Accounts and notes to the 2018 individual accounts

SEPARATE INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
Interest and similar income	2	950,530	1,013,310
Interest expense and similar charges	2	(171,625)	(219,101)
NET INTEREST INCOME		778,905	794,209
Dividends from equity instruments	3	223,351	73,197
Net fees and commissions income	4	448,473	433,256
Net gains / (losses) from foreign exchange	5	24,512	51,279
Net gains / (losses) from hedge accounting operations	5	1,364	(14,836)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(48,382)	(10,273)
Net gains / (losses) from financial operations at fair value through profit or	5	(39,289)	(350)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	12,895	n.a.
Net gains / (losses) from financial assets available for sale	5	n.a.	116,565
Other operating income / (loss)	6	(36,673)	(25,699)
TOTAL OPERATING INCOME		1,365,156	1,417,348
Staff costs	7	376,879	325,409
Other administrative costs	8	229,887	235,803
Amortisations and depreciations	9	32,441	28,993
TOTAL OPERATING EXPENSES		639,207	590,205
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		725,949	827,143
Impairment for financial assets at amortised cost	10	(387,155)	(533,296)
Impairment for financial assets at fair value through other comprehensive income	11	788	n.a.
Impairment for financial assets available for sale	11	n.a.	(70,310)
Impairment for other assets	12	(214,591)	(132,597)
Other provisions	13	(60,544)	(50,491)
NET OPERATING INCOME		64,447	40,449
Gains / (losses) arising from sales of subsidiaries and other assets	14	30,929	21,419
NET INCOME / (LOSS) BEFORE INCOME TAXES		95,376	61,868
Income taxes			
Current	28	(3,199)	(2,489)
Deferred	28	(32,910)	58,642
NET INCOME FOR THE YEAR		59,267	118,021
Earnings per share (in Euros)			
Basic	15	0.004	0.009
Diluted	15	0.004	0.009

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
NET INCOME FOR THE YEAR		59,267	118,021
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		2,514	n.a.
Reclassification of (gains) / losses to profit or loss		(12,895)	n.a.
Available-for-sale financial assets			
Gains / (losses) for the year		n.a.	292,449
Reclassification of (gains) / losses to profit or loss		n.a.	(116,565)
Financial assets held to maturity instruments			
Gains / (losses) for the year		n.a.	252
Cash flows hedging			
Gains / (losses) for the year		87,464	(51,124)
Fiscal impact		(24,127)	(37,436)
		52,956	87,576
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the year		(959)	n.a.
Changes in credit risk of financial liabilities at fair value through profit or loss		2,193	n.a.
Actuarial gains / (losses) for the year	46	(97,406)	28,899
Fiscal impact		(8,286)	(44,741)
		(104,458)	(15,842)
Other comprehensive income / (loss) for the year		(51,502)	71,734
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,765	189,755

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Notes	2018	2017 (*)
ASSETS			
Cash and deposits at Central Banks	16	1,682,922	1,291,663
Loans and advances to credit institutions repayable on demand	17	186,477	156,460
Financial assets at amortised cost			
Loans and advances to credit institutions	18	2,044,730	1,254,472
Loans and advances to customers	19	30,988,338	31,349,425
Debt securities	20	2,641,291	2,007,520
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	695,752	770,639
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,589,899	n.a.
Financial assets designated at fair value through profit or loss	21	33,034	142,336
Financial assets at fair value through other comprehensive income	21	6,996,892	n.a.
Financial assets available for sale	21	n.a.	6,692,982
Financial assets held to maturity	22	n.a.	342,785
Hedging derivatives	23	92,891	18,804
Investments in subsidiaries and associated companies	24	3,147,973	3,370,361
Non-current assets held for sale	25	1,252,654	1,480,112
Other tangible assets	26	220,171	217,101
Intangible assets	27	29,683	21,409
Current tax assets		18,375	7,208
Deferred tax assets	28	2,782,536	3,018,508
Other assets	29	946,549	1,434,731
TOTAL ASSETS		55,350,167	53,576,516
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	30	8,372,537	7,825,051
Resources from customers	31	34,217,917	32,135,035
Non subordinated debt securities issued	32	1,198,767	1,440,628
Subordinated debt	33	825,624	1,021,541
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	34	295,695	381,380
Financial liabilities at fair value through profit or loss	35	3,603,647	3,843,645
Hedging derivatives	23	68,486	112,352
Provisions	36	313,868	269,057
Current tax liabilities		1,620	1,269
Other liabilities	37	860,843	617,291
TOTAL LIABILITIES		49,759,004	47,647,249
EQUITY			
Share capital	38	4,725,000	5,600,738
Share premium	38	16,471	16,471
Other equity instruments	38	2,922	2,922
Legal and statutory reserves	39	264,608	252,806
Reserves and retained earnings	40	522,895	(61,691)
Net income for the year		59,267	118,021
TOTAL EQUITY		5,591,163	5,929,267
		55,350,167	53,576,516

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	2018	2017 (*)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	879,972	980,099
Commissions received	601,125	557,616
Fees received from services rendered	57,851	53,230
Interests paid	(183,261)	(227,797)
Commissions paid	(102,213)	(96,479)
Recoveries on loans previously written off	9,371	14,067
Payments (cash) to suppliers and employees	(699,393)	(646,999)
Income taxes (paid) / received	(1,014)	2,073
	562,438	635,810
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(792,579)	241,224
Loans and advances to customers receivable / (granted)	(433,205)	136,278
Short term trading account securities	25,050	28,689
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	58,957	64,665
Deposits from credit institutions with agreed maturity date	511,420	(1,969,719)
Loans and advances to customers repayable on demand	2,637,611	2,240,921
Deposits from customers with agreed maturity date	(848,892)	(1,089,194)
	1,720,800	288,674
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	99,000	714,111
Acquisition of shares in subsidiaries and associated companies	(47,000)	(649,734)
Dividends received	223,351	73,197
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	63,314	n.a.
Sale of financial assets at fair value through other comprehensive income and at amortised cost	5,043,584	n.a.
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(8,744,413)	n.a.
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,609,212	n.a.
Interest income from financial assets available for sale and financial assets held to maturity	n.a.	88,673
Sale of financial assets available for sale and financial assets held to maturity	n.a.	5,970,593
Acquisition of financial assets available for sale and financial assets held to maturity	n.a.	(6,676,995)
Maturity of financial assets available for sale and financial assets held to maturity	n.a.	363,497
Acquisition of tangible and intangible assets	(46,750)	(45,196)
Sale of tangible and intangible assets	97	883
Decrease / (increase) in other sundry assets	520,059	(160,425)
	(1,279,546)	(321,396)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	-	300,000
Reimbursement of subordinated debt	(91,460)	(701,920)
Issuance of debt securities	379,962	1,139,682
Reimbursement of debt securities	(437,711)	(1,680,978)
Issuance of commercial paper and other securities	23,204	188,076
Reimbursement of commercial paper and other securities	(108,930)	(9,674)
Share capital increase	-	1,295,148
Increase / (decrease) in other sundry liabilities	214,957	(152,817)
	(19,978)	377,517
Net changes in cash and equivalents	421,276	344,795
Cash (note 16)	337,534	335,912
Deposits at Central Banks (note 16)	954,129	454,821
Loans and advances to credit institutions repayable on demand (note 17)	156,460	312,595
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,448,123	1,103,328
Cash (note 16)	355,745	337,534
Deposits at Central Banks (note 16)	1,327,177	954,129
Loans and advances to credit institutions repayable on demand (note 17)	186,477	156,460
CASH AND EQUIVALENTS AT THE END OF THE YEAR	1,869,399	1,448,123

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 52).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	2,922	245,875	(151,849)	69,308	4,451,545
Net income for the year	-	-	-	-	-	118,021	118,021
Other comprehensive income	-	-	-	-	71,734	-	71,734
TOTAL COMPREHENSIVE INCOME	-	-	-	-	71,734	118,021	189,755
Results aplications:							
Legal reserve (note 39)	-	-	-	6,931	-	(6,931)	-
Transfers for Reserves and retained earnings	-	-	-	-	62,377	(62,377)	-
Share capital increase (note 38)	1,331,920	-	-	-	-	-	1,331,920
Costs related to the share capital increase	-	-	-	-	(36,772)	-	(36,772)
Tax related to costs arising from the share capital increase (a)	-	-	-	-	(8,264)	-	(8,264)
Other reserves	-	-	-	-	1,083	-	1,083
BALANCE AS AT 31 DECEMBER 2017 (*)	5,600,738	16,471	2,922	252,806	(61,691)	118,021	5,929,267
Transition adjustments IFRS 9 (note 52)							
Gross value	-	-	-	-	(174,559)	-	(174,559)
Taxes	-	-	-	-	(170,648)	-	(170,648)
	-	-	-	-	(345,207)	-	(345,207)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	2,922	252,806	(406,898)	118,021	5,584,060
Net income for the year	-	-	-	-	-	59,267	59,267
Other comprehensive income	-	-	-	-	(51,502)	-	(51,502)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(51,502)	59,267	7,765
Results aplications:							
Legal reserve (note 39)	-	-	-	11,802	-	(11,802)	-
Transfers for Reserves and retained earnings	-	-	-	-	106,219	(106,219)	-
Share capital reduction (note 38)	(875,738)	-	-	-	875,738	-	-
Costs related to the share capital increase	-	-	-	-	(41)	-	(41)
Dividends from other equity instruments	-	-	-	-	(149)	-	(149)
Merger reserve (Enerparcela and Sadamora)	-	-	-	-	(472)	-	(472)
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	2,922	264,608	522,895	59,267	5,591,163

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 52).

(a) Includes the derecognition of deferred taxes related to tax losses from previous years associated to costs arising from the share capital increase

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

1. Accounting Policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these separate financial statements reflect the results of the operations of the Bank for the years ended 31 December 2018 and 2017.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Bank's separate financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'), since 2016. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The separate financial statements presented were approved on 23 April 2019 by the Bank's Board of Directors. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to current version.

The separate financial statements for the year ended 31 December 2018 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

These separate financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

A1. Comparative information

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2018. The accounting policies are consistent with those used in the preparation of the financial statements of the previous period, except for the changes resulting from the adoption of the following standards with reference to January 1, 2018: IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customers. IFRS 9 has replaced IAS 39 - Financial Instruments - Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements.

The requirements presented by IFRS 9 are generally applied retrospectively by adjusting the opening balance sheet to the date of initial application (1 January 2018). The impacts arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed in note 52. No significant impacts on the separate financial statements related to the adoption of IFRS 15 were found.

The reconciliation between the balance sheet balances as at 31 December 2017 and the balance sheet balances as at 1 January 2018, in accordance with IFRS 9, is detailed in note 52. The balances included in the financial statements for 31 December 2017 are presented exclusively for comparative purposes.

The Bank's financial statements are prepared under the going concern assumption and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, on the advice of the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1.Y.

B. Financial instruments (IFRS 9)

As described in note A. Basis of Presentation, the Bank adopted IFRS 9 - Financial Instruments on 1 January 2018, replacing IAS 39 - Financial Instruments: Recognition and Measurement, which was in force until 31 December 2017. The Bank did not adopt any of the requirements of IFRS 9 in prior periods.

As permitted by the transitional provisions of IFRS 9, the Bank chose not to restate the comparative balances of the previous period. All the adjustments to the book values of the financial assets and liabilities at the transition date were recognised in shareholders' equity with reference to 1 January 2018. Consequently, the changes occurred in the information disclosed in the notes to the financial statements arising from the amendments to IFRS 7, following the adoption of IFRS 9, were applied only to the current reporting period. The information included in the notes to the financial statements for the comparative period corresponds to what was disclosed in the previous period.

The accounting policies in force after the adoption of IFRS 9 on 1 January 2018 applicable to the Bank's separate financial statements as at 31 December 2018, are described below. The accounting policies applicable to the comparative period (in IAS 39) are described in Note 1.C

B1. Financial assets

B1.1. Classification, initial recognition and subsequent measurement

At the initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

- the Bank's business model for the management of the financial asset; and
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Bank carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is available to the management. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or in the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
-the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers – e.g. in which way the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- the frequency, volume and sales periodicity in previous periods, the reasons for those sales and the expectations about future sales. However, sales information should not be considered singly but as part of an overall assessment of how the Bank establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC) nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Bank considered that:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Bank to claim cash flows in relation to specific assets (e.g. contracts with – terms which prevent access to assets in case of default - non-recourse asset); and
- characteristics that may change the time value of money.

In addition, an advanced payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and
- the prepaid fair value is insignificant at initial recognition.

B1.1. 1. Financial assets at amortized cost

Classification

A financial asset is classified under the category "Financial assets at amortized cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortized cost" category includes Loans and advances to credit institutions, Loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and Loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Bank accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note B1.5), which are recorded in "'Impairment of financial assets measured at amortised cost".

Interest on financial assets at amortized cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note B3.

Gains or losses generated at the time of derecognition are recorded in the caption "Gains / (losses) with derecognition of financial assets and liabilities at amortised cost".

B1.1. 2. Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
- the contractual cash flows occurs on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution is recognised by an acquirer in a business combination which applies IFRS 3, the Bank may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement "Gains or losses on derecognition of financial assets at fair value through other comprehensive income."

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note B1.5.). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against Other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income" based on the effective interest rate method and in accordance with the criteria described in note B3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. The changes in the fair value of these financial assets are recorded against Other comprehensive income. Dividends are recognised in profit or losses when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recorded in fair value changes are transferred to retained earnings at the time of their derecognition.

B1.1. 3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Bank for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Bank may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

The Bank classified "Financial assets at fair value through profit and loss" in the following captions:

a) Financial assets held for trading

These financial assets are acquired with the purpose of short term selling; on the initial recognition are part of an identified financial instruments portfolio that are managed together and for which there is evidence of short-term profit-taking; or are a derivative (except for hedging derivative).

b) Financial assets not held for trading mandatorily at fair value through profit or loss

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) Financial assets designated at fair value through profit or loss

This item includes the financial assets that the Bank has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit or loss at the initial moment, with subsequent changes in fair value recognised in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised in "Net interest income" based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit or losses when the right to receive them is attributed.

Trading derivatives with a positive fair value are included under the heading "Financial assets held for trading", trading derivatives with negative fair value are included in "Financial liabilities held for trading".

B1.2. Reclassification between categories of financial assets

Financial assets should be reclassified to other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification, and any gains, losses (including related to impairment) or interest previously recognised should not be restated.

Reclassifications of investments in equity instruments measured at fair value through other comprehensive income, or financial instruments designated at fair value through profit or loss, are not permitted.

B1.3. Modification and derecognition of financial assets

General principles

i) The Bank shall derecognise a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset as set out in notes ii) and iii) bellow and the transfer qualifies for derecognition in accordance with note iv).

ii) The Bank transfers a financial asset if, and only if, it either:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in note iii).

iii) When the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the Bank shall treat the transaction as a transfer of a financial asset if all of the following three conditions are met:

- There is no obligation of the Bank to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
- The Bank is contractually prohibited from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- The Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Bank transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Bank transfers substantially all the risks and rewards of ownership of the financial asset, shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Bank retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset.

- if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset. In this case:

a) if the Bank has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
b) if the Bank has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

v) The transfer of risks and rewards (see prior note) is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Bank has retained control (see note iv above) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.

Derecognition criteria

In the context of the general principles listed in the prior section and considering that contract modification processes may lead in some circumstances to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification) the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Bank considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and on recognition of a new transaction when the modification translates into at least one of the following conditions:

- Origination of a new exposure that results from a debt consolidation, without any of the derecognised instruments have a nominal amount higher than 90% of the nominal amount of the new instrument;
- Double extension of residual maturity, provided that the extension is not shorter than 3 years compared with the residual maturity at the moment of the modification;
- Increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- Change in qualitative features, namely:

a) change of the currency unless the exchange rate between the old and new currencies is pegged or managed within narrow bounds by law or relevant monetary authorities;
b) deletion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be the exercised over its term;
c) Transfer of the credit risk of the instrument to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

The Bank write off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Bank prove to be fruitless. Loans written off are recorded in off-balance sheet accounts.

B1.4. Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note B1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses (ECL's) are incorporated into the calculation of the effective interest rate (EIR). Consequently, at initial recognition, the gross book value of POCI (initial balances) is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

The Bank recognises impairment losses for expected credit losses on financial instruments recorded in the following accounting items:

B1.5.1. 1. Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the balance "Impairment for financial assets at amortised cost" (in statement of income).

B1.5.1. 2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in statement of income under "Impairment for financial assets at fair value through other comprehensive income", against other comprehensive income (do not reduce the balance sheet of these financial assets).

B1.5.1. 3. Credit commitments, documentary credits and financial guarantees

Impairment losses associated with credit commitments, documentary credits and financial guarantees are recognised in liabilities, under the balance "Provisions for guarantees and other commitments", against "Other provisions" (in statement of income).

B1.5.2. Classification of financial instruments by stages

Changes in credit risk from the initial recognition

	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

The Bank determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: are classified in this stage the operations in which there is no significant increase in credit risk since its initial recognition. Impairment losses associated with operations classified at this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses).

- Stage 2: are classified in this stage the operations in which there is a significant increase in credit risk since its initial recognition (note B1.5.3) but are not impaired (note B1.5.4). Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses).

- Stage 3: are classified in this stage the impaired operations. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

B1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria. These criteria are mainly based on the risk grades of customers in accordance with the Bank's Rating Master Scale and its evolution in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers behaviour towards the financial system.

B1.5.4. Definition of financial assets in default and impaired

Customers who meet at least one of the following criteria are considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with financial difficulties restructured operations for which it is registered at the time of restructuring a higher economic loss to Euros 5 million or 20% of total exposure;
g) Customers with restructured operations by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its the credit operations;
h) Customers that have a recurrence of operations restructured due to financial difficulties within 24 months from the default resulting from the previous restructuring. If, from the previous restructuring, it did not result in default, the 24 months count from the previous restructuring;
i) Customers whose part or all of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that results from balance sheet management decision and not from disposal of problem loans);
j) Customers taking place a new sale with loss, regardless of the amount, during a period of 24 months as from the triggering of the previous sale;
k) Guarantors of operations overdue with more than 90 days above the defined materiality, since that the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Customers are considered to have objective signs of impairment (i.e. Impaired):

i) Customers in default, i.e. marked as grade 15 on the Bank's Rating Master Scale;
ii) Customers who submitted to a questionnaire for analysis of financial difficulties indications are considered with objective signs of impairment;
iii) Customers whose contracts values are due for more than 90 days, represent more than 20% of its total exposure in the balance sheet;
iv) The Non-Retail customers with one or more contracts in default for more than 90 days and whose total overdue amount exceeds Euros 500;
v) The Retail customers contracts in default for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) Contracts restructured due to financial difficulties in default for more than 30 days and in which the overdue amount exceeds Euros 200.

B1.5.5. Estimates of expected credit losses - Individual analysis

1. Clients who are in one of the following conditions are subject to individual analysis:

Customers in default	Customers in litigation or insolvency since the total exposure of the group members in these situations exceed Euros 1 million
	Customers integrated into groups with an exposure of more than Euros 5 million, since they have a risk grade15
Groups or Customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or Customers with exposure of more than Euros 5 million since a group member has a risk grade14
	Groups or customers with exposure of more than 5 million euros, since a member of the Group have a restructured loan and a risk grade 13
	Groups or customers with exposure of more than Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers, not included in the preceding paragraphs, the exposure exceeds Euros 25 million.

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure in excess of Euros 500,000, not considering customers with exposure below this limit for the purpose of determining the exposure referred to in the previous point.

3. Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or
ii) According to recent information, show a significant deterioration in risk levels; or
iii) are Special Purpose Vehicle (SPV);

4. The individual analysis includes the following procedures:

- For customers not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in Stage 2 given the occurrence of a significant increase in credit risk, considering the effect a set of predetermined signs
- For customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the managing director of customers and the Credit Department, the latter with respect to the customers managed by the Commercial Networks.

Impairment losses on individually assessed loans were determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Bank assessed, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors were considered:

- Bank's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the Customer's liabilities.

8. The recovery estimate referred to in the previous point should be influenced by future prospects (forward looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty as to the expected recovery estimate are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

-For Going Concern strategies (i.e. the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one account.
-For "Gone Concern" strategies (i.e. the recovery estimate is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimates to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- Recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- Recovery of debt related to geographies in which there is a strong political instability;
- Recovery of non-real estate collateral for which there is no evidence of market liquidity;
- Recovery of related collateral or government guarantees in a currency other than the country's own;
- Recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the Customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this Customer.

B1.5.6. Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped considering their risk characteristics and subject to a collective impairment analysis. The Bank's credit portfolio is divided by internal risk grades and according to the following segments:

a) Segments with a reduced history of defaults, designated "low default": Large corporate exposures, Project finance, Institutions (banks / financial institutions) and Sovereigns.

b) Segments not "low default": - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ("SME Retail"); and others. - Corporate: Small and medium enterprises - Corporate ("Large SME"); and Real Estate.

The Bank performs statistical tests in order to prove the homogeneity of the segments mentioned above, with a minimum period of one year:

Expected credit losses are estimates of credit losses that are determined as follows:

- Financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive;
- Financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- Unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the Bank expects to receive;
- Financial guarantees: the current value of the expected repayments less the amounts that the Bank expects to recover.

The main inputs used to measure ECLs on a collective basis should include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, considering the already existing regulatory models adapted to the requirements of IFRS 9.

PDs are estimated based on a certain historical period and will be calculated based on statistical models. These models are based on internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the estimate of the associated PD will also vary. The PDs will be calculated considering the contractual maturities of exposures.

The risk grades are a highly relevant input for determining the PD's associated with each exposure.

Bank collects performance and default indicators about their credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The Bank estimates the LGD parameters based on the historical recovery rates after entry into counterparty defaults. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The Bank obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Bank will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Bank has the right to require payment or end the commitment or guarantee.

The Bank adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioural models of this type of products applied by the Bank in the liquidity risk and interest rate (ALM) analysis. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The Bank uses models to forecast the evolution of the most relevant parameters to the expected credit losses, namely probability of default, which incorporate forward-looking information. This incorporation of forward looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

The PD point in time considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

B2. Financial liabilities

B2.1. Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss.

B2.1.1. Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative (except for a derivative classified as hedging instrument).

b) Financial liabilities designated at fair value through profit or loss.

The Bank may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- the financial liability is managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Bank in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

B2.1.2. Financial guarantees

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:

- the provision for losses determined according to the criteria described in note B1.5;
- the amount initially recognised deducted, where appropriate, from the accumulated amount of income recognised according with IFRS 15 - Revenue recognition.

Financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

B2.1.3. Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial assets at amortised cost" includes Resources from credit institutions, Resources from customers and subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortized cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortized cost. Interests on financial liabilities at amortized cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

The Bank derecognises financial liabilities when they are cancelled or extinct.

B3. Interest Recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interests income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortized cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering stage 3 interests are recognised on the amortized cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

B4. Hedge accounting

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements set forth in IAS 39.

The Bank designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Bank. A hedge relationship exists when:

at the inception of the hedge there is formal documentation of the hedge;
the hedge is expected to be highly effective;
the effectiveness of the hedge can be reliably measured;
the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

B4.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of hedged risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

B4.2. Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

B4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, effectiveness has to be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

B4.4. Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

B5. Embedded Derivatives

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument.

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note B1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately where the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

C. Financial instruments (IAS 39)

The Bank's separate financial statements for the year 2017 were prepared in accordance with IAS 39 - Financial instruments - Recognition and measurement, as follows:

C1. Loans and advances to customers

The balances Loans and advances to customers included loans and advances originated by the Bank which were not intended to be sold in the short term and were recognised when cash was advanced to customers.

The derecognition of these assets occurred in the following situations: (i) the contractual rights of the Bank have expired; or (ii) the Bank transferred substantially all the associated risks and rewards.

Loans and advances to customers were initially recognised at fair value plus any directly attributable transaction costs and fees and were subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

C1.1. Impairment

The Bank’s policy consisted in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified were charged against results and subsequently, if there was a reduction of the estimated impairment loss, the charge was reversed against results, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, could be classified as impaired when there was an objective evidence of impairment as a result of one or more events and when these have an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there were two methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

Individually assessed loans

Impairment losses on individually assessed loans were determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Bank assessed, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors were considered:

- Bank’s aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer’s business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to which loan;
- a significant downgrading in the customer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

Impairment losses were calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans was presented in the balance sheet net of impairment loss. For loans with a variable interest rate, the discount rate used corresponded to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that were not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics and assessed collectively.

Collective assessment

Impairment losses were calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that were not considered individually significant; or
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment was identified (see last paragraph C1.1).

The collective impairment loss was determined considering the following factors:

- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level;
- the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Bank.

Loans, for which no evidence of impairment has been identified, were grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allowed the Bank's recognition of losses whose identification in individual terms only occurs in future periods.

Loans and advances to customers were written-off when there is no realistic expectation, from an economic perspective, and for collateralised loans when the funds from the realization of the collateral have already been received, by the use of impairment losses when they correspond to 100% of the credits value considered as non-recoverable.

C2. Financial instruments

C2.1 Classification, initial recognition and subsequent measurement

Financial assets were recognised on the trade date, thus, in the date that the Bank commits to purchase the asset and were classified considering the intent behind them, according to the categories described below:

C2.1.1. Financial assets and liabilities at fair value through profit and loss

C2.1.1.1. Financial assets and liabilities held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, those which were part of a financial instruments portfolio and for which there was evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) were classified as trading. The dividends associated to these portfolios were accounted in "Net gains / (losses) on financial operations".

The interest from debt instruments were recognised as net interest income.

Trading derivatives with a positive fair value were included in “Financial assets held for trading” and the trading derivatives with negative fair value were included in "Financial liabilities held for trading".

C2.1.1.2. Other financial assets and liabilities at fair value through profit and loss (“Fair Value Option”)

The Bank adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Bank's credit risk related to financial liabilities accounted under the Fair Value Option were disclosed in “Net gains / (losses) on financial operations” (note 5).

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) could be performed whenever at least one of the following requirements was fulfilled:

- the financial assets and liabilities were managed, evaluated and reported internally at its fair value;
- the designation eliminated or significantly reduced the accounting mismatch of the transactions;
- the financial assets and liabilities included derivatives that significantly changed the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Bank in the normal course of its business were in market conditions, the financial instruments at fair value through profit or loss (assets and liabilities) were recognised initially at their fair value, with the costs or income associated with the transactions recognised in results at the initial moment, with subsequent changes in fair value recognized in profit or loss. Patrimonial variations in the fair value were recorded in "Net gains / (losses) on financial operations" (note 5). The accrual of interest and the premium / discount (when applicable) was recognised in "Net interest income" based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category.

C2.1.2. Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Bank, namely bonds, treasury bills or shares, were classified as available for sale, except if they were classified in another category of financial assets. The financial assets available for sale were initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale were subsequently measured at fair value. The changes in fair value were accounted for against "Fair value reserves". On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves were recognised under "Net gains / (losses) arising from available for sale financial assets" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments was recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends were recognised in profit and losses when the right to receive the dividends is attributed.

C2.1.3. Financial assets held-to-maturity

The financial assets held-to-maturity included non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Bank had the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets were initially recognised at fair value and subsequently measured at amortised cost. The interest was calculated using the effective interest rate method and recognised in Net interest income. The impairment was recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that did not occur close to the maturity of the assets, or if it was not framed in the exceptions stated by the rules, would require the Bank to reclassify the entire portfolio as Financial assets available for sale and the Group would not be allowed to classify any assets under this category for the following two years.

