereinafter concerning the Branch and the Banking Group to which it belongs is disclosed under and in compliance with Circular No. 026/B/2012-DSB/AMCM of the Monetary Authority of Macau ('AMCM') (Guideline on Disclosure of Financial Information).

The Branch's policy on this matter is available and can also be consulted.

The information enclosed in pages 3 to 38 of this document is consistent with information otherwise published or in any way supplied to the AMCM and, in what concerns the Group information, other regulators.

The annual information provided has also been reviewed by the Branch's external auditors.

The information or any other remarks belonging to the Branch's books or practices are duly marked along these pages with the tag 'Macau Branch'.

The Management of the Branch

BALANCE SHEET AS OF 31 DECEMBER 2020
(MACAU BRANCH)

ASSETS	GROSS ASSETS	PROVISIONS, DEPRECIATION, AMORTIZATION	NET ASSETS
Cash in hand	481	-	481
Deposits with AMCM	86,409	-	86,409
Receivables	102	-	102
Balances with other local credit institutions	28,982	-	28,982
Balances with credit institutions abroad	13,280	-	13,280
Loans to customers	7,248,946	-	7,248,946
Placements & other operations with credit institutions abroad	12,015,391	-	12,015,391
Bonds, notes and commercial papers	-	-	-
Debtors	167	-	167
Equipment	8,945	(7,266)	1,679
Other fixed assets	4,276	(2,984)	1,292
Internal accounts	58,692	-	58,692
TOTALS	19,465,671	(10,250)	19,455,421

LIABILITIES AND OWN FUNDS	SUBTOTALS	TOTALS
Sight deposits	788,841	
Time deposits	3,248,475	4,037,316
Deposits from the public sector	332,536	-
Funds from other local credit institutions	-	-
Funds from foreign credit institutions	14,746,101	-
Cheques and orders payable	2,669	-
Creditors	1,984	-
Sundry liabilities	10,425	15,093,715
Internal accounts	171,399	-
Provisions for general risks	80,019	-
Other reserves	-	251,418
Net income for the period	72,972	72,972
TOTALS		19,455,421

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020
(MACAU BRANCH)

DEBIT

Interest expense	207,893
Staff expenses	
Remunerations of managing and audit bodies	-
Remunerations of employees	10,877
Social expenses	11
Other staff expenses	2,622
Goods provided by third parties	266
Services provided by third parties	7,523
Other banking costs	637
Taxes and other levies	136
Inorganic costs	365
Allowances for depreciation and amortization	783
Allowances for impairment	46,595
Operating profit	82,841
TOTAL	360,549

CREDIT

Interest income	299,702
Fee and commission income	42,177
Revenues from other banking operations	16,748
Income from securities	-
Other banking revenues	1,922
Inorganic revenues	-
Operating losses	-
TOTAL	360,549

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020
(MACAU BRANCH)

DEBIT

Operating losses	-
Losses from previous years	-
Extraordinary losses	-
Allowance for income tax	9,869
Net profit	72,972
TOTAL	82,841

CREDIT

Operating profit	82,841
Profits from previous years	-
Extraordinary gains	-
Utilized provisions	-
Net loss	-
TOTAL	82,841

SUMMARY OF THE ACTIVITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (MACAU BRANCH)

The year of 2020 was strongly marked by the impact caused by COVID/19 pandemic, forcing most of the countries to adopt exceptional measures, with a great influence on the lives of people and companies.

According to the International Monetary Fund (IMF), the COVID- 19 pandemic has likely led to a contraction of the World economy of 3.5% in 2020, in a context of strong restrictions to the normal functioning of the economic activity. Although global, the recessive intensity proved heterogeneous, having affected more the developed countries than the emerging economies. For 2021, the IMF predicts a scenario of strong recovery of the global activity, which is obviously conditional to the dissipation of the pandemic.

The extraordinary negative impact of the pandemic on the global economy led to a generalized and unprecedented economic policy response, both on the monetary and fiscal fronts.

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

Despite the COVID-19 pandemic China's economic growth in 2020 reached 2.3%. The growth came from investments, consumption and exports. China was the only major economy to have expanded in 2020 as countries such as U.S.A., Japan and the European Union bloc continue to struggle with the pandemic.

In the year 2020, the Macao economy recorded an unprecedented correction of 56.3% stemming from the effects of the pandemic on activity, particularly on tourism and gaming revenues. Until August, Macao was under a strict lockdown preventing the tourists and non-residents to enter Macao.

The Macao Government responded swiftly to the pandemic by launching a MOP 10 billion fund to support the local businesses and the population. In November, the Macao Government announced the budget for 2021, which will continue supporting the economy. For 2021, The University of Macau predicts the GDP to grow between 21.4% and 33.5% depending on the scale of the tourist numbers. The unemployment rate remained low at 2.7%, although an increase of 50% compared to 2019, while the inflation rate reached 0.81%.

