

46. Post-employment benefits and other long term benefits

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 R).

As at 31 December 2018 and 2017, the number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	2018	2017
Number of participants		
Pensioners	16,811	16,697
Former attendees acquired rights	3,147	3,224
Employees	7,085	7,205
	27,043	27,126

In accordance with the accounting policy described in note 1 R), the Bank's retirement pension liabilities and other benefits and the respective coverage for the Group, as at 31 December 2018 and 2017, based on the Projected Unit credit method are analysed as follows:

	(Thousands of euros)	
	2018	2017
Actual amount of the past services		
Pensioners	2,043,969	1,989,404
Former attendees acquired rights	189,632	202,400
Employees	806,804	833,875
	3,040,405	3,025,679
Pension Fund Value	(3,050,346)	(3,139,522)
Net (Assets) in balance sheet (note 29)	(9,941)	(113,843)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,269,738	3,172,332

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and also to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which in December 2018 amounted to Euros 284,282,000 (31 December 2017: Euros 296,485,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The change in the projected benefit obligations is analysed as follows:

	(Thousands of euros)			
	2018	2017		
	Pension benefit obligations	Pension benefit obligations	Extra-Fund	Total
Balance as at 1 January	3,025,679	2,745,091	323,268	3,068,359
Service cost	(15,472)	(16,054)	-	(16,054)
Interest cost / (income)	62,491	57,054	6,376	63,430
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	43,655	26,052	(2,337)	23,715
Payments	(101,829)	(79,691)	(16,732)	(96,423)
Early retirement programmes and terminations by mutual agreement	19,302	13,957	-	13,957
Contributions of employees	7,961	8,106	-	8,106
Changes occurred in the Collective Labour Agreement (CLA)	-	(39,436)	-	(39,436)
Transfer from / (to) other plans (a)	(1,382)	310,600	(310,575)	25
Balance at the end of the year	3,040,405	3,025,679	-	3,025,679

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

As at 31 December 2018, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 101,829,000. As at 31 December 2017, the amount of pensions paid by the Fund, excluding other benefits included in the Extra-Fund, amounted to Euros 79,691,000.

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 298,834,000 as at 31 December 2018 (31 December 2017: Euros 305,243,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2018 amounts to Euros 62,677,000 (31 December 2017: Euros 65,266,000), in order to pay:

- i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
- ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planned that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

Changes in the Collective Labour Agreement (CLA)

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and "Federação Nacional do Sector Financeiro". "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA only formalized the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017.

The profit arising from the changes amounts to Euros 44,262,000 (of which Euro 4,826,000 do not correspond to benefits post-employment). The new CLAs have already been published by the Ministry of Labour in Bulletin of Labour and Employment.

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So, in 2018 the retirement age is 66 years and 4 months (66 years and 3 months in 2017). It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months;

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits;

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement in force at 2016 and as such was considered as Extra-Fund. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

During 2018 and 2017, the changes in the value of plan's assets is analysed as follows:

	(Thousands of euros)	
	2018	2017
Balance as at 1 January	3,139,522	3,098,124
Actuarial gains / (losses)	(53,751)	52,614
Payments	(101,829)	(79,691)
Expected return on plan assets	59,445	58,894
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	380	1,451
Employees' contributions	7,961	8,106
Transfer from / (to) other plans (a)	(1,382)	24
Balance at the end of the year	3,050,346	3,139,522

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The elements that make up the share value of the Bank in the assets of the Pension Fund are analyzed as follows:

	(Thousands of euros)					
	2018			2017		
Asset class	Assets with market price		Total Portfolio	Assets with market price		Total Portfolio
	in active market	Remaining		in active market	Remaining	
Shares	277,652	102,052	379,704	275,874	94,945	370,819
Bonds and other fixed income securities	1,045,016	4,154	1,049,170	1,049,980	4,881	1,054,861
Participations units in investment funds	-	745,762	745,762	-	802,019	802,019
Participation units in real estate funds	-	273,625	273,625	-	261,787	261,787
Properties	-	243,153	243,153	-	252,162	252,162
Loans and advances to credit institutions and others	-	358,932	358,932	-	397,874	397,874
	1,322,668	1,727,678	3,050,346	1,325,854	1,813,668	3,139,522