C2.1.4. Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that were not quoted in a market and which the Bank did not intend to sell immediately or in a near future, should be classified in this category.

In addition to loans granted, the Bank recognised in this category unquoted bonds and commercial paper. The financial assets recognised in this category were initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs were included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method were recognised in Net interest income.

The impairment losses were recognised in profit and loss when identified.

C2.1.5. Other financial liabilities

Other financial liabilities were all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category included money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities were initially recognised at fair value and subsequently at amortised cost. The related transaction costs were included in the effective interest rate. The interest calculated at the effective interest rate was recognised in "Net interest income".

The financial gains or losses calculated at the time of repurchase of other financial liabilities were recognised as "Net gains / (losses) from trading and hedging activities", when occurred.

C2.2. Impairment

At each balance sheet date, an assessment was made of the existence of objective evidence of impairment. A financial asset or group of financial assets were impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Bank's policies, 30% depreciation in the fair value of an equity instrument was considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) was removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increased and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss was reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, was recognised as a gain in fair value reserves when it occurs (there is no reversal in profit and losses).

C2.3. Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative were not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives were classified as trading and recognised at fair value with changes through profit and loss.

C2.4. Reclassification between categories of financial instruments

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Financial assets held-to-maturity, as long as they were no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), if some requirements were met. The Bank adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss (Fair value option) were prohibited.

C2.5. Interest Recognition

Interest income and expense for financial instruments measured at amortised cost were recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method were also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimated future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation included all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

For financial asset or a group of similar financial assets for which impairment losses were recognised, interest income was recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically, regarding the accounting policy for interest on overdue loans' portfolio, the following aspects were considered:

- interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there was a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that were not covered by collaterals were written-off from the Bank's financial statements and were recognised only when received, in accordance with IAS 18, on the basis that its recoverability was considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component is recognised under interest income or expense (Net interest income).

D.Securitization operations

D1. Traditional securitizations

The Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 and No.4) which portfolios were accounted derecognized of the balance of the Bank, as the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a Special Purpose Entities (SPE or SPV) with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

D2. Synthetic securitizations

The Bank has two synthetic operations. Caravela SME No.3, which operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the Bank and dividends are paid at the discretion of the Bank.

Income from equity instruments (dividends) are recognised when the obligation to pay is established and are deducted to equity.

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

F2. Repurchase agreements

The Bank performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

G. Investments in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in the Bank's financial statements at its historical cost less any impairment losses.

Subsidiaries are entities controlled by the Bank (including structure entities and investment funds). The Bank controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity and is able to take possession of those results through the power it holds over the relevant activities of that entity (de facto control).

Investments in associates

Associates are those entities in which the Bank has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:
- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

The recoverable amount of the investments in subsidiaries and associates is assessed annually, with reference to the end of the year or whenever exists any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

H. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. In order for the sale to be considered highly probable, the Bank must be committed to a plan to sell the asset (or disposal group) and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Bank remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

H1. Non-operating real estate (INAE)

The Bank also classifies non-current assets held for sale the non-operating real estate (INAE), which include properties acquired by the Bank as a result of the resolution of customer credit processes, as well as own properties that are no longer used by the Bank's services.

At the time of acquisition, real estate classified as INAE is recognised at the lower of the value of the loans existing on the date on which the recovery occurs or the judicial decision is formalised, and the fair value of the property, net of estimated costs for sale. Subsequent measurement of INAE is made at the lower of their book value and the corresponding fair value, net of the estimated costs for their sale and are not subject to amortization. Impairment losses are recorded in the results of the period in which they arise.

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the CMVM.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognized in the Bank's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

If the net fair value of the selling costs of an INAE, after recognition of impairment, indicates a gain, the Bank may reflect that gain up to the maximum of the impairment that has been recorded on that property.

I. Lease transactions

In accordance with IAS 17, the lease transactions are classified as financial whenever their terms transfer substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases are classified as operational. The classification of the leases is done according to the substance and not the form of the contract.

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, are measured in accordance with the accounting policy defined in note 1H).

I2. Operational leases

At the lessee's perspective, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract is evidenced in its balance sheet.

J. Recognition of income from services and commissions

Income from services and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

K. Net gains / (losses) from financial operations at fair value through profit or loss, Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting, Net gains / (losses) from derecognition of assets and liabilities at amortised cost and Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Bank's separate financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

M. Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred under the principle of accrual-based accounting.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other tangible assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of theuseful life. The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

N. Investment property

Real estate properties owned by the Bank are recognised as Investment properties considering that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as "Other operating income / (losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

O. Intangible assets

O1. Research and development expenditure

The Bank does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Bank accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Bank does not capitalise internal costs arising from software development.

P. Cash and equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

Q. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Bank intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Bank, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified and iii) the reason for the reclassification.

R. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. Defined benefit plans

The Bank has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Bank had assumed the responsibility, if certain conditions were verified in each year, of assigning complementary benefits to the Bank's employees hired before 21 September, 2006 (Complementary Plan). The Bank at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP ("Instituto de Seguros de Portugal" - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Bank with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Bank also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law No. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labour Agreement.

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension 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 considering 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".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the two unions that represented the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with the " Sindicato dos Bancários do Norte”" ("SBN"), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, and the subsequent update of a further month for each year, at the beginning of each calendar year, and can not, in any case, be higher than which it is in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and a new benefit called the End of career premium that replaces the Seniority premium.

These changes described above were framed by the Bank as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs ".

In 2017, after the authorization of the Autoridade de Supervisão de Seguros e Fundos de Pensões (“ASF”, the Portuguese Insurance and Pension Funds Supervision Authority), the BCP group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits and also to pass to the pension fund, the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of career premium also became the responsibility of the pension fund under the basic pension plan.

The Bank’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Bank’s net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group’s obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income / cost of interests with the pension plan is calculated, by the Bank, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under "Other comprehensive income".

The Bank recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and descendants for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Bank company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

S2. Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Bank's employees are recognised as expenses when incurred.

As at 31 December 2018, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the 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.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank 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.

S3. Share based compensation plan

As at 31 December 2018 there are no share based compensation plans in force.

S4. Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

T. Income taxes

The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code ("CIRC"), the Special Regime applicable to Deferred Tax Assets approved by Law No. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Bank, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In 2016, the Bank adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2017 and 2018, the RETGS application was maintained.

U. Segmental reporting

The Bank adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating and geographic segments. A business segment is a Bank's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

Taking into consideration that the separate financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, the Bank is dismissed to present separate information regarding Segmental Reporting.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Bank registers a contingent liability when:

(a) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

(b) a present obligation that arises from past events but is not recognised because:
i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
ii) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

W. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

X. Insurance or reinsurance intermediation services

The Banco Comercial Português is an entity authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law No. 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the Bank performs the sale of insurance contracts. As compensation for services rendered for insurance intermediation, receives commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established with the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which receipt occurs at different time period to which it relates are subject to registration as an amount receivable in "Other Assets".

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee, to apply judgments and to make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Bank's reported results would differ if a different treatment was chosen. The Executive Committee, believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Y1. Income taxes

Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation of the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation of the tax legislation.

The taxable profit or tax loss reported by the Bank or its subsidiaries located in Portugal can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Bank recorded provisions or deferred tax liabilities in the amount deemed adequate to face corrections to tax or to tax losses carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the Portuguese tax authorities.

The specific rules regarding the tax regime for impairment for loans and advances to customers and provisions for guarantees for the tax periods beginning on or after 1 January 2019 are not defined, since the reference to the Bank of Portugal Notice No. 3/95, provided for in Regulatory Decree No. 13/2018, of 28 December, is only applicable for the taxation period of 2018, and the regime applicable from 1 January 2019 has not yet been defined.

In the projections of future taxable income, namely for the purposes of the analysis of recoverability of deferred tax assets carried out with reference to 31 December 2018, the tax rules in force in 2018 were taken into consideration, identical to those in force in the periods of 2015, 2016 and 2017, and that by means of Decree-Laws published at the end of each of those years, established that the limits set forth in Bank of Portugal Notice No. 3/95 and other specific rules should be considered for the purposes of calculating the maximum amounts of losses for tax purposes.

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

Y2. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

Y3. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields 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.

Y4. Financial instruments – IFRS 9

Y4.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Bank monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Bank of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

Y4.2. Impairment losses on financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimates regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in stages 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers qualitative and quantitative information, reasonable and sustainable.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Bank monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

Definition of the number and relative weight of prospective information for each type of product / market and determination of relevant prospective information:

In estimating expected credit losses, the Bank uses reasonable and sustainable forecasting information that is based on assumptions about the future evolution of different economic drivers and how each of the drivers impacts the remaining drivers.

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated on the basis of historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimate in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The calculation of the estimate of loss given default based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Y4.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which considers the market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different results from the ones reported.

Y5. Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Bank.

Z. Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and / or unfavourable events occurring between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurring after the date of the statement of financial position that are not considered as adjustable events, if significant, are disclosed in the notes to the separate financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(1,213)	(916)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	18,568	16,800
Loans and advances to customers	772,993	817,562
Debt instruments	46,593	48,478
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,611	2,685
Derivatives associated to financial instruments at fair value through profit or loss	14,149	15,865
Financial assets not held for trading mandatorily at fair value through profit or loss	5,900	n.a.
Financial assets designated at fair value through profit or loss	2,191	3,422
Interest on financial assets at fair value through other comprehensive income	47,540	n.a.
Interest on financial assets available for sale	n.a.	76,639
Interest on financial assets held to maturity	n.a.	7,172
Interest on hedging derivatives	34,532	20,518
Interest on other assets	7,666	5,085
	950,530	1,013,310
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(18,713)	(10,249)
Resources from customers	(58,908)	(66,788)
Non subordinated debt securities issued	(19,163)	(56,471)
Subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	-	(6,343)
Others	(39,775)	(40,735)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(3,242)	(5,223)
Financial liabilities at fair value through profit or loss		
Resources from customers	(13,175)	(13,113)
Non subordinated debt securities issued	(5,963)	(11,354)
Interest on hedging derivatives	(11,017)	(7,514)
Interest on other liabilities	(1,669)	(1,311)
	(171,625)	(219,101)
	778,905	794,209

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 36,122,000 (2017: Euros 35,511,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3 (2017: note 1 C2).

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 10,722,000 and 7.919.000 respectively (2017: Euros 30,426,000 and 6.175.000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3 (2017: nota 1 C2).

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 75,635,000 (2017: Euros 96,664,000) related to interest income arising from customers with signs of impairment.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt instruments include the amounts of Euros 31,026,000 (note 19) and Euros 211,000 (note 20), related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Dividends from financial assets through other comprehensive income	86	n.a.
Dividends from financial assets available for sale	n.a.	1,399
Dividends from subsidiaries and associated companies	223,265	71,798
	223,351	73,197

The balances Dividends from financial assets through other comprehensive income in 2018 and Dividends from financial assets available for sale in 2017 include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2018, the amounts of Euros 133,300,000, Euros 45,080,000, and Euros 22,945,000 related to the distribution of dividends from company BCP Investment B.V., the Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group) and the company Banco de Investimento Imobiliário, S.A., respectively. The balance Dividends from subsidiaries and associated companies includes as of 31 December 2017, the amounts of Euros 14,860,000, and Euros 4,444,000, related to the distribution of dividends from the company Banco de Investimento Imobiliário, S.A., and Interfundos Gestão de Fundos de Investimento Imobiliários, S.A., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Fees and commissions received		
From guarantees	47,263	50,303
From commitments	4,352	4,465
From banking services	325,093	287,714
From securities operations	62,486	61,002
From management and maintenance of accounts	94,830	92,503
From other commissions	27,937	25,737
	561,961	521,724
Fees and commissions paid		
From guarantees received provided by third parties	(8,006)	(8,087)
From banking services	(77,615)	(56,088)
From securities operations	(6,117)	(5,814)
From other commissions	(21,750)	(18,479)
	(113,488)	(88,468)
	448,473	433,256

The balance Fees and commissions received - From banking services includes the amount of Euros 81,143,000 (31 December 2017: Euros 77,812,000) related to insurance mediation commissions, as referred in note 47 C).

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	(118,428)	83,088
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(29,532)	n.a.
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	108,671	(83,438)
	(39,289)	(350)
Net gains / (losses) from foreign exchange	24,512	51,279
Net gains / (losses) from hedge accounting	1,364	(14,836)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(48,382)	(10,273)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	12,895	n.a.
Net gains / (losses) from financial assets available for sale	n.a.	116,565
	(48,900)	142,385

The balances Net gains / (losses) from financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	2018	2017
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	10,141	4,417
Equity instruments	947	913
Derivative financial instruments	231,942	412,200
Other operations	1,336	8,535
	244,366	426,065
Losses		
Debt securities portfolio	(6,408)	(1,109)
Equity instruments	(1,436)	(304)
Derivative financial instruments	(353,593)	(340,544)
Other operations	(1,357)	(1,020)
	(362,794)	(342,977)
	(118,428)	83,088
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	45,799	n.a.
Losses		
Debt securities portfolio	(75,331)	n.a.
	(29,532)	n.a.

(Thousands of euros)

	2018	2017
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	5,324	61
Debt securities issued		
Certificates and structured securities issued	127,029	51,114
Other debt securities issued	23,725	3,989
	156,078	55,164
Losses		
Debt securities portfolio	(6,404)	(4,329)
Resources from customers	-	(7,758)
Debt securities issued		
Certificates and structured securities issued	(40,265)	(124,426)
Other debt securities issued	(738)	(2,089)
	(47,407)	(138,602)
	108,671	(83,438)
	(39,289)	(350)

The balances Net gains / (losses) from foreign exchange, Net gains / (losses) from hedge accounting and Net gains / (losses) from derecognition of financial assets, liabilities at amortised cost and Net gains / (losses) from financial assets available for sale, are presented as follows:

(Thousands of euros)

	2018	2017
Net gains / (losses) from foreign exchange		
Gains	77,453	262,349
Losses	(52,941)	(211,070)
	24,512	51,279
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	66,430	93,653
Hedged items	21,338	7,373
	87,768	101,026
Losses		
Hedging derivatives	(81,917)	(98,772)
Hedged items	(4,487)	(17,090)
	(86,404)	(115,862)
	1,364	(14,836)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	5,289	13,093
Debt securities issued	25	361
	5,314	13,454
Losses		
Credit sales	(53,696)	(23,394)
Debt securities issued	-	(333)
	(53,696)	(23,727)
	(48,382)	(10,273)

(Thousands of euros)

	2018	2017
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	23,250	n.a.
Losses		
Debt securities portfolio	(10,355)	n.a.
	12,895	n.a.
Net gains / (losses) from financial assets available for sale		
Gains		
Debt securities portfolio	n.a.	95,454
Equity instruments	n.a.	29,431
	n.a.	124,885
Losses		
Debt securities portfolio	n.a.	(1,637)
Equity instruments	n.a.	(6,683)
	n.a.	(8,320)
	n.a.	116,565
	(9,611)	142,735

In 2018, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 11,670,000 related to gains resulting from the sale of Portuguese Treasury bonds. In 2017, the balance Net gains / (losses) from financial assets available for sale - Gains - Debt securities portfolio included the gains resulting from the sale of Portuguese Treasury bonds in the amount of Euros 35,003,000.

In 2018, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 3,255,000 as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income (2017: Euros 17,894,000 registered in Net gains / (losses) from financial astes available for sale).

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Operating income		
Income from services	25,506	26,777
Cheques and others	9,021	9,948
Gains on leasing operations	3,406	6,003
Rents	1,702	1,189
Other operating income	13,559	13,820
	53,194	57,737
Operating costs		
Taxes	(11,905)	(13,777)
Donations and contributions	(2,971)	(3,154)
Contribution over the banking sector	(30,422)	(28,011)
Resolution Funds Contribution	(11,151)	(7,684)
Contribution for the Single Resolution Fund	(19,926)	(17,167)
Contributions to Deposit Guarantee Fund	(95)	(87)
Losses on financial leasing operations	-	(994)
Other operating costs	(13,397)	(12,562)
	(89,867)	(83,436)
	(36,673)	(25,699)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and European Parliament and of the Council Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

During 2018, the Bank delivered the amount of Euros 19,926,000 (2017: Euros 17,167,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 23,442,000 (2017: Euros 20,197,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,516,000 (2017: Euros 3,029,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014.

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Remunerations	276,395	257,225
Mandatory social security charges		
Post-employment benefits (note 46)		
Service cost	(15,472)	(16,054)
Cost / (income) 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)
Collective Labour Agreement	-	(39,436)
	6,496	(38,448)
Other mandatory social security charges	75,510	82,674
	82,006	44,226
Voluntary social security charges	9,046	7,311
Other staff costs	9,432	16,647
	376,879	325,409

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2018	2017
Top Management	968	972
Intermediary Management	1,620	1,645
Specific/Technical functions	2,859	2,887
Other functions	1,525	1,622
	6,972	7,126

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Outsourcing and independent labour	91,186	96,374
Rents and leases	27,717	28,004
Other specialised services	12,883	13,315
Communications	11,307	12,147
Information technology services	14,650	12,668
Maintenance and related services	7,528	8,499
Water, electricity and fuel	9,178	10,194
Advertising	9,487	10,057
Advisory services	14,289	14,134
Transportation	7,175	6,572
Legal expenses	5,326	5,513
Travel, hotel and representation costs	4,977	4,359
Insurance	2,685	3,107
Consumables	2,076	2,340
Credit cards and mortgage	1,247	1,622
Training costs	1,915	1,530
Other supplies and services	6,261	5,368
	229,887	235,803

The balance Rents includes the amount of Euros 25,741,000 (2017: Euros 26,428,000) related to rents paid regarding buildings used by the Bank as lessee.

In accordance with accounting policy 1H), under IAS 17, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2018			2017		
	Properties	Vehicles	Total	Properties	Vehicles	Total
Until 1 year	16,484	95	16,579	17,601	206	17,807
1 to 5 years	11,102	76	11,178	9,418	171	9,589
Over 5 years	6,129	-	6,129	5,359	-	5,359
	33,715	171	33,886	32,378	377	32,755

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank, currently in fucntions, and by companies in its network as part of its statutory audit functions, as well as other services, are as follows:

(Thousands of euros)

	2018	2017
Auditing services		
Legal certification	1,920	1,581
Other assurance services	1,254	1,159
Other services	416	985
	3,590	3,725

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Intangible assets amortisations (note 27):		
Software	9,274	7,122
Other tangible assets depreciations (note 26):		
Properties	9,689	9,746
Equipment		
Furniture	1,407	1,217
Machinery	293	231
Computer equipment	6,960	5,881
Interior installations	1,353	1,053
Motor vehicles	2,354	2,533
Security equipment	1,106	1,206
Other equipment	5	4
	23,167	21,871
	32,441	28,993

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions (note 18):		
Charge for the year	1,383	-
Reversals for the year	(128)	-
	1,255	-
Loans and advances to customers (note 19):		
Charge for the year	460,589	622,018
Reversals for the year	(57,643)	(85,171)
Recoveries of loans and interest charged-off	(9,371)	(14,067)
	393,575	522,780
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	-	10,516
Reversals for the year	(6,121)	-
	(6,121)	10,516
Not associated to credit operations		
Reversals for the year	(1,554)	n.a.
	(7,675)	10,516
	387,155	533,296

11. Impairment for financial assets at fair value through other comprehensive income and impairment for financial assets available for sale

The detail of these balances is comprised of:

(Thousands of euros)

	2018	2017
Impairment for financial assets at fair value through other comprehensive income		
Charge for the year	2,991	n.a.
Reversals for the year	(3,779)	n.a.
	(788)	n.a.
Impairment for financial assets available for sale (note 21)		
Charge for the year	n.a.	70,310
	(788)	70,310

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Impairment for investments in associated companies (nota 24)		
Charge for the year	177,104	42,997
Impairment for non-current assets held for sale (note 25)		
Charge for the year	32,375	93,027
Impairment for other assets (note 29)		
Charge for the year	6,544	16,827
Reversals for the year	(1,432)	(20,254)
	5,112	(3,427)
	214,591	132,597

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Provision for guarantees and other commitments (note 36)		
Charge for the year	41,462	4,449
Write-back for the year	(36)	(52)
	41,426	4,397
Other provisions for liabilities and charges (note 36)		
Charge for the year	19,142	46,094
Write-back for the year	(24)	-
	19,118	46,094
	60,544	50,491

14. Gains / (losses) arising from sales of subsidiaries and other assets

The amount of this account is comprised of:

(Thousands of euros)

	2018	2017
Sale of subsidiaries	1,733	7,311
Sale of other assets	29,196	14,108
	30,929	21,419

The balance Sale of other assets corresponds to the gains and losses arising from the sale and revaluation of assets held by the Bank and classified as non-current assets held for sale (note 25).

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2018	2017
Net income / (loss) for the year	59,267	118,021
Adjusted net income / (loss)	59,267	118,021
Average number of shares	15,113,989,952	13,321,460,739
Basic earnings per share (Euros)	0.004	0.009
Diluted earnings per share (Euros)	0.004	0.009

The Bank's share capital, as at 31 December 2018, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominate shares, without nominal value, which is fully paid (note 38).

As referred in note 44, pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value (note 38).

There were not identified another dilution effects of the earnings per share as at 31 December 2018 and 2017, so the diluted result is equivalent to the basic result.

16. Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Cash	355,745	337,534
Central Banks	1,327,177	954,129
	1,682,922	1,291,663

The balance Central Banks includes deposits with Bank of Portugal in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Credit institutions in Portugal	273	312
Credit institutions abroad	100,536	30,480
Amounts due for collection	85,668	125,668
	186,477	156,460

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions in Portugal		
Very short-term applications	-	39,742
Loans	47,911	39,220
Purchase transactions with resale agreement	1,506,092	379,705
Subordinated applications	35,010	35,011
Other applications	1,659	10,328
	1,590,672	504,006
Loans and advances to credit institutions abroad		
Very short-term applications	-	388,327
Short-term applications	242,109	86,641
Other applications and operations	213,130	274,837
	455,239	749,805
	2,045,911	1,253,811
Overdue loans - over 90 days	669	661
	2,046,580	1,254,472
Impairment for loans and advances to credit institutions	(1,850)	-
	2,044,730	1,254,472

The caption Other loans and advances to credit institutions - Purchase transactions with resale agreement refers in its entirety to operations with Banco de Investimento Imobiliário, S.A.

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective ("Cash collateral"), the caption Other loans and advances to credit institutions includes the amounts detailed below:

(Thousands of euros)

	2018	2017
Loans and advances to credit institutions in Portugal		
Other applications	430	1,010
Loans and advances to credit institutions abroad		
Other applications	194,100	269,284
	194,530	270,294

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Bank.

This balance is analysed by the period to maturity, as follows:

(Thousands of euros)

	2018	2017
Up to 3 months	499,597	827,992
3 to 6 months	13,000	479
6 to 12 months	26,587	-
1 to 5 years	1,506,727	410,340
Over 5 years	-	15,000
Undetermined	669	661
	2,046,580	1,254,472

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	-	-
Adjustments due to the implementation of IFRS 9 (note 52)	703	-
Impairment charge for the year (note 10)	1,383	-
Reversals for the year (note 10)	(128)	-
Loans charged-off	(108)	-
Balance at the end of the year	1,850	-

19. Loans and advances to customers

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of euros)

	2018	2017
Discounted bills	249,139	228,752
Current account credits	1,366,648	1,503,893
Overdrafts	388,603	536,409
Loans	9,729,298	10,065,178
Mortgage loans	15,833,481	15,506,736
Factoring operations	1,863,179	1,601,595
Finance leases	2,271,961	2,159,121
	31,702,309	31,601,684
Overdue loans - less than 90 days	48,665	43,539
Overdue loans - Over 90 days	1,530,850	2,446,446
	33,281,824	34,091,669
Impairment for credit risk	(2,293,486)	(2,742,244)
	30,988,338	31,349,425

The balance Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	598,007	1	598,008	(1,336)	596,672
Asset-backed loans	18,953,094	962,864	19,915,958	(1,491,170)	18,424,788
Other guaranteed loans	3,055,244	165,922	3,221,166	(250,860)	2,970,306
Unsecured loans	3,277,917	294,994	3,572,911	(257,351)	3,315,560
Foreign loans	1,682,907	113,660	1,796,567	(174,066)	1,622,501
Factoring operations	1,863,179	7,740	1,870,919	(27,771)	1,843,148
Finance leases	2,271,961	34,334	2,306,295	(90,932)	2,215,363
	31,702,309	1,579,515	33,281,824	(2,293,486)	30,988,338

The balance Loans and advances to customers, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	713,433	47	713,480	(850)	712,630
Asset-backed loans	18,928,322	1,329,814	20,258,136	(1,823,087)	18,435,049
Other guaranteed loans	3,146,466	295,034	3,441,500	(336,327)	3,105,173
Unsecured loans	3,576,995	649,247	4,226,242	(342,019)	3,884,223
Foreign loans	1,475,752	148,849	1,624,601	(114,752)	1,509,849
Factoring operations	1,601,595	13,112	1,614,707	(20,981)	1,593,726
Finance leases	2,159,121	53,882	2,213,003	(104,228)	2,108,775
	31,601,684	2,489,985	34,091,669	(2,742,244)	31,349,425

As at 31 December 2018, the balance Loans and advances to customers includes the amount of Euros 11,415,253,000 (31 December 2017: Euros 11,163,389,000) regarding credits related to mortgage loans issued by the Bank.

The Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank , which include loans and advances to customers.

As referred in note 47, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 38.

As at 31 December 2018, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 101,350,000 (31 December 2017: Euros 62,822,000), as referred in note 47 A). The amount of impairment recognised for these contracts amounts to Euros 744,000 (31 December 2017: Euros 77,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of euros)

	2018	2017
Amount of future minimum payments	2,637,129	2,486,723
Interest not yet due	(365,168)	(327,602)
Present value	2,271,961	2,159,121

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of euros)

	2018	2017
Up to 1 year	363,406	350,302
1 to 5 years	1,010,400	960,669
Over 5 years	1,263,323	1,175,752
	2,637,129	2,486,723

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2018	2017
Individuals		
Home	49,774	55,018
Consumer	30,937	28,122
Others	105,922	112,976
	186,633	196,116
Companies		
Equipment	420,825	352,503
Real estate	1,664,503	1,610,502
	2,085,328	1,963,005
	2,271,961	2,159,121

Regarding operational leasing, the Bank does not present relevant contracts as leasor.