In 2020, BCP Macao Branch continued implementing its growth strategy focused on the Greater Bay Area and on "Macao as a business platform" for BCP Group customers doing trading business with China.

In 2020, the profit of BCP Macao Branch reached MOP 72.9 million, showing a decrease of 24.2% compared to the MOP 96.2 million posted in 2019. This evolution was strongly influenced by the

increase of the generic provision of MOP 51.9 million, as a result of the significant expansion of loans to customers compared to 2019 (+177.8%), lower net foreign exchange gains (-48.6%) and higher staff and administrative costs (+22.5%), which more than offset the significant increase in net fees and commission income of MOP 40 million and in net interest income (+4.6%). The significant amount of net fees and commissions posted in 2020 was the result of BCP's leading role in one syndicated loan to finance a major M&A transaction in Portugal.

Net interest income amounted to MOP 91.8 million in 2020 compared to MOP 87.8 million posted in 2019 (+4.6%). This favorable performance was mainly due to a sharp increase of loans to customers (+177.8%) to MOP 7,248.9 million, mainly through the participation of BCP Macao Branch in syndicated loans granted to large corporate customers.

Total customer deposits amounted to MOP 4,369.8 million as at 31 December 2020, standing 9.3% below the MOP 4,819.1 million recorded at the end of the previous year. This deviation was mainly due to the sharp decrease in interest rates, especially in USD, that made the time deposits much less attractive.

For 2021, BCP Macao Branch will continue its prudent growth strategy focused on providing superior services and products to our customers in a more streamlined, innovative and automated way.

We would like to conclude by thanking all of our customers, employees, Macao SAR Authorities and other stakeholders for the continued trust and confidence in our work.

The Management of
Banco Comercial Português, Macao Branch
Constantino Mousinho
General Manager

SUMMARY OF THE EXTERNAL AUDITORS' OPINION

To the management of Banco Comercial Português, S. A. – Macau Branch (A branch of a commercial bank incorporated in Portugal)

We have audited the 2020 financial statements of Banco Comercial Português, S. A. – Macau Branch in accordance with the Audit Standards and the Technical Auditing Standards of the Macau Special Administrative Region, and, have expressed an unqualified opinion in our report dated 10 May 2021 on the financial statements.

The above-mentioned financial statements comprise the balance sheet as at 31 December 2020, the income statement, the statement of changes in Head Office account, and a cash flow statement for the year ended, as well as a summary of significant accounting policies and other explanatory notes.

The summarized financial statements stated in this document are prepared by the management of the Branch in accordance with the above audited financial statements. In our opinion, the summarized financial statements are consistent, in all material aspects, with the audited financial statements and the books and records of the Branch.

In order to a better understanding in financial status and the operating results of Banco Comercial Português, S. A. – Macau Branch in the year as well as the audit scope, you are advised to read the summarized financial statements together with the audited financial statements and the respective auditors' report.

[Signed on the original]

Kwok Sze Man
Certified Public Accountant
Partner
Deloitte Touche Tohmatsu – Sociedade de Auditores
Macau, 10 May 2021

**LIST OF SHAREHOLDERS WITH QUALIFYING HOLDINGS IN
BANCO COMERCIAL PORTUGUÊS, S. A.**

NAME	% OF SHARE CAPITAL	% OF VOTING RIGHTS
Fosun Group Chiado (Luxembourg) S.à.r.l.	29.93%	29.93%
Sonangol Group Sonangol-Sociedade Nacional de Combustíveis de Angola, EP	19.49%	19.49%

Note:

According with the definition adopted by the Monetary Authority of Macau (AMCM), a qualifying holding is a holding which is owned directly or indirectly by the shareholder and which represents 10% or more of the share capital or voting rights of the credit institution or which confers, in any other form, the possibility to exercise a significant influence over the management of the credit institution.

**NAMES OF MEMBERS OF COMPANY BOARDS OF
BANCO COMERCIAL PORTUGUÊS, S. A.**

BOARD OF THE GENERAL MEETING

Pedro Rebelo de Sousa	Chairman
Octávio Castelo Paulo	Vice-Chairman
Ana Isabel dos Santos de Pina Cabral	Company Secretary

BOARD OF DIRECTORS

Nuno Manuel da Silva Amado	Chairman
Jorge Manuel Baptista Magalhães Correia	Vice-Chairman
Valter Rui Dias de Barros	Vice-Chairman
Miguel Maya Dias Pinheiro	Vice-Chairman
Ana Paula Alcobia Gray	Member
Cidália Maria Mota Lopes	Member
Fernando da Costa Lima	Member
João Nuno de Oliveira Jorge Palma	Member
José Manuel Alves Elias da Costa	Member
José Miguel Bensliman Schorcht da Silva Pessanha	Member
Xiaoxu Gu (Julia Gu)	Member
Lingjiang Xu	Member
Maria José Henriques Barreto de Matos de Campos	Member
Miguel de Campos Pereira de Bragança	Member
Rui Manuel da Silva Teixeira	Member
Teófilo César Ferreira da Fonseca	Member
Wan Sin Long	Member

