49. Risk management

The Bank is subject to several risks during the course of its business.

The Bank's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Bank's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main types ok risk

Credit – 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 fulfil their obligations.

Market – Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

Liquidity – 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 risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Internal organisation

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

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Bank level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Bank, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Bank activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. 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 Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a 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, 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 that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale. 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 a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Bank's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2018	2017
Central Governments or Central Banks	6,545,332	5,047,298
Regional Governments or Local Authorities	726,228	655,673
Administrative and non-profit Organisations	105	169,848
Other Credit Institutions	3,973,609	3,898,664
Retail and Corporate customers	43,376,213	43,570,050
Other items (*)	12,291,640	16,290,455
	66,913,127	69,631,988

Note: gross exposures of impairment and amortization. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 134 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected, considers the following methodological notes:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance wit the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (lan or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the recognised External Credit Assessment Institutions (ECAI) and the external ratings equivalence to the Rating Master Scale of the Group:

	External ratings			
Internal risk grade	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2018 and 2017 integrates the general principles defined in International Financial Reporting Standards (IFRS 9 as at 1 January 2018 and IAS 39 as at 31 December 2017) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC / 2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2018, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	31 December 2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,035,254	10,657	669	-	2,046,580
Loans and advances to customers (note 19)	22,915,268	5,758,902	4,607,650	4	33,281,824
Debt instruments (note 20)	2,345,182	264,307	72,007	-	2,681,496
Debt instruments at fair value through other comprehensive income (note 21)(*)	6,900,301	-	3,722	-	6,904,023
Financial guarantees (note 41)	7,953,682	1,347,531	567,339	-	9,868,552
Total	42,149,687	7,381,397	5,251,387	4	54,782,475

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 41.

(Thousands of euros)

	31 December 2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	407	774	669	-	1,850
Loans and advances to customers (note 19)	25,460	125,218	2,142,808	-	2,293,486
Debt instruments (note 20)	3,039	507	36,659	-	40,205
Financial guarantees (note 41)	1,209	3,883	158,271	-	163,363
Total	30,115	130,382	2,338,407	-	2,498,904

(Thousands of euros)

	31 December 2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,034,847	9,883	-	-	2,044,730
Loans and advances to customers (note 19)	22,889,808	5,633,684	2,464,842	4	30,988,338
Debt instruments (note 20)	2,342,143	263,800	35,348	-	2,641,291
Financial guarantees (note 41)	7,952,473	1,343,648	409,068	-	9,705,189
Total	35,219,271	7,251,015	2,909,258	4	45,379,548

As at 1 January 2018, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	1 January 2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 52)	1,251,734	2,738	-	-	1,254,472
Loans and advances to customers (note 52)	22,641,798	5,404,518	6,045,353	-	34,091,669
Debt instruments (note 52)	2,014,897	382,540	84,023	-	2,481,460
Debt instruments at fair value through other comprehensive income (*)	3,310,726	1,334,760	3,722	-	4,649,208
Financial guarantees	8,000,524	1,229,159	596,817	-	9,826,500
Total	37,219,679	8,353,715	6,729,915	-	52,303,309

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 B1.5.1.2.

(Thousands of euros)

	1 January 2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 52)	441	262	-	-	703
Loans and advances to customers (note 52)	30,329	114,014	2,751,818	-	2,896,161
Debt instruments (note 52)	7,202	2,544	37,924	-	47,670
Financial guarantees (note 36)	1,794	6,112	116,154	-	124,060
Total	39,766	122,932	2,905,896	-	3,068,594

(Thousands of euros)

	1 January 2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 52)	1,251,293	2,476	-	-	1,253,769
Loans and advances to customers (note 52)	22,611,469	5,290,504	3,293,535	-	31,195,508
Debt instruments (note 52)	2,007,695	379,996	46,099	-	2,433,790
Financial guarantees	7,998,730	1,223,047	480,663	-	9,702,440
Total	33,869,187	6,896,023	3,820,297	-	44,585,507

As at 31 December 2018, the maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	Maximum exposure to credit risk
Financial assets held for trading (note 21)	
Debt instruments	57,942
Derivatives	680,157
Hedging derivatives (note 23)	147,449
Financial assets designated at fair value through profit or loss (note 21)	
Debt instruments	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss (note 21)	
Debt instruments	39,246
Total	957,828

Notes:

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2018, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January 2018	30,329	114,014	2,751,818	-	2,896,161
Change in impairment losses:					
Transfer to Stage 1	12,376	(10,532)	(1,844)	-	-
Transfer to Stage 2	(3,803)	42,550	(38,747)	-	-
Transfer to Stage 3	(668)	(7,366)	8,034	-	-
Changes occurred due to changes in credit risk	(20,462)	(18,171)	297,775	-	259,142
Write-offs	(364)	(1,918)	(536,229)	-	(538,511)
Changes due to new financial assets and derecognised financial assets and other variations	8,052	6,641	(337,999)	-	(323,306)
Impairment losses as at 31 December 2018	25,460	125,218	2,142,808	-	2,293,486

During 2018, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January 2018	22,641,799	5,404,518	6,045,353	-	34,091,670
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,382,216)	1,382,216	-	-	-
Transfer from Stage 1 to Stage 3	(70,216)	-	70,216	-	-
Transfer from Stage 2 to Stage 1	937,473	(937,473)	-	-	-
Transfer from Stage 2 to Stage 3	-	(281,617)	281,617	-	-
Transfer from Stage 3 to Stage 1	26,654	-	(26,654)	-	-
Transfer from Stage 3 to Stage 2	-	295,637	(295,637)	-	-
Write-offs	(364)	(1,918)	(536,229)	-	(538,511)
Net balance of new financial assets and derecognised financial assets and other changes	762,138	(102,461)	(931,016)	4	(271,335)
Gross amount as at 31 December 2018	22,915,268	5,758,902	4,607,650	4	33,281,824

As at 31 December 2018, the modified financial assets that do not result in derecognition are analysed as follows:

(Thousands of euros)

Financial assets modified during the year (with impairment losses based on expected lifetime losses)	**2018**
Amortised cost before changes	531,426
Impairment losses before changes	(167,591)
Net amortised cost before changes	363,835
Net gain / loss	(12,847)
Net amortised cost after changes	350,988

(Thousands of euros)

Financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime	**2018**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	43,170