The analysis of loans and advances to customers, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	263,971	7,348	271,319	(6,190)	265,129	0.82%
Fisheries	19,765	40	19,805	(644)	19,161	0.06%
Mining	36,101	2,463	38,564	(9,036)	29,528	0.12%
Food, beverage and tobacco	447,825	12,716	460,541	(10,900)	449,641	1.38%
Textiles	335,913	13,603	349,516	(21,390)	328,126	1.05%
Wood and cork	118,183	4,800	122,983	(4,513)	118,470	0.37%
Paper, printing and publishing	154,853	4,778	159,631	(17,608)	142,023	0.48%
Chemicals	410,247	37,358	447,605	(39,825)	407,780	1.34%
Machinery, equipment and basic metallurgical	612,441	37,621	650,062	(30,192)	619,870	1.95%
Electricity and gas	262,276	336	262,612	(755)	261,857	0.79%
Water	150,204	603	150,807	(10,371)	140,436	0.45%
Construction	1,319,627	313,319	1,632,946	(380,825)	1,252,121	4.91%
Retail business	862,113	71,138	933,251	(76,110)	857,141	2.80%
Wholesale business	1,104,710	58,427	1,163,137	(68,233)	1,094,904	3.49%
Restaurants and hotels	1,097,001	31,680	1,128,681	(77,426)	1,051,255	3.39%
Transports	706,814	11,049	717,863	(17,191)	700,672	2.16%
Post offices	2,290	135	2,425	(351)	2,074	0.01%
Telecommunications	177,598	5,590	183,188	(14,168)	169,020	0.55%
Services						
Financial intermediation	1,491,652	106,707	1,598,359	(373,751)	1,224,608	4.80%
Real estate activities	1,148,673	203,228	1,351,901	(146,857)	1,205,044	4.06%
Consulting, scientific and technical activities	1,218,963	22,696	1,241,659	(350,959)	890,700	3.73%
Administrative and support services activities	387,244	29,102	416,346	(71,293)	345,053	1.25%
Public sector	829,986	1	829,987	(1,336)	828,651	2.49%
Education	109,784	1,267	111,051	(7,007)	104,044	0.33%
Health and collective service activities	243,729	1,722	245,451	(3,220)	242,231	0.74%
Artistic, sports and recreational activities	282,078	5,915	287,993	(75,887)	212,106	0.87%
Other services	96,972	245,811	342,783	(175,649)	167,134	1.03%
Consumer loans	1,735,949	162,566	1,898,515	(137,229)	1,761,286	5.70%
Mortgage credit	15,602,096	97,900	15,699,996	(82,731)	15,617,265	47.19%
Other domestic activities	984	378	1,362	(302)	1,060	0.00%
Other international activities	472,267	89,218	561,485	(81,537)	479,948	1.69%
	31,702,309	1,579,515	33,281,824	(2,293,486)	30,988,338	100.00%

The analysis of loans and advances to customers, as at 31 December 2017, by sector of activity, is as follows:

(Thousands of euros)

	2017					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	247,430	9,199	256,629	(13,226)	243,403	0.75%
Fisheries	17,734	236	17,970	(748)	17,222	0.05%
Mining	34,358	7,184	41,542	(10,300)	31,242	0.12%
Food, beverage and tobacco	399,562	14,617	414,179	(11,264)	402,915	1.21%
Textiles	338,808	24,266	363,074	(23,654)	339,420	1.06%
Wood and cork	125,260	10,245	135,505	(19,202)	116,303	0.40%
Paper, printing and publishing	123,842	5,710	129,552	(11,392)	118,160	0.38%
Chemicals	355,018	43,135	398,153	(35,916)	362,237	1.17%
Machinery, equipment and basic metallurgical	580,295	51,171	631,466	(37,071)	594,395	1.85%
Electricity and gas	289,169	-	289,169	(667)	288,502	0.85%
Water	161,430	3,784	165,214	(10,881)	154,333	0.48%
Construction	1,372,455	531,030	1,903,485	(469,631)	1,433,854	5.58%
Retail business	890,111	76,143	966,254	(61,686)	904,568	2.83%
Wholesale business	1,159,315	105,383	1,264,698	(88,453)	1,176,245	3.71%
Restaurants and hotels	945,985	52,631	998,616	(96,247)	902,369	2.93%
Transports	708,030	14,839	722,869	(16,583)	706,286	2.12%
Post offices	1,759	150	1,909	(277)	1,632	0.01%
Telecommunications	167,294	5,760	173,054	(14,861)	158,193	0.51%
Services						
Financial intermediation	1,667,527	237,808	1,905,335	(451,877)	1,453,458	5.59%
Real estate activities	1,075,272	344,070	1,419,342	(216,173)	1,203,169	4.16%
Consulting, scientific and technical activities	1,488,873	210,195	1,699,068	(483,601)	1,215,467	4.98%
Administrative and support services activities	371,329	26,099	397,428	(58,597)	338,831	1.17%
Public sector	851,239	47	851,286	(849)	850,437	2.50%
Education	113,486	2,340	115,826	(5,848)	109,978	0.34%
Health and collective service activities	258,407	2,149	260,556	(3,356)	257,200	0.76%
Artistic, sports and recreational activities	311,524	5,658	317,182	(78,179)	239,003	0.93%
Other services	102,528	248,641	351,169	(147,967)	203,202	1.03%
Consumer loans	1,668,394	251,266	1,919,660	(201,478)	1,718,182	5.63%
Mortgage credit	15,321,914	141,271	15,463,185	(138,487)	15,324,698	45.38%
Other domestic activities	15	5,050	5,065	(76)	4,989	0.01%
Other international activities	453,321	59,908	513,229	(33,697)	479,532	1.51%
	31,601,684	2,489,985	34,091,669	(2,742,244)	31,349,425	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2018 is as follows:

(Thousands of euros)

	2018						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	90,219	75,213	98,539	263,971	7,348	271,319	0.82%
Fisheries	7,097	4,077	8,591	19,765	40	19,805	0.06%
Mining	21,981	7,823	6,297	36,101	2,463	38,564	0.12%
Food, beverage and tobacco	288,071	94,332	65,422	447,825	12,716	460,541	1.38%
Textiles	160,712	88,220	86,981	335,913	13,603	349,516	1.05%
Wood and cork	62,438	34,430	21,315	118,183	4,800	122,983	0.37%
Paper, printing and publishing	86,169	20,306	48,378	154,853	4,778	159,631	0.48%
Chemicals	197,311	109,696	103,239	410,246	37,359	447,605	1.34%
Machinery, equipment and basic metallurgical	280,242	188,506	143,693	612,441	37,621	650,062	1.95%
Electricity and gas	24,026	48,959	189,291	262,276	336	262,612	0.79%
Water	18,300	11,538	120,366	150,204	603	150,807	0.45%
Construction	378,358	349,358	591,911	1,319,627	313,319	1,632,946	4.91%
Retail business	428,866	211,238	222,009	862,113	71,138	933,251	2.80%
Wholesale business	605,468	263,609	235,633	1,104,710	58,427	1,163,137	3.49%
Restaurants and hotels	61,391	278,602	757,008	1,097,001	31,680	1,128,681	3.39%
Transports	223,848	140,200	342,767	706,815	11,048	717,863	2.16%
Post offices	1,365	815	110	2,290	135	2,425	0.01%
Telecommunications	87,968	42,566	47,064	177,598	5,590	183,188	0.55%
Services							
Financial intermediation intermediation	195,140	312,179	984,332	1,491,651	106,708	1,598,359	4.80%
Real estate activities	249,140	249,874	649,659	1,148,673	203,228	1,351,901	4.06%
Consulting, scientific and technical activities	274,209	379,196	565,558	1,218,963	22,696	1,241,659	3.73%
Administrative and support services activities	167,335	112,752	107,157	387,244	29,102	416,346	1.25%
Public sector	120,850	409,470	299,666	829,986	1	829,987	2.49%
Education	34,590	18,377	56,817	109,784	1,267	111,051	0.33%
Health and collective service activities	96,659	62,042	85,028	243,729	1,722	245,451	0.74%
Artistic, sports and recreational activities	40,857	28,284	212,937	282,078	5,915	287,993	0.87%
Other services	25,582	33,286	38,104	96,972	245,811	342,783	1.03%
Consumer credit	493,443	559,301	683,206	1,735,950	162,565	1,898,515	5.70%
Mortgage credit	7,828	211,047	15,383,221	15,602,096	97,900	15,699,996	47.19%
Other domestic activities	152	409	423	984	378	1,362	0.00%
Other international activities	185,593	111,596	175,078	472,267	89,218	561,485	1.69%
	4,915,208	4,457,301	22,329,800	31,702,309	1,579,515	33,281,824	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2017 is as follows:

(Thousands of euros)

	2017						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	71,640	69,556	106,234	247,430	9,199	256,629	0.75%
Fisheries	7,320	2,707	7,707	17,734	236	17,970	0.05%
Mining	13,615	15,098	5,645	34,358	7,184	41,542	0.12%
Food, beverage and tobacco	245,622	95,493	58,447	399,562	14,617	414,179	1.21%
Textiles	168,094	85,496	85,218	338,808	24,266	363,074	1.06%
Wood and cork	62,262	27,547	35,451	125,260	10,245	135,505	0.40%
Paper, printing and publishing	58,487	21,121	44,234	123,842	5,710	129,552	0.38%
Chemicals	146,360	96,968	111,690	355,018	43,135	398,153	1.17%
Machinery, equipment and basic metallurgical	243,993	192,910	143,392	580,295	51,171	631,466	1.85%
Electricity and gas	27,210	39,940	222,019	289,169	-	289,169	0.85%
Water	32,425	14,480	114,525	161,430	3,784	165,214	0.48%
Construction	484,835	190,164	697,456	1,372,455	531,030	1,903,485	5.58%
Retail business	467,256	202,929	219,926	890,111	76,143	966,254	2.83%
Wholesale business	697,676	284,614	177,025	1,159,315	105,383	1,264,698	3.71%
Restaurants and hotels	65,298	149,053	731,634	945,985	52,631	998,616	2.93%
Transports	218,016	144,043	345,971	708,030	14,839	722,869	2.12%
Post offices	906	778	75	1,759	150	1,909	0.01%
Telecommunications	73,659	46,488	47,147	167,294	5,760	173,054	0.51%
Services							
Financial intermediation intermediation	207,804	411,045	1,048,678	1,667,527	237,808	1,905,335	5.59%
Real estate activities	261,950	196,362	616,960	1,075,272	344,070	1,419,342	4.16%
Consulting, scientific and technical activities	604,795	516,885	367,193	1,488,873	210,195	1,699,068	4.98%
Administrative and support services activities	164,260	128,532	78,537	371,329	26,099	397,428	1.17%
Public sector	80,597	408,324	362,318	851,239	47	851,286	2.50%
Education	35,382	14,515	63,589	113,486	2,340	115,826	0.34%
Health and collective service activities	95,341	60,913	102,153	258,407	2,149	260,556	0.76%
Artistic, sports and recreational activities	38,575	34,961	237,988	311,524	5,658	317,182	0.93%
Other services	28,432	27,350	46,746	102,528	248,641	351,169	1.03%
Consumer credit	507,793	517,048	643,553	1,668,394	251,266	1,919,660	5.63%
Mortgage credit	12,143	194,894	15,114,877	15,321,914	141,271	15,463,185	45.38%
Other domestic activities	3	12	-	15	5,050	5,065	0.01%
Other international activities	155,186	219,606	78,529	453,321	59,908	513,229	1.51%
	5,276,935	4,409,832	21,914,917	31,601,684	2,489,985	34,091,669	100.00%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	80,731	34,940	482,336	598,007	1	598,008
Asset-backed loans	760,794	1,305,397	16,886,903	18,953,094	962,864	19,915,958
Other guaranteed loans	1,233,524	1,045,739	775,981	3,055,244	165,922	3,221,166
Unsecured loans	1,133,553	698,832	1,445,532	3,277,917	294,994	3,572,911
Foreign loans	155,737	408,732	1,118,438	1,682,907	113,660	1,796,567
Factoring operations	1,475,160	388,019	-	1,863,179	7,740	1,870,919
Finance leases	75,709	575,642	1,620,610	2,271,961	34,334	2,306,295
	4,915,208	4,457,301	22,329,800	31,702,309	1,579,515	33,281,824

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	27,271	39,522	646,640	713,433	47	713,480
Asset-backed loans	822,942	1,340,744	16,764,636	18,928,322	1,329,814	20,258,136
Other guaranteed loans	1,346,164	999,450	800,852	3,146,466	295,034	3,441,500
Unsecured loans	1,695,012	674,562	1,207,421	3,576,995	649,247	4,226,242
Foreign loans	140,633	508,971	826,148	1,475,752	148,849	1,624,601
Factoring operations	1,182,162	381,571	37,862	1,601,595	13,112	1,614,707
Finance leases	62,751	465,012	1,631,358	2,159,121	53,882	2,213,003
	5,276,935	4,409,832	21,914,917	31,601,684	2,489,985	34,091,669

The balance Total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	31 December 2018	1 January 2018
Total credit	37,103,767	37,752,721
Stage 1		
Gross amount	24,822,341	25,109,594
Impairment	(26,669)	(32,122)
	24,795,672	25,077,472
Stage 2		
Gross amount	7,106,433	6,095,785
Impairment	(129,101)	(120,126)
	6,977,332	5,975,659
Stage 3		
Gross amount	5,174,993	6,547,342
Impairment	(2,301,079)	(2,867,971)
	2,873,914	3,679,371
	34,646,918	34,732,502

The Bank's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

(Thousands of euros)

	2017
Total credit	37,752,720
Loans and advances to customers with signs of impairment	
Individually significant	
Gross amount	4,668,344
Impairment	(2,263,860)
	2,404,484
Collective analysis	
Gross amount	2,140,655
Impairment	(539,632)
	1,601,023
Loans and advances to customers without signs of impairment	30,943,721
Impairment (IBNR)	(53,733)
	34,895,495

The total credit portfolio includes, as at 31 December 2018, loans and advances to customers in the amount of Euros 33,281,824,000 (31 December 2017: Euros: 34,091,669,000) and guarantees granted and commitments to third parties balance (note 41), in the amount of Euros 3,821,943,000 (31 December 2017: Euros 3,661,051,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 B1.5 (2017: note 1 C1.1), including the provision for guarantees and other commitments to third parties (note 36), in the amount of Euros 163,363,000 (31 December 2017: Euros 114,981,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the fair value of collaterals, is as follows:

(Thousands of euros)

	31 December 2018	1 January 2018
Stage 1		
Securities and other financial assets	1,457,913	1,422,982
Residential real estate	12,534,313	11,838,310
Other real estate	1,943,930	1,594,317
Other guarantees	3,458,849	3,254,960
	19,395,005	18,110,569
Stage 2		
Securities and other financial assets	286,281	297,151
Residential real estate	2,485,674	2,439,108
Other real estate	1,080,481	1,144,569
Other guarantees	657,722	540,070
	4,510,158	4,420,898
Stage 3		
Securities and other financial assets	377,235	521,993
Residential real estate	962,400	1,329,018
Other real estate	985,848	1,380,034
Other guarantees	458,333	705,726
	2,783,816	3,936,771
	26,688,979	26,468,238

As at 31 December 2017, the analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, split between loans with or without signs of impairment according with IAS 39, considering the fair value of collaterals, is as follows:

(Thousands of euros)

	2017
Loans and advances to customers with impairment	
Individually significant	
Securities and other financial assets	489,336
Residential real estate	292,914
Other real estate	1,149,862
Other guarantees	631,526
	2,563,638
Collective analysis	
Securities and other financial assets	19,729
Residential real estate	1,092,011
Other real estate	194,229
Other guarantees	75,797
	1,381,766
Loans and advances to customers without impairment	
Securities and other financial assets	1,500,306
Residential real estate	14,200,331
Other real estate	2,548,958
Other guarantees	3,577,348
	21,826,943
	25,772,347

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 49), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Bank continued to negotiate additional physical and financial collaterals with its customers.

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performing restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2018	2017
Agriculture and forestry	1,166	1,112
Fisheries	5	9
Food, beverage and tobacco	46	50
Textiles	1,081	189
Wood and cork	9	71
Paper, printing and publishing	-	4
Chemicals	26	48
Machinery, equipment and basic metallurgical	658	515
Construction	2,609	1,213
Retail business	1,285	1,388
Wholesale business	898	448
Restaurants and hotels	1,460	2,102
Transports	120	45
Telecommunications	28	40
Services		
Financial intermediation	124	211
Real estate activities	1,191	905
Consulting, scientific and technical activities	136	1,407
Administrative and support services activities	164	2,340
Education	13	-
Artistic, sports and recreational activities	107	118
Other services	129	27
Consumer credit	32,882	34,407
	44,137	46,649

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 23,498,000 (31 December 2017: Euros 21,244,000).

The Bank has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined; With regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2018, the amount calculated is Euros 2,451,122,000 (31 December 2017: Euros 3,782,038,000).

Every client or operation that meet the following conditions is marked and identified as Non Performing Exposures (NPE):

a) total exposure of defaulted customers;
b) total exposure of customers with signs of impairment;
c) total exposure of customers whose overdue value for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) retail operations overdue for more than 90 days;
f) operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2018, the NPE amounts to Euros 4,608,322,000 (31 December 2017: Euros 6,480,603,000).

The changes occurred in impairment for credit risks are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	2,742,244	3,209,840
Adjustments due to the implementation of IFRS 9 (note 52)		
Remeasurement under IFRS 9	153,917	n.a.
Charge for the year in net income interest (note 2)	31,026	n.a.
Other transfers (*)	(56,880)	(32,630)
Impairment charge for the year (note 10)	460,589	622,018
Reversals for the year (note 10)	(57,643)	(85,171)
Loans charged-off	(979,967)	(971,176)
Exchange rate differences	200	(637)
Balance on 31 December	2,293,486	2,742,244

(*) In 2018, the balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Bank received a set of assets in kind and impairment affects these assets.

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of euros)

	2018	2017
Agriculture and forestry	4,797	1,595
Fisheries	152	22,020
Mining	3,295	727
Food, beverage and tobacco	1,792	3,612
Textiles	15,498	8,101
Wood and cork	16,757	2,859
Paper, printing and publishing	1,911	4,490
Chemicals	5,137	8,868
Machinery, equipment and basic metallurgical	22,558	12,464
Electricity and gas	-	14
Water	4,856	340
Construction	235,786	90,839
Retail business	28,393	36,834
Wholesale business	41,974	39,253
Restaurants and hotels	27,272	13,982
Transports	4,791	92,106
Post offices	14	74
Telecommunications	1,715	3,953
Services		
Financial intermediation	244,339	282,422
Real estate activities	77,095	53,567
Consulting, scientific and technical activities	88,173	18,154
Administrative and support services activities	10,609	9,001
Education	755	807
Health and collective service activities	452	762
Artistic, sports and recreational activities	787	5,758
Other services	2,439	2,602
Consumer credit	132,126	223,139
Mortgage credit	5,328	14,641
Other domestic activities	1,132	14,516
Other international activities	34	3,676
	979,967	971,176

In compliance with the accounting policy described in note 1 B1.3 (2017: note 1 C1.1), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	2018	2017
Unsecured loans	958,835	946,527
Factoring operations	5,093	1,522
Finance leases	16,039	23,127
	979,967	971,176

The analysis of recovered loans and interest occurred during 2018 and 2017 by sector of activity, is as follows:

(Thousands of euros)

	2018	2017
Agriculture and forestry	13	39
Fisheries	24	42
Mining	1	125
Food, beverage and tobacco	128	198
Textiles	121	304
Wood and cork	112	247
Paper, printing and publishing	170	565
Chemicals	206	433
Machinery, equipment and basic metallurgical	154	246
Water	-	1
Construction	1,614	4,118
Retail business	426	1,102
Wholesale business	724	2,147
Restaurants and hotels	25	140
Transports	61	787
Telecommunications	27	1
Services		
Financial intermediation	2,236	165
Real estate activities	179	1,105
Consulting, scientific and technical activities	58	78
Administrative and support services activities	438	290
Health and collective service activities	15	10
Artistic, sports and recreational activities	3	-
Other services	41	3
Consumer credit	2,520	1,514
Mortgage credit	-	14
Other domestic activities	55	284
Other international activities	20	109
	9,371	14,067

The analysis of recovered loans and interest occurred during 2018 and 2017, by type of credit, is as follows:

(Thousands of euros)

	2018	2017
Unsecured loans	8,566	13,779
Foreign loans	691	119
Factoring operations	-	74
Finance leases	114	95
	9,371	14,067

The caption Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1 D).

Synthetic securitizations

The Bank has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 1,993,999,000 as at 31 December 2018. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 202,017,000 and the registered cost in 2018 amounts to Euros 9,159,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and as at 31 December 2018, the operation amounts to Euros 1,179,301,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,729,000 and their registered cost in 2018 amounts to Euros 1,217,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Group under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1B.1.3.

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	176,751	241,381
Commercial paper	2,024,762	1,681,476
Foreign issuers		
Bonds	34,671	38,731
Commercial paper	19,704	21,465
	2,255,888	1,983,053
Overdue securities - over 90 days	55,353	67,353
	2,311,241	2,050,406
Impairment	(39,921)	(42,886)
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Public entities		
Portuguese issuers	47,377	n.a.
Foreign issuers	4,891	n.a.
Other entities		
Portuguese issuers	254,662	n.a.
Foreign issuers	63,325	n.a.
	370,255	n.a.
Impairment	(284)	n.a.
	369,971	n.a.
	2,641,291	2,007,520

The analysis of the balance Debt securities, by maturity, as at 31 December 2018 is as follows

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	-	-	-	176,751	-	176,751
Commercial paper	1,430,666	594,096	-	-	55,353	2,080,115
Foreign issuers						
Bonds	-	-	11,659	23,012	-	34,671
Commercial paper	19,704	-	-	-	-	19,704
	1,450,370	594,096	11,659	199,763	55,353	2,311,241
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	47,377	-	47,377
Foreign issuers	-	-	4,891	-	-	4,891
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
Foreign issuers	-	90,615	129,700	149,940	-	370,255
	1,450,370	684,711	141,359	349,703	55,353	2,681,496

The analysis of the balance Debt securities, by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	35,101	-	-	206,280	-	241,381
Commercial paper	1,678,280	3,196	-	-	67,353	1,748,829
Foreign issuers						
Bonds	-	-	13,027	25,704	-	38,731
Commercial paper	21,465	-	-	-	-	21,465
	1,734,846	3,196	13,027	231,984	67,353	2,050,406

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Mining	24,996	18,353
Food, beverage and tobacco	80,074	42,566
Textiles	69,346	79,794
Wood and cork	10,820	6,001
Paper, printing and publishing	17,163	62,038
Chemicals	222,101	223,932
Machinery, equipment and basic metallurgical	56,775	50,887
Electricity and gas	190,338	219,537
Water	9,957	-
Construction	6,937	86,678
Retail business	86,042	73,560
Wholesale business	73,388	64,559
Restaurants and hotels	8,518	12,794
Transports	49,144	23,627
Telecommunications	8,932	12,571
Services		
Financial intermediation	249,231	269,246
Real estate activities	39,115	35,091
Consulting, scientific and technical activities	991,948	643,484
Administrative and support services activities	13,653	16,004
Health and collective service activities	4,999	2,496
Other services	3,596	4,106
Other international activities	54,247	60,196
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Chemicals	25,562	n.a.
Construction	39,229	n.a.
Transports	174,480	n.a.
Services		
Financial intermediation	63,325	n.a.
Consulting, scientific and technical activities	15,149	n.a.
	317,745	n.a.
Government and Public securities	52,226	n.a.
	369,971	n.a.
	2,641,291	2,007,520

The changes occurred in impairment for debt securities are analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities held associated with credit operations		
Balance on 1 January	42,886	34,505
Adjustments due to the implementation of IFRS 9 (note 52)	2,946	-
Charge for the year in net income interest (note 2)	211	-
Other transfers	-	(581)
Impairment charge for the year (note 10)	-	10,516
Reversals for the year (note 10)	(6,121)	-
Loans charged-off	-	(1,554)
Exchange rate differences	(1)	-
Balance at the end of the year	39,921	42,886
Debt securities held not associated with credit operations		
Balance on 1 January	n.a.	n.a.
Adjustments due to the implementation of IFRS 9 (note 52)	1,838	n.a.
Reversals for the year (note 10)	(1,554)	n.a.
Balance at the end of the year	284	n.a.

21. Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets available for sale

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousands of euros)

	2018	2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	57,942	73,148
Equity instruments	805	1,277
Trading derivatives	637,005	696,214
	695,752	770,639
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,589,899	n.a.
Financial assets designated at fair value through profit or loss		
Debt instruments	33,034	142,336
Financial assets at fair value through other comprehensive income		
Debt instruments	6,900,301	n.a.
Equity instruments	96,591	n.a.
	6,996,892	n.a.
Financial assets available for sale		
Debt instruments	n.a.	4,867,577
Equity instruments	n.a.	1,825,405
	n.a.	6,692,982
	9,315,577	7,605,957

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. (2017: note 1C.2.3) in the amount of Euros 916,000 (31 December 2017: Euros 0).

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	4,096,913	4,133,613
Foreign issuers	-	-	-	151,153	151,153
Bonds issued by other entities					
Portuguese issuers	3,790	16,778	-	955,000	975,568
Foreign issuers	50,486	22,468	-	171,542	244,496
Treasury bills and other Government bonds					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Investment fund units (a)	-	1,541,619	-	-	1,541,619
Shares of foreign companies	-	9,034	-	-	9,034
	57,942	1,589,899	33,034	6,904,023	8,584,898
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	57,942	1,589,899	33,034	6,900,301	8,581,176
Equity instruments					
Shares					
Portuguese companies	372	-	-	24,307	24,679
Foreign companies	-	-	-	15,863	15,863
Investment fund units	-	-	-	56,421	56,421
Other securities	433	-	-	-	433
	805	-	-	96,591	97,396
Trading derivatives	637,005	-	-	-	637,005
	695,752	1,589,899	33,034	6,996,892	9,315,577
Level 1	52,280	-	33,034	6,381,244	6,466,558
Level 2	349,504	-	-	461,681	811,185
Level 3	293,968	1,589,899	-	153,967	2,037,834

(a) As at 31 December 2018 this balance include Euros 452,090 related to units of real estate investment funds mainly owned by the Bank.

As at 31 December 2018, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

As at 31 December 2018, the balances Financial assets at fair value through other comprehensive income and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions, referred in note 1 D) in the amount of Euros 5,418,000 and Euros 103,909,000, respectively.

The portfolio of Financial assets at fair value through profit or loss and Financial assets available for sale, net of impairment, net of impairment, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017			
	Financial assets at fair value through profit or loss			
	Held for trading	Designated at fair value through profit or loss	Available for sale	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	10,035	142,336	2,820,068	2,972,439
Foreign issuers	237	-	4,236	4,473
Bonds issued by other entities				
Portuguese issuers	2,412	-	761,586	763,998
Foreign issuers	60,464	-	203,237	263,701
Treasury bills and other Government bonds				
Portuguese issuers	-	-	584,906	584,906
Foreign issuers	-	-	497,266	497,266
	73,148	142,336	4,871,299	5,086,783
Impairment for overdue securities	-	-	(3,722)	(3,722)
	73,148	142,336	4,867,577	5,083,061
Equity instruments				
Shares				
Portuguese companies	427	-	29,818	30,245
Foreign companies	-	-	9,394	9,394
Investment fund units	-	-	1,786,193	1,786,193
Other securities	850	-	-	850
	1,277	-	1,825,405	1,826,682
Trading derivatives	696,214	-	-	696,214
	770,639	142,336	6,692,982	7,605,957
Level 1	73,575	142,336	4,610,516	4,826,427
Level 2	409,153	-	219,114	628,267
Level 3	287,911	-	1,863,352	2,151,263

As at 31 December 2017, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination associated with the traditional securitization transactions, referred in note 1 D) in the amount of Euros 5,972,000 and Euros 114,981,000, respectively.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			
	Amortised cost (a)	Fair value hedge adjustments (note 40)	Fair value adjustments (note 40)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,995,157	149,359	(47,603)	4,096,913
Foreign issuers	151,909	981	(1,737)	151,153
Bonds issued by other entities				
Portuguese issuers (*)	952,775	4,942	(6,439)	951,278
Foreign issuers	134,676	1,491	35,375	171,542
Treasury bills and other				
Government bonds				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	6,763,499	156,773	(19,971)	6,900,301
Equity instruments				
Shares				
Portuguese companies	57,330	-	(33,023)	24,307
foreign companies	15,590	-	273	15,863
Investment fund units	56,421	-	-	56,421
Other securities	1,357	-	(1,357)	-
	130,698	-	(34,107)	96,591
	6,894,197	156,773	(54,078)	6,996,892

(*) This caption includes the amount related to impairment of overdue securities.