EXECUTIVE COMMITTEE

Miguel Maya Dias Pinheiro	Chairman
Miguel de Campos Pereira de Bragança	Vice-Chairman
João Nuno de Oliveira Jorge Palma	Vice-Chairman
Rui Manuel da Silva Teixeira	Member
José Miguel Bensliman Schorcht da Silva Pessanha	Member
Maria Maria José Henriques Barreto de Matos de Campos	Member

REMUNERATION AND WELFARE BOARD

Jorge Manuel Baptista Magalhães Correia	Chairman
Ana Paula Alcobia Gray	Member
Nuno Maria Pestana de Almeida Alves	Member

BOARD FOR INTERNATIONAL STRATEGY

To be nominated	Chairman
To be nominated	Vice-Chairman
Nuno Manuel da Silva Amado	Members due to their functions
Miguel Maya dias Pinheiro	Members due to their functions
António Vítor Martins Monteiro	Members due to their functions

AUDIT COMMITTEE

Cidália Maria Mota Lopes	Chairman
Fernando da Costa Lima	Member
Valter Rui Dias de Barros	Member
Wan Sin Long	Member

**MEMBERS OF THE MANAGEMENT OF THE MACAU BRANCH OF
BANCO COMERCIAL PORTUGUÊS, S. A. [MACAU BRANCH]**

Constantino Alves Mousinho	General Manager
Leung Chi Wai	Deputy General Manager
Vong Sau Mui	Deputy General Manager
Chan Fong Mei	Deputy General Manager

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020
(MACAU BRANCH)

CASH FLOW ARISING FROM OPERATING ACTIVITIES	
Profit before tax	82,841
<u>Adjustments</u>	
Depreciation and amortisation	783
Charge of impairment losses on loans and commitments	46,595
Interest income	(299,702)
Interest expense	207,893
	<u>38,410</u>
<u>(Increase) / decrease in operating assets:</u>	
Loans and advances to credit institutions (more than 3 months)	(5,146,761)
Loans and advances to customers	(4,639,211)
Other assets	2,592
<u>Increase / (decrease) in operating liabilities:</u>	
Deposits from credit institutions	8,302,645
Deposits from customers	(449,303)
Other liabilities	(4,836)
CASH GENERATED FROM OPERATIONS	<u>(1,934,874)</u>
Interest paid	(206,103)
Interest received	193,617
Tax paid	(12,800)
NET CASH GENERATED FROM OPERATIONS	<u>(1,921,750)</u>
CASH FLOW ARISING FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(198)
Acquisition of intangible assets	(5)
NET CASH USED IN INVESTING ACTIVITIES	<u>(203)</u>
CASH FLOW ARISING FROM FINANCING ACTIVITIES	
Distributions to the Head office	(96,238)
NET CASH USED IN FINANCING ACTIVITIES	<u>(96,238)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,018,191)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>5,140,898</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>3,122,707</u>
REPRESENTED BY:	
Cash and deposits at the Monetary Authority of Macau	86,890
Balances with credit institutions repayable on demand	42,364
Other loans and advances to credit institutions	2,993,453
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>3,122,707</u>

**OFF-BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES TRANSACTIONS
 AS OF 31 DECEMBER 2020 (MACAU BRANCH)**

Credit substitutes	44,066
Transaction-related contingencies	-
Acceptances and other trade-related contingencies	-
Not issuance facilities, revolving underwriting facilities and other similar facilities	-
Forward asset purchases	-
Unpaid portion of partly paid shares and other securities	-
Forward deposits	-
Asset sales with repurchase option	-
Undrawn credit facilities and other commitments to extend credit	2,748,459
Other off-balance sheet items	16,330,735
TOTAL	19,123,260

**DERIVATIVES TRANSACTIONS AS OF 31 DECEMBER 2018
 (MACAU BRANCH)**

Exchange rate contracts	
Forward purchases	-
Forward sales	-
Interest rate contracts	
Purchases	-
Sales	-
Equities contracts	-
Commodities contracts	-
Others	-
TOTAL	-

TOTAL OFF-BALANCE SHEET EXPOSURES **19,123,260**

SIGNIFICANT ACCOUNTING POLICIES (MACAU BRANCH)

1 Statement of Compliance

The Branch's financial statements are prepared in accordance with the requirements as set out in Decree-Law No. 32/93/M and the Macau Financial Reporting Standards ("MFRSs") issued under the Administrative Regulation No. 25/2005 of Macau Special Administration Region (the "Macau SAR").

2 Basis of preparation of the financial statements

The Branch is part of Banco Commercial Português, S.A.. It is registered as a branch under the Macau Financial System Act under the Supervision of the Monetary Authority of Macau ("AMCM"), accordingly, it is not a separate legal entity. These financial statements have been prepared from the books and records of the Branch, which contain evidence of all transactions entered into locally.