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	31 December 2018									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	12,653,990	2,207,678	102,414	21,965	2,332,057	345,863	436,981	782,844	-	15,768,891
Individuals-Other	3,000,000	517,213	33,084	9,036	559,333	123,448	179,223	302,671	4	3,862,008
Financial Companies	3,809,710	339,220	-	-	339,220	283,266	364,107	647,373	-	4,796,303
Non-financial comp. - Corporate	5,332,214	1,127,867	3,001	-	1,130,868	546,595	561,170	1,107,765	-	7,570,847
Non-financial comp.- SME-Corporate	6,221,020	1,754,475	23,453	2,162	1,780,090	1,037,058	525,546	1,562,604	-	9,563,714
Non-financial comp. -SME-Retail	2,878,645	1,077,395	62,091	4,137	1,143,623	499,262	309,197	808,459	-	4,830,727
Non-financial comp.-Other	354,587	45,326	233	9	45,568	31,572	4,376	35,948	-	436,103
Other loans	999,220	50,638	-	-	50,638	-	1	1	-	1,049,859
Total	35,249,386	7,119,812	224,276	37,309	7,381,397	2,867,064	2,380,601	5,247,665	4	47,878,452
Impairment										
Individuals-Mortgage	823	6,632	532	192	7,356	8,836	65,690	74,526	-	82,705
Individuals-Other	2,939	8,154	1,391	471	10,016	48,457	94,931	143,388	-	156,343
Financial Companies	2,242	7,317	-	-	7,317	187,600	276,782	464,382	-	473,941
Non-financial comp. - Corporate	7,312	30,859	35	-	30,894	312,545	336,605	649,150	-	687,356
Non-financial comp.- SME-Corporate	11,165	43,894	1,678	501	46,073	331,828	316,367	648,195	-	705,433
Non-financial comp. -SME-Retail	5,043	24,297	1,671	184	26,152	205,835	133,305	339,140	-	370,335
Non-financial comp.-Other	294	1,419	8	2	1,429	17,251	2,375	19,626	-	21,349
Other loans	297	1,145	-	-	1,145	-	-	-	-	1,442
Total	30,115	123,717	5,315	1,350	130,382	1,112,352	1,226,055	2,338,407	-	2,498,904
Net exposure										
Individuals-Mortgage	12,653,167	2,201,046	101,882	21,773	2,324,701	337,027	371,291	708,318	-	15,686,186
Individuals-Other	2,997,061	509,059	31,693	8,565	549,317	74,991	84,292	159,283	4	3,705,665
Financial Companies	3,807,468	331,903	-	-	331,903	95,666	87,325	182,991	-	4,322,362
Non-financial comp. - Corporate	5,324,902	1,097,008	2,966	-	1,099,974	234,050	224,565	458,615	-	6,883,491
Non-financial comp.- SME-Corporate	6,209,855	1,710,581	21,775	1,661	1,734,017	705,230	209,179	914,409	-	8,858,281
Non-financial comp. -SME-Retail	2,873,602	1,053,098	60,420	3,953	1,117,471	293,427	175,892	469,319	-	4,460,392
Non-financial comp.-Other	354,293	43,907	225	7	44,139	14,321	2,001	16,322	-	414,754
Other loans	998,923	49,493	-	-	49,493	-	1	1	-	1,048,417
Total	35,219,271	6,996,095	218,961	35,959	7,251,015	1,754,712	1,154,546	2,909,258	4	45,379,548
% of impairment coverage										
Individuals-Mortgage	0.01%	0.30%	0.52%	0.87%	0.32%	2.55%	15.03%	9.52%	0.00%	0.52%
Individuals-Other	0.10%	1.58%	4.20%	5.21%	1.79%	39.25%	52.97%	47.37%	0.00%	4.05%
Financial Companies	0.06%	2.16%	0.00%	0.00%	2.16%	66.23%	76.02%	71.73%	0.00%	9.88%
Non-financial comp. - Corporate	0.14%	2.74%	1.17%	0.00%	2.73%	57.18%	59.98%	58.60%	0.00%	9.08%
Non-financial comp.- SME-Corporate	0.18%	2.50%	7.15%	23.17%	2.59%	32.00%	60.20%	41.48%	0.00%	7.38%
Non-financial comp. -SME-Retail	0.18%	2.26%	2.69%	4.45%	2.29%	41.23%	43.11%	41.95%	0.00%	7.67%
Non-financial comp.-Other	0.08%	3.13%	3.43%	22.22%	3.14%	54.64%	54.27%	54.60%	0.00%	4.90%
Other loans	0.03%	2.26%	0.00%	0.00%	2.26%	0.00%	0.00%	0.00%	0.00%	0.14%
Total	0.09%	1.74%	2.37%	3.62%	1.77%	38.80%	51.50%	44.56%	0.00%	5.22%