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and in accordance with the requirements defined in note 1B1.5.1.2.

The portfolio of financial assets available for sale, as at 31 December 2017, is analysed as follows:

(Thousands of euros)

	2017					
	Amortised cost (a)	Impairment	Amortised cost net of impairment	Fair value hedge adjustments (note 40)	Fair value adjustments (note 40)	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,740,251	-	2,740,251	145,003	(65,186)	2,820,068
Foreign issuers	4,157	-	4,157	-	79	4,236
Bonds issued by other entities						
Portuguese issuers (*)	833,060	(87,369)	745,691	6	12,167	757,864
Foreign issuers	171,555	(14,823)	156,732	(391)	46,896	203,237
Treasury bills and other						
Government bonds						
Portuguese issuers	585,072	-	585,072	-	(166)	584,906
Foreign issuers	497,770	-	497,770	-	(504)	497,266
	4,831,865	(102,192)	4,729,673	144,618	(6,714)	4,867,577
Variable income:						
Shares						
Portuguese companies	95,249	(73,106)	22,143	-	7,675	29,818
foreign companies	7,205	(150)	7,055	-	2,339	9,394
Investment fund units	2,266,394	(514,294)	1,752,100	-	34,093	1,786,193
	2,368,848	(587,550)	1,781,298	-	44,107	1,825,405
	7,200,713	(689,742)	6,510,971	144,618	37,393	6,692,982

(*) This caption includes the amount related to impairment of overdue securities

(a) Include interest accrued

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,952,735	180,878	-	4,133,613
Foreign issuers	151,153	-	-	151,153
Bonds issued by other entities				
Portuguese issuers (*)	679,125	275,893	16,828	971,846
Foreign issuers	136,722	2,757	105,017	244,496
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	-	-	675,923
Investment fund units	-	-	1,541,619	1,541,619
Shares of foreign companies	-	-	9,034	9,034
	6,449,150	459,528	1,672,498	8,581,176
Variable income:				
Shares				
Portuguese companies	4,727	-	19,952	24,679
foreign companies	-	15,563	300	15,863
Investment fund units	-	-	56,421	56,421
Other securities	-	-	433	433
	4,727	15,563	77,106	97,396
Trading derivatives	-	348,774	288,231	637,005
	6,453,877	823,865	2,037,835	9,315,577

(*) This caption includes the amount related to impairment of overdue securities

The portfolio of Financial assets at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2017, by valuation levels, is analysed as follows:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,839,539	132,900	-	2,972,439
Foreign issuers	4,460	13	-	4,473
Bonds issued by other entities				
Portuguese issuers (*)	667,665	75,782	16,829	760,276
Foreign issuers	230,994	3,317	29,390	263,701
Treasury bills and other Government bonds				
Portuguese issuers	584,906	-	-	584,906
Foreign issuers	497,266	-	-	497,266
	4,824,830	212,012	46,219	5,083,061
Variable income:				
Shares				
Portuguese companies	1,541	7,102	21,602	30,245
foreign companies	-	-	9,394	9,394
Investment fund units	56	-	1,786,137	1,786,193
Other securities	-	-	850	850
	1,597	7,102	1,817,983	1,826,682
Trading derivatives	-	409,153	287,061	696,214
	4,826,427	628,267	2,151,263	7,605,957

(*) This caption includes the amount related to impairment of overdue securities

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 43) in the amount of Euros 1.006.988.000 (31 December 2017: Euros 1,022,068,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2018, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

As at 31 December 2018, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2018, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 56,421,000, with unrealised net losses in the amount of Euros 1,357,000, and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 476,614,000.

As at 31 December 2017, in the balance Financial assets available for sale, the level 3 participation units include investments in Real Estate Investment Funds amounting to Euros 705,702,000, in which Euros 680,030,000 correspond to funds mainly owned by the Bank. These instruments, classified as level 3, include net unrealised gains in the amount of Euros 44,781,000 and their impairment amounts to Euros 665,392,000.

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	860	2,543,948	1,588,805	-	4,133,613
Foreign issuers	-	-	102,572	48,581	-	151,153
Bonds issued by other entities						
Portuguese issuers	264,471	13,010	366,519	327,846	3,722	975,568
Foreign issuers	-	-	48,680	195,816	-	244,496
Treasury bills and other Government bonds						
Portuguese issuers	38,726	814,766	-	-	-	853,492
Foreign issuers	174,348	501,575	-	-	-	675,923
Investment fund units	-	9,185	240,916	1,283,267	8,251	1,541,619
Shares of foreign companies	-	-	-	-	9,034	9,034
	477,545	1,339,396	3,302,635	3,444,315	21,007	8,584,898
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	477,545	1,339,396	3,302,635	3,444,315	17,285	8,581,176
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	24,679	24,679
Foreign companies	-	-	-	-	15,863	15,863
Investment fund units	-	-	-	-	56,421	56,421
Other securities	-	-	-	-	433	433
	-	-	-	-	97,396	97,396
	477,545	1,339,396	3,302,635	3,444,315	114,681	8,678,572

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets available for sale, by residual maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	-	113,831	1,134,958	1,723,650	-	2,972,439
Foreign issuers	-	52	1,512	2,909	-	4,473
Bonds issued by other entities						
Portuguese issuers	27,848	-	642,092	90,336	3,722	763,998
Foreign issuers	-	-	50,115	213,586	-	263,701
Treasury bills and other Government bonds						
Portuguese issuers	89,554	495,352	-	-	-	584,906
Foreign issuers	-	497,266	-	-	-	497,266
	117,402	1,106,501	1,828,677	2,030,481	3,722	5,086,783
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	117,402	1,106,501	1,828,677	2,030,481	-	5,083,061
Variable income						
Companies' shares						
Portuguese companies	-	-	-	-	30,245	30,245
Foreign companies	-	-	-	-	9,394	9,394
Investment fund units	-	3,455	170,770	1,604,393	7,575	1,786,193
Other securities	-	-	-	-	850	850
	-	3,455	170,770	1,604,393	48,064	1,826,682
	117,402	1,109,956	1,999,447	3,634,874	48,064	6,909,743

The changes occurred in impairment for financial assets at fair value through other comprehensive income and Financial assets available for sale are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	689,742	717,926
Transition adjustments IFRS 9	(686,020)	-
Transfers	788	-
Reversals	(788)	-
Impairment against profit and loss	-	70,310
Amounts charged-off	-	(107,500)
Other variations	-	9,006
Balance at the end of the year	3,722	689,742

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	-	-	-	47,066
Construction	-	371	30,118	2,395	32,884
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	427,451	-	-	-	427,451
Telecommunications	-	7,782	-	-	7,782
Services					
Financial intermediation (*)	335,565	6,644	1,549,581	-	1,891,790
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	-	22
	1,216,342	40,542	1,607,507	3,722	2,868,113
Government and Public securities	4,284,766	-	1,529,415	-	5,814,181
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	5,501,108	40,542	3,136,922	-	8,678,572

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,006,988,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 43.

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets available for sale by sector of activity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Chemicals	26,753	-	-	-	26,753
Construction	-	-	-	2,394	2,394
Wholesale business	49,619	852	-	126	50,597
Restaurants and hotels	-	46	-	-	46
Transports	426,280	2,168	-	-	428,448
Telecommunications	-	6,390	-	-	6,390
Services					
Financial intermediation (*)	281,427	17,001	1,744,650	-	2,043,078
Real estate activities	-	-	41,543	-	41,543
Consulting, scientific and technical activities	111,382	365	-	-	111,747
Administrative and support services activities	-	12,779	-	-	12,779
Public sector	111,833	-	-	-	111,833
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	1	23
Other international activities	-	-	850	-	850
	1,023,977	39,639	1,787,043	3,722	2,854,381
Government and Public securities	2,976,912	-	1,082,172	-	4,059,084
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	4,000,889	39,639	2,869,215	-	6,909,743

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,022,068,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 43.

The Bank, as part of the management process of the liquidity risk (note 49), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities. As at 31 December 2018, this caption includes Euros 39,612,000 (31 December 2017: Euros 40,821,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives by maturity as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 34)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	366,157	1,297,318	8,394,118	10,057,593	340,546	267,815
Interest rate options (purchase)	-	84,927	136,129	221,056	9	-
Interest rate options (sale)	-	1,510	136,129	137,639	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	366,157	1,402,929	8,787,964	10,557,050	342,586	268,983
Stock Exchange transactions:						
Interest rate futures	104,693	-	-	104,693	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	71,121	131,745	-	202,866	942	644
Currency swaps	1,858,660	552,788	-	2,411,448	5,111	8,748
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	1,997,931	734,785	54,506	2,787,222	9,410	12,741
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	58,059	76,034	462,072	596,165	664	4,809
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	-	-	19,730	19,730	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	411,029	950,649	1,658,277	3,019,955	16,288	8,816
Stock exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	80,553	80,553	-	-
	123,531	-	374,690	498,221	267,141	287
Total derivatives traded in:						
OTC Market	2,956,707	3,164,397	11,337,509	17,458,613	636,089	295,636
Stock Exchange	791,247	-	-	791,247	-	-
Embedded derivatives					916	59
	3,747,954	3,164,397	11,337,509	18,249,860	637,005	295,695

The analysis of trading derivatives by maturity as at 31 December 2017, is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 34)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	342,339	610,766	8,587,986	9,541,091	399,731	332,398
Interest rate options (purchase)	-	83,417	89,285	172,702	456	-
Interest rate options (sale)	-	-	89,285	89,285	-	397
Other interest rate contracts	567	4,070	112,555	117,192	1,947	688
	342,906	698,253	8,879,111	9,920,270	402,134	333,483
Stock Exchange transactions:						
Interest rate futures	110,808	-	-	110,808	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	81,068	57,208	35	138,311	1,360	669
Currency swaps	964,396	403,366	-	1,367,762	2,998	16,096
Currency options (purchase)	11,168	61,638	-	72,806	1,539	-
Currency options (sale)	10,746	61,638	-	72,384	-	1,514
	1,067,378	583,850	35	1,651,263	5,897	18,279
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	-	224,675	371,152	595,827	-	22,288
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	345,574	1,323,637	1,251,343	2,920,554	8,406	4,184
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,588	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	345,574	1,323,637	1,285,071	2,954,282	23,994	4,184
Stock exchange transactions:						
Shares futures	500,045	181,357	-	681,402	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	13,353	-	-	13,353	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	214,950	177,800	428,310	821,060	264,189	2,988
Other credit derivatives (sale)	-	-	68,908	68,908	-	-
	214,950	177,800	497,218	889,968	264,189	2,988
Total derivatives traded in:						
OTC Market	1,970,808	3,008,215	11,032,587	16,011,610	696,214	381,222
Stock Exchange	624,206	181,357	-	805,563	-	-
Embedded derivatives					-	158
	2,595,014	3,189,572	11,032,587	16,817,173	696,214	381,380

22. Financial assets held to maturity

As at 31 December 2017, the balance Financial assets held to maturity was analysed as follows:

(Thousands of euros)

	2017				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by public entities					
Foreign issuers	-	-	50,859	-	50,859
Bonds issued by other entities					
Portuguese issuers	-	-	173,909	39,145	213,054
Foreign issuers	-	-	-	78,872	78,872
	-	-	224,768	118,017	342,785

This note should be analyzed together with note 20.

The analysis of financial assets held to maturity, by sector of activity, as at 31 December 2017, was analysed as follows:

(Thousands of euros)

	2017
Transports	173,909
Services	
Financial intermediation	78,872
Real estate activities	39,145
	291,926
Government and Public securities	50,859
	342,785

23.Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Swaps	92,891	68,486	18,804	99,453
Others	-	-	-	12,899
	92,891	68,486	18,804	112,352

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39 (note 1 B.4), using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2018, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,870,000 (31 December 2017: negative amount of Euros 4,833,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2018, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 23,004,000 (31 December 2017: positive amount of Euros 26,586,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 49):

(Thousands of euros)

Hedged items	2018	2017
Loans	5,306	4,886
Securities acquisition	(47,870)	(29,543)
Deposits	(10,214)	2,447
Debt issued	(148)	(47,816)
	(52,926)	(70,026)

The analysis of hedging derivatives portfolio by maturity as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	24,500	2,738,774	2,763,274	12,372	60,882
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

The analysis of hedging derivatives portfolio by maturity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	5,288	6,434,440	6,439,728	17,060	53,401
Others	450,000	-	-	450,000	-	12,899
	450,000	5,288	6,434,440	6,889,728	17,060	66,300
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

24. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Portuguese credit institutions	388,440	338,422
Foreign credit institutions	792,877	801,463
Other Portuguese companies	1,760,363	1,848,351
Other foreign companies	2,756,639	2,771,176
	5,698,319	5,759,412
Impairment for investments in:		
Subsidiary companies	(2,532,289)	(2,385,466)
Associated and other companies	(18,057)	(3,585)
	(2,550,346)	(2,389,051)
	3,147,973	3,370,361

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of euros)

	2018	2017
ACT - C - Indústria de Cortiças, S.A.	-	3,585
Banco ActivoBank, S.A.	128,205	78,187
Banco de Investimento Imobiliário, S.A.	260,235	260,235
Bank Millennium S.A.	645,678	662,953
Banque BCP, S.A.S.	30,203	26,865
Banque Privée BCP (Suisse) S.A.	116,996	111,645
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	29,773	30,773
BCP International B.V.	1,203,262	1,203,262
BCP Investment, B.V.	1,534,842	1,534,843
Cold River's Homestead, S.A.	20,210	-
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	459,722
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	18,535
Millennium bcp Imobiliária, S.A.	341,088	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,653	327,653
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Planfipsa S.G.P.S., S.A.	1	-
Projepolska, S.A.	633	-
S&P Reinsurance Limited	-	14,536
Servitrust - Trust Management Services S.A.	100	100
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	13	13
	5,698,319	5,759,412
Impairment for investments in subsidiary and associated companies		
ACT - C - Indústria de Cortiças, S.A.	-	(3,585)
Banco de Investimento Imobiliário, S.A.	(50,704)	(33,941)
BCP África, S.G.P.S., Lda.	(92,726)	(92,726)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,117)	(18,480)
BCP International B.V.	(145,988)	(145,988)
BCP Investment, B.V.	(1,529,200)	(1,394,582)
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(18,535)	(18,535)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	(18,057)	-
Millennium bcp Imobiliária, S.A.	(341,088)	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	(327,049)	(327,049)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(782)	(753)
S&P Reinsurance Limited	-	(12,224)
Servitrust - Trust Management Services S.A.	(100)	(100)
	(2,550,346)	(2,389,051)
	3,147,973	3,370,361

During 2018, were included the subsidiaries Planfipsa S.G.P.S., S.A. and Cold River's Homestead, S.A., and also included the associated companies PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E and Projepolska, S.A.

The Bank also liquidated S & P Reinsurance Limited and closed ACT-C-Indústria de Cortiças, S.A.

During 2017, the Bank's investment in the company Nanium, S.A. was sold and were liquidated the investments held by the Bank in the companies Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda. and Caracas Financial Services, Limited (note 14).

During 2017 the Bank aquired to BCP Investment, B.V. the investments corresponding to the entire share capital of Banco ActivoBank, S.A. and Banque Privée BCP (Suisse) S.A., as well 49.0% of the share capital of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The movements for Impairment for investments in subsidiary and associated companies are analysed as follows:

(Thousands of euros)

	2018	2017
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,389,051	2,352,243
Impairment charge for the year (note 12)	177,104	79,940
Write-back for the year	-	(36,943)
Loans charged-off	(15,809)	(6,189)
Balance on 31 December	2,550,346	2,389,051

As at 31 December 2018, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of ACT - C - Indústria de Cortiças, S.A. and S&P Reinsurance Limited. The Bank's subsidiaries and associated companies are presented in note 53.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 G).

Regarding holding companies, namely BCP International B.V., BCP Investment B.V., Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1 G), was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the period from 2019 to 2022 and (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2018			2017		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	5,500% a 10,000%	10.561%	0.000%	5,875% a 10,375%	10.400%	0.000%
Poland	9.250%	9.250%	2.600%	9.625%	9.625%	2.600%
Angola	19.000%	19.000%	n.a.	19.000%	19.000%	n.a.
Mozambique	20.500%	20.500%	3.940%	20.500%	20.500%	2.400%
Switzerland	9.250%	9.811%	0.000%	9.250%	9.775%	0.000%

Based on the analysis made, the Bank recognised in 2018 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Write-back	Loans charged-off	Balance on 31 December
ACT - C - Indústria de Cortiças, S.A.	3,585	-	-	(3,585)	-
Banco de Investimento Imobiliário, S.A.	33,941	16,763	-	-	50,704
BCP África, S.G.P.S., Lda.	92,726	-	-	-	92,726
BCP Capital - Sociedade de Capital de Risco, S.A.	18,480	7,637	-	-	26,117
BCP International B.V.	145,988	-	-	-	145,988
BCP Investment B.V.	1,394,582	134,618	-	-	1,529,200
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	-	-	-	18,535
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	18,057	-	-	18,057
Millennium bcp Imobiliária, S.A.	341,088	-	-	-	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,049	-	-	-	327,049
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	753	29	-	-	782
S&P Reinsurance Limited	12,224	-	-	(12,224)	-
Servitrust - Trust Management Services S.A.	100	-	-	-	100
	2,389,051	177,104	-	(15,809)	2,550,346

25. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans (note 49)	1,322,473	(179,009)	1,143,464	1,559,450	(190,359)	1,369,091
Assets for own use (closed branches)	3,431	(757)	2,674	5,553	(1,241)	4,312
Equipment and other	9,537	(5,067)	4,470	12,376	(6,476)	5,900
Subsidiaries acquired exclusively with the purpose of short-term sale	122,388	(46,247)	76,141	113,221	(39,254)	73,967
Other assets	25,905	-	25,905	26,842	-	26,842
	1,483,734	(231,080)	1,252,654	1,717,442	(237,330)	1,480,112

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 H).

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 49.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The Bank requests, regularly, to the Bank of Portugal, following the Article No. 114º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

The referred balance includes real estate for which the Bank has already established contracts for the sale in the amount of Euros 35,149,000 (31 December 2017: Euros 29,081,000), which impairment associated is Euros 3,361,000 (31 December 2017: Euros 4,397,000), which was calculated taking into account the value of the respective contracts.

As at 31 December 2017, the caption Subsidiaries acquired exclusively with the view of short-term sale corresponds to 1 real estate company acquired by the Bank within the restructuring of a loan exposure that the Bank intends to sell in less than one year (note 53), which hold real estate assets in the amount of Euros 20,447,000.

As part of a corporate restructuring process, as at 31 December 2017, the Bank sold four real estate companies to real estate investment funds held by it, in the amount of Euros 120,938,000, with a net gain of Euros 9,434,000, recognized in the caption Sale of other assets, as described in note 14.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	237,330	254,307
Transfers (a)	15,272	-
Impairment for the year (note 12)	32,375	93,027
Loans charged-off	(54,697)	(109,581)
Exchange rate differences	800	(423)
Balance on 31 December	231,080	237,330

(a) In 2018, the balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

26. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Land and buildings	494,685	508,440
Equipment		
Furniture	70,360	69,631
Machinery	17,157	16,648
Computer equipment	180,692	175,627
Interior installations	100,312	98,876
Motor vehicles	14,337	13,032
Security equipment	63,391	62,907
Other equipment	2,829	2,868
Work in progress	7,908	10,143
Other tangible assets	29	32
	951,700	958,204
Accumulated depreciation		
Relative to the year (note 9)	(23,167)	(21,871)
Relative to the previous years	(708,362)	(719,232)
	(731,529)	(741,103)
	220,171	217,101

The changes occurred in Other tangible assets, during 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	508,440	207	(20,327)	6,341	24	494,685
Equipment:						
Furniture	69,631	1,506	(745)	(36)	4	70,360
Machinery	16,648	563	(66)	9	3	17,157
Computer equipment	175,627	9,168	(4,106)	(3)	6	180,692
Interior installations	98,876	1,112	(3,135)	3,459	-	100,312
Motor vehicles	13,032	3,750	(2,448)	-	3	14,337
Security equipment	62,907	1,156	(689)	16	1	63,391
Other equipment	2,868	17	(56)	-	-	2,829
Work in progress	10,143	11,698	(67)	(13,866)	-	7,908
Other tangible assets	32	-	-	(3)	-	29
	958,204	29,177	(31,639)	(4,083)	41	951,700
Accumulated depreciation						
Real estate	(340,684)	(9,689)	19,916	1,924	(12)	(328,545)
Equipment:						
Furniture	(63,575)	(1,407)	742	41	(4)	(64,203)
Machinery	(15,274)	(293)	66	-	(3)	(15,504)
Computer equipment	(161,221)	(6,960)	4,101	3	(3)	(164,080)
Interior installations	(92,029)	(1,353)	3,133	99	-	(90,150)
Motor vehicles	(6,642)	(2,354)	1,914	-	(3)	(7,085)
Security equipment	(58,819)	(1,106)	689	82	-	(59,154)
Other equipment	(2,830)	(5)	56	-	-	(2,779)
Other tangible assets	(29)	-	-	-	-	(29)
	(741,103)	(23,167)	30,617	2,149	(25)	(731,529)
	217,101	6,010	(1,022)	(1,934)	16	220,171

The changes occurred in Other tangible assets, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	528,878	23	(16,439)	(3,949)	(73)	508,440
Equipment:						
Furniture	70,206	1,695	(2,155)	(103)	(12)	69,631
Machinery	16,416	329	(87)	-	(10)	16,648
Computer equipment	168,051	9,087	(1,519)	26	(18)	175,627
Interior installations	96,688	445	(659)	2,403	(1)	98,876
Motor vehicles	10,377	3,731	(1,065)	-	(11)	13,032
Security equipment	64,089	441	(1,558)	(62)	(3)	62,907
Other equipment	2,923	40	(95)	-	-	2,868
Work in progress	8,322	15,372	(1,023)	(12,528)	-	10,143
Other tangible assets	30	3	(1)	-	-	32
	965,980	31,166	(24,601)	(14,213)	(128)	958,204
Accumulated depreciation						
Real estate	(352,220)	(9,746)	15,787	5,467	28	(340,684)
Equipment:						
Furniture	(64,623)	(1,217)	2,152	103	10	(63,575)
Machinery	(15,137)	(231)	87	-	7	(15,274)
Computer equipment	(156,864)	(5,881)	1,507	4	13	(161,221)
Interior installations	(91,668)	(1,053)	657	34	1	(92,029)
Motor vehicles	(4,944)	(2,533)	828	-	7	(6,642)
Security equipment	(59,265)	(1,206)	1,548	103	1	(58,819)
Other equipment	(2,920)	(4)	94	-	-	(2,830)
Other tangible assets	(30)	-	1	-	-	(29)
	(747,671)	(21,871)	22,661	5,711	67	(741,103)
	218,309	9,295	(1,940)	(8,502)	(61)	217,101

27. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Intangible assets		
Software	49,054	35,849
Other intangible assets	153	177
	49,207	36,026
Accumulated amortisation		
Relative to the year (note 9)	(9,274)	(7,122)
Relative to the previous years	(10,250)	(7,495)
	(19,524)	(14,617)
	29,683	21,409

The changes occurred in Intangible assets balance, during 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	35,849	17,573	(4,384)	-	16	49,054
Other intangible assets	177	-	-	(28)	4	153
	36,026	17,573	(4,384)	(28)	20	49,207
Accumulated amortisation						
Software	(14,534)	(9,274)	4,378	-	(7)	(19,437)
Other intangible assets	(83)	-	-	-	(4)	(87)
	(14,617)	(9,274)	4,378	-	(11)	(19,524)
	21,409	8,299	(6)	(28)	9	29,683

The changes occurred in Intangible assets balance, during 2017, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	26,378	14,030	(4,525)	-	(34)	35,849
Other intangible assets	192	-	-	-	(15)	177
	26,570	14,030	(4,525)	-	(49)	36,026
Accumulated amortisation						
Software	(11,949)	(7,122)	4,524	-	13	(14,534)
Other intangible assets	(95)	-	-	-	12	(83)
	(12,044)	(7,122)	4,524	-	25	(14,617)
	14,526	6,908	(1)	-	(24)	21,409

28. Income tax

The deferred income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses	925,420	-	925,420	925,673	-	925,673
Employee benefits	835,234	-	835,234	837,422	-	837,422
	1,760,654	-	1,760,654	1,763,095	-	1,763,095
Deferred taxes depending on the future profits						
Other tangible assets	1,977	(3,184)	(1,207)	2,027	(3,252)	(1,225)
Impairment losses	709,541	(50,303)	659,238	930,619	(50,303)	880,316
Employee benefits	39,757	(205)	39,552	28,179	(1,803)	26,376
Financial assets at fair value through other comprehensive income	139,254	(165,893)	(26,639)	n.a.	n.a.	n.a.
Financial assets available for sale	n.a.	n.a.	n.a.	10,076	(16,993)	(6,917)
Tax losses carried forward	319,768	-	319,768	319,768	-	319,768
Others	57,646	(26,476)	31,170	62,835	(25,740)	37,095
	1,267,943	(246,061)	1,021,882	1,353,504	(98,091)	1,255,413
Total deferred taxes	3,028,597	(246,061)	2,782,536	3,116,599	(98,091)	3,018,508
Offset between deferred tax assets and deferred tax liabilities	(246,061)	246,061	-	(98,091)	98,091	-
Net deferred taxes	2,782,536	-	2,782,536	3,018,508	-	3,018,508

(a) Special Regime applicable to deferred tax assets

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of August 26, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015 and the deferred tax assets that are recorded in the annual accounts of the taxpayer to the last period prior to that date and the taxation of the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not applied to expenses and negative equity changes recorded in the tax periods beginning on or after 1 January 2016, or to tax assets associated with them.

The Special Regime applicable to the deferred tax assets, provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 10 years after the date of its creation, and the issuing bank shall deposit in favor of the State the amount of the price corresponding to all the rights issued, within 3 months of date of the confirmation of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate is analysed as follows:

Description	2018	2017
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000 (a)	9.0%	7.0%

(a) Law 114/2017, dated 29 December (State Budget Law for 2018) establishes the increase of the state tax rate for the portion of the taxable income above Euros 35,000,000 from 7% to 9% for taxation periods beginning on or after 1 January 2018.

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2017: 21%).

The average deferred tax rate associated with temporary differences of the BanK is 31.30% (31 December 2017: 31.30%).

The reporting period of tax losses in Portugal is 5 years for the losses of 2012, 2013, 2017 and 2018 and 12 years for the losses of 2014, 2015 and 2016.

In 2016, the Bank adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of IRC taxation, with BCP being the dominant entity. In 2017 and 2018 the RETGS application was maintained.

The balance of Deferred tax assets not depending 'on the future profits (covered by the scheme approved by Law no. 61/2014, of 26 August), include the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to specific credit impairment losses registered up to 31 December 2014.

The differed income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

(Thousands of euros)

Expire date	2018	2017
2026	10,297	80,758
2028	309,471	239,010
	319,768	319,768

Following the publication of the Notice of the Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016, began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standard (IAS 39 through 31 December 2017 and IFRS 9 as of 1 January 1 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95.