The financial statements are prepared in Macau Patacas ("MOP"), which is the Branch's functional currency, rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is historical cost. As mentioned above, the Branch is part of the Head Office and therefore no consolidated financial statements are required.

The preparation of financial statements in conformity with MFRSs requires the Branch's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in note 15 of significant accounting policy.

3 Loans and advances to customers

Loans and advances to customers include loans and advances which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

Loans and advances to customers are initially recognised at fair value, which normally will be equal to the transaction price plus directly attributable transaction costs and fees, and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

These assets are derecognised when the contractual rights to receive the cash flows from the loans and advances expire, or where the asset together with substantially all the risks and rewards of ownership, have been transferred.

Impairment

In accordance with the terms of the Administrative Regulation No.25/2005 of the Macau SAR, the valuation and provisioning of loans and advances to customers are set out by the Monetary Authority of Macau as follows:

Specific provision for loan losses

Specific provisions are made when there is evidence that loans and advances to customers will not be fully recoverable and is intended to cover specific credit risks. This provision is presented as a deduction against credit granted. The adequacy of this provision is reviewed regularly by the Branch and the Head Office taking into consideration the existence of asset-backed guarantees, the overdue period and the customer's current financial position.

General provision for loan losses

This provision is intended to cover latent bad and doubtful debts which are present in any loan portfolio, including off-balance sheet commitments, but which have not been specifically identified as such. This general provision is recorded separately in liabilities. The general provision for loan losses is calculated in accordance with Notice No. 18/1993 of AMCM.

Changes in the provisions for loan losses are recognised in the income statement.

Write-off of loans

Loans and advances are written-off when it is determined that the loans are uncollectible. For collateralised loans, the write-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collateral is effectively received. This write-off is carried out only for loans that are considered not to be recoverable and have been fully provided. An amount recovered from loans and advances that have already been written off will be recognised as income in the income statement.

4 Financial liabilities

Financial liabilities include money market transactions, deposits from customers and from other financial institutions, and other payables. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Branch derecognises financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

5 Interest income and expense

Interest income and expense for financial instruments measured at amortised cost using the effective interest method are recognised in the income statement on an accruals basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset.

When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Specifically regarding the accounting policy for interest on overdue loans, the following aspects are considered:

- Interest income for overdue loans secured by collaterals is accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is recorded as a gain assuming that there is a reasonable probability of recoverability; and
- Interest accrued and not paid for loans overdue for more than 90 days that are not covered by collateral is written-off and recognised only when received, on the basis that its recoverability is considered to be remote.

6 Fee and commission income

Fee and commission income arising from services provided by the Branch is recognised when the services are rendered.

7 Property and equipment

Property and equipment are stated at acquisition cost net of accumulated depreciation and impairment losses, if any. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will flow to the Branch.

Depreciation is calculated to write off the cost of property and equipment using straight-line method over their estimated useful lives as follows:

	Number of years
Improvements to leasehold buildings	10
Equipment	4 to 10

The useful life of an asset and its residual value, if any, are reviewed annually.

8 Intangible assets

Software

The Branch records the costs associated to software acquired from external entities as intangible assets. These assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on straight-line basis over an estimated useful life of three years. The Branch does not capitalize internal costs arising from software development.

9 Impairment

At the end of the reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are immediately recognised in the income statement. A reversal of impairment losses is limited to the carrying amount of the assets that would have been determined had no impairment loss been recognised for the assets in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

10 Cash and cash equivalents (presented in cash flow statement)

Cash and cash equivalents comprise cash at bank and on hand, deposits with credit institutions having less than three months of maturity at acquisition.

Cash and equivalents include mandatory deposits and monetary bills with the AMCM having less than three months of maturity at acquisition.

11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

12 Foreign currency transactions

Foreign currencies transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

13 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or contractual obligation arising as a result of a past event, it is probable that an outflow of economic benefit will be recognised to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be recognised, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

14 Off-Balance sheet instruments

Off-balance sheet financial instruments include mainly derivatives arising from forward, swap and option transactions undertaken by the Branch in the foreign exchange and interest rate markets. Transactions undertaken for trading purposes are marked to market in respect of any excess, and the realized gain or loss is recognized in income statement.

15 Accounting estimates and judgments in applying accounting policies

MFRSs set forth a range of accounting treatments and require the Branch's management to apply judgment and make estimates in deciding which treatment is most appropriate. In the process of applying the Branch's accounting policies, management has made the following accounting judgements.

Impairment losses on loans and advances to customers

The Branch and the Head Office review its loan portfolio to assess impairment losses on a regular basis as described in accounting policy note 3.

The valuation process of the loan portfolio in order to determine whether an impairment loss should be recognised in the income statement is subject to management estimates and judgments. The probability of default, risk ratings, value of associated collateral, recovery rates and the estimate of both the amount and timing of future cash flows, among other things, are considered in making this assessment.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the Branch's income statement.