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	31 December 2018									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	15,653,991	2,724,891	135,498	31,002	2,891,391	469,311	616,204	1,085,515	4	19,630,901
Non-financial comp.- Trade	2,786,536	442,003	13,798	1,281	457,082	205,138	123,002	328,140	-	3,571,758
Non-financial comp.- Construction	1,188,756	495,756	7,403	1,735	504,894	650,915	401,028	1,051,943	-	2,745,593
Non-finan. comp.- Manufacturing ind.	3,045,313	716,165	16,080	1,133	733,378	125,823	117,449	243,272	-	4,021,963
Non-financial comp.-Other activities	1,170,779	315,876	2,206	370	318,452	208,942	15,486	224,428	-	1,713,659
Non-financial comp.- Other services	6,595,081	2,035,263	49,291	1,788	2,086,342	923,669	743,324	1,666,993	-	10,348,416
Other Services /Other activities	4,808,930	389,858	-	-	389,858	283,266	364,108	647,374	-	5,846,162
Total	35,249,386	7,119,812	224,276	37,309	7,381,397	2,867,064	2,380,601	5,247,665	4	47,878,452
Impairment										
Loans to individuals	3,761	14,785	1,923	663	17,371	57,293	160,621	217,914	-	239,046
Non-financial comp.- Trade	4,538	11,300	652	40	11,992	81,016	75,492	156,508	-	173,038
Non-financial comp.- Construction	2,330	4,924	1,044	432	6,400	249,181	224,058	473,239	-	481,969
Non-finan. comp.- Manufacturing ind.	5,291	12,703	992	94	13,789	45,527	66,452	111,979	-	131,059
Non-financial comp.-Other activities	1,236	9,826	67	42	9,935	87,916	6,456	94,372	-	105,543
Non-financial comp.- Other services	10,421	61,717	636	79	62,432	403,821	416,191	820,012	-	892,865
Other Services /Other activities	2,538	8,463	-	-	8,463	187,600	276,783	464,383	-	475,384
Total	30,115	123,718	5,314	1,350	130,382	1,112,354	1,226,053	2,338,407	-	2,498,904
Net exposure										
Loans to individuals	15,650,230	2,710,106	133,575	30,339	2,874,020	412,018	455,583	867,601	4	19,391,855
Non-financial comp.- Trade	2,781,998	430,703	13,146	1,241	445,090	124,122	47,510	171,632	-	3,398,720
Non-financial comp.- Construction	1,186,426	490,832	6,359	1,303	498,494	401,734	176,970	578,704	-	2,263,624
Non-finan. comp.- Manufacturing ind.	3,040,022	703,462	15,088	1,039	719,589	80,296	50,997	131,293	-	3,890,904
Non-financial comp.-Other activities	1,169,543	306,050	2,139	328	308,517	121,026	9,030	130,056	-	1,608,116
Non-financial comp.- Other services	6,584,660	1,973,546	48,655	1,709	2,023,910	519,848	327,133	846,981	-	9,455,551
Other Services /Other activities	4,806,392	381,395	-	-	381,395	95,666	87,325	182,991	-	5,370,778
Total	35,219,271	6,996,094	218,962	35,959	7,251,015	1,754,710	1,154,548	2,909,258	4	45,379,548
% of impairment coverage										
Loans to individuals	0.02%	0.54%	1.42%	2.14%	0.60%	12.21%	26.07%	20.07%	0.00%	1.22%
Non-financial comp.- Trade	0.16%	2.56%	4.73%	3.12%	2.62%	39.49%	61.37%	47.70%	0.00%	4.84%
Non-financial comp.- Construction	0.20%	0.99%	14.10%	24.90%	1.27%	38.28%	55.87%	44.99%	0.00%	17.55%
Non-finan. comp.- Manufacturing ind.	0.17%	1.77%	6.17%	8.30%	1.88%	36.18%	56.58%	46.03%	0.00%	3.26%
Non-financial comp.-Other activities	0.11%	3.11%	3.04%	11.35%	3.12%	42.08%	41.69%	42.05%	0.00%	6.16%
Non-financial comp.- Other services	0.16%	3.03%	1.29%	4.42%	2.99%	43.72%	55.99%	49.19%	0.00%	8.63%
Other Services /Other activities	0.05%	2.17%	0.00%	0.00%	2.17%	66.23%	76.02%	71.73%	0.00%	8.13%
Total	0.09%	1.74%	2.37%	3.62%	1.77%	38.80%	51.50%	44.56%	0.00%	5.22%

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	1 January 2018									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	12,056,121	2,192,393	128,124	37,867	2,358,384	340,722	755,326	1,096,048	-	15,510,553
Individuals-Other	2,782,896	495,074	18,990	15,585	529,649	138,645	284,559	423,204	-	3,735,749
Financial Companies	1,795,513	285,213	349	51	285,613	596,071	282,939	879,010	-	2,960,136
Non-financial comp. - Corporate	4,693,911	1,125,564	335	-	1,125,899	430,969	747,590	1,178,559	-	6,998,369
Non-financial comp.- SME-Corporate	6,609,255	1,570,840	11,516	1,948	1,584,304	1,240,394	1,005,022	2,245,416	-	10,438,975
Non-financial comp. -SME-Retail	2,618,635	921,967	22,210	12,799	956,976	445,194	458,662	903,856	-	4,479,467
Non-financial comp.-Other	153,662	36,753	-	-	36,753	100	-	100	-	190,515
Other loans	3,198,960	141,377	-	-	141,377	-	-	-	-	3,340,337
Total	33,908,953	6,769,181	181,524	68,250	7,018,955	3,192,095	3,534,098	6,726,193	-	47,654,101
Impairment										
Individuals-Mortgage	929	8,769	691	321	9,781	12,356	123,624	135,980	-	146,690
Individuals-Other	3,034	8,597	673	951	10,221	63,974	161,639	225,613	-	238,868
Financial Companies	4,149	7,880	17	1	7,898	388,223	204,182	592,405	-	604,452
Non-financial comp. - Corporate	8,418	25,529	5	-	25,534	124,659	415,374	540,033	-	573,985
Non-financial comp.- SME-Corporate	14,389	41,814	757	329	42,900	412,283	608,980	1,021,263	-	1,078,552
Non-financial comp. -SME-Retail	6,932	23,703	592	703	24,998	196,597	194,002	390,599	-	422,529
Non-financial comp.-Other	37	-	-	-	-	3	-	3	-	40
Other loans	1,878	1,600	-	-	1,600	-	-	-	-	3,478
Total	39,766	117,892	2,735	2,305	122,932	1,198,095	1,707,801	2,905,896	-	3,068,594
Net exposure										
Individuals-Mortgage	12,055,192	2,183,624	127,433	37,546	2,348,603	328,366	631,702	960,068	-	15,363,863
Individuals-Other	2,779,862	486,477	18,317	14,634	519,428	74,671	122,920	197,591	-	3,496,881
Financial Companies	1,791,364	277,333	332	50	277,715	207,848	78,757	286,605	-	2,355,684
Non-financial comp. - Corporate	4,685,493	1,100,035	330	-	1,100,365	306,310	332,216	638,526	-	6,424,384
Non-financial comp.- SME-Corporate	6,594,866	1,529,026	10,759	1,619	1,541,404	828,111	396,042	1,224,153	-	9,360,423
Non-financial comp. -SME-Retail	2,611,703	898,264	21,618	12,096	931,978	248,597	264,660	513,257	-	4,056,938
Non-financial comp.-Other	153,625	36,753	-	-	36,753	97	-	97	-	190,475
Other loans	3,197,082	139,777	-	-	139,777	-	-	-	-	3,336,859
Total	33,869,187	6,651,289	178,789	65,945	6,896,023	1,994,000	1,826,297	3,820,297	-	44,585,507
% of impairment coverage										
Individuals-Mortgage	0.01%	0.40%	0.54%	0.85%	0.41%	3.63%	16.37%	12.41%	0.00%	0.95%
Individuals-Other	0.11%	1.74%	3.54%	6.10%	1.93%	46.14%	56.80%	53.31%	0.00%	6.39%
Financial Companies	0.23%	2.76%	4.87%	1.96%	2.77%	65.13%	72.16%	67.39%	0.00%	20.42%
Non-financial comp. - Corporate	0.18%	2.27%	1.49%	0.00%	2.27%	28.93%	55.56%	45.82%	0.00%	8.20%
Non-financial comp.- SME-Corporate	0.22%	2.66%	6.57%	16.89%	2.71%	33.24%	60.59%	45.48%	0.00%	10.33%
Non-financial comp. -SME-Retail	0.26%	2.57%	2.67%	5.49%	2.61%	44.16%	42.30%	43.21%	0.00%	9.43%
Non-financial comp.-Other	0.02%	0.00%	0.00%	0.00%	0.00%	3.00%	0.00%	3.00%	0.00%	0.02%
Other loans	0.06%	1.13%	0.00%	0.00%	1.13%	0.00%	0.00%	0.00%	0.00%	0.10%
Total	0.12%	1.74%	1.51%	3.38%	1.75%	37.53%	48.32%	43.20%	0.00%	6.44%