The Regulatory Decree No. 5/2016, of November 18, established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for calculating the taxable profit in 2016. This Decree declares that Bank of Portugal Notice No. 3/95 (Notice that was relevant to the determination of provisions for credit in the financial statements presented in the NCA basis) should be considered for the purposes of calculating the maximum loss limits for impairment losses accepted for tax purposes in 2016. This methodology was also applied for the treatment of the transition adjustments related to credit impairment of entities that previously presented their financial statements on an NCA basis.

This Regulatory Decree includes a transitional rule that provides for the possibility of the positive difference between the value of the provisions for credit created on 1 January 2016 under the Notice of Bank of Portugal No. 3/95 and the impairment losses recorded on 1 January 2016 referring to the same credits, will be considered in the calculation of the taxable income of 2016 only in the part that exceeds the tax losses generated in periods of taxation started on or after 1 January 2012 and not used. The Bank opted to apply this transitional standard.

The Regulatory Decrees No. 11/2017, of 28 December, and No. 13/2018, of 28 December established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purposes of calculating taxable income in 2017 and 2018, respectively. These Regulatory Decrees establish that the Notice of Bank of Portugal No. 3/95 (notice that was relevant to determine the provisions for credit in financial statments in NCA basis) should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2017 and 2018, respectively.

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.1), and with the requirements of IAS 12, the deferred tax assets were recognised based on the Bank's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated, the evolution of tax legislation and respective interpretation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective financial statements prepared under the budget process for 2019 and adjusted according to the strategic plan approved by governing bodies, which support future taxable income, considering the macroeconomic and competitive environment.

To estimate taxable profits for the periods 2019 and following, the following main assumptions were considered:

- in the absence of specific rules regarding the tax regime for credit impairment and guarantees for taxation periods beginning on or after 1 January 2019, the tax rules considered, that were in force in 2018, similiar to the one's in force in 2015, 2016 and 2017, and through Decree-Laws published at the end of each of the referred years established that the Notice of Bank of Portugal No. 3/95 should be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes. In applying these rules, the following assumptions were considered in general terms:

a) non-deductible expenses related to charge in credit impairments were estimated based on the average percentage of amounts not deducted for tax purposes in the last years, compared to the amounts of impairment charges recorded in those years;

b) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 and also based on the average reversal percentage observed in the last years;

c) the average percentages concerned were segregated, depending on the existence or absence of a mortgage guarantee, the eligibility for the special regime applicable to deferred tax assets and according to the classification of clients as Non Performing Exposures;

- in the absence of a transitional regime that establishes the tax treatment to be given to the transition adjustments resulting from the adoption of IFRS 9, the general rules of the IRC Code have been applied;
- the deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;
- the deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made take into consideration, the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, underlining:

- improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;
- evolution of the ratio loans and advances over the balance sheet resources from customer by approximately 100% in Portugal;
- decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, consubstantiating a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2023) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula.
- control of the operating expenses, notwithstanding the investments planned by the Bank in the context of the expected deepening of the digitization and expansion of its commercial activities;
- positive net income, projecting the favourable evolution of the ROE and maintaining of the CET1 ratio fully implemented at levels appropriate to the requirements and benchmarks. From 2024 onwards, it is estimated an annual growth of the Net income before income taxes, which reflects a partial convergence to the expected level of ROE stabilized term.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 31 December 2018.

In accordance with this assessment, the amount of unrecognised deferred tax, by year of expiration, is as follows:

(Thousands of euros)

Tax losses carried forward	2018	2017
2023	140,962	-
2026	202,537	132,076
2028	207,874	278,334
	551,373	410,410

The impact of income taxes in Net income and in other captions of Bank's equity is analysed as follows:

(Thousands of euros)

	2018			2017	
		Reserves and retained earnings			
	Net income for the year	Impact of adoption of IFRS 9 (note 52)	Movement of the year	Net income for the year	Reserves and retained earnings
Deferred taxes					
Deferred taxes not depending on the future profits (a)					
Impairment losses	(253)	-	-	57,564	-
Employee benefits	(2,188)	-	-	16,903	33,128
	(2,441)	-	-	74,467	33,128
Deferred taxes depending on the future profits					
Other tangible assets	18	-	-	1,039	-
Impairment losses (b)	(23,801)	(197,277)	-	60,498	-
Employee benefits	9,702	-	3,474	2,690	(5,522)
Financial assets at fair value through other comprehensive income	(10,076)	20,322	(36,885)	n.a.	n.a.
Financial assets available for sale	n.a.	6,917	n.a.	10,076	(39,457)
Tax losses carried forward	(1,685)	-	1,685	(92,330)	(78,590)
Others	(4,627)	(613)	(685)	2,202	-
	(30,469)	(170,651)	(32,411)	(15,825)	(123,569)
	(32,910)	(170,651)	(32,411)	58,642	(90,441)
Current taxes			-		
Actual year	(3,989)	-	-	(3,351)	-
Correction of previous years	790	-	-	862	-
	(3,199)	-	-	(2,489)	-
	(36,109)	(170,651)	(32,411)	56,153	(90,441)

(a) Deferred taxes related to expenses and negative equity variations, covered by the Deferred Tax Assets Special Regime (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, is not applicable to expenses and negative equity variations registered in tax periods beginning on or after 1 January 2016, neither to the deferred taxes assets related to these. In 2017, there is a variation due to the increase of the state surtax from 7% to 9% on the portion of the taxable profit over Euros 35,000,000, applicable in tax periods began on or after 1 January 2018.

(b) - The tax on reserves and retained earnings corresponds to recognitions in reserves and retained earnings that contribute to the purpose of assessing the taxable profit.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	2018	2017
Net income / (loss) before income taxes	95,376	61,868
Current tax rate (%)	31.30%	31.30%
Expected tax	(29,853)	(19,365)
Elimination of double economic taxation of dividends received	69,882	22,473
Non deductible impairment	(50,505)	8,130
Contribution to the banking sector	(9,522)	(8,767)
Employees' benefits	-	11,761
Non-deductible expenses and other corrections	542	567
Effect of difference of rate tax and deferred tax not recognised previously (a)	(14,336)	43,186
(Autonomous tax) / Tax credits	(2,317)	(1,832)
Total	(36,109)	56,153
Effective rate (%)	37.86%	-90.76%

(a) In 2017, the amount corresponds to the impact of the tax rate and of the deferred tax not recognized before (Euros 133,494,000), essentially due to the state surtax increase from 7% to 9% on the portion of the taxable profit over Euros 35.000.000 applicable in tax periods began on or after 1 January 2018, net of derecognition of deferred tax related to tax losses (Euros 90,308,000).

29. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Debtors	132,558	137,938
Capital supplies	233,195	226,708
Capital supplementary contributions	236,232	363,331
Other financial investments	449	441
Gold and other precious metals	3,615	3,637
Deposit account applications	74,220	187,863
Debtors for futures and options transactions	109,445	97,830
Artistic patrimony	28,622	28,656
Amounts due for collection	45,475	36,618
Other recoverable tax	20,024	22,401
Subsidies receivables	8,146	3,523
Associated companies	43,829	4,479
Interest and other amounts receivable	29,179	28,299
Prepaid expenses	22,330	23,555
Amounts receivable on trading activity	11,851	210,410
Amounts due from customers	217,483	130,953
Obligations with post-employment benefits (note 46)	9,941	113,843
Sundry assets	32,728	106,074
	1,259,322	1,726,559
Impairment for other assets	(312,773)	(291,828)
	946,549	1,434,731

As referred in note 43, the balance Capital supplies includes the amount of Euros 226,049,000 (31 December 2017: Euros 219.657.000) and the balance Capital supplementary contributions included, in 31 December 2017, the amount of Euros 2,939,000 arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2018, the caption Deposit account applications includes the amount of Euros 16,307,000 (31 December 2017: Euros 94,770,000) on the Clearing houses / Clearing derivatives.

The caption Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The caption Supplementary capital contributions is analysed as follows:

(Thousands of euros)

	2018	2017
Millennium bcp Imobiliária, S.A.	51,295	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	166,287	290,447
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
Servitrust - Trust Management Services S.A.	650	650
Others	-	2,939
	236,232	363,331

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	291,828	323,075
Transfers (a)	57,120	41,247
Impairment for the year (note 12)	6,544	16,827
Write back for the year (note 12)	(1,432)	(20,254)
Amounts charged-off	(41,287)	(69,067)
Balance on 31 December	312,773	291,828

(a) In 2018, the balance Transfers corresponds to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Bank received a set of assets in kind.

30. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,950,657	3,950,657	-	3,969,731	3,969,731
Central Banks abroad	-	803,986	803,986	-	170,734	170,734
	-	4,754,643	4,754,643	-	4,140,465	4,140,465
Resources from credit institutions in Portugal						
Very short-term deposits	-	8,134	8,134	-	19,993	19,993
Sight deposits	453,795	-	453,795	480,495	-	480,495
Term Deposits	-	417,911	417,911	-	91,169	91,169
Other resources	19,820	-	19,820	17,540	-	17,540
	473,615	426,045	899,660	498,035	111,162	609,197
Resources from credit institutions abroad						
Very short-term deposits	-	700	700	-	83	83
Sight deposits	197,673	-	197,673	145,044	-	145,044
Term Deposits	-	555,195	555,195	-	625,075	625,075
Loans obtained	-	1,522,631	1,522,631	-	1,467,096	1,467,096
Sales operations with repurchase agreement	-	439,999	439,999	-	827,913	827,913
Other resources	-	2,036	2,036	-	10,178	10,178
	197,673	2,520,561	2,718,234	145,044	2,930,345	3,075,389
	671,288	7,701,249	8,372,537	643,079	7,181,972	7,825,051

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2018	2017
Up to 3 months	2,311,072	1,335,169
3 to 6 months	39,693	65,031
6 to 12 months	219,821	260,125
1 to 5 years	4,679,943	4,784,375
Over 5 years	1,122,008	1,380,351
	8,372,537	7,825,051

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"), the amount of Euros 21,000,000 (31 December 2017: Euros 26,250,000). These deposits are held by the Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

31. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2018			2017		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	18,849,565	449,154	19,298,719	16,150,559	510,549	16,661,108
Term deposits	-	11,142,718	11,142,718	-	11,993,616	11,993,616
Saving accounts	-	3,473,141	3,473,141	-	2,978,608	2,978,608
Treasury bills and other assets sold under repurchase agreement	-	-	-	-	129,758	129,758
Cheques and orders to pay	303,339	-	303,339	361,755	-	361,755
Other	-	-	-	-	10,190	10,190
	19,152,904	15,065,013	34,217,917	16,512,314	15,622,721	32,135,035

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation No. 11/94 of the Bank of Portugal.

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2018	2017
Deposits repayable on demand	19,298,719	16,661,108
Term deposits and saving accounts		
Up to 3 months	6,379,989	6,454,029
3 to 6 months	4,362,232	4,478,026
6 to 12 months	3,573,937	3,785,290
1 to 5 years	285,501	240,678
Over 5 years	14,200	14,200
	14,615,859	14,972,223
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	-	129,758
Cheques and orders to pay		
Up to 3 months	303,339	361,755
Other		
Up to 3 months	-	1,334
6 to 12 months	-	1,286
1 to 5 years	-	7,571
	-	10,191
	34,217,917	32,135,035

32. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Debt securities at amortised cost		
Bonds	122,301	432,876
Covered bonds	994,347	992,725
MTNs	77,182	9,958
	1,193,830	1,435,559
Accruals	4,937	5,069
	1,198,767	1,440,628

In 2017 the Bank issued covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May 2017. This issue, in the amount of Euros 1,000 million, has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The characteristics of the bonds issued by the Bank, as at 31 December 2018 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost					
BCP Fixa out 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	6,005
BCP Float jan 2019-Vm 105-Ref.38	December, 2011	January, 2019	Until 5 April 2012: Fixed rate 2.367% year; after 5 April 2012: Euribor 3M + 0.81%	50,000	49,960
BCP Float fev 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012:Fixed rate 2.459% year after 16 May 2012: Euribor 3M + 1.000%	10,850	10,780
BCP Fixa out 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	10,553
BCP Fixa out 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	4,439
BCP Fixa out 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	2,209
BCP Fixa out 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	5,412
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	28,438
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,511
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate of 0.75%	1,000,000	994,347
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to a portfolio of 3 shares	6,453	6,364
Bcp Mill Cabaz 3 Acoes Fev 2021-Smtn Sr 6	February, 2018	February, 2021	Indexed to a portfolio of 3 shares	11,121	11,121
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to a portfolio of 3 shares	24,664	24,664
Bcp Part Euro Acoes Valor Iii/18 - Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,370
Bcp Tit Div Mill Cabaz 3 Acoes Mai 2021-Smtn Sr10	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	32,853	32,853
Bcp Perfor Cabaz Ponder 18/17.05.21-Smtn Sr14	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	810	810
					1,193,830
Accruals					4,937
					1,198,767

This balance, as at 31 December 2018, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	60,740	-	28,618	32,943	-	122,301
Covered bonds	-	-	-	994,347	-	994,347
MTNs	-	-	-	77,182	-	77,182
	60,740	-	28,618	1,104,472	-	1,193,830

This balance, as at 31 December 2017, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	102,595	55,506	28,472	244,309	1,994	432,876
Covered bonds	-	-	-	992,725	-	992,725
MTNs	-	-	-	9,958	-	9,958
	102,595	55,506	28,472	1,246,992	1,994	1,435,559

33. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Bonds		
Non Perpetual	793,490	917,846
Perpetual	27,021	86,928
	820,511	1,004,774
Accruals	5,113	16,767
	825,624	1,021,541

As at 31 December 2018, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	51,173
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	28,881
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	16,158
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,637	979
BCP Subord set 2019-EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,541	7,444
BCP Subord nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,234	6,844
MBCP Subord dez 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,297	5,010
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,334	2,901
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	See ref. (iii)	300,000	298,620	300,000
					793,490	451,887
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See ref. (ii)	Euribor 3M+2.25%	4,986	4,986	1,994
					27,021	10,808
Accruals					5,113	-
					825,624	462,695

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:
Date of exercise of the next call option - The dates of the next call options are the dates provided in the Issues Terms and Conditions.
(i) June 2019; (ii) March 2019.
Interest rate
(iii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%.

As at 31 December 2017, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September,2018(i)	See ref. (viii)	73,618	73,618	3,597
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See ref. (viii)	20,741	20,741	1,210
Bcp Ob Sub Jun 2020-EMTN 727	June, 2010	June, 2020 (iii)	See ref. (ix)	16,294	16,294	1,620
Bcp Ob Sub Aug 2020-EMTN 739	August, 2010	August, 2020 (iv)	See ref. (x)	9,409	9,409	298
Bcp Ob Sub Mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	73,973
Bcp Ob Sub Apr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	41,701
Bcp Ob Sub 3S Apr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	23,158
Bcp Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,832	2,479
Bcp Subord Sep 2019-EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	55,251	17,444
Bcp Subord Nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	44,338	14,844
Bcp Subord Dec 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,945	10,330
Mill Bcp Subord Jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,504	5,701
Mbcp Subord Feb 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,722	9,941
Bcp Subord Apr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,412	23,035
Bcp Subord 2 Serie Apr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,632	11,417
Bcp Subordinadas Jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,465	13,154
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	See ref. (xi)	300,000	298,583	300,000
					917,846	553,902
Perpetual Bonds						
Obrigações Caixa Perpétuas						
Subord 2002/19jun2012	June, 2002	See ref. (v)	See ref. (xi)	85	85	85
TOPS BPSM 1997	December, 1997	See ref. (vi)	Euribor 6M+0.9%	22,035	22,035	22,035
BCP Leasing 2001	December, 2001	See ref. (vii)	Euribor 3M+2.25%	4,986	4,986	4,986
BCP - Euro 500 milhões	June, 2004	-	See ref. (xii)	43,968	43,895	1,685
Emp. sub. BCP Fin. Company	October, 2005	-	See ref. (xiii)	15,942	15,927	115
					86,928	28,906
Accruals					16,767	-
					1,021,541	582,808

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References:
Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018 ; (vii) March 2018.

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%; (ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%; (x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%; (xi) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (xii) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%; (xiii) until June 2014 fixed rate 5.543%; June 2014 and following Euribor 3M + 2.07%; (xiv) until October 2015 Fixed rate 4.239%; October 2015 and following Euribor 3M + 1.95%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2018	2017
Up to 1 year	133,709	94,359
1 to 5 years	361,161	524,904
Over 5 years	298,620	298,583
Undetermined	27,021	86,928
	820,511	1,004,774
Accruals	5,113	16,767
	825,624	1,021,541

34. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2018	2017
Trading derivatives (note 21):		
Swaps	290,475	378,642
Options	3,370	1,911
Embedded derivatives	59	158
Forwards	644	669
Others	1,147	-
	295,695	381,380
Level 2	295,677	381,044
Level 3	18	336

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

As at 31 December 2018, the balance Financial liabilities held for trading includes, , the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 B.5 (2017: nota 1 C2.3), in the amount of Euros 59,000 (31 December 2017: Euros 158,000). This note should be analysed together with note 21.

35. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Deposits from customers	2,583,549	2,902,392
Debt securities at fair value through profit and loss		
Bonds	826	13,368
Medium term notes (MTNs)	340,274	160,466
	341,100	173,834
Accruals	806	3,500
	341,906	177,334
Certificates	678,192	763,919
	3,603,647	3,843,645

As at 31 December 2018, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Eur Cln Port 10/15.06.20- Emtn 766	November, 2010	June, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	31,770
BCP Inv Banc Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to EuroStoxx Banks	1,000	566
Bcp Reemb Parc Eur Acoes Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2 nd quarter =3,9%; 2 nd semester=6,5%; 2 nd year =3,25%; 3rd year=3,25%	268	260
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,237
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	698	664
Bcp Inv. Euro Acoes Cupao Extra Xi/17 Eur-Smtn Sr 4	November, 2017	November, 2020	Indexed to EuroStoxx 50	1,370	1,156
Bcp Rend.Eur Div Autoccalable Xii 17Dec20 Smtn Sr5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,667
Bcp Euro Dividendos Cupao Memoria Iii18-Smtn Sr.9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	1,912
Bcp Rend Multi Set Eur Autocallable Abr21-Smtn11	April, 2018	April, 2021	Indexed to 3 shares portfolio	1,230	1,222
Bcp Rend Ac Valor Globais Autocall 19Abr21 Smtn12	April, 2018	April, 2021	Indexed Stoxx Global Select Dividend 100	1,490	1,444
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	90,281	88,639
Bcp Rend Cabaz Sect Autocall 28Jun2021-Smtn Sr15	June, 2018	June, 2021	Indexed to 3 shares portfolio	1,580	1,565
Bcp Inv. Eur Acoes Cupao Lock 28Jun21-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50	2,290	2,069
Bcp Tit Div Mill Cabaz 3 Acoes 25Jul2023-Smtn Sr 17	July, 2018	July, 2023	Indexed to 3 shares portfolio	16,010	15,843
Bcp Ret Sect Europa Autcall Vii18 26Jul21-Smtn Sr18	July, 2018	July, 2021	Indexed to 3 indexes	1,270	1,262
Bcp Rend e Part Zona Euro Autocall Viii18-Smtn Sr19	August, 2018	August, 2021	Indexed to EuroStoxx 50	1,000	841
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	30,825	30,055
Bcp Rend Sectores Ix 18/27092021 - Smtn 22	September, 2018	September, 2021	Indexed to 3 indexes	1,070	1,050
Bcp Tit Div Mill Cabaz 3 Acoes 18 22Out23-Smtn21	October, 2018	October, 2023	Indexed to 3 shares portfolio	50,956	50,514
Cabaz Multi Sect Eur.Autocall Xi18 29Oct21-Smtn23	October, 2018	October, 2021	Indexed to 3 shares portfolio	3,910	3,905
Rembolsos Parciais Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indice EuroStoxx Telecoms	1,560	1,548
Bcp Retorno Part Div Autocall 29Nov2021 Smtn 24	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,200	1,203
Bcp Perfor. Euro Dividendos 29Nov2021 Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,400	1,291
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn 25	December, 2018	December, 2023	Indexed to 3 shares portfolio	99,942	98,338
Bcp Rend Sectores Europa Autocall Xii/18 Smtn Sr 29	December, 2018	December, 2021	Indexed to 3 indexes	1,070	1,079
					341,100
Accruals					806
					341,906

As at 31 December 2018, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	409,770	532,337	424,000	1,217,442	-	2,583,549
Debt securities at fair value through profit and loss						
Bonds	-	-	566	260	-	826
MTNs	-	-	-	340,274	-	340,274
	-	-	566	340,534	-	341,100
Certificates	-	-	-	-	678,192	678,192
	409,770	532,337	424,566	1,557,976	678,192	3,602,841

As at 31 December 2017, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2017					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	377,045	395,330	925,921	1,204,096	-	2,902,392
Debt securities at fair value through profit and loss						
Bonds	2,042	4,542	1,783	5,001	-	13,368
MTNs	-	123,533	-	36,933	-	160,466
	2,042	128,075	1,783	41,934	-	173,834
Certificates	-	23	-	-	763,896	763,919
	379,087	523,428	927,704	1,246,030	763,896	3,840,145

36. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Provision for guarantees and other commitments	163,363	114,981
Other provisions for liabilities and charges	150,505	154,076
	313,868	269,057

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	114,981	110,601
Adjustments due to the implementation of IFRS 9 (note 52)	9,078	-
Other transfers	(2,124)	-
Charge for the year (note 13)	41,462	4,449
Reversals for the year (note 13)	(36)	(52)
Exchange rate differences	2	(17)
Balance on 31 December	163,363	114,981

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	2018	2017
Balance on 1 January	154,076	113,032
Transfers	(12,915)	(588)
Charge for the year (note 13)	19,142	46,094
Reversals for the year (note 13)	(24)	-
Amounts charged-off	(9,774)	(4,462)
Balance on 31 December	150,505	154,076

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 55,817,000 (31 December 2017: Euros 54,762,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

37. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Creditors:		
Suppliers	42,183	36,699
From factoring operations	26,323	24,937
Deposit account applications and others applications	73,706	55,073
Associated companies	10	-
For futures and options transactions	13,731	10,972
Obligations not covered by the Group Pension Fund - amounts payable by the Bank	6,432	20,582
Other creditors		
Residents	41,776	42,469
Non-residents	211,059	577
Public sector	30,996	29,729
Interests and other amounts payable	30,157	18,839
Deferred income	7,453	5,725
Holiday pay and subsidies	49,769	43,694
Amounts payable on trading activity	4,810	1,441
Operations to be settled - foreign, transfers and deposits	214,262	218,834
Other liabilities	108,176	107,720
	860,843	617,291

The caption Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 6,238,000 (31 December 2017: Euros 9,098,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2017: Euros 3,733,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 46. As at 31 December 2017 this balance also includes the amount of Euros 5,000,000 regarding to restructuration costs. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Bank.

The caption Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

38. Share capital and Other equity instruments

The Bank's share capital, as at 31 December 2018, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 44, pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 December 2018, the balance Other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

As at 31 December 2018, the shareholders who hold individually or jointly 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Grupo Fosun - Chiado (Luxembourg) S.a.r.l. detida pela Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, diretamente	2,946,353,914	19.49%	19.49%
BlackRock, Inc. *	512,328,512	3.39%	3.39%
Fundo de Pensões EDP **	315,336,362	2.09%	2.09%
Total Qualified Shareholdings	7,892,521,406	52.22%	52.22%

(*) In accordance with the announcement on March 5, 2018 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

39. Legal and statutory reserves

Under Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10 percent of annual profits, until the reserve equals the share capital or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the application of the 2017 results approved at the General Shareholders' Meeting on 30 May 2018, the Bank increased its legal reserve in the amount of Euros 11,802,000. Thus, as at 31 December 2018, the amount of Legal reserves amounts to Euros 234,608,000 (31 December 2017: Euros 222,806,000).

The amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2017: Euros 30,000,000) and correspond to a reserve to steady dividends that, according to the bank's by-laws, can be distributed.

40. Fair value reserves and reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	(19,971)	n.a.
Equity instruments	(34,107)	n.a.
Financial assets available for sale (note 21)		
Debt instruments (*)	n.a.	(6,715)
Equity instruments	n.a.	44,108
Financial assets held to maturity (**)	n.a.	(451)
	(54,078)	36,942
Cash-flow hedge	113,700	26,236
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	4,151	n.a.
	63,773	63,178
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	6,251	n.a.
Equity instruments	2,698	n.a.
Financial assets available for sale		
Debt instruments	n.a.	2,102
Equity instruments	n.a.	(12,708)
Financial assets held to maturity	n.a.	141
Cash-flow hedge	(35,588)	(8,212)
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	(1,299)	n.a.
	(27,938)	(18,677)
	35,835	44,501
Legal reserve (note 39)	234,608	222,806
Statutory reserves (note 39)	30,000	30,000
	264,608	252,806
Other reserves and retained earnings	487,060	(106,192)
	787,503	191,115

(*) Includes the effects arising from the application of hedge accounting.

(**) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 B (2017:1 C).

During 2018, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2018						
	Balance as at 31 December 2017	Adjustments due to the implementation of IFRS 9	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2018
Financial assets at fair value through other comprehensive income							
Debt instruments							
Portuguese public debt securities	-	(65,731)	39,420	(5,337)	(3,526)	(10,459)	(45,633)
Others	-	56,141	(23,963)	(6,818)	2,738	(2,436)	25,662
	-	(9,590)	15,457	(12,155)	(788)	(12,895)	(19,971)
Equity instruments	-	(69,382)	(959)	-	-	36,234	(34,107)
Financial assets available for sale							
Debt instruments							
Portuguese public debt securities	(65,350)	65,350	-	-	-	-	-
Others	58,635	(58,635)	-	-	-	-	-
	(6,715)	6,715	-	-	-	-	-
Equity instruments							
Visa Inc.	2,112	(2,112)	-	-	-	-	-
Others	41,996	(41,996)	-	-	-	-	-
	44,108	(44,108)	-	-	-	-	-
Financial assets held to maturity	(451)	451	-	-	-	-	-
	36,942	(115,914)	14,498	(12,155)	(788)	23,339	(54,078)

The negative amount of Euros 115,914,000 of adjustments due to the implementation of IFRS 9 corresponds, as described in note 52, to the impact arising from the adoption of IFRS 9 in the balance Fair value changes and the variations resulting from changes in the classification of securities.

The Disposals regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income, corresponding in 2018 to a gain of Euros 12,895,000 and a loss of Euros 36,234,000, respectively.

The changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting, during 2017, are analysed as follows:

(Thousands of euros)

	2017					
	Balance as at 1 January 2017	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2017
Financial assets available for sale						
Debt instruments						
Portuguese public debt securities	(225,170)	278,269	(84,995)	-	(33,454)	(65,350)
Others	39,198	126,043	(767)	20	(105,859)	58,635
	(185,972)	404,312	(85,762)	20	(139,313)	(6,715)
Equity instruments						
Visa Inc.	462	1,650	-	-	-	2,112
Others	47,020	(98,062)	-	70,290	22,748	41,996
	47,482	(96,412)	-	70,290	22,748	44,108
Financial assets held to maturity	(703)	252	-	-	-	(451)
	(139,193)	308,152	(85,762)	70,310	(116,565)	36,942

41. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Guarantees granted		
Guarantees	3,242,423	2,966,103
Stand-by letter of credit	67,103	42,133
Open documentary credits	264,222	293,752
Bails and indemnities	139,345	190,303
Other liabilities	108,850	168,760
	3,821,943	3,661,051
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	1,188,515	1,320,999
Securities subscription	97,159	105,341
Other irrevocable commitments	113,633	110,446
Revocable commitments		
Revocable credit lines	4,222,553	4,180,826
Bank overdraft facilities	542,389	663,624
Other revocable commitments	93,152	-
	6,257,401	6,381,236
Guarantees received	19,924,548	21,792,044
Commitments from third parties	9,357,320	10,679,342
Securities and other items held for safekeeping	51,939,148	53,314,176
Securities and other items held under custody by the Securities Depository Authority	61,622,103	59,748,170
Other off balance sheet accounts	120,782,241	123,817,080

The guarantees granted by the Bank may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 36).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 B). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

42. Assets under management and custody

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of euros)

	2018	2017
Assets under deposit	48,235,366	49,282,175
Wealth management	2,140,906	1,920,244
	50,376,272	51,202,419

43. Transfers of assets

The Bank performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. As at 31 December 2018, these securities are booked in Other financial assets not held for trading mandatorily at fair value through profit or loss portfolio (financial assets available for sale portfolio as at 31 December 2017, in accordance with the classification of IAS 39) and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2 , the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During 2018 and 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 December 2018, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

During 2018, it was liquidated the fund Vallis Construction Sector Fund.