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2018 amounts to Euros 100,691,000 (31 December 2017: Euros 93,582,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2018, amounts to Euros 243,153,000 (31 December 2017: Euros 251,819,000), mostly a set of properties called "Taguspark" whose book value of the Bank's share amounts, as at 31 December 2018, to Euros 241,526,000 (31 December 2017: Euros 241,685,000). This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	(Thousands of euros)	
	2018	2017
Bonds and other fixed income securities	12,098	41
Loans and advances to credit institutions and others	272,916	323,795
	285,014	323,836

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	(Thousands of euros)	
	2018	2017
Balance as at 1 January	(113,843)	(29,765)
Recognised in the income statement:		
Service cost	(15,472)	(16,054)
Interest cost / (income) net of the balance liabilities coverage	3,046	4,536
Cost with early retirement programs	19,302	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,451)
Changes occurred in the Collective Labour Agreement	-	(39,436)
	6,496	(38,448)
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	53,751	(52,614)
Difference between expected and effective obligations	43,655	23,715
	97,406	(28,899)
Payments	-	(16,731)
Balance at the end of the year	(9,941)	(113,843)

The estimated contributions to be made in 2019, by the Bank and by the employees, for the Defined Benefit Plan amount to Euros 10,191,000 and Euros 7,805,000, respectively.

In accordance with IAS 19, as at 31 December 2018, the Bank accounted post-employment benefits as a cost in the amount of Euros 6,496,000 (31 December 2017: gain of Euros 38,448,000), which is analysed as follows:

	(Thousands of euros)	
	2018	2017
Current service cost	(15,472)	(16,054)
Net interest cost in the liability coverage balance	3,046	4,536
Cost with early retirement programs	19,302	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,451)
Changes occurred in the Collective Labour Agreement	-	(39,436)
(Income) / Cost of the year	6,496	(38,448)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated taking into account the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognized under the heading "Current service costs".

Board of directors plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the policy associated with the retirement regulations of former Board of Directors, the Bank registered the responsibility of supporting the cost: (i) with the retirement pensions of former Group's Executive Board Members: (ii) as the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 3,733,000 (31 December 2017: Euros 3,733,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 37), are analysed as follows:

	(Thousands of euros)	
	2018	2017
Balance as at 1 January	3,733	3,837
Reversal	-	(104)
Balance at the end of the year	3,733	3,733

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2018	2017
Salary growth rate	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019
Pensions growth rate	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Discount rate / Projected Fund's rate of return	2.1%	2.1%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 4 months	66 years and 3 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2018 it is 66 years and 4 months (2017: 66 years and 3 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined in IAS 19, considering that these are defined benefit plans that share risks between entities over common control, information is obtained on the plan as a whole, which is assessed in accordance with the requirements of IAS 19 on the basis of the applicable assumptions to the plan as a whole.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers. As at 31 December 2018 and 2017, the Bank used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

Net actuarial losses amounts to Euros 97,406,000 (31 December 2017: actuarial gains amounts to Euros 28,899,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values actually verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2018		2017	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		43,655		23,715
Deviation between expected income and income from funds	0.18%	53,751	4.16%	(52,614)
		97,406		(28,899)

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2018		2017	
	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Discount rate	124,069	(119,708)	128,087	(120,462)
Pensions increase rate	(131,118)	140,325	(123,921)	152,087
Increase in future compensation levels	(25,379)	42,795	(34,086)	36,516

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2018		2017 (*)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	96,452	(102,840)	97,819	(98,095)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 S2), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during the first nine months of 2018 and during 2017, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. As at 31 December 2018, the Bank accounted as staff costs the amount of Euros 81,000 (31 December 2017: Euros 61,000) related to this contribution.

47. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 53 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 38.

A) Transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

	(Thousands of euros)	
	2018	2017
Assets		
Financial assets at amortised cost		
Loans and advances to customers	101,350	62,822
Debt instruments	150,614	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	6,102	11,704
Financial assets at fair value through other comprehensive income	32,968	n.a.
Financial assets available for sale	n.a.	61,356
Other Assets	53	-
	291,087	286,496
Liabilities		
Resources from customers	159,091	280,648
	159,091	280,648

Loans and advances to customers are net of impairment in the amount of Euros 744,000 (31 December 2017: Euros 77,000).

During 2018 and 2017, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

	(Thousands of euros)	
	2018	2017
Income		
Interest and similar income	10,858	7,188
Commissions income	6,834	5,880
	17,692	13,068
Costs		
Interest and similar expenses	116	807
Commissions expenses	124	256
	240	1,063