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	1 January 2018									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	14,838,861	2,687,466	147,114	53,452	2,888,032	479,367	1,039,885	1,519,252	-	19,246,145
Non-financial comp.- Trade	2,849,872	403,613	6,586	3,563	413,762	107,473	174,347	281,820	-	3,545,454
Non-financial comp.- Construction	838,547	836,136	1,527	2,940	840,603	717,945	575,067	1,293,012	-	2,972,162
Non finan. comp.- Manufacturing indust	3,173,596	372,745	9,602	2,310	384,657	146,555	145,455	292,010	-	3,850,263
Non-financial comp.-Other activities	1,248,609	230,113	554	533	231,200	213,969	35,419	249,388	-	1,729,197
Non-financial comp.- Other services	5,964,839	1,812,518	15,792	5,401	1,833,711	930,714	1,280,987	2,211,701	-	10,010,251
Other Services /Other activities	4,994,629	426,590	349	51	426,990	596,071	282,939	879,010	-	6,300,629
Total	33,908,953	6,769,181	181,524	68,250	7,018,955	3,192,094	3,534,099	6,726,193	-	47,654,101
Impairment										
Loans to individuals	3,963	17,365	1,365	1,272	20,002	76,330	285,264	361,594	-	385,559
Non-financial comp.- Trade	6,814	7,341	190	190	7,721	33,453	101,472	134,925	-	149,460
Non-financial comp.- Construction	2,670	17,610	43	386	18,039	223,271	336,385	559,656	-	580,365
Non-financial comp.- Manufacturing inc	7,091	10,272	615	207	11,094	51,586	85,092	136,678	-	154,863
Non-financial comp.-Other activities	1,430	9,409	11	9	9,429	99,807	14,597	114,404	-	125,263
Non-financial comp.- Other services	11,770	46,415	495	240	47,150	325,426	680,808	1,006,234	-	1,065,154
Other Services /Other activities	6,028	9,479	17	1	9,497	388,223	204,182	592,405	-	607,930
Total	39,766	117,891	2,736	2,305	122,932	1,198,096	1,707,800	2,905,896	-	3,068,594
Net exposure										
Loans to individuals	14,834,898	2,670,101	145,749	52,180	2,868,030	403,037	754,621	1,157,658	-	18,860,586
Non-financial comp.- Trade	2,843,058	396,272	6,396	3,373	406,041	74,020	72,875	146,895	-	3,395,994
Non-financial comp.- Construction	835,877	818,526	1,484	2,554	822,564	494,674	238,682	733,356	-	2,391,797
Non finan. comp.- Manufacturing indust	3,166,505	362,473	8,987	2,103	373,563	94,969	60,363	155,332	-	3,695,400
Non-financial comp.-Other activities	1,247,179	220,704	543	524	221,771	114,162	20,822	134,984	-	1,603,934
Non-financial comp.- Other services	5,953,069	1,766,103	15,297	5,161	1,786,561	605,288	600,179	1,205,467	-	8,945,097
Other Services /Other activities	4,988,601	417,111	332	50	417,493	207,848	78,757	286,605	-	5,692,699
Total	33,869,187	6,651,290	178,788	65,945	6,896,023	1,993,998	1,826,299	3,820,297	-	44,585,507
% of impairment coverage										
Loans to individuals	0.03%	0.65%	0.93%	2.38%	0.69%	15.92%	27.43%	23.80%	0.00%	2.00%
Non-financial comp.- Trade	0.24%	1.82%	2.88%	5.33%	1.87%	31.13%	58.20%	47.88%	0.00%	4.22%
Non-financial comp.- Construction	0.32%	2.11%	2.82%	13.13%	2.15%	31.10%	58.49%	43.28%	0.00%	19.53%
Non finan. comp.- Manufacturing indust	0.22%	2.76%	6.40%	8.96%	2.88%	35.20%	58.50%	46.81%	0.00%	4.02%
Non-financial comp.-Other activities	0.11%	4.09%	1.99%	1.69%	4.08%	46.65%	41.21%	45.87%	0.00%	7.24%
Non-financial comp.- Other services	0.20%	2.56%	3.13%	4.44%	2.57%	34.97%	53.15%	45.50%	0.00%	10.64%
Other Services /Other activities	0.12%	2.22%	4.87%	1.96%	2.22%	65.13%	72.16%	67.39%	0.00%	9.65%
Total	0.12%	1.74%	1.51%	3.38%	1.75%	37.53%	48.32%	43.20%	0.00%	6.44%

As at 31 December 2018, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	31 December 2018							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
- stage 1	19,042,210	6,186,746	2,028,356	-	38,392	27,295,704	28,906	27,266,798
- stage 2	1,063,658	1,362,969	2,648,657	282,774	675,808	6,033,866	126,499	5,907,367
- stage 3	2,418	10,106	89,009	4,507,587	71,206	4,680,326	2,180,136	2,500,190
POCI	-	-	-	-	4	4	-	4
	20,108,286	7,559,821	4,766,022	4,790,361	785,410	38,009,900	2,335,541	35,674,359
Debt instruments at fair value through other comprehensive income								
- stage 1	6,810,518	83,940	-	-	5,843	6,900,301	-	6,900,301
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	3,722	3,722	3,722	-
	6,810,518	83,940	-	-	9,565	6,904,023	3,722	6,900,301
Guarantees and other commitments								
- stage 1	5,325,858	1,906,677	568,012	-	153,135	7,953,682	1,209	7,952,473
- stage 2	161,389	265,287	580,507	47,460	292,888	1,347,531	3,883	1,343,648
- stage 3	60	5	25,144	538,513	3,617	567,339	158,271	409,068
	5,487,307	2,171,969	1,173,663	585,973	449,640	9,868,552	163,363	9,705,189
Total	32,406,111	9,815,730	5,939,685	5,376,334	1,244,615	54,782,475	2,502,626	52,279,849