The amounts accumulated as at 31 December 2017, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

As at 31 December 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2018			
	Senior securities	Junior securities		
	Participation units (*) (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	86,669	-	33,280	119,949
Imparirmant and other fair value ajustments	(11,315)	-	(33,280)	(44,595)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	262,920	38,154	-	301,074
Impairment and other fair value adjustments	1,826	(38,154)	-	(36,328)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Discovery Real Estate Fund				
Gross value	152,938	-	-	152,938
Impairment and other fair value adjustments	1,001	-	-	1,001
	153,939	-	-	153,939
Fundo Vega FCR				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,284)
	42,160	-	-	42,160
Total Gross value	1,171,029	226,049	33,280	1,430,358
Total impairment and other fair value adjustments	(164,041)	(226,049)	(33,280)	(423,370)
	1,006,988	-	-	1,006,988

(*) As from 1 January 2018, with the entry into force of IFRS 9, the Participation Units are now recorded at fair value through profit and loss (note 21).

The book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2018, corresponds to the NAV at that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available with reference to 31 December 2018 for 4 of the 7 funds and with reference to 31 December 2017 for 3 of the 7 funds (and Revision Report Limited with reference to 30 June 2018 for 1 of these 3 funds), do not present any reservations; (ii) the funds are subject to supervision by the competent authorities.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

As at 31 December 2017, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2017				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,930	-	31,737	-	319,667
Impairment	(46,791)	-	(31,737)	-	(78,528)
	241,139	-	-	-	241,139
Fundo Reestruturação Empresarial FCR					
Gross value	85,209	-	-	33,280	118,489
Impairment and other fair value adjustments	(6,118)	-	-	(33,280)	(39,398)
	79,091	-	-	-	79,091
FLIT-PTREL					
Gross value	261,502	-	38,155	2,939	302,596
Impairment	(3,697)	-	(38,155)	(2,939)	(44,791)
	257,805	-	-	-	257,805
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(203,172)	(36,292)	-	-	(239,464)
	-	-	-	-	-
Fundo Recuperação FCR					
Gross value	199,324	-	78,995	-	278,319
Impairment	(79,247)	-	(78,995)	-	(158,242)
	120,077	-	-	-	120,077
Fundo Aquarius FCR					
Gross value	138,045	-	-	-	138,045
Impairment	(6,993)	-	-	-	(6,993)
	131,052	-	-	-	131,052
Discovery Real Estate Fund					
Gross value	150,409	-	-	-	150,409
Impairment	(2,690)	-	-	-	(2,690)
	147,719	-	-	-	147,719
Fundo Vega FCR					
Gross value	47,087	-	70,770	-	117,857
Impairment	(1,902)	-	(70,770)	-	(72,672)
	45,185	-	-	-	45,185
Total Gross value	1,372,678	36,292	219,657	36,219	1,664,846
Total Impairment	(350,610)	(36,292)	(219,657)	(36,219)	(642,778)
	1,022,068	-	-	-	1,022,068

As at 31 December 2018, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2018		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	101,133	86,419	14,714
FLIT-PTREL	262,231	262,231	-
Fundo Recuperação FCR	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952
Discovery Real Estate Fund	153,243	153,243	-
Fundo Vega FCR	49,616	46,233	3,383
	1,239,641	1,168,932	70,709

The amount of subscribed capital does not include additional subscription commitments, which amount to Euros 19,596,000 in FLIT-PTREL and Euros 6,854,000 in Discovery.

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2018	2017
Loans and advances to customers	282,480	271,997
Guarantees granted and irrevocable credit lines	55,089	34,114
Gross exposure	337,569	306,111
Impairment	(85,884)	(75,571)
Net exposure	251,685	230,540

44. Relevant events occurred during 2018

Resolutions of the general meeting

On 5 November 2018, BCP concluded on that day, with 62.1% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

- i) Approval of the alteration of the articles of association through the modification of number 2 of article 54 of the Bank's Articles of Association;

- ii) Approval of reformulation of the items of own capital with the special purpose of unequivocally reinforcing the future conditions for the existence of funds able of being classified by the regulators as distributable by means of the reduction of the amount of the share capital in 875,738,053.72 euros, without changing the existing number of shares (without nominal value) and without altering the net equity, with the consequent alteration of number 1 of article 4 of the articles of association.

Reduction of share capital of banco comercial português, S.A.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced to Euros 4,725,000,000, maintaining the number of nominative shares (15,113,989,952) book-entry shares without nominal value. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

Resolution of the annual general meeting of shareholders

O Banco Comercial Português, S.A. conclude on 30 May 2018, with 63.04% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One - Approval of the individual and consolidated annual report, balance sheet and financial statements of 2017;

Item Two - Approval of the proposal for the appropriation of profits from 2017;

Item Three - Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four - Approval of the remuneration policy of Members of Management and Supervision Bodies;

Item Five - Approval of the proposal to change the Retirement Regulations for Executive Directors of Banco Comercial Português, S.A. contemplating the possibility of attribution of a unique contribution for the purposes of retirement supplement of the members of the Executive Committee;

Item Six - Approval of the internal policy for the selection and evaluation of the adequacy of the members of the management and supervision bodies;

Item Seven - Regarding the articles of association, approval of: alteration of articles 10.º, 13.º, 15.º, 17.º, 25.º, 28.º, 29.º, 35.º, 36.º, 37.º and 38.º; addition of new articles 40.º to 45.º; renumbering of current articles 40.º and following, changing the current articles 40.º, 41.º and 48.º; and amendment of article 29.º, the entering into force of the latter being subject to the suspensive condition of approval by the European Central bank;

Item Eight - Election of the Board of Directors for the term-of-office beginning in 2018, including the Audit Committee. The effects of this proposal are subject to obtaining from the European Central Bank the authorization for the exercise of functions for the majority of the members of the Board of Directors, Audit Committee and Executive Committee.

Item Nine - Election of the Remuneration and Welfare Board for the term-of-office beginning in 2018;

Item Ten - Approval of the acquisition and sale of own shares and bonds.

Following the European Central Bank authorization, the Board of Directors elected at the Annual General Meeting of Shareholders held on 30 May 2018, took office on 23 July 2018.

Merger by incorporation of the real estate companies Sadamora and Enerparcela

Merger by incorporation, through the global transfer of assets, of Sadamora - Investimentos Imobiliários, S.A. and Enerparcela - Empreendimentos Imobiliários, S.A., at Banco Comercial Português, S.A.

45. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at central banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.4% as at 31 December 2018 (31 December 2017: 0.00%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

As at 31 December 2018, the average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	-0.44%	2.77%	0.44%	0.02%
AUD	n.a.	n.a.	1.85%	2.34%
CAD	n.a.	n.a.	1.70%	2.31%
CHF	n.a.	n.a.	n.a.	-0.35%
CNY	n.a.	n.a.	n.a.	2.79%
DKK	n.a.	n.a.	n.a.	-0.14%
GBP	n.a.	3.64%	n.a.	1.09%
HKD	n.a.	2.29%	n.a.	1.98%
MOP	n.a.	n.a.	n.a.	2.14%
NOK	n.a.	n.a.	n.a.	1.57%
PLN	n.a.	n.a.	n.a.	1.83%
SEK	n.a.	n.a.	n.a.	0.17%
USD	2.87%	3.84%	2.74%	2.97%
ZAR	n.a.	n.a.	7.20%	7.38%

As at 31 December 2017, the average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions	Loans and advances to customers	Resources from credit institutions	Resources from customers
EUR	-0.09%	3.70%	0.60%	0.08%
AUD	n.a.	n.a.	n.a.	2.08%
CAD	n.a.	1.66%	n.a.	1.90%
CHF	n.a.	n.a.	n.a.	-0.37%
CNY	n.a.	n.a.	n.a.	3.95%
DKK	n.a.	n.a.	n.a.	-0.02%
GBP	0.80%	3.39%	n.a.	0.80%
HKD	n.a.	1.51%	n.a.	1.16%
MOP	n.a.	1.25%	n.a.	1.51%
NOK	0.80%	4.36%	n.a.	1.25%
PLN	n.a.	n.a.	1.88%	1.95%
SEK	n.a.	n.a.	n.a.	0.02%
USD	1.98%	2.80%	2.02%	2.10%
ZAR	7.22%	n.a.	n.a.	7.58%

Financial assets and liabilities measured at fair value throuh profit or loss (except derivatives), financial assets at fair value through other comprehensive income (IFRS9) and financial assets available for sale (IAS39)

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt instruments (IFRS 9)

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments remunerated for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional costumers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 7.18% (31 December, 2017: 6.76%). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 2.64% (31 December, 2017: 2.01%). For senior and collateralised securities placed on the retail market, the average discount rate was 0.36% (31 December 2017: 1.06%).

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2018 is a positive amount of Euros 12,432,000 (31 December 2017: a positive amount of Euros 8,613,000), and includes a receivable amount of Euros 857,000 (31 December 2017: a payable amount of Euros 158,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2018 and 2017, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	2018			
	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	2.75%	0.75%	1.44%
7 days	-0.40%	2.55%	0.78%	1.44%
1 month	-0.41%	2.57%	0.80%	1.54%
2 months	-0.38%	2.61%	0.85%	1.58%
3 months	-0.36%	2.72%	0.96%	1.62%
6 months	-0.29%	2.81%	1.08%	1.69%
9 months	-0.23%	2.88%	1.18%	1.72%
1 year	-0.23%	2.74%	1.29%	1.74%
2 years	-0.18%	2.65%	1.16%	1.82%
3 years	-0.07%	2.58%	1.22%	1.91%
5 years	0.20%	2.57%	1.30%	2.12%
7 years	0.47%	2.62%	1.36%	2.29%
10 years	0.82%	2.70%	1.43%	2.48%
15 years	1.17%	2.79%	1.51%	2.75%
20 years	1.35%	2.82%	1.55%	2.88%
30 years	1.41%	2.81%	1.54%	2.88%

	2017			
	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.43%	1.42%	0.47%	1.47%
7 days	-0.43%	1.50%	0.51%	1.47%
1 month	-0.42%	1.63%	0.50%	1.55%
2 months	-0.39%	1.65%	0.56%	1.58%
3 months	-0.38%	1.70%	0.61%	1.62%
6 months	-0.32%	1.83%	0.72%	1.71%
9 months	-0.27%	1.90%	0.81%	1.72%
1 year	-0.26%	1.88%	0.88%	1.80%
2 years	-0.15%	2.06%	0.78%	2.03%
3 years	0.01%	2.15%	0.89%	2.22%
5 years	0.31%	2.23%	1.03%	2.50%
7 years	0.57%	2.30%	1.14%	2.70%
10 years	0.89%	2.38%	1.27%	2.94%
15 years	1.25%	2.47%	1.41%	3.25%
20 years	1.42%	2.51%	1.46%	3.37%
30 years	1.50%	2.52%	1.43%	3.37%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2018:

(Thousands of euros)

	2018				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,682,922	1,682,922	1,682,922
Loans and advances to credit institutions repayable on demand	-	-	186,477	186,477	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	2,044,730	2,044,730	2,055,465
Loans and advances to customers (i)	-	-	30,988,338	30,988,338	30,950,023
Debt instruments	-	-	2,641,291	2,641,291	2,647,759
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	-	-	695,752	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034	33,034
Financial assets at fair value through other comprehensive income	-	6,996,892	-	6,996,892	6,996,892
Hedging derivatives (ii)	92,891	-	-	92,891	92,891
	2,411,576	6,996,892	37,543,758	46,952,226	46,931,114
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	8,372,537	8,372,537	8,375,877
Resources from customers (i)	-	-	34,217,917	34,217,917	34,230,293
Non subordinated debt securities issued (i)	-	-	1,198,767	1,198,767	1,211,199
Subordinated debt (i)	-	-	825,624	825,624	839,676
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	-	-	295,695	295,695
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	68,486	-	-	68,486	68,486
	3,967,828	-	44,614,845	48,582,673	48,624,873

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(Thousands of euros)

	2017				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,291,663	1,291,663	1,291,663
Loans and advances to credit institutions repayable on demand	-	-	156,460	156,460	156,460
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	1,254,472	1,254,472	1,257,994
Loans and advances to customers (i)	-	-	31,349,425	31,349,425	29,622,473
Debt instruments	-	-	2,007,520	2,007,520	2,017,085
Financial assets at fair value through profit or loss					
Financial assets held for trading	770,639	-	-	770,639	770,639
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336	142,336
Financial assets available for sale	-	6,692,982	-	6,692,982	6,692,982
Financial assets held to maturity	-	-	342,785	342,785	339,902
Hedging derivatives (ii)	18,804	-	-	18,804	18,804
	931,779	6,692,982	36,402,325	44,027,086	42,310,338
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,825,051	7,825,051	7,753,210
Resources from customers (i)	-	-	32,135,035	32,135,035	32,146,967
Non subordinated debt securities issued (i)	-	-	1,440,628	1,440,628	1,449,241
Subordinated debt (i)	-	-	1,021,541	1,021,541	1,127,749
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	381,380	-	-	381,380	381,380
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645	3,843,645
Hedging derivatives (ii)	112,352	-	-	112,352	112,352
	4,337,377	-	42,422,255	46,759,632	46,814,544

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2018:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,682,922	-	-	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	-	-	186,477
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	2,055,465	2,055,465
Loans and advances to customers	-	-	30,950,023	30,950,023
Debt instruments	122,601	226,848	2,298,310	2,647,759
Financial assets at fair value through profit or loss				
Financial assets held for trading	52,280	349,504	293,968	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034
Financial assets at fair value through other comprehensive income	6,381,244	461,681	153,967	6,996,892
Hedging derivatives	-	92,891	-	92,891
	8,458,558	1,130,924	37,341,632	46,931,114
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	8,375,877	8,375,877
Resources from customers	-	-	34,230,293	34,230,293
Non subordinated debt securities issued	-	-	1,211,199	1,211,199
Subordinated debt	-	-	839,676	839,676
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	295,677	18	295,695
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	68,486	-	68,486
	678,192	364,163	47,582,518	48,624,873

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(Thousands of euros)

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand	156,460	-	-	156,460
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	1,257,994	1,257,994
Loans and advances to customers	-	-	29,622,473	29,622,473
Debt instruments	-	-	2,017,085	2,017,085
Financial assets at fair value through profit or loss				
Financial assets held for trading	73,575	409,153	287,911	770,639
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets available for sale	4,610,516	219,114	1,863,352	6,692,982
Financial assets held to maturity	52,383	287,520	-	339,903
Hedging derivatives	-	18,804	-	18,804
	6,326,933	934,591	35,048,815	42,310,339
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,753,210	7,753,210
Resources from customers	-	-	32,146,967	32,146,967
Non subordinated debt securities issued	-	-	1,449,241	1,449,241
Subordinated debt	-	-	1,127,749	1,127,749
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	381,044	336	381,380
Financial liabilities designated at fair value through profit or loss	763,919	-	3,079,726	3,843,645
Hedging derivatives	-	112,352	-	112,352
	763,919	493,396	45,557,229	46,814,544

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2018 is presented as follows:

(Thousands of euros)

	2018					
	Financial assets					
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	available for sale	Total	Financial liabilities held for trading
Balance as at 31 December 2017	287,911	-	-	1,863,352	2,151,263	336
Impact of transition to IFRS 9	-	1,832,493	30,859	(1,863,352)	-	-
Balance on 1 January 2018	287,911	1,832,493	30,859	-	2,151,263	336
Gains / (losses) recognised in profit or loss						
Results on financial operations	4,637	(29,082)	-	-	(24,445)	-
Net interest income	17	-	897	-	914	-
Transfers between levels	2,735	-	79,081	-	81,816	(332)
Increase / (reduction) share capital	-	(182,497)	-	-	(182,497)	-
Purchases	-	7,117	60,694	-	67,811	14
Sales, repayments or amortisations	(1,332)	(38,508)	(19,789)	-	(59,629)	-
Gains / (losses) recognised in reserves	-	-	2,235	-	2,235	-
Exchange differences	-	376	-	-	376	-
Accruals of interest	-	-	(10)	-	(10)	-
Balance as at 31 December 2018	293,968	1,589,899	153,967	-	2,037,834	18

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2017 is presented as follows:

(Thousands of euros)

	2017			
	Financial assets			
	held for trading	available for sale	Total	Financial liabilities held for trading
Balance on January 1	604,211	1,965,328	2,569,539	63,779
Gains / (losses) recognised in profit or loss				
Results on financial operations	42,739	7,788	50,527	-
Net interest income	-	2,045	2,045	-
Impairment and other provisions	-	(70,059)	(70,059)	-
Transfers between levels	(350,191)	-	(350,191)	(55,730)
Purchases	469	378,869	379,338	332
Sales, repayments or amortisations	(9,317)	(423,644)	(432,961)	(8,045)
Gains / (losses) recognised in reserves	-	3,027	3,027	-
Accruals of interest	-	(2)	(2)	-
Balance as at December 31	287,911	1,863,352	2,151,263	336

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 planed 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 in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
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

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2018	2017
Guarantees granted	100,329	39,164
Revocable credit lines	50,851	236,577
Irrevocable credit lines	150,121	121
	301,301	275,862

B) Transactions with members of the board of directors and key management members

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Financial assets held for trading	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	7	19	-	-
Executive Committee	114	124	-	-
Closely related people	300	13	-	-
Controlled entities	-	-	-	22
Key management members				
Key management members	6,141	6,592	-	-
Closely related people	611	461	-	-
Controlled entities	17	78	-	-
	7,190	7,287	-	22

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Resources from credit institutions		Resources from customers	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	-	-	5,915	556
Executive Committee	-	-	868	2,664
Closely related people	-	-	322	1,844
Controlled entities	-	14,838	30	459
Key management members				
Key management members	-	-	6,133	7,134
Closely related people	-	-	2,353	1,680
Controlled entities	-	-	1,818	1,728
	-	14,838	17,439	16,065

As at 31 December 2018 and 2017, the balances with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	-	-	16	78
Executive Committee	-	-	12	28
Closely related people	-	1	5	15
Controlled entities	-	-	-	148
Key management members				
Key management members	43	46	46	64
Closely related people	9	8	28	36
Controlled entities	-	3	9	10
	52	58	116	379

As at 31 December 2018 and 2017, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2018	2017	2018	2017
Board of Directors				
Non-executive directors	71	3	2	2
Executive Committee	-	2	-	1
Closely related people	-	4	-	1
Controlled entities	-	63	-	1
Key management members				
Key management members	26	38	2	2
Closely related people	3	5	1	1
Controlled entities	1	2	2	2
	101	117	7	10

Revocable and irrevocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2018	2017	**2018**	2017
Board of Directors				
Non-executive directors	22	83	-	-
Executive Committee	70	105	-	-
Closely related people	32	99	-	-
Controlled entities	-	25	-	-
Key management members				
Key management members	375	317	50	8
Closely related people	141	135	24	-
Controlled entities	14	16	-	-
	654	780	74	8

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2018	2017	**2018**	2017	**2018**	2017
Remunerations	3,634	3,676	1,209	786	6,406	6,651
Supplementary retirement pension	5,658	776	-	-	-	-
Post-employment benefits	(5)	19	-	-	(120)	(18)
Other mandatory social security charges	895	887	291	188	1,582	1,648
	10,182	5,358	1,500	974	7,868	8,281

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or governing bodies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2018 and 2017, no variable remuneration was attributed to the members of the Executive Committee.

During 2018 no severance payments were made to key management members. During 2017, were paid Euros 150,000 of severance payments to one key management member.

As approved at the General Shareholders' Meeting of May 2018, the balance Supplementary retirement supplement includes, in 2018, the amount of Euros 4,920,000 related to the payment of a single and extraordinary contribution of BCP to the pension funds of the Executive Directors in functions between 2015/2017.

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, is as follows:

Shareholders / Bondholders	Security	Number of securities at 31/12/2018	Number of securities at 31/12/2017	Acquisitions	Disposals	Date	Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184				
João Nuno Oliveira Jorge Palma	BCP Shares	32,695	32,695				
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	n.a.				
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,748	1,748				
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	0	0				
Miguel de Campos Pereira de Bragança	BCP Shares	365,968	365,968				
Miguel Maya Dias Pinheiro	BCP Shares	361,408	361,408				
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
Rui Manuel da Silva Teixeira (3)	BCP Shares	36,336	36,336				
Teófilo César Ferreira da Fonseca (4)	BCP Shares	10,000	0	10,000		29-Nov-18	0.240
Valter Rui Dias de Barros	BCP Shares	0	0				
Wan Sin Long	BCP Shares	0	0				
Xiao Xu Gu	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	2,000	0	2,000		6-Dec-18	0.245
Américo João Pinto Carola (5)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (6)	BCP Shares	39,040	39,040				
Ana Maria Jordão F. Torres Marques Tavares (7)	BCP Shares	82,635	82,635				
André Cardoso Meneses Navarro	BCP Shares	267,888	267,888				
António Augusto Amaral de Medeiros	BCP Shares	42,656	42,656				
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (8)	BCP Shares	113,000	113,000				
Artur Frederico Silva Luna Pais	BCP Shares	328,795	328,795				
Belmira Abreu Cabral	BCP Shares	0	0				
Carlos Alberto Alves	BCP Shares	106,656	106,656				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (9)	BCP Shares	29,354	29,354				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	48				
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500	500				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	1,600				
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
José Gonçalo Prior Regalado (10)	BCP Shares	0	0				

n.a. - not available

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

Shareholders / Bondholders	Security	Number of securities at 31/12/2018	Number of securities at 31/12/2017	Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	138,719				
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	21,328				
Maria Manuela de Araujo Mesquita Reis (11)	BCP Shares	106,656	106,656				
Maria Rita Sítima Fonseca Lourenço	BCP Shares	42,385	42,385				
Mário António Pinho Gaspar Neves	BCP Shares	30,000	30,000				
Mário Madeira Robalo Fernandes	BCP Shares	0	0				
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	30,600	30,600				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	14,816				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,613	10,613				
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	8,204	8,204				
Rui Emanuel Agapito Silva	BCP Shares	0	0				
Rui Fernando da Silva Teixeira	BCP Shares	12,614	12,614				
Rui Manuel Pereira Pedro	BCP Shares	149,328	149,328				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Américo Simões Regalado (10)	BCP Shares	880	880				
Ana Isabel Salgueiro Antunes (5)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (8)	BCP Shares	2,976	2,976				
António da Silva Bandeira (8)	BCP Shares	20,000	20,000				
Francisco Jordão Torres Marques Tavares (7)	BCP Shares	1,016	1,016				
José Francisco Conceição Monteiro (9)	BCP Shares	18,002	18,002				
José Manuel de Vasconcelos Mendes Ferreira (6)	BCP Shares	1,616	1,616				
Luís Filipe da Silva Reis (11)	BCP Shares	280,000	336,000		56,000	21-Dec-18	0.233
Maria Avelina V C L J Teixeira Diniz (7)	BCP Shares	16,770	16,770				
Maria Eugénia Pinto Tavares da Fonseca (4)	BCP Shares	37	37				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2)	BCP Shares	96,240	n.a.				
Ricardo Miranda Monteiro (9)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (9)	BCP Shares	1,639	1,639				

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

C) Balances and transactions with subsidiaries and associated companies, detailed in note 53

As at 31 December 2018, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost: Loans and advances to credit institutions	Financial assets at amortised cost: Loans and advances to customers	Financial assets at amortised cost: Debt instruments	Financial assets at fair value through profit or loss: held for trading	Financial assets at fair value through profit or loss: not held for trading mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	-	21	21
Banco de Investimento Imobiliário, S.A.	-	1,541,208	-	-	17,792	-	-	-	-	21,420	1,580,420
Banco Millennium Atlântico, S.A.	-	238,027	-	-	-	-	-	-	-	-	238,027
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	-	-	5
BCP Finance Bank Ltd	-	-	-	-	-	-	2,757	-	-	-	2,757
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,666	-	-	-	-	-	-	-	3,666
BIM - Banco Internacional de Moçambique, S.A.R.L.	187	310	-	-	1	-	-	-	-	2,674	3,172
Cold River's Homestead, S.A.	-	-	-	-	-	-	-	1,793	-	-	1,793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fiparso- Sociedade Imobiliária Lda.	-	-	40	-	-	-	-	-	-	5	45
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	-	400	400
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	-	218	218
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	19	-	-	-	-	-	-	1	20
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	46	-	-	-	71	-	-	-	-	-	117
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	-	-	-	21,102	26	21,128
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	-	35	35
Magellan Mortgages No. 2 PLC	-	-	-	-	-	6,400	7,543	-	-	-	13,943
Magellan Mortgages No. 3 PLC	-	-	-	-	5,303	16,068	73,373	-	-	-	94,744
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	59,423	-	107,843	-	-	257,250	-	14,509	439,025
Millennium bcp Bank & Trust	-	-	-	-	569	-	-	-	-	-	569
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	-	-	18,973	18,973
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	-	-	57,195	57,195
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	-	-	-	166,287	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9,824	-	-	-	-	-	-	3	9,827
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	4,450	950	-	-	-	-	-	-	5,400
Planfipsa S.G.P.S., S.A. (Group)	-	-	50,808	-	-	-	-	-	-	42,413	93,221
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	-	-	-	650	650
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	-	3	-	-	-	-	-	-	-	3
UNICRE - Instituição Financeira de Crédito, S.A.	-	36,453	3	-	-	-	-	-	-	-	36,456
Webspectator Corporation	-	-	-	-	-	-	-	-	16,844	-	16,844
	238	1,815,998	128,236	950	131,579	22,468	83,673	259,043	81,728	324,853	2,848,766