16 Related parties

For the purpose of these financial statements, related parties include:

- (a) Any person or any close family member of that person if that person:
 - i. Has control or joint control over the Branch;
 - ii. Has significant influence over the Branch;
 - iii. Holds a qualifying holding in the Branch;
 - iv. Is a member of the board of directors or supervisory board of the Branch or of a parent of the Branch; or
 - v. Is a member of key management personnel, other than a member of the board of directors or supervisory board as identified in sub-item (iv) above, of the Branch or of a parent of the Branch.

- (b) An entity if any of the following conditions applied:
 - i. That entity and the Branch are members of the same group (e.g. parent, subsidiary and fellow subsidiary).
 - ii. That entity holds a qualifying holding in the Branch.
 - iii. That entity is controlled or jointly controlled by a person identified in (a).
 - iv. A person identified in (a)(i) has significant influence over that entity or is a member of the key management personnel of that entity (or of a parent of that entity).
 - v. A person identified in (a)(iv) is a member of the key management personnel of that entity (or of a parent of that entity).

17 Fair value calculation

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on cash flow discounting techniques. Cash flows of the financial instruments are calculated according to their financial characteristics and the discount rates used take into account both the market interest rate and the current conditions of the Branch pricing policy.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that necessarily have some degree of judgment, and reflects exclusively the value attributed to the different financial instruments. Considering the characteristics of the financial instruments held by the Branch and that the terms of the existing portfolio are similar to current market conditions, management considers that the fair value of financial instruments measured at amortised cost does not differ significantly from the carrying value.

SOME PRINCIPLES ON RELATED PARTY TRANSACTIONS (MACAU BRANCH)

1 Definition of basic terms

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party (non-exhaustive definition – see note 16 of ‘Significant Accounting Policies’)

A party is related to an entity if the party, directly and indirectly, controls, is controlled by, or is under common control with, the entity.

A related party relationship might exist between entities when they are members of the same group either as a parent, a subsidiary or a fellow subsidiary.

Conflicts of interest

Conflicts of interest arise when an entity unduly benefits (directly or indirectly) from a transaction due to being in a relation of control with or having a significant influence over a related party.

2 Related party transactions

Because conflicts of interest may result more easily when transactions between related parties are at stake, it is of great importance that all transactions with related parties are conducted free of conflicts of interest, i.e. based on terms and conditions that are equally favorable when compared to transactions between unrelated parties, and the parties refrain from entering into transactions that unrelated parties would not.

3 Terms and conditions of related party lending

Within Banco Comercial Português, S. A. (BCP) Group, the terms and conditions inherent in related party lending are as much as possible in usual economic terms, i.e. on arm’s length basis, and subject to the same analysis and approval procedures as if the transactions were done with unrelated parties.

Conflicts of interest are, on the other hand, governed by the Group’s Code of Conduct.

4 Disclosure

The Macau Branch of BCP hereinafter discloses all business relationships such as the balances and the impact on Income Statement of transactions made with its Head-Office and, if any, with other fellow entities.

**RELATED PARTY TRANSACTIONS AS OF 31 DECEMBER 2020
 (MACAU BRANCH)**

BALANCE SHEET AS OF 31 DECEMBER 2020

ASSETS

Balances with credit institutions abroad	9,598
Placements & other applications with credit institutions abroad	12,015,391
Loans granted	399,260
Debtors and other sundry assets	-
Internal accounts	30,068
TOTAL	<u>12,454,317</u>

LIABILITIES AND OWN FUNDS

Borrowings and other balances	14,746,100
Deposits	57,341
Creditors, cheques and orders payable	173
Internal accounts	135,243
TOTAL	<u>14,938,857</u>

INCOME STATEMENT

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

DEBIT

Interest expense	172,958
Other banking expenses	588
	<u>173,546</u>

CREDIT

Interest income	212,641
Other banking revenues	21
	<u>212,662</u>

OFF-BALANCE SHEET EXPOSURES AS OF 31 DECEMBER 2020

Exchange rate contracts		
Purchases		-
Sales		-
Interest rate contracts		
Purchases		-
Sales		-

**CONSOLIDATED CAPITAL ADEQUACY RATIO OF
 BANCO COMERCIAL PORTUGUÊS, S. A. GROUP
 AS OF 31 DECEMBER 2020**

**IN MOP
 (MILLIONS)
 @9.8278**

**IN EURO
 (MILLIONS)**

RISK WEIGHTED ASSETS

Credit risk	393,151	40,004
Market risk	22,820	2,322
Operational risk	39,449	4,014
Other risks	717	73
TOTAL	456,138	46,413

OWN FUNDS (LEVEL 1)

Ordinary share Capital	46,436	4,725
Share premium	157	16
Ordinary own shares	-	(0)
Reserves and retained earnings	10,496	1068
Minority interests eligible to common equity tier 1	6,762	688
Regulatory adjustments	(8,255)	(840)
Capital Instruments	3,931	400
Minority interest eligible to additional tier 1	1,346	137
TIER 1 CAPITAL	60,873	6,194

TIER 2 CAPITAL

10,005

1,018

TOTAL CAPITAL

70,878

7,212

SOLVENCY RATIOS

Common Equity Tier 1	-	12.2%
Tier I	-	13.3%
Tier II	-	2.2%
Total Solvency Ratio	-	15.5%

RISK AND RISK MANAGEMENT IN BANCO COMERCIAL PORTUGUÊS, S. A. GROUP

1 Introduction

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally through coordinating with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on and to evaluate the risk/return profile by business line.