As at 1 January 2018, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	1 January 2018							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
- stage 1	16,896,509	5,930,607	2,203,646	661	877,006	25,908,429	37,972	25,870,457
- stage 2	863,843	989,883	3,115,635	202,735	617,700	5,789,796	116,820	5,672,976
- stage 3	-	-	37,913	6,018,926	72,537	6,129,376	2,789,742	3,339,634
	17,760,352	6,920,490	5,357,194	6,222,322	1,567,243	37,827,601	2,944,534	34,883,067
Debt instruments at fair value through other comprehensive income								
- stage 1	3,022,262	287,519	-	-	945	3,310,726	-	3,310,726
- stage 2	1,316,998	17,712	-	-	50	1,334,760	-	1,334,760
- stage 3	-	-	-	-	3,722	3,722	3,722	-
	4,339,260	305,231	-	-	4,717	4,649,208	3,722	4,645,486
Guarantees and other commitments								
- stage 1	5,159,923	1,637,963	575,856	-	626,782	8,000,524	1,794	7,998,730
- stage 2	56,800	191,994	596,890	17,892	365,583	1,229,159	6,112	1,223,047
- stage 3	-	-	12,383	581,768	2,666	596,817	116,154	480,663
	5,216,723	1,829,957	1,185,129	599,660	995,031	9,826,500	124,060	9,702,440
Total	27,316,335	9,055,678	6,542,323	6,821,982	2,566,991	52,303,309	3,072,316	49,230,993

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following tables:

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	9,448	15,759,443	15,768,891	3,990	78,715	82,705
Individuals-Other	113,632	3,748,376	3,862,008	48,602	107,741	156,343
Financial Companies	631,404	4,164,899	4,796,303	461,754	12,187	473,941
Non-financial comp. - Corporate	1,102,804	6,468,043	7,570,847	646,018	41,338	687,356
Non-financial comp.- SME-Corporate	1,224,691	8,339,023	9,563,714	547,507	157,926	705,433
Non-financial comp. -SME-Retail	607,693	4,223,034	4,830,727	282,722	87,613	370,335
Non-financial comp.-Other	31,108	404,995	436,103	17,410	3,939	21,349
Other loans	-	1,049,859	1,049,859	-	1,442	1,442
Total	3,720,780	44,157,672	47,878,452	2,008,003	490,901	2,498,904

As at 31 December 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity, are presented in the following tables:

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	123,080	19,507,821	19,630,901	52,591	186,455	239,046
Non-financial comp.- Trade	219,612	3,352,146	3,571,758	120,705	52,333	173,038
Non-financial comp.- Construction	888,381	1,857,212	2,745,593	423,706	58,263	481,969
Non finan. comp.- Manufacturing indust.	137,176	3,884,787	4,021,963	80,746	50,313	131,059
Non-financial comp.-Other activities	196,050	1,517,609	1,713,659	87,637	17,906	105,543
Non-financial comp.- Other services	1,525,077	8,823,339	10,348,416	780,863	112,002	892,865
Other Services /Other activities	631,404	5,214,758	5,846,162	461,755	13,629	475,384
Total	3,720,780	44,157,672	47,878,452	2,008,003	490,901	2,498,904

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following tables:

(Thousands of euros)

	1 January 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	13,394	15,497,159	15,510,553	6,380	140,310	146,690
Individuals-Other	145,043	3,590,706	3,735,749	60,443	178,425	238,868
Financial Companies	871,660	2,088,476	2,960,136	590,786	13,666	604,452
Non-financial comp. - Corporate	1,178,785	5,819,584	6,998,369	538,330	35,655	573,985
Non-financial comp.- SME-Corporate	1,877,270	8,561,705	10,438,975	872,312	206,240	1,078,552
Non-financial comp. -SME-Retail	634,721	3,844,746	4,479,467	294,239	128,290	422,529
Non-financial comp.-Other	-	190,515	190,515	-	40	40
Other loans	-	3,340,337	3,340,337	-	3,478	3,478
Total	4,720,873	42,933,228	47,654,101	2,362,490	706,104	3,068,594

As at 1 January 2018, financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity, are presented in the following tables:

(Thousands of euros)

	1 January 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	158,437	19,087,708	19,246,145	66,823	318,736	385,559
Non-financial comp.- Trade	132,963	3,412,491	3,545,454	67,803	81,657	149,460
Non-financial comp.- Construction	1,106,947	1,865,215	2,972,162	489,961	90,404	580,365
Non finan. comp.- Manufacturing indust.	175,976	3,674,287	3,850,263	93,552	61,311	154,863
Non-financial comp.-Other activities	215,345	1,513,852	1,729,197	103,145	22,118	125,263
Non-financial comp.- Other services	2,059,546	7,950,705	10,010,251	950,420	114,734	1,065,154
Other Services /Other activities	871,659	5,428,970	6,300,629	590,786	17,144	607,930
Total	4,720,873	42,933,228	47,654,101	2,362,490	706,104	3,068,594

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 31 December 2018, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2018					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2008 and previous						
Number of operations	16,261	23,065	205,011	376,119	64	620,520
Value (Euros '000)	910,473	2,983,089	8,375,302	743,696	3,309	13,015,869
Impairment constituted (Euros '000)	137,122	130,579	51,610	16,131	8	335,450
2009						
Number of operations	1,871	2,278	15,806	40,883	22	60,860
Value (Euros '000)	227,396	402,067	824,669	65,916	358	1,520,406
Impairment constituted (Euros '000)	21,269	10,474	5,990	2,280	-	40,013
2010						
Number of operations	1,676	2,202	13,914	57,368	17	75,177
Value (Euros '000)	174,679	391,149	797,419	122,451	45	1,485,743
Impairment constituted (Euros '000)	18,688	11,804	2,926	1,264	-	34,682
2011						
Number of operations	1,526	2,256	5,289	55,764	2	64,837
Value (Euros '000)	77,433	287,209	294,521	107,004	20	766,187
Impairment constituted (Euros '000)	7,866	9,267	538	1,442	-	19,113
2012						
Number of operations	1,356	2,033	3,082	65,901	195	72,567
Value (Euros '000)	95,714	366,904	140,978	93,178	6,212	702,986
Impairment constituted (Euros '000)	8,349	84,072	550	756	3	93,730
2013						
Number of operations	2,196	3,652	6,296	99,922	24	112,090
Value (Euros '000)	88,567	643,343	296,108	149,934	2,068	1,180,020
Impairment constituted (Euros '000)	13,797	39,175	706	1,480	1	55,159
2014						
Number of operations	2,324	6,409	4,316	108,079	69	121,197
Value (Euros '000)	123,218	709,248	254,074	183,594	185,964	1,456,098
Impairment constituted (Euros '000)	7,328	27,811	195	1,833	50	37,217
2015						
Number of operations	3,726	10,966	6,572	142,542	98	163,904
Value (Euros '000)	218,918	1,235,253	447,412	265,900	33,083	2,200,566
Impairment constituted (Euros '000)	29,679	131,099	332	3,960	12	165,082
2016						
Number of operations	3,921	12,744	8,920	138,183	42	163,810
Value (Euros '000)	319,901	1,892,727	656,189	376,904	85,417	3,331,138
Impairment constituted (Euros '000)	27,263	103,342	236	6,533	15	137,389
2017						
Number of operations	4,451	15,703	13,966	138,674	103	172,897
Value (Euros '000)	580,798	2,190,466	1,215,453	468,864	99,619	4,555,200
Impairment constituted (Euros '000)	42,531	79,119	656	5,615	20	127,941
2018						
Number of operations	11,154	41,914	19,300	260,955	226	333,549
Value (Euros '000)	1,650,758	6,410,985	1,929,193	1,014,050	441,912	11,446,898
Impairment constituted (Euros '000)	15,758	122,471	796	9,424	92	148,541
Total						
Number of operations	50,462	123,222	302,472	1,484,390	862	1,961,408
Value (Euros '000)	4,467,855	17,512,440	15,231,318	3,591,491	858,007	41,661,111
Impairment constituted (Euros '000)	329,650	749,213	64,535	50,718	201	1,194,317