As at 31 December 2017, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost: Loans and advances to credit institutions	Financial assets at amortised cost: Loans and advances to customers	Financial assets at amortised cost: Debt instruments	Financial assets at fair value through profit or loss: Financial assets held for trading	Financial assets available for sale	Non-curent assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	22	22
Banco de Investimento Imobiliário, S.A.	-	414,716	-	-	480	-	-	56,838	472,034
Banco Millennium Atlântico, S.A.	1,798	264,029	-	-	-	-	-	-	265,827
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	5
BCP Capital - Sociedade de Capital de Risco, S.A.	-	-	-	-	-	-	-	4	4
BCP Finance Bank Ltd	-	-	-	-	-	3,235	-	-	3,235
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,382	-	-	-	-	162	3,544
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	-	-	-	83	-	-	2,331	2,602
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
Finalgarve-Sociedade de Promoção Imobiliária Turística S.A.	-	-	373	-	-	-	-	49	422
Fiparso- Sociedade Imobiliária Lda.	-	-	26	-	-	-	-	5	31
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	3	3
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	575	575
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	229	229
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	43	-	-	-	-	3	46
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	2	2
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	2	2
Group Bank Millennium (Poland)	293	-	-	-	-	-	-	3	296
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	-	38,477	-	38,477
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	86	86
Irgossai - Urbanização e construção, S.A.	-	-	4,382	-	-	-	-	-	4,382
Magellan Mortgages No. 2 PLC	-	-	-	-	-	16,329	-	-	16,329
Magellan Mortgages No. 3 PLC	-	-	-	-	5,848	112,531	-	-	118,379
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	58,974	-	91,084	-	-	12,824	162,882
Millennium bcp Bank & Trust	-	-	-	-	954	-	-	-	954
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	18,804	18,804
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	57,203	57,203
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	-	290,447	290,447
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	102,002	102,002
MR – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	1	1
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	9,824	-	-	-	-	-	9,824
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	1,459	-	-	-	-	3	1,462
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	2,432	1,851	15	-	-	-	4,298
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	-	650	650
UNICRE - Instituição Financeira de Crédito, S.A.	-	44,565	23	-	-	-	-	-	44,588
Webspectator Corporation	-	-	-	-	-	-	16,043	-	16,043
	2,284	723,310	80,918	1,851	98,464	132,095	98,302	542,259	1,679,483

As at 31 December 2018, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	339	-	-	-	-	-	339
Banco ActivoBank, S.A.	403,753	-	-	-	-	-	16,088	419,841
Banco de Investimento Imobiliário, S.A.	174,754	-	-	-	-	-	5,660	180,414
Banco Millennium Atlântico, S.A.	52,512	-	-	-	121	-	-	52,633
Banque BCP, S.A.S.	109,911	-	-	-	-	-	-	109,911
Banque Privée BCP (Suisse) S.A.	15,168	-	-	-	-	-	-	15,168
BCP África, S.G.P.S., Lda.	-	91,180	-	-	-	-	-	91,180
BCP Capital - Sociedade de Capital de Risco, S.A.	-	3,518	-	-	-	-	2	3,520
BCP Finance Bank Ltd	110,530	-	-	-	-	-	-	110,530
BCP Finance Company, Ltd	-	117,474	-	-	-	-	-	117,474
BCP International, B.V.	-	94,929	-	-	-	-	-	94,929
BCP Investment, B.V.	-	29,083	-	-	-	-	-	29,083
BIM - Banco Internacional de Moçambique, S.A.R.L.	2,034	-	-	-	107	-	9	2,150
Cold River's Homestead, S.A.	-	1,510	-	-	-	-	-	1,510
Exposado - Comércio e Indústria de Produtos do Mar, S.A.	-	1,031	-	-	-	-	-	1,031
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	622	-	-	-	-	-	622
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	316	-	-	-	-	-	316
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	165	-	-	-	-	-	165
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	8,831	-	-	-	-	-	8,831
Fundo de Investimento Imobiliário Fechado Gestimo	-	4,200	-	-	-	-	-	4,200
Fundo de Investimento Imobiliário Gestão Imobiliária	-	262	-	-	-	-	-	262
Fundo de Investimento Imobiliário Imorenda	-	1,947	-	-	-	-	-	1,947
Fundo de Investimento Imobiliário Imosotto Acumulação	-	3,009	-	-	-	-	-	3,009
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	1,434	-	-	-	-	-	1,434
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	669	-	-	-	-	-	669
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,062	-	-	-	-	-	1,062
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	480	-	-	-	-	-	480
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	320	-	-	-	-	-	320
Group Bank Millennium (Poland)	212	-	-	-	5	-	-	217
Imábida - Imobiliária da Arrábida, S.A.	-	152	-	-	-	-	-	152
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,042	-	-	-	-	24	5,066
Irgossai - Urbanização e construção, S.A.	-	262	-	-	-	-	-	262
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,311	132,911	474,810	27,155	31,995	(2)	1,200,180
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,476	-	-	-	-	70	4,546
Millennium bcp Bank & Trust	330,550	-	-	-	-	-	-	330,550
Millennium bcp Imobiliária, S.A.	-	31,304	-	-	-	-	-	31,304
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	13,120	-	-	-	-	-	13,120
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	105	-	-	-	-	-	105
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7,032	-	-	-	-	-	7,032
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	878	-	-	-	-	-	878
Mundotêxtil - Indústrias Têxteis, S.A.	-	86	-	-	-	-	-	86
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1,363	-	-	-	-	-	1,363
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	3,059	-	-	-	-	-	3,059
Planfipsa S.G.P.S., S.A. (Group)	-	2,204	-	-	-	-	-	2,204
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	76	-	-	-	-	-	76
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,476	-	-	-	-	-	2,476
Setelote-Aldeamentos Turísticos, S.A.	-	149	-	-	-	-	-	149
Servitrust - Trust Management Services S.A.	-	12	-	-	-	-	-	12
SIBS, S.G.P.S., S.A.	-	5,957	-	-	-	-	-	5,957
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	805	-	-	-	-	-	805
UNICRE - Instituição Financeira de Crédito, S.A.	30	-	-	-	-	-	-	30
	1,199,454	974,250	132,911	474,810	27,388	31,995	21,851	2,862,659

As at 31 December 2018, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 32,727,000.

As at 31 December 2017, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Adelphi Gere, Investimentos Imobiliários, S.A.	-	198	-	-	-	-	-	198
Banco ActivoBank, S.A.	100,801	-	-	-	-	-	12,057	112,858
Banco de Investimento Imobiliário, S.A.	293,430	-	-	28,763	2,427	-	6,630	331,250
Banco Millennium Atlântico, S.A.	95,776	-	-	-	-	-	-	95,776
Banque BCP, S.A.S.	111,293	-	-	-	-	-	-	111,293
Banque Privée BCP (Suisse) S.A.	14,983	-	-	-	-	-	-	14,983
BCP África, S.G.P.S., Lda.	-	75,703	-	-	-	-	-	75,703
BCP Capital - Sociedade de Capital de Risco, S.A.	-	11,280	-	-	-	-	-	11,280
BCP Finance Bank Ltd	112,030	-	-	-	1,147	-	-	113,177
BCP Finance Company, Ltd	-	105,931	-	71,190	-	-	-	177,121
BCP Holdings (USA), Inc.	-	37,261	-	-	-	-	-	37,261
BCP International, B.V.	-	94,966	-	-	-	-	-	94,966
BCP Investment, B.V.	-	163,667	-	-	-	-	-	163,667
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,926	-	-	-	-	-	6	1,932
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	300	-	-	-	-	-	300
Enerparcela - Empreendimentos Imobiliários, S.A.	-	1,856	-	-	-	-	-	1,856
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	2,911	-	-	-	-	-	2,911
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	98	-	-	-	-	-	98
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	2,481	-	-	-	-	-	2,481
Fundo de Investimento Imobiliário Fechado Gestimo	-	2,628	-	-	-	-	-	2,628
Fundo de Investimento Imobiliário Gestão Imobiliária	-	1,954	-	-	-	-	-	1,954
Fundo de Investimento Imobiliário Imorenda	-	140	-	-	-	-	-	140
Fundo de Investimento Imobiliário Imosotto Acumulação	-	12,930	-	-	-	-	-	12,930
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	64	-	-	-	-	-	64
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	712	-	-	-	-	-	712
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,012	-	-	-	-	-	1,012
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	364	-	-	-	-	-	364
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	88	-	-	-	-	-	88
Group Bank Millennium (Poland)	63	-	-	-	-	-	-	63
Imábida - Imobiliária da Arrábida, S.A.	-	77	-	-	-	-	-	77
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,536	-	-	-	-	-	5,536
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,743	323,732	480,359	40,323	138,471	(2)	1,516,626
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,449	-	-	-	-	1,691	6,140
Millennium bcp Bank & Trust	379,798	-	-	-	-	-	-	379,798
Millennium bcp Imobiliária, S.A.	-	2,009	-	-	-	-	-	2,009
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	85,518	-	-	-	-	-	85,518
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	129	-	-	-	-	2	131
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	115,859	-	-	-	-	-	115,859
Monumental Residence - Investimentos Imobiliários, S.A.	-	928	-	-	-	-	-	928
MR – Fundo Especial de Investimento Imobiliário Fechado	-	403	-	-	-	-	-	403
Mundotêxtil - Indústrias Têxteis, S.A.	-	36	-	-	-	-	-	36
MULTI 24 - Sociedade Imobiliária, S.A.	-	1,243	-	-	-	-	-	1,243
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,880	-	-	-	-	-	2,880
Setelote-Aldeamentos Turísticos, S.A.	-	167	-	-	-	-	-	167
Servitrust - Trust Management Services S.A.	-	19	-	-	-	-	-	19
SIBS, S.G.P.S., S.A.	-	4,464	-	-	-	-	-	4,464
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1,432	-	-	-	-	-	1,432
UNICRE - Instituição Financeira de Crédito, S.A.	4	-	-	-	-	-	-	4
	1,110,104	1,275,436	323,732	580,312	43,897	138,471	20,384	3,492,336

As at 31 December 2017, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 38,531,000.

As at 31 December 2018, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	851	123	-	36,012	22,945	59,931
Banco Millennium Atlântico, S.A.	9,746	1,055	28	-	-	10,829
Banque BCP, S.A.S.	-	1	-	-	3,339	3,340
Banque Privée BCP (Suisse) S.A.	-	937	63	-	6,998	7,998
BCP Capital - Sociedade de Capital de Risco, S.A.	-	5	-	-	7,500	7,505
BCP Finance Bank Ltd	488	-	-	93	-	581
BCP Investment, B.V.	-	-	-	-	133,300	133,300
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	53	-	-	-	-	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	3	215	10,937	1,898	-	13,053
Cold River's Homestead, S.A.	-	1	-	-	-	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	-	6
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	34	-	-	-	34
Fundo de Investimento Imobiliário Fechado Gestimo	-	14	-	-	-	14
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	145	-	-	-	145
Fundo de Investimento Imobiliário Imosotto Acumulação	-	223	-	-	-	223
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	20	34	-	-	-	54
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	20	-	-	-	20
Fundo Especial de Investimento Imobiliário Oceânico II	-	55	-	-	-	55
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	20	-	-	-	20
Group Bank Millennium (Poland)	-	3	-	93	-	96
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	308	61	-	4,013	4,382
Irgossai - Urbanização e construção, S.A.	15	-	-	-	-	15
Magellan Mortgages No. 2 PLC	1,317	113	-	-	-	1,430
Magellan Mortgages No. 3 PLC	4,749	424	-	-	-	5,173
Millennium bcp Bank & Trust	-	-	-	25	-	25
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,942	55,529	249	-	45,080	103,800
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	101	5,541	-	-	5,642
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	40	40
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7	-	-	-	7
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
MR – Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	-	16
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	9	3	-	-	-	12
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	(1)	40	-	-	-	39
Mundotêxtil - Indústrias Têxteis, S.A.	91	23	-	-	-	114
Planfipsa S.G.P.S., S.A. (Group)	2,156	53	7	-	-	2,216
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	-	276	-	-	276
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	18	-	-	-	18
SIBS, S.G.P.S., S.A.	1	30	-	-	-	31
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	2	-	-	50	52
UNICRE - Instituição Financeira de Crédito, S.A.	674	1,228	2	-	86	1,990
	23,114	60,824	17,194	38,121	223,351	362,604

As at 31 December 2017, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	1,670	1,549	-	40,465	14,860	58,544
Banco Millennium Atlântico, S.A.	7,607	880	85	-	-	8,572
Banque BCP, S.A.S.	-	2	-	-	2,844	2,846
Banque Privée BCP (Suisse) S.A.	-	984	99	-	-	1,083
BCP Capital - Sociedade de Capital de Risco, S.A.	-	1	-	-	-	1
BCP Finance Bank Ltd	314	-	-	354	-	668
BCP International, B.V.	-	-	-	-	20,759	20,759
BCP Investment, B.V.	2,618	-	-	-	28,619	31,237
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	111	-	-	-	-	111
BIM - Banco Internacional de Moçambique, S.A.R.L.	1	104	10,442	-	-	10,547
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	55	8	-	-	-	63
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	4	-	-	-	-	4
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	36	-	-	-	36
Fundo de Investimento Imobiliário Fechado Gestimo	-	15	-	-	-	15
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	173	-	-	-	173
Fundo de Investimento Imobiliário Imosotto Acumulação	-	237	-	-	-	237
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	27	-	-	-	27
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	23	-	-	-	23
Fundo Especial de Investimento Imobiliário Oceânico II	-	46	-	-	-	46
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	22	-	-	-	22
Group Bank Millennium (Poland)	1	33	-	-	-	34
Imoport - Fundo de Investimento Imobiliário Fechado	-	11	-	-	-	11
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	304	150	-	4,444	4,898
Irgossai - Urbanização e construção, S.A.	3	-	-	-	-	3
Magellan Mortgages No. 2 PLC	1,032	133	-	-	-	1,165
Magellan Mortgages No. 3 PLC	5,406	475	-	-	-	5,881
Millennium bcp Bank & Trust	-	-	-	206	-	206
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	270	54,398	239	-	-	54,907
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	137	4,986	-	-	5,123
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	222	222
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	17	-	-	-	17
Monumental Residence - Investimentos Imobiliários, S.A.	2,979	-	1	-	-	2,980
MR – Fundo Especial de Investimento Imobiliário Fechado	-	14	-	-	-	14
MULTI 24 - Sociedade Imobiliária, S.A.	100	1	-	-	-	101
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	4	42	-	-	-	46
Mundotêxtil - Indústrias Têxteis, S.A.	141	48	-	-	-	189
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	15	-	-	-	15
Sadamora - Investimentos Imobiliários, S.A.	-	19	-	-	-	19
Setelote-Aldeamentos Turísticos, S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	-	6	-	-	-	6
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1	-	-	50	51
UNICRE - Instituição Financeira de Crédito, S.A.	541	1,246	2	-	278	2,067
	22,858	61,043	16,034	41,025	72,076	213,036

As at 31 December 2018, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	105	16,416	-	-	-	16,521
Banco de Investimento Imobiliário, S.A.	409	2,645	-	-	15,693	18,747
Banco Millennium Atlântico, S.A.	1,065	1	-	-	-	1,066
Banque BCP, S.A.S.	871	-	-	-	-	871
BCP Capital - Sociedade de Capital de Risco, S.A.	153	-	-	-	-	153
BCP Finance Bank Ltd	13,508	-	-	-	182	13,690
BCP Finance Company, Ltd	1,012	-	-	-	-	1,012
BIM - Banco Internacional de Moçambique, S.A.R.L.	218	7	-	-	-	225
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	54	-	54
Fundo de Investimento Imobiliário Imorenda	-	-	-	6,561	-	6,561
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	2,042	-	2,042
Group Bank Millennium (Poland)	6	48	-	-	22	76
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	2	-	-	-	-	2
Millennium bcp Bank & Trust	4,532	-	-	-	6	4,538
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	45,823	3	-	(21)	-	45,805
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	16,472	-	16,472
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	9	-	9
Planfipsa S.G.P.S., S.A. (Group)	-	-	1	-	-	1
SIBS, S.G.P.S., S.A.	2	-	-	-	-	2
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	1	-	-	-	-	1
UNICRE - Instituição Financeira de Crédito, S.A.	-	9	862	117	-	988
	67,708	19,129	863	25,285	15,903	128,888

As at 31 December 2017, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	477	14,262	(16)	(22)	-	14,701
Banco de Investimento Imobiliário, S.A.	569	2,808	(16)	57	41,955	45,373
Banco Millennium Atlântico, S.A.	396	3	-	-	-	399
Banque BCP, S.A.S.	1,476	-	-	-	-	1,476
BCP Capital - Sociedade de Capital de Risco, S.A.	186	-	-	(25)	-	161
BCP Finance Bank Ltd	13,415	-	-	-	320	13,735
BCP Finance Company, Ltd	1,243	-	-	-	-	1,243
BIM - Banco Internacional de Moçambique, S.A.R.L.	140	7	-	-	-	147
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fiparso- Sociedade Imobiliária Lda.	-	-	(1,389)	-	-	(1,389)
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	9	-	9
Fundo de Investimento Imobiliário Imorenda	3	-	-	6,806	-	6,809
Fundo de Investimento Imobiliário Imosotto Acumulação	3	-	-	2,019	-	2,022
Group Bank Millennium (Poland)	2	37	-	-	-	39
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	5	-	-	-	-	5
Irgossai - Urbanização e construção, S.A.	-	-	265	-	-	265
Millennium bcp Bank & Trust	2,144	-	-	-	240	2,384
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	50,200	4	-	(8)	-	50,196
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	13	20,278	-	20,291
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	238	-	-	-	-	238
MULTI 24 - Sociedade Imobiliária, S.A.	-	-	-	13	-	13
Mundotêxtil - Indústrias Têxteis, S.A.	1	-	-	-	-	1
Servitrust - Trust Management Services S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	4	-	-	-	-	4
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	2	-	-	-	-	2
UNICRE - Instituição Financeira de Crédito, S.A.	-	5	-	20	-	25
	70,506	17,126	(1,143)	29,198	42,515	158,202

As at 31 December 2018, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco de Investimento Imobiliário, S.A.	86	-	-	-	86
Banco Millennium Atlântico, S.A.	7,200	-	13,611	-	20,811
Banque BCP, S.A.S.	-	-	-	4,906	4,906
Banque Privée BCP (Suisse) S.A.	-	200,300	-	9,965	210,265
BCP Finance Bank Ltd	108,850	-	-	-	108,850
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,492	-	-	-	1,492
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	684	6	-	-	690
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	-	695
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	350	350
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	250	-	-	250
Group Bank Millennium (Poland)	90	-	-	9,551	9,641
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	-	223
Mundotêxtil - Indústrias Têxteis, S.A.	638	1,094	400	-	2,132
SIBS, S.G.P.S., S.A.	12,388	-	-	-	12,388
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	8,743	-	-	8,743
	131,671	210,412	14,706	24,772	381,561

As at 31 December 2017, the Guarantees granted, Revocable and Irrevocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Total
Banco de Investimento Imobiliário, S.A.	79	61,244	-	61,323
Banco Millennium Atlântico, S.A.	7,200	-	-	7,200
Banque Privée BCP (Suisse) S.A.	-	200,000	-	200,000
BCP Finance Bank Ltd	108,850	-	-	108,850
BCP Finance Company, Ltd	59,910	-	-	59,910
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	66	-	66
BIM - Banco Internacional de Moçambique, S.A.R.L.	991	-	-	991
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	127	-	127
Fiparso- Sociedade Imobiliária Lda.	-	14	-	14
Fundo de Investimento Imobiliário Imorenda	-	-	1,513	1,513
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	695
Group Bank Millennium (Poland)	355	-	-	355
Irgossai - Urbanização e construção, S.A.	-	136	-	136
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	223
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	441	-	441
Mundotêxtil - Indústrias Têxteis, S.A.	789	241	-	1,030
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	107	-	107
Setelote-Aldeamentos Turísticos, S.A.	-	35	-	35
SIBS, S.G.P.S., S.A.	50	-	-	50
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	602	-	602
	178,467	263,032	2,208	443,707

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2018	2017
Life insurance		
Saving products	33,677	32,885
Mortgage and consumer loans	19,039	18,628
Others	24	31
	52,740	51,544
Non - Life insurance		
Accidents and health	17,132	15,882
Motor	3,676	3,391
Multi-Risk Housing	6,409	5,968
Others	1,186	1,027
	28,403	26,268
	81,143	77,812

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensoes, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, S.A. The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2018	2017
Funds receivable for payment of life insurance commissions	14,497	12,686
Funds receivable for payment of non-life insurance commissions	7,230	6,607
	21,727	19,293

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) Transactions with the pension fund

The balances with the Pension Fund included in items of the balance sheet are as follows:

(Thousands of euros)

	2018	2017
Assets		
Financial assets held for trading	58	-
Liabilities		
Resources from customers	279,851	323,795
Subordinated debt	14,340	40
	294,191	323,835

During 2018 and 2017, there were no transactions of financial assets between the Bank and the Pension Fund.

During 2018 and 2017, the balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2018	2017
Income		
Commissions	564	821
Expenses		
Interest expense and similar charges	89	26
Other administrative costs	513	887
	602	913

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Bank.

As at 31 December 2018, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2017: Euros 5,000).

48. Solvency

The Bank's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No.6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings and non-controlling interests excluding predictable dividends; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

With the IFRS9 introduction the Bank has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

The Bank has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio and its corporate portfolio. The Millenniumbcp has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and the standard method was used for the purposes of operating risk coverage.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR (phased-in) previously referred , are the following:

(Thousands of euros)

	2018 (*)	2017
Common equity tier 1 (CET1)		
Share capital	4,725,000	5,600,738
Share Premium	16,471	16,471
Reserves and retained earnings	816,664	309,136
Regulatory adjustments to CET1	(958,304)	(959,028)
	4,599,831	4,967,317
Tier 1		
Capital Instruments	1,169	1,461
Regulatory adjustments	-	(1,461)
	4,601,000	4,967,317
Tier 2		
Subordinated debt	462,696	584,186
Others	(31,498)	(115,769)
	431,198	468,417
Total own funds	5,032,198	5,435,734
RWA - Risk weighted assets		
Credit risk	29,874,167	29,533,569
Market risk	1,166,542	981,291
Operational risk	2,207,019	2,248,553
CVA	169,095	177,715
	33,416,823	32,941,128
Capital ratios		
CET1	13.8%	15.1%
Tier 1	13.8%	15.1%
Tier 2	1.3%	1.4%
Total	15.1%	16.5%

(*) The 2018 amounts include the accumulated net income.

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)

	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	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)

	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)	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)

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	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)

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.	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)

	Remaining period				Fair value	
Type of hedging	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**	**Assets**	**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.

50. Contingent liabilities and other commitments

In accordance with accounting policy 1V.3, the main Contingent liabilities and other commitments under IAS 37 are as follows:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of the Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between credit institutions in the Portuguese banking market.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, consumer and small and medium enterprises credit products. The notification of a statement of objections does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the PCA – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearing of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to refuse the application for confidential treatment of some of the information included in the Bank's defence, restating its arguments. The Bank submitted a non-confidential revised version of its reply but reaffirmed that it is not the Bank that must protect the confidential information of the co-defendants. On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restated its opposition to the PCA's request).

If the PCA issues a conviction decision, the Bank may be subject to a fine calculated in accordance with the applicable legislation, namely pursuant to article 69 of Law no. 19/2012, of 8 May. However, the Bank may challenge the application of any sanction.

2. On 3 December 2015 a class action was served on the Bank Millennium, S.A. (Bank Millennium) in Poland. A group of the Bank Millennium debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.81 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. The plaintiff group was extended in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.81 million) to over PLN 5 million (Euros 1.16 million).

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7.37 million (Euros 1.72 million). On 21 November 2018, Bank Millennium filed objections regarding the membership of individual people in the group.

The next stage of the proceedings is establishing the composition of the group (i.e. determining whether all people who joined the proceedings may participate in the group).

3. On 21 October 2014 a class action was delivered to Bank Millennium in which a group of the Bank Millennium borrowers represented by the Municipal Consumer Ombudsman in Olsztyn seeks the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage agreements.

The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. According to the statement of claim, the overstatement of such amounts was the result from the application of abusive contractual provisions concerning the CHF-indexation of credits.

The number of the group members amounts to approximately 5,400 and the value of the litigation has been estimated to approximately PLN 146 million (Euros 34 million). The number of loan agreements involved is approximately 3,400. The current stage of the proceedings is establishing the composition of the group (i.e. determining whether all people who joined the group may participate in the group).

4. On 28 December 2015, Bank Millennium was notified of a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, worth of the dispute PLN 521.9 million (Euros 121.5 million) with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw. The suit was served to Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., that resulted in considering the loan as overdue.

In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250 million (Euros 58.2 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim.

Supporting the position of Bank Millennium, Bank's Millennium attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium.

Favourable forecasts for Bank Millennium, as regards dismissal of the suit brought by EFWP-B to the Warsaw Regional Court, have been confirmed by a renowned law firm representing Bank Millennium in this proceeding.

5. On 19 January 2018, Bank Millennium has received the lawsuit petition of First Data Polska SA requesting the payment of PLN 186.8 million (Euros 43,5 million). First Data Polska SA claims a share in an amount which Bank Millennium has received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its request on an agreement with Bank Millennium on cooperation in scope of acceptance and settlement of operations conducted with the usage of Visa cards. Bank Millennium does not accept the claim and filed the response to the lawsuit petition within the deadline set forth in the law. The case is being examined by the Court of First Instance.

6. 2018 year did not bring legal changes towards FX mortgage portfolios. On 2 August 2016 the Poland President's Bill on support for FX mortgage borrowers was submitted to the Parliament. The proposed law, to be approved, provides for the application to all FX (all currencies) loan agreements signed from 1 July 2000 to 26 August 2011 (when the "Anti-spread Act" came into force). This Bill concerns the return of part of FX spreads applied by banks.

On 2 August 2017 a new Presidential Bill appeared in Parliament regarding changes in the Act on Support for Distressed Borrowers who Took Residential Loans. The Bill assumes a modification of the existing Borrowers' Support Fund by separating-out two Funds: Supporting Fund and Conversion Fund. As regards the Supporting Fund, the Bill aims to increase availability of money from the fund by means of: relaxing criteria, which must be satisfied by a borrower applying for support; increasing the maximum amount of support; extending the period, for which the support is granted; forgiving part of the support granted conditional on punctual repayment to the fund. The Conversion Fund is to be used for currency conversion of FX mortgages to PLN. The Bill contains very general regulations and does not specify criteria of eligibility for such currency conversion and its rules. Quarterly payments to the Conversion Fund made by lenders are not to exceed the equivalent of the FX mortgage portfolio and the rate of 0.5%. The maximum costs for the entire sector, assessed based on FX mortgage balance (PLN 128 billion (Euros 29.8 billion) in December 2018 according to the Polish Financial Supervision Authority (KNF)), equal to up to PLN 2.6 billion (Euros 600 million) in the first year of operation of the Conversion Fund. According to the Bill, KNF may issue a recommendation to lenders specifying the principles of voluntary conversion of receivables with consideration of stability of the financial system and effective use of money in the Restructuring Fund. After Government's acceptance and voting of several changes by the Parliamentary Committees, Presidential Bill of 2 August 2017 will be able to put to the vote by the chambers of Parliament.

The two above Bills included, so far four draft Acts have been submitted to Parliament and in consequence it is not possible to estimate the impact of the proposed legislation on the banking sector and the Group. However if any of the Bills is adopted and begins to bind banks, this may lead to significant reduction of the Group's future profitability and its capital position.

7. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) that the Court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares since they acted pursuant to a request made by the Bank for the making of the respective purchases and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) that the Court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) that the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to deliver to them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim wherein it requests the conviction, namely of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The Court made a decision accepting the formalities of right of action and already established the facts proven and those that must be proven yet. We are waiting for the appointment of an expertise, requested by the plaintiffs, and each one of the parties must, afterwards, indicate an expert and the Court shall indicate a third expert.

8. RESOLUTION FUND

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, the Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the "eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to take, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

Moreover, following this process, a significant number of lawsuits against the Resolution Fund was filed and is underway.

On 31 March 2017, the Bank of Portugal communicated about the sale of Novo Banco, where it states the following: "Banco of Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital.

The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in case certain cumulative conditions are to be met related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.