Monitoring and control of the main type of financial risks – credit, market (namely interest rate and exchange rate risk), liquidity and operational – to which the Group's business is subject are of particular importance.

2 Risk management organization

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through mainly the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity.

The Risk Commission is responsible, at an executive level, for the follow-up of the overall risk levels (credit, market, liquidity and operational risks), ensuring that these are compatible with the objectives, the available financial resources and the strategies approved for the development of the Group's activity.

The integration of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the members of the Executive Committee is responsible for Corporate, retail and Investment banking, the Risk Officer, the Compliance Officer and the heads of several key departments such as Internal Audit, Treasury and International Market.

The Risk Officer is responsible for the risk control function for all entities of the Group. In order to ensure the transversal monitoring and alignment of concept, practices and objectives, the Risk Officer is responsible for informing the Risk Committee on the general risk level and for proposing measures to improve the control environment and to implement the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established

centrally by the Risk Commission and they are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Committee has been set up at each subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing prevention systems, monitoring and reporting of risk in organizational processes that include, among others, the prevention of money laundering, combating the financing of terrorism, prevention of conflict of interest, abuse of market and communication with customers.

RISK AND RISK MANAGEMENT – CREDIT RISK

1 Credit risk definition

Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfill their obligations. This type of risk is particularly incisive under adverse economic conditions, when families and companies are faced with financial difficulties.

2 Credit risk assessment and management in BCP Group (summary)

Control and mitigation of this risk are carried out, on one hand, through a solid structure of risk analysis and assessment – using internal rating systems suited to the different business segments and a model for the early detection of potential defaults of the portfolio - and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the defaults that occur.

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

3 Credit risk elements - Notice No.18/1993 – AMCM (Macau Branch)

- **Definition of past due or impaired assets**

Past due assets (Group I) are deemed to be all credits and other placements in relation to which either the payments of interest or commission or the repayment of principal is delayed for no more than 3 months.

Impaired assets (Group II to IV) are deemed to be all credits and other placements in relation to which either the payments of interest or commission or the repayment of principal is delayed for more than 3 months.

- **Approach for provisions and statistical methods (individual impairment provision)**

For all impaired assets (Group II to IV), at the end of each quarter, a minimum specific impairment accumulated provision shall be set up based on their respective balances net of the realizable value of any existing and duly formalized tangible collateral in the following manner:

Group II (assets with impairment for more than 3 months and less or equal to 12 months) – 40%

Group III (assets with impairment for over 12 months and less than or equal to 18 months) – 80%

Group IV (assets with impairment for more than 18 months) – 100%

- **Approach for provisions and statistical methods (collective impairment provision)**

For the remaining assets (loans performing or the above Group I assets), a general impairment provision shall be set up by the end of each year in order to reach a balance of not less than 1% of their respective aggregated value.

ANALYSIS OF CREDIT GRANTED AS OF 31 DECEMBER 2020 (MACAU BRANCH)

GEOGRAPHIC DISTRIBUTION

British Virgin Islands	1.1%	79,852
China	1.2%	89,074
France	3.2%	231,164
Germany	4.2%	304,662
Hong Kong	13.2%	956,572
Macau	1.6%	113,419
Netherlands	72.1%	5,225,378
Spain	3.1%	227,449
United States	0.3%	21,376
TOTAL	100.0%	7,248,946

INDUSTRY DISTRIBUTION OF CREDIT GRANTED

Manufacturing industries	5.4%	390,868
Electricity, gas and water	18.3%	1,326,753
Constructions and public works	2.5%	179,785
Wholesale and retail trade	3.4%	248,825
Restaurants, hotels and similar	1.2%	84,357
Non-monetary financial institutions	59.4%	4,302,454
Information technology	0.3%	23,689
Other industries	9.5%	688,245
Other personal loans	0.0%	3,970
TOTAL	100.0%	7,248,946

PAST DUE ASSETS

More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	-	-
More than 1 year	-	-
TOTAL	-	-

ASSETS MATURITY ANALYSIS AS OF 31 DECEMBER 2020 (MACAU BRANCH)

LOANS AND ADVANCES TO CUSTOMERS

On demand (Overdrafts)	1.0%	72,703
Within 1 month	1.1%	78,884
More than 1 month but not more than 3 months	1.5%	108,146
More than 3 months but not more than 1 year	8.9%	643,932
More than 1 year but not more than 3 years	15.8%	1,146,991
More than 3 years	71.7%	5,198,290
Indefinite period	-	-
TOTAL	100.0%	7,248,946