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2017, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2017					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2007 and previous						
Number of operations	12,667	21,797	190,281	314,867	175	539,787
Value (Euros '000)	924,493	2,792,541	7,851,793	336,299	199,332	12,104,458
Impairment constituted (Euros '000)	133,891	102,763	73,315	30,755	82,095	422,819
2008						
Number of operations	2,095	3,026	29,488	31,986	45	66,640
Value (Euros '000)	420,206	589,116	1,513,361	49,320	61,819	2,633,822
Impairment constituted (Euros '000)	53,194	34,056	14,359	5,709	9,574	116,892
2009						
Number of operations	2,120	2,636	16,957	31,782	22	53,517
Value (Euros '000)	283,986	420,148	926,065	37,689	45,699	1,713,587
Impairment constituted (Euros '000)	22,669	10,574	11,753	4,079	91	49,166
2010						
Number of operations	1,791	2,505	14,911	33,961	28	53,196
Value (Euros '000)	304,153	327,042	888,730	32,992	48,026	1,600,943
Impairment constituted (Euros '000)	22,910	18,305	4,308	2,923	10,834	59,280
2011						
Number of operations	1,571	2,368	5,707	31,565	39	41,250
Value (Euros '000)	224,621	344,538	327,390	45,008	84,039	1,025,596
Impairment constituted (Euros '000)	16,055	10,711	855	3,628	4,552	35,801
2012						
Number of operations	1,327	2,595	3,326	31,305	30	38,583
Value (Euros '000)	108,460	486,366	158,579	29,181	3,459	786,045
Impairment constituted (Euros '000)	8,966	61,600	729	1,393	1,080	73,768
2013						
Number of operations	2,045	4,359	6,880	51,878	51	65,213
Value (Euros '000)	122,383	623,510	338,535	92,484	338,876	1,515,788
Impairment constituted (Euros '000)	12,695	19,437	746	2,848	24,121	59,847
2014						
Number of operations	2,372	8,773	4,675	64,325	68	80,213
Value (Euros '000)	127,244	1,086,425	287,695	137,251	193,899	1,832,514
Impairment constituted (Euros '000)	4,434	38,526	166	2,846	315	46,287
2015						
Number of operations	3,267	11,973	7,091	81,768	90	104,189
Value (Euros '000)	268,771	1,801,682	499,895	254,603	225,442	3,050,393
Impairment constituted (Euros '000)	27,257	93,197	253	4,416	99,327	224,450
2016						
Number of operations	3,525	13,513	9,520	99,562	110	126,230
Value (Euros '000)	418,257	1,939,660	735,306	391,193	142,025	3,626,441
Impairment constituted (Euros '000)	18,053	52,732	104	3,906	224	75,019
2017						
Number of operations	6,264	31,494	14,324	102,203	142	154,427
Value (Euros '000)	852,786	3,595,534	1,289,394	645,377	196,323	6,579,414
Impairment constituted (Euros '000)	11,415	39,103	818	2,818	15,290	69,444
Total						
Number of operations	39,044	105,039	303,160	875,202	800	1,323,245
Value (Euros '000)	4,055,360	14,006,562	14,816,743	2,051,397	1,538,939	36,469,001
Impairment constituted (Euros '000)	331,539	481,004	107,406	65,321	247,503	1,232,773

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2018, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2018					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)
< 0.5 M€						
Number	6,822	2,057	8,728	8,474	226,978	447
Value (Euros '000)	854,914	93,528	1,264,438	313,327	28,536,472	23,771
>= 0.5 M€ and < 1 M€						
Number	582	45	990	90	2,147	5
Value (Euros '000)	393,818	28,238	687,766	61,321	1,393,748	2,876
>= 1 M€ and < 5 M€						
Number	370	35	764	78	348	2
Value (Euros '000)	748,083	55,639	1,504,817	151,753	527,942	2,916
>= 5 M€ and < 10 M€						
Number	61	3	93	16	4	-
Value (Euros '000)	424,210	19,280	646,698	113,519	24,124	-
>= 10 M€ and < 20 M€						
Number	28	1	51	11	-	-
Value (Euros '000)	379,121	12,834	690,498	158,151	-	-
>= 20 M€ and < 50 M€						
Number	22	-	27	3	-	-
Value (Euros '000)	630,522	-	802,373	86,423	-	-
>= 50 M€						
Number	3	-	8	2	-	-
Value (Euros '000)	176,677	-	669,380	688,193	-	-
Total						
Number	7,888	2,141	10,661	8,674	229,477	454
Value (Euros '000)	3,607,345	209,519	6,265,970	1,572,687	30,482,286	29,563

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2017, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2017					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)
< 0.5 M€						
Number	7,402	7,491	223,761	11,400	9,749	435
Value (Euros '000)	908,456	282,923	27,939,485	324,584	1,337,824	23,727
>= 0.5 M€ and < 1 M€						
Number	508	86	1,853	81	930	6
Value (Euros '000)	342,307	58,169	1,197,889	56,128	647,912	3,948
>= 1 M€ and < 5 M€						
Number	358	86	270	51	731	2
Value (Euros '000)	715,082	168,733	403,431	94,534	1,448,140	4,039
>= 5 M€ and < 10 M€						
Number	44	13	3	6	95	-
Value (Euros '000)	297,858	90,754	18,391	39,788	649,917	-
>= 10 M€ and < 20 M€						
Number	33	14	-	3	56	-
Value (Euros '000)	482,274	191,522	-	39,212	750,589	-
>= 20 M€ and < 50 M€						
Number	11	4	-	1	28	-
Value (Euros '000)	349,394	108,978	-	21,643	858,911	-
>= 50 M€						
Number	3	4	-	-	9	-
Value (Euros '000)	189,577	842,987	-	-	834,614	-
Total						
Number	8,359	7,698	225,887	11,542	11,598	443
Value (Euros '000)	3,284,948	1,744,066	29,559,196	575,889	6,527,907	31,714

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2018, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	31 December 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,646,104	683,188	467,158	200,729
<60%	5,168	227,896	199,585	63,305	14,270
>=60% and <80%	2,655	414,992	72,633	97,792	15,591
>=80% and <100%	1,138	89,103	48,765	90,372	25,733
>=100%	14,986	172,060	144,066	794,268	412,533
Companies - Other Activities					
Without associated collateral	n.a.	11,788,615	1,973,445	1,543,516	991,146
<60%	14,352	582,543	354,653	188,168	53,500
>=60% and <80%	3,277	394,605	185,614	127,616	32,203
>=80% and <100%	1,705	199,698	163,570	115,983	50,982
>=100%	8,064	677,799	336,092	684,357	458,118
Mortgage loans					
Without associated collateral	n.a.	193,786	4,697	2,105	1,870
<60%	165,269	5,174,838	763,161	142,291	3,742
>=60% and <80%	101,766	5,093,550	874,775	180,221	5,471
>=80% and <100%	43,015	1,827,831	524,200	193,505	6,244
>=100%	14,555	393,231	165,185	264,818	65,406

As at 1 January 2018, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	1 January 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,651,283	694,998	821,881	369,261
<60%	5,319	227,294	145,538	67,943	12,995
>=60% and <80%	1,953	110,162	97,397	154,283	21,901
>=80% and <100%	1,295	49,251	178,053	150,692	49,304
>=100%	11,617	57,971	236,009	1,004,069	418,104
Companies - Other Activities					
Without associated collateral	n.a.	12,770,440	1,325,228	1,729,795	953,370
<60%	13,441	471,045	275,485	205,132	60,118
>=60% and <80%	2,704	384,493	190,920	152,749	44,805
>=80% and <100%	1,802	202,880	103,162	131,633	56,723
>=100%	6,316	328,957	302,079	1,068,303	695,500
Mortgage loans					
Without associated collateral	n.a.	229,207	48,444	3,646	4,650
<60%	161,179	4,885,038	716,065	161,212	3,963
>=60% and <80%	98,753	4,673,616	857,616	207,967	5,848
>=80% and <100%	47,395	1,868,965	550,852	277,533	10,536
>=100%	18,673	399,347	185,259	445,785	121,723

As at 31 December 2017, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	31 December 2017			
Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
Construction and CRE				
Without associated collateral	n.a.	1,915,463	654,115	328,967
<60%	5,798	335,584	63,636	10,615
>=60% and <80%	2,688	236,232	140,127	19,755
>=80% and <100%	1,547	263,514	116,944	44,992
>=100%	36,680	359,382	1,103,286	420,833
Companies - Other Activities				
Without associated collateral	n.a.	10,493,524	1,230,363	652,536
<60%	14,006	800,969	143,724	53,102
>=60% and <80%	2,614	542,076	118,342	31,047
>=80% and <100%	2,489	368,997	128,757	54,453
>=100%	6,187	1,132,183	579,403	374,409
Mortgage loans				
Without associated collateral	n.a.	277,724	3,574	3,258
<60%	161,179	5,623,105	139,209	2,751
>=60% and <80%	98,753	5,560,018	179,182	4,204
>=80% and <100%	47,395	2,446,865	250,486	9,309
>=100%	18,673	595,881	434,509	118,984

As at 31 December 2018, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 25), by type of asset:

(Thousands of euros)

	2018	
	Assets arising from recovered loans results (note 25)	
Asset	Appraised value	Book value
Land		
Urban	478,205	433,406
Rural	29,206	26,402
Buildings in development		
Commercials	25,510	22,921
Mortgage loans	41,876	35,428
Constructed buildings		
Commercials	309,998	275,965
Mortgage loans	397,999	349,063
Others	159	100
Others	179	179
	1,283,132	1,143,464

As at 31 December 2017, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 25), by type of asset:

(Thousands of euros)

	2017	
	Assets arising from recovered loans results (note 25)	
Asset	Appraised value	Book value
Land		
Urban	527,824	484,750
Rural	9,964	7,631
Buildings in development		
Commercials	5,246	4,640
Mortgage loans	40,963	37,473
Constructed buildings		
Commercials	345,152	306,000
Mortgage loans	589,527	528,474
Others	320	123
	1,518,996	1,369,091

Market risk

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined:

Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding – Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Bank comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Bank uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk - including interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps (indexes) - a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, as at 31 December 2018 and 2017, and measured by the methodologies referred to above:

(Thousands of euros)

	2018	Maximum	Average	Minimum	2017
Generic Risk (VaR)	3,110	5,149	2,657	1,118	2,543
Interest Rate Risk	3,173	5,237	2,622	899	2,481
FX Risk	1,802	163	900	624	269
Equity Risk	34	89	52	23	36
Diversification effects	(1,899)	(340)	(917)	(428)	(243)
Specific Risk	46	249	105	18	99
Non-Linear Risk	-	17	10	-	7
Commodities Risk	5	7	3	1	6
Global Risk	3,161	5,319	2,775	1,746	2,655

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Bank's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Bank's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Bank's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as 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 rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Bank holds material positions:

(Thousands of euros)

	2018			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	215	215	503	985
EUR	(47,804)	(52,516)	145,700	281,223
PLN	(1,947)	(1,183)	1,164	2,311
USD	(19,518)	(9,566)	9,190	18,010
	(69,054)	(63,050)	156,557	302,529

(Thousands of euros)

	2017			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	165	165	454	889
EUR	(103,147)	(102,624)	222,552	428,871
PLN	(3,248)	(2,008)	1,983	3,943
USD	(20,033)	(9,880)	9,457	18,477
	(126,263)	(114,347)	234,446	452,180

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialization model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments. On an individual basis hedge accounting is made for hedge investments on investments os subsisiries, by applying Fair Value Hedge.

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland), the fair value hedge accounting model.

The amount of the investment subject to hedging is PLN 2,570,017,000 (31 December 2017: PLN 2,570,017,000), with the equivalent amount of Euros 598,151,000 (31 December 2017: Euros 615,484,000), with the hedging instrument in the same amount.