BALANCES, PLACEMENT AND OTHER OPERATIONS WITH CREDIT INSTITUTIONS
AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	0.4%	42,262
Within 1 month	24.9%	3,001,858
More than 1 month but not more than 3 months	0.0%	3,102
More than 3 months but not more than 1 year	9.4%	1,135,237
More than 1 year but not more than 3 years	40.8%	4,916,848
More than 3 years	24.5%	2,958,346
Indefinite period	-	-
TOTAL	100.0%	12,057,653

CERTIFICATES OF DEPOSITS HELD AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

**BONDS, NOTES AND COMMERCIAL PAPERS ISSUED BY THE MACAU GOVERNMENT AND/OR AMCM
 AS OF 31 DECEMBER 2020 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

**OTHER SECURITIES AS OF 31 DECEMBER 2020
 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

**LIABILITIES MATURITY ANALYSIS AS OF 31 DECEMBER 2020
 (MACAU BRANCH)**

**DEPOSITS AND BALANCES OF LOCAL BANKS AND FINANCIAL INSTITUTIONS
 AS OF 31 DECEMBER 2020 (MACAU BRANCH)**

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

DEPOSITS FROM PUBLIC SECTOR ENTITIES AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	-	-
Within 1 month	100.0%	332,536
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	100.0%	332,536

DEPOSITS FROM FOREIGN CREDIT INSTITUTIONS AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	0.1%	14,875
Within 1 month	2.2%	331,100
More than 1 month but not more than 3 months	3.0%	444,363
More than 3 months but not more than 1 year	32.2%	4,753,815
More than 1 year but not more than 3 years	38.4%	5,653,934
More than 3 years	24.1%	3,548,014
Indefinite period	-	-
TOTAL	100.0%	14,746,101

DEPOSITS FROM NON-BANK CUSTOMERS AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	19.5%	788,841
Within 1 month	11.0%	443,107
More than 1 month but not more than 3 months	27.0%	1,087,623
More than 3 months but not more than 1 year	42.5%	1,715,775
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	100.0%	4,037,316

CERTIFICATES OF DEPOSITS ISSUED AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

OTHER SECURITIES ISSUED AS OF 31 DECEMBER 2020
(MACAU BRANCH)

On demand	-	-
Within 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 months but not more than 1 year	-	-
More than 1 year but not more than 3 years	-	-
More than 3 years	-	-
Indefinite period	-	-
TOTAL	-	-

RISK AND RISK MANAGEMENT – MARKET RISK
(NAMELY INTEREST RATE RISK AND FOREIGN EXCHANGE RISK)

1 Market risk

Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (mainly of interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations between them and the respective volatility.

2 Market risk assessment and management in BCP Group

The Group in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measurement that includes the main types of market risk identified by the Group: generic risk (including interest rate risk, FX risk, equity risk and the pricing risk of the credit default swaps), specific risk, non-linear risk and commodities risk. The measure used in evaluating the generic market risk is the VAR (Value at Risk). The VAR is calculated considering a 10-working day time horizon and a confidence level of 99%.

As a complement to the VAR calculation, and aiming to identify risk concentrations that are not captured by this measurement and, also, for the purpose of testing other possible dimensions, the Group continuously tests a broad set of stress tests scenarios over the trading book and analyses its results.

3 Market risk assessment and management – Interest rate risk (Macau Branch)

Besides being followed by the Group risk function on an integrated global basis, the Branch also monitors its interest rate risk by mainly using the model provided by the regulator (AMCM). Through this model, computed at least once every quarter, the Branch is able to determine the sensitivity of its positions to changes in interest rates as well as the amount of capital that would be necessary to cover such scope of risk.

FOREIGN EXCHANGE RISK ASSESSMENT ELEMENTS AS OF 31 DECEMBER 2020
(MACAU BRANCH)

SPOT POSITION [LONG (+); SHORT (-)]

CURRENCIES

Macau Pataca (MOP)	(274,289)
Australian Dollar (AUD)	689
Canadian Dollar (CAD)	2,752
Chinese Yuan (CNY)	335
Hong Kong Dollar (HKD)	25,739
Japanese Yen (JPY)	1
South African Rand (ZAR)	(37)
Swiss Franc (CHF)	1,093
British Pound (GBP)	68
USA Dollar (USD)	235,511
Euro (EUR)	8,138

FORWARD POSITION [LONG (+); SHORT (-)]

Macau Pataca (MOP)	-
USA Dollar (USD)	-
Euro (EUR)	-

NET POSITION (ALL CURRENCIES)

-

NET POSITION (ALL FOREIGN CURRENCIES)

274,289

BREAKDOWN OF FOREIGN CURRENCIES WHICH NET POSITION UP TO 10% OF TOTAL FOREIGN CURRENCIES NET POSITION (MACAU BRANCH)