These hedging relationships were considered effective during the entire period of 2018, as described in the accounting policy in note 1 B.4.

Regarding equity risk, the Bank maintains a series of small size and low risk equity positions, essentially in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks' control.

Liquidity risk

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

The evolution of the Banks's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the Bank's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfill their obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

Considering the prudential criteria adopted by the Group for liquidity management, the control of market financing needs and the strenghtening of the liquidity buffer provided by the portfolio available for discount at the ECB continued to receive particular attention. In this line, the portfolio of ECB assets available for discount reached Euros 16,002,452,000 as at December 2018, plus Euros 4,023,403,000 than 2017 figure, of which Euros 6,817,511,000 mobilized in the ECB's monetary policy pool.

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of euros)

	2018	2017
European Central Bank	6,817,511	6,974,487

As at 31 December 2018, the amount discounted in the European Central Bank amounts to Euros 4,000,000,000 (31 December 2017: Euros 4,000,000,000).

Liquidity coverage ratio

The Bank structurally improved its liquidity profile by recording as at 31 December 2018 a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) of 90% and as at 31 December 2017 this ratio was set at 95% (according to the current version of the Instruction as at 31 December 2018).

Hedging accounting

As at 31 December 2018, the table below includes the detail of the hedging instruments used in the Bank's hedging strategies:

(Thousands of euros)

	Hedging instruments				
			Book value		
Type of hedging	Balance sheet item	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	2,763,274	12,372	60,882	(13,608)
		2,763,274	12,372	60,882	(13,608)
Cash flows hedging					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	11,880,000	80,519	7,604	107,294
		11,880,000	80,519	7,604	107,294
Total		14,643,274	92,891	68,486	93,686

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2017, the table below includes the detail of the hedging instruments used in the Bank's hedging strategies:

(Thousands of euros)

Type of hedging	Balance sheet item	Hedging instruments: Nocional	Book value: Assets	Book value: Liabilities	Change in fair value (A)
Fair value hedge					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	6,439,728	17,060	53,401	9,178
- Others	Hedging derivatives	450,000	-	12,899	(14,775)
		6,889,728	17,060	66,300	(5,597)
Cash flows hedging					
Interest rate risk					
- Interest rate swaps	Hedging derivatives	12,050,000	1,744	46,052	(51,104)
		12,050,000	1,744	46,052	(51,104)
Total		18,939,728	18,804	112,352	(56,701)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2018, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	Balance sheet item	Hedged items: Book value: Assets	Book value: Liabilities	Cumulative value of the adjustments: Assets	Cumulative value of the adjustments: Liabilities	Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve: Hedging relationships in effect	Cash flow hedge reserve / Currency translation reserve: Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	462,400	-	5,306	-	444	n.a.	n.a.
	(C)	2,183,957	-	(47,870)	-	17,935	n.a.	n.a.
	(D)	-	260,000	-	2,797	(3,796)	n.a.	n.a.
	(E)	-	180,650	-	7,417	1,679	n.a.	n.a.
	(F)	-	2,517	-	11	20	n.a.	n.a.
	(G)	-	7,685	-	137	196	n.a.	n.a.
		2,646,357	450,852	(42,564)	10,362	16,478	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
- Interest rate swaps	(B)	11,880,000	-	-	-	(107,294)	63,052	50,648
		11,880,000	-	-	-	(107,294)	63,052	50,648
Total		14,526,357	450,852	(42,564)	10,362	(90,816)	63,052	50,648

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

As at 31 December 2017, the table below includes the detail of the hedged items:

(Thousands of euros)

		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
		Book value		Cumulative value of the adjustments				
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	468,090	-	4,886	-	(1,167)	n.a.	n.a.
	(C)	689,950	-	(29,543)	-	8,552	n.a.	n.a.
	(D)	-	4,760,000	-	(11,566)	(9,907)	n.a.	n.a.
	(E)	-	205,438	-	9,119	7,700	n.a.	n.a.
	(F)	-	52,900	-	8,447	(713)	n.a.	n.a.
	(G)	-	263,350	-	39,369	(3,701)	n.a.	n.a.
		1,158,040	5,281,688	(24,657)	45,369	764	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
- Interest rate swaps	(B)	11,880,000	-	-	-	51,104	158,483	70,690
		11,880,000	-	-	-	51,104	158,483	70,690
Total		13,038,040	5,281,688	(24,657)	45,369	51,868	158,483	70,690

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

(B) Financial assets at amortised cost - Loans and advances to customers

(C) Financial assets at fair value through other comprehensive income

(D) Financial liabilities at amortised cost - Resources from credit institutions

(E) Financial liabilities at amortised cost - Resources from customers

(F) Financial liabilities at amortised cost - Non subordinated debt securities issued

(G) Financial liabilities at amortised cost - Subordinated debt

As at 31 December 2018, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
- Interest rate swaps	(D)	n.a.	2,870		n.a.	n.a.
		n.a.	2,870		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	23,004	-
		-	-		23,004	-
Total		-	2,870		23,004	-

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2017, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons: Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
- Interest rate swaps	(D)	n.a.	(4,833)		n.a.	n.a.
		n.a.	(4,833)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	26,586	-
		-	-		26,586	-
Total		-	(4,833)		26,586	-

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2018, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

Type of hedging	Remaining period: Up to 3 months	3 months to 1 year	Over 1 year	Total	Fair value: Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	24,500	2,738,774	2,763,274	12,372	60,882
Fixed interest rate (average)		3.44%	1.31%	1.34%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

As at 31 December 2017, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

Type of hedging	Remaining period: Up to 3 months	Remaining period: 3 months to 1 year	Remaining period: Over 1 year	Remaining period: Total	Fair value: Assets	Fair value: Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	5,288	6,434,440	6,439,728	17,060	53,401
Fixed interest rate (average)		4.00%	0.72%	0.72%		
Others	450,000	-	-	450,000	-	12,899
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	12,050,000	12,050,000	1,744	46,052
Total derivatives traded by:						
OTC Market	450,000	5,288	18,484,440	18,939,728	18,804	112,352

Operational Risk

The operational risk management system adopts the “3 Lines of Defence” model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the Bank have their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day processes’ management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Office is part of the 2nd Line of Defence and is responsible for implementing the risk policies defined for the Group, for developing and proposing methodologies for managing this risk, for supervising their implementation and for challenging the 1st Line of Defence regarding the risk levels incurred, reporting to the Operational Risk and Internal Control Monitoring Committee.

In 2018, the usual operational risk management activities continued to be carried out by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group’s management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors (“negative pledge”). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group’s participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.