HONG KONG DOLLAR (HKD)

ASSETS

Cash in hand	151
Balances with other local credit institutions	16,396
Balances with credit institutions abroad	3,762
Loans to customers	281,676
Placements & other operations with credit institutions abroad	120,716
Debtors	-
Equipment	6
Internal accounts	1,111
TOTAL	423,818

LIABILITIES

Sight deposits	12,528
Time deposits	52,919
Deposits from the public sector	332,536
Funds from credit institutions	-
Cheques and orders payable	-
Creditors	1
Internal accounts	95
TOTAL	398,079

SPOT POSITION

25,739

FORWARD PURCHASE/SALE(-)

-

NET POSITION

25,739

USA DOLLAR (USD)

ASSETS

Cash in hand	27
Balances with other local credit institutions	707
Balances with credit institutions abroad	1,264
Loans to customers	1,008,200
Placements & other operations with credit institutions abroad	1,863,224
Debtors	-
Equipment	-
Internal accounts	994
TOTAL	2,874,416

LIABILITIES

Sight deposits	299,285
Time deposits	1,992,285
Deposits from the public sector	-
Funds from credit institutions	339,834
Cheques and orders payable	2,404
Creditors	14
Internal accounts	5,083
TOTAL	2,638,905

SPOT POSITION

235,511

FORWARD PURCHASE/SALE(-)

-

NET POSITION

235,511

RISK AND RISK MANAGEMENT – OPERATIONAL RISK

1 Operational risk

Operational risk is understood to be the potential loss resulting from the failures or inadequacies in internal procedures, persons or systems and also the potential losses resulting from external events.

2 Operational risk assessment and management in BCP Group

The approach to operational risk management is based on the business and support ‘end-to-end’ processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the ‘risk self-assessment’ exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk management implemented in the Group, there is a systematic process of gathering information on operational losses, which defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

RISK AND RISK MANAGEMENT – LIQUIDITY RISK

1 Liquidity risk

Liquidity risk reflects the Group’s inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risks).

2 Liquidity risk assessment and management in BCP Group

Evaluation of the Group’s liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The Group’s wholesale funding structure is defined for each annual period by the

Liquidity Plan, which is an integral part of the budgeting process, formulated at consolidated level and for the main subsidiaries of the group. The setup of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously along the year, being revised whenever necessary or advisable.

3 Liquidity risk assessment and management (Macau Branch)

Besides being followed by the Group risk function on an integrated global basis, and the support given by the Head-Office in this particular aspect by providing the liquidity as needed, the Branch has also its own liquidity risk management policy. Under this policy, the Branch manages its liquidity needs namely through maturity mismatch analysis over a series of time-bands as determined by the local regulator (AMCM).

SELECTED LIQUIDITY INDICATORS FOR THE YEAR OF 2020 (MACAU BRANCH)

- Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the annual reporting period (2020) 81,014
- Arithmetic mean of the average weekly amount of cash in hand during the annual reporting period (2020) 91,292
- Arithmetic mean of the specified liquid assets at the end of each month during the annual reporting period (2020) 3,121,347
- Average ratio of specified liquid asset to total basic liabilities at the end of each month during the annual reporting period (2020) 72%
- Arithmetic mean of its one-month liquidity ratio in the last week of each month during the annual reporting period (2020) 169%
- Arithmetic mean of its three-month liquidity ratio in the last week of each month during the annual reporting period (2020) 14%

**CONSOLIDATED INFORMATION – KEY INDICATORS OF
 BANCO COMERCIAL PORTUGUÊS, S. A. GROUP AS OF
 31 DECEMBER 2020**

**IN MOP
 (MILLIONS)
 @9.8278** **IN EURO
 (MILLIONS)
 OR %**

BALANCE SHEET

Total assets	843,353	85,813
Loans and advances to customers (net)	531,419	54,073
Total customer funds	830,370	84,492
Resources from customers	621,697	63,259
Loans to customers (net)/Resources from customers	-	85%
Shareholders' equity and subordinated debt	74,947	7,626

PROFITABILITY

Net operating revenues	22,663	2,306
Operating costs	10,997	1,119
Impairment and provisions	8,265	841
Income tax		
Current	1,111	113
Deferred	226	23
Non-controlling interests	246	25
Net income attributable to shareholders of the bank	1,798	183
Return on average shareholders' equity (ROE)	-	3.10%
Return on average total assets (ROA)	-	0.20%
Net interest margin	-	2.00%
Net operating revenues/Average net assets	-	2.70%
Cost to income	-	46.50%
Staff costs/Net operating revenues	-	26.30%

CAPITAL

Own funds	70,878	7,212
Risk weighted assets	456,138	46,413
Common Equity Tier 1	-	12.20%
Tier I	-	13.30%
Tier II	-	2.20%
Total Solvency Ratio	-	15.50%

OTHER INFORMATION

None.