Any capital injections to be carried out pursuant to this contingent mechanism benefit from a capital buffer resulting from the injection to be made under the terms of the agreement and are subject to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers No. 151-A/2017 of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution will cease, fully complying with the purposes of the resolution of Banco Espírito Santo.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underling Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the state that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion (*) that revealed significant uncertainties as regards adequacy in provisioning (**):

(i) contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*) (**) (***);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion (**);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (**).

On 28 March 2018, following the disclosure of the 2017 annual results by Novo Banco, the Resolution Fund made a communication on the activation of the CCA totalling EUR 792 million. According to this press release, the amount determined by Novo Banco falls within the obligations of the Resolution Fund agreed upon in connection with the partial sale of the Resolution Fund's stake in Novo Banco, which includes the CCA, and is contained in that limit.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 791,695 thousand to the Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430,000 thousands under the terms agreed between the Portuguese State and the Resolution Fund.

In its 2018 annual results press release, on 1 March 2019, Novo Banco states that "in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. 69% of this amount results from the losses incurred on the assets included in the CCA and 31% due to regulatory requirements for capital increase in the adjustment of the transitional period of capital ratios and to the impact of IFRS 9".

On the same day, the Resolution Fund reported that the amount determined by Novo Banco falls within the obligations established in the contract by 2017 and are contained in the maximum limit of Euros 3,890 million. The same press release mentions that the payment due in 2019 by the Resolution Fund will be carried out after the legal certification of Novo Banco's accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for.

Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of the Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. In 2017 Resolution Fund Report, it is disclosed that: (i) as a result of the partial early repayments made by Oitante, the amount outstanding of these obligations had been reduced to Euros 565.6 million at the end of 2017; (ii) in 2018 Oitante made a new partial early reimbursement of Euros 10 million, and (iii) considering the early repayments, as well as the information provided by the Oitante's Board of Directors regarding the activity performed in 2017, the Resolution Fund expects that there will be no relevant situations triggering the guarantee provided by the Resolution Fund.

The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund. The Euros 489 million taken by the Resolution Fund was funded through a loan granted by the State.

(*) Exact value not disclosed by the European Commission for confidentiality reasons

(**) As referred to in the respective European Commission Decision

(***) According to 2018 Novo Banco's earnings institutional presentation, the minimum capital condition is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first years (2017-2019); (ii) CET1 < 12%

In a statement of 28 March 2018, the Resolution Fund confirms the outstanding principal amount of Euros 353 million related to this loan, due to the early reimbursement of Euros 136 million already made. This amount of Euros 136 million corresponds to the income of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism that was not transferred to the Single Resolution Fund and will be paid to the Single Resolution Fund by credit institutions that are covered by this scheme over a period of 8 years, starting in 2016 (according to the Resolution Fund Annual Report of 2016).

Liabilities and Financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif and after the agreement of sale of Novo Banco to Lone Star, the Resolution held, as at 31 December 2018, all the share capital of Oitante, and 25% of the capital of Novo Banco but without the corresponding voting rights.

Under the scope of these measures, the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;
- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;
- Legal proceedings filed against the Resolution Fund;
- Guarantee granted to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;
- Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock subject to a capital ratio trigger (CET1 below 8%-13%) and some additional conditions. The amount that can be reclaimed under the CCA is subject to the CCA cap or EUR 3.89 billion (*) (**) (***);
- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed under the CCA is subject to the CCA cap of EUR 3.89 billion. That amount is reduced by the amount which the Resolution Fund has to provide in the course of the underwriting of the Tier 2 instruments (**). This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;
- In case the SREP total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State can provide additional capital in certain conditions and through different instruments (**);
- State loan in the amount of Euros 430,000 thousand under the agreement between the Portuguese State and the Resolution Fund to cover possible funding needs arising from the activation of the aforementioned contingent capital mechanism.
- According to a Resolution Fund's press release dated 1 March 2019, "In accordance with 2018 Novo Banco's earnings release, the amount to be paid in 2019 by the Resolution Fund will amount to Euros 1,149 million (...) Under the terms agreed on the contract, a payment of Euros 791.7 million was made in 2018. The amount paid in 2018 and the amount now determined by Novo Banco fall within the obligations contracted in 2017 and is within that cap. The payment due in 2019 by the Resolution Fund will be carried out after the legal certification of Novo Banco's accounts and following a verification procedure by an independent entity, to ascertain that the amount to be paid by the Fund has been correctly accounted for. To make the payment, the Resolution Fund will use, firstly, the available financial resources, resulting from the contributions paid, directly or indirectly by the banking sector. These resources will be complemented by the use of a loan agreed with the State in October 2017, with the annual cap, then set, of Euro 850 million".

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement on the basis of a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed". These loans in the amount of Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euro 700 million were granted by a group of banks";
- "Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another";
- "The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";
- "The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".

(*) Exact value not disclosed by the European Commission for confidentiality reasons

(**) As referred to in the respective European Commission Decision

(***) According to 2018 Novo Banco's earnings institutional presentation, the minimum capital condition is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first years (2017-2019); (ii) CET1 < 12%

On 2 October 2017, by Council of Ministers (Resolution No. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative balance of Euros 5,104 million, according to the latest 2017 annual report of the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have resources to fulfil with their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely."

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year on the basis of objective incidence of periodic contributions. The instruction of the Bank of Portugal No. 20/2017, published on 19 December 2017, set the base rate to be effective in 2018 for the determination of periodic contributions to the FR by 0.0459% against the rate of 0.0291% in 2017.

Thus, during 2018, the Bank made regular contributions to the Resolution Fund in the amount of Euros 11,151 thousands. The amount related to the contribution on the banking sector, registered in the first semester of 2018, was Euros 30,422 thousands. These contributions were recognized as cost in the months of April and June 2018, in accordance with IFRIC No. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Bank had to make an initial contribution in the amount of Euros 30,843 thousands. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution, in 2018, attributable to the Bank was Euros 23,442 thousands, of which the Bank delivered Euros 19,926 thousands and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5(e) of the Regulation of the Resolution Fund, approved by the Ministerial Order No. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen. Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

9. An administrative proceedings initiated by Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A., opposing to the resolution adopted by Banco de Portugal on 31 March 2017 to sell Novo Banco (NB), and, as a precaution, the resolution adopted by the Resolution Fund, on the same date, to execute that resolution in the extent that it foresees the sale of NB by resorting to a contingent capitalization mechanism, according to which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3.9 billion, under determined circumstances. In the proceedings, the Claimants request the declaration of nullity or annulment of those acts.

The proceedings was filed based on the information contained in the Communication from Banco de Portugal dated 31 March 2017, of which the Claimants were not notified.

The proceedings was filed on 4 September 2017. Banco de Portugal and the Resolution Fund presented its arguments and only very recently Nani Holdings SGPS, S.A did the same since, by delay of the Court, this company was only very recently notified to act as a party in the proceedings.

Besides opposing to it, the Defendants invoke three objections (i) the illegitimacy of the Claimants, (ii) the argument that the act performed by Banco de Portugal cannot be challenged and (iii) the material incompetence of the Court. The opponent part invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The Claimants replied to the arguments presented by the Defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Banco de Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but the majority of the documents delivered were truncated in such a way that neither the Court nor the Claimants are able to get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the Court to order Banco de Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings is prepared for confirmation of the decision accepting the formalities of right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the Claimants to identify it. Afterwards that Bank will be notified to presents its opposition arguments.

10. As announced, in 2012 the Bank issued subordinated debt securities in the amount of Euros 3,000 million, convertible into capital in contingency situations (CoCos), which were subscribed by the Portuguese State and which qualify as Tier I. If the amortization of this outstanding amount does not occur until 30 June 2017, the unamortized securities will be converted into (ordinary) shares, under conditions established by law. Also, under the context of timely published information in this respect, the restructuring plan approved by the European authorities provided for a set of commitments, including those relating to the repayment schedule of these instruments, which could require the Bank to adopt measures with adverse impact on its activity, financial condition and results of operations.

Until 31 December 2016, Euros 2,300 million of the CoCos were reimbursed and, on 9 February 2017, Banco Comercial Português, S.A., reimbursed the remaining Euros 700 million to the Portuguese State. This reimbursement, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

The commitments of the Restructuring Plan ceased on 31 December 2017 with the end of the transition period, following the full reimbursement of the CoCos in anticipation of the defined schedule, and the European Commission confirmed in March 2018 that the Restructuring Plan had been successfully completed and that the monitoring of the commitments contained therein had been closed.

11. On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that, as long as there are distributable profits and the General Meeting so decides, part of the profits to be attributed to employees as compensation for this. This compensation may occur in a phased manner and does not constitute an acquired right. In the current year, as the result of the proposal for the application of results, it will already be proposed to the General Meeting to allocate a budget for this purpose.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives. This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds.

With the implementation of the Restructuring Plan, the Bank was able to anticipate the full repayment of public funding in February 2017 and for this reason, the Board of Directors decided to bring forward by the end of the transitional period of the wage adjustment to July 2017.

12. The Bank was subject to tax inspections for the years up to 2015. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred in the case of IRC in terms of the tax loss carry forwards and, in the case of VAT, in the calculation of the tax deduction pro rata used for the purpose of determining the amount of deductible VAT. The additional liquidations / corrections made by the tax administration were mostly object of contestation by administrative and / or judicial.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

13. Banco Comercial Português, S.A. filed in 2013 a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting mainly that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, cannot exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the former director cannot maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director cannot benefit from a survival lifelong pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

After several procedural extraordinary events, on 27 January 2019, the Court issued a new sentence - which fully reproduces the previous one issued on 25 May 2018 - considering: (i) rejected the request made by the Bank consisting in the reduction of the pensions paid and to be paid to the first defendant Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survival pension of the second defendant; (iii) partially accepted the counter-claim made by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of Euros 2,124,923.97, as reimbursement of the expenses regarding the use of a car with driver and private security until June 2016, and also those that, on this regard, he paid since that date or pays in the future, in the amount that comes to be settled, expenses which would be part of his retirement regime, plus default interests accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

BCP appealed the sentence to the Tribunal da Relação de Lisboa (Appellate Court) requesting that the same be revoked and replaced by a decision accepting all the requests presented by the Bank. The Bank considers that the Court decided incorrectly in what regards evidence, namely regarding the relevant legal issues, and that the appeal has good chances of success, namely because, concerning the amounts received by the former director, the sentence upholds an original interpretation of the limit of nr. 2 of article 402 of the Companies Code (CC), going against all court decisions issued by superior courts and most of all the prior doctrine on these issues.

51. Recently issued accounting standards

1- The recently issued accounting standards and interpretations that came into force in 2018 are as follows:

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union with mandatory application for the financial year of the Bank started on 1 January 2018:

IFRS 9 - Financial instruments

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 replace IAS 39 - Financial Instruments: Recognition and Measurement and provide new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements.

The requirements presented by IFRS 9 are generally applied retrospectively by adjusting the opening balance sheet at the date of initial application (1 January 2018), as detailed in note 52.

Amendment to IFRS 9: Prepayment features with negative clearing (applicable in the European Union for years beginning on or after 1 January 2019):

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value through reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

The Bank applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 52.

IFRS 15 - Revenue from contracts with customers

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Loyalty programs; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter transactions involving advertising services.

There were no material impacts on the application of this standard in the Bank's financial statements.

Amendments to IFRS 15 - Revenue from contracts with customers

These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

There were no material impacts on the application of this amendments in the Bank's financial statements.

IFRIC 22 - Foreign currency transactions and down payments

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

There were no material impacts on the application of this interpretation in the Bank's financial statements.

Amendments to IAS 40 - Transfers of investment property

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

There were no material impacts on the application of this amendments in the Bank's financial statements.

Amendments to IFRS 2 - Share-based payments

These amendments introduce various clarifications in the standard related to: (i) recording cash settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.

There were no material impacts on the application of this amendments in the Bank's financial statements.

Improvements to international financial reporting standards (cycle 2014-2016)

These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

There were no material impacts on the application of this improvements in the Bank's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

IFRIC 23 - Uncertainties in the treatment of income tax (applicable in the European Union for years beginning on or after 1 January 2019)

This interpretation provides guidance on the determination of taxable income, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the treatment of income tax.

The Bank does not anticipate material impact on the application of this interpretation in its financial statements.

IFRS 16 - Leases (applicable in the European Union to annual periods beginning on or after 1 January 2019)

IFRS 16 was approved by EU in October 2017 and enters into force in the periods starting on or after 1 January 2019. Its early application is permitted through the fulfilment of certain requirements.

This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases. The Bank will apply the principles set out in IFRS 16 at the beginning of 2019 and, after a preliminary assessment, the following impacts are expected:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases, not being expected substantial changes for the Bank compared to which was already defined in IAS 17;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Bank chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard won't be applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e. the right to obtain substantially all of the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee 's perspective

The Bank will recognise for all leases, except for those with a term under 12 months or for low value underlying asset leases:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

Lease payments shall be discounted at the interest rate implicit in the lease, if that rate is easily determinable. If not, the lessee's incremental borrowing rate shall be used. Subsequently, lease payments will be measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in-substance fixed payments.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17. Thus, it is not expected that the lessor will make transition adjustments resulting from the adoption of IFRS 16. The Bank does not anticipate any impact on the application of this change in its financial statements.

Transition

On 1 January 2019, the Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank will apply this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Bank will recognise a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable;
- discount rate: it was used the lessee 's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Bank's risk spread, applied over the weighted average term of each lease contract;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Bank identified that the main lease contracts that will be covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles. According to the preliminary analysis made, the Bank estimates that, by applying this new standard in January 2019, its total assets and liabilities will have an increased amount of Euros 160 million, approximately. The adoption of IFRS 16 will result in changes in the Amortisations and depreciations, Other administrative costs and Interest expense, but, on a net basis, these changes will not result in material impacts in the Income statements.

Amendment to IFRS 4: application of IFRS 9 - Financial instruments with IFRS 4 - Insurance contracts

This amendment provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

Amendment to IAS 28: Long-term investments in associates and joint arrangements (applicable in the European Union for years beginning on or after 1 January 2019)

This amendment clarifies that IFRS 9 should be applied (including related impairment requirements) to investments in associates and joint arrangements when the equity method is not applied in their measurement.

Improvements to international financial reporting standards (cycle 2015-2017) - (applicable in the European Union for years beginning on or after 1 January 2019)

These improvements involve the clarification of some aspects related to: IFRS 3 - Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary on which previously had joint control; IFRS 11 - Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 - Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 - Borrowing costs: clarifies that the part of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has gotten ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

Amendment to IAS 19: Plan Amendment, Curtailment or Settlement (applicable in the European Union for years beginning on or after 1 January 2019)

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2018, as their application is not yet mandatory.

3 - Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and therefore not applied by the Bank:

IFRS 17 - Insurance Contracts (applicable for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.

Amendments to References to the Conceptual Framework in IFRS Standards (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments in several standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32) related to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised definitions of an asset and liability and new guidance on measurement, derecognition, presentation and disclosure.

Amendment to IFRS 3: Definition of a Business (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments in the definition of a business and clarifies the identification of the acquisition of a business or an acquired set of activities and assets. The revised definition also clarifies the definition of a business output by focusing on goods and services provided to customers. The changes also add guidance and illustrative examples to help entities assess an acquisition of a business.

Amendments to IAS 1 and IAS 8: Definition of material (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their adoption will result in significant impacts on the Bank's accompanying financial statements.

52. Application of IFRS 9 - Financial Instruments

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 has replaced IAS 39 - Financial Instruments: Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason, it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application (1 January 2018).

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. In October 2017, the IASB issued the document "Prepayment features with negative compensation (amendments to IFRS 9). The changes are effective for annual periods beginning on 1 January 2019, with early adoption allowed.

The Group applied IFRS 9 and adopted in advance the modifications made to IFRS 9 in the period beginning as at 1 January 2018. The impact of the adoption of IFRS 9 on the Group's equity attributable to shareholders of the Bank, with reference to 1 January 2018 was negative of Euros 345,207,000.

The accounting policies in force in the Group at the level of financial instruments after adoption of IFRS 9 as at 1 January 2018 are described in note 1B.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

The standard will have an impact at the level of the classification of the financial assets held as at 1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which were classified as "Held-for-Trading" and measured at FVTPL under IAS 39, are measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortised cost under IAS 39 are generally measured at amortised cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, are measured, generally, at amortised cost under IFRS 9;
- Investments in debt securities that were classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that were measured at fair value option under IAS 39 are measured at FVTPL under IFRS 9;
- Most of the equity instruments that were classified as available for sale under IAS 39 are measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and are designated at FVOCI, under IFRS 9.

Based on this analysis and in the strategy defined, no material changes occurred at the level of the measurement associated with financial assets of the Group (financial assets measured at amortised cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The impact of the adoption of IFRS 9 in the Group's equity related to impairment losses on financial assets, guarantees and other commitments was negative of Euros 174,577,000.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) were recognised in the income statement, while under IFRS 9 these fair value changes arepresented as follows: the amount related to the variation in the fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining value of the change in fair value is presented in profit or loss.

The Bank has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of the operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value were recognised in OCI and the amount recognised in OCI in each year is variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity, at the nominal value.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

V. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements under IAS 39.

VI. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Group applies the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in Reserves and retained earnings, as at 1 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:
a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

The impact of the adoption of IFRS 9 in the Group's financial statements is described below.

a) Impact of the adoption of IFRS 9 on the Bank's equity

The impacts on the Bank's equity arising from the implementation of IFRS 9 with reference to 1 January 2018 are as detailed below:

(Thousands of euros)

	Other equity items	Fair value changes	Reserves and retained earnings	Total equity attributable to bank's shareholders
Equity as at 31 December 2017 - Before IFRS 9	5,872,937	44,501	11,829	5,929,267
Impairment				
Loans and advances to credit institutions	-	-	(703)	(703)
Loans and advances to customers	-	-	(153,917)	(153,917)
Debt instruments	-	-	(4,784)	(4,784)
	-	-	(159,404)	(159,404)
Provisions	-	-	(9,079)	(9,079)
Changes in securities classification	-	(115,914)	109,838	(6,076)
Own credit risk	-	1,958	(1,958)	-
	-	(113,956)	(60,603)	(174,559)
Current and deferred tax assets	-	26,627	(197,275)	(170,648)
Total impact	-	(87,329)	(257,878)	(345,207)
Equity as at 1 January 2018 - After IFRS 9	5,872,937	(42,828)	(246,049)	5,584,060

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

(b) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The impacts on the Group's balance sheet arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed as follows:

(Thousands of euros)

	IAS 39 31 Dec 2017	Reclassifications	Remeasurement	IFRS 9 1 Jan 2018
ASSETS				
Cash and deposits at Central Banks	1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand	156,460	-	-	156,460
Financial assets at amortised cost				
Loans and advances to credit institutions	1,254,472	-	(703)	1,253,769
Loans and advances to customers	31,349,425	-	(153,917)	31,195,508
Debt instruments	2,007,520	437,130	(10,860)	2,433,790
Financial assets at fair value through profit or loss				
Financial assets held for trading	770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss	n.a.	1,832,687	-	1,832,687
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets at fair value through other comprehensive income	n.a.	4,772,573	-	4,772,573
Financial assets available for sale	6,692,982	(6,692,982)	-	n.a.
Financial assets held to maturity	342,785	(342,785)	-	n.a.
Hedging derivatives	18,804	-	-	18,804
Investments in associated companies	3,370,361	-	-	3,370,361
Non-current assets held for sale	1,480,112	-	-	1,480,112
Other tangible assets	217,101	-	-	217,101
Goodwill and intangible assets	21,409	-	-	21,409
Current tax assets	7,208	-	-	7,208
Deferred tax assets	3,018,508	-	(170,648)	2,847,860
Other assets	1,434,731	-	-	1,434,731
TOTAL ASSETS	53,576,516	-	(336,128)	53,240,388
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,825,051	-	-	7,825,051
Resources from customers	32,135,035	-	-	32,135,035
Non subordinated debt securities issued	1,440,628	-	-	1,440,628
Subordinated debt	1,021,541	-	-	1,021,541
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	381,380	-	-	381,380
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	112,352	-	-	112,352
Provisions	269,057	-	9,079	278,136
Current tax liabilities	1,269	-	-	1,269
Other liabilities	617,291	-	-	617,291
TOTAL LIABILITIES	47,647,249	-	9,079	47,656,328
EQUITY				
Share capital	5,600,738	-	-	5,600,738
Share premium	16,471	-	-	16,471
Other equity instruments	2,922	-	-	2,922
Legal and statutory reserves	252,806	-	-	252,806
Reserves and retained earnings	(61,691)	118,021	(345,207)	(288,877)
Net income for the year attributable to Bank's Shareholders	118,021	(118,021)	-	-
TOTAL EQUITY	5,929,267	-	(345,207)	5,584,060
	53,576,516	-	(336,128)	53,240,388

The impacts of the implementation of IFRS 9 on the classification and measurement of financial instruments and the determination of impairment losses on financial assets are explained in more detail in the following notes.

(c) Classification and measurement of financial instruments

The table below shows the measurement category and the book value of financial assets, in accordance with IAS 39 and IFRS 9, as at 1 January 2018.

(Thousands of euros)

IAS 39			IFRS 9		
Category	**Measurement**	**Book value**	**Category**	**Measurement**	**Book value**
Cash and deposits at Central Banks	Amortised cost	1,291,663	Cash and deposits at Central Banks	Amortised cost	1,291,663
Loans and advances to credit institutions repayable on demand	Amortised cost	156,460	Loans and advances to credit institutions repayable on demand	Amortised cost	156,460
Loans and advances to credit institutions	Amortised cost	1,254,472	Loans and advances to credit institutions	Amortised cost	1,253,769
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,349,425	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,195,508
Financial assets at amortised cost - Debt instruments	Amortised cost	2,007,520	Financial assets at amortised cost - Debt instruments	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	342,785	Financial assets at amortised cost - Debt instruments	Amortised cost	342,785
Financial assets available for sale	FVOCI (available for sale)	6,692,982	Financial assets at fair value through other comprehensive income	FVOCI	4,765,950
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,832,687
			Financial assets at amortised cost - Debt instruments	Amortised cost	86,431
Financial assets held for trading	FVTPL	770,639	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	764,016
Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336	Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336
Hedging derivatives	FVTPL	18,804	Hedging derivatives	FVTPL	18,804

Notes:

FVOCI - Measured at fair value through other comprehensive income

FVTPL - Measured at fair value through profit or loss

There were no material changes regarding the measurement criteria associated with the Group's financial liabilities with impact on the transition to IFRS 9, except for changes in the fair value of financial liabilities at fair value through profit or loss that are attributable to changes in the credit risk of the instrument, which will be included in other comprehensive income as from 1 January 2018.

(d) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The following table shows the reconciliation between the book values of financial assets according to the measurement categories of IAS 39 and IFRS 9, as at 1 January 2018 (transition date).

(Thousands of euros)

		Financial assets at amortised cost (Amortised Cost)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Cash and deposits at Central Banks					
Opening balance in IAS 39 and final balance in IFRS 9		1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		156,460	-	-	156,460
Loans and advances to credit institutions					
Opening balance in IAS 39		1,254,472	-	-	1,254,472
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,254,472	-	(703)	1,253,769
Loans and advances to customers					
Opening balance in IAS 39		31,349,425	-	-	31,349,425
Remeasurement: impairment losses	(A)	-	-	(153,917)	(153,917)
Final balance in IFRS 9		31,349,425	-	(153,917)	31,195,508
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer: of available financial assets for sale (IAS 39)	(E)	-	94,345	-	94,345
Transfer: from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	342,785	-	342,785
Remeasurement: impairment losses	(A)	-	-	(4,784)	(4,784)
Remeasurement: fair value to amortised cost		-	-	(6,076)	(6,076)
Final balance in IFRS 9		2,007,520	437,130	(10,860)	2,433,790
Financial assets held to maturity					
Opening balance in IAS 39		342,785	-	-	342,785
Transfer: for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(342,785)	-	(342,785)
Final balance in IFRS 9		342,785	(342,785)	-	-
Total of financial assets at amortised cost		36,402,325	94,345	(165,480)	36,331,190

(Thousands of euros)

	Notes	Financial assets at fair value through other comprehensive income (FVOCI)			
		IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets at fair value through other comprehensive income - debt instruments					
Opening balance in IAS 39		-	-	-	-
Transfer: of available financial assets for sale (IAS 39)	(F)	-	4,734,385	-	4,734,385
Transfer: of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	4,741,008	-	4,741,008
Financial assets at fair value through other comprehensive income - equity instruments					
Opening balance in IAS 39		-	-	-	-
Transfer: of available financial assets for sale (IAS 39)	(B)	-	31,565	-	31,565
Final balance in IFRS 9		-	31,565	-	31,565
		-	4,772,573	-	4,772,573
Financial assets available for sale					
Opening balance in IAS 39		6,692,982	-	-	6,692,982
Transfer: Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,832,687)	-	(1,832,687)
Transfer: for financial assets at amortised cost (IFRS 9)	(E)	-	(94,345)	-	(94,345)
Transfer: to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(4,734,385)	-	(4,734,385)
Transfer: to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,565)	-	(31,565)
Final balance in IFRS 9		6,692,982	(6,692,982)	-	-
Total financial assets at fair value through other comprehensive income		6,692,982	2,820,599	-	9,513,581

(Thousands of euros)

		Financial assets at fair value through profit or loss (FVTPL)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets held for trading					
Opening balance in IAS 39		770,639	-	-	770,639
Transfer: to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss					
Opening balance in IAS 39		-	-	-	-
Transfer: of available financial assets for sale (IAS 39)	(C)	-	1,832,687	-	1,832,687
Final balance in IFRS 9		-	1,832,687	-	1,832,687
Financial assets designated at fair value through profit or loss					
Opening balance in IAS 39 and final balance in IFRS 9		142,336	-	-	142,336
Hedging derivatives					
Opening balance in IAS 39 and final balance in IFRS 9		18,804	-	-	18,804
Total financial assets at fair value through profit or loss		931,779	1,826,064	-	2,757,843

Notes:

(A) Under the IFRS 9 criteria, additional impairments were calculated resulting from the application of the concept of expected loss and registered in Other reserves and retained earnings, for:

- financial assets at amortised cost (Loans and advances to credit institutions);
- financial assets at amortised cost (Loans and advances to customers);
- and debt instruments at fair value through other comprehensive income.

(B) Designation of equity instruments at fair value through other comprehensive income: The Group opted for the irrevocable designation of equity instruments that are neither held for trading nor contingent retribution recognised by a buyer in a business combination to which it applies IFRS 3 as at fair value through other comprehensive income, as allowed by IFRS 9. These instruments were previously classified as "Financial assets available for sale". Changes in the fair value of these instruments will not be reclassified to profit or loss when derecognised.

(C) Classification of debt securities previously classified as "Financial assets available for sale ", which do not fall within the definition of SPPI and of units of participation in funds that do not fall within the definition of equity instruments: The portfolio of debt instruments that do not fall within the scope of SPPI definition was classified under " Financial assets not held for trading mandatorily at fair value through profit or loss " on the date of the initial application.

(D) Classification of debt securities previously classified under "Financial assets held for trading", whose business model is "held to collect and sell" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(E) Classification of debt securities previously under "Financial assets available for sale ", whose business model is "held-to-collect" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(F) Changes occurred in the categories provided for in IAS 39, without changing the measurement basis: In addition to the aforementioned, the following debt instruments were reclassified to new categories in accordance with IFRS 9, following the elimination of previous categories of IAS 39 , without changes in its measurement basis: (i) Instruments previously classified as available for sale, currently classified as financial assets at fair value through other comprehensive income; (ii) Instruments previously classified as held to maturity, currently classified as financial assets at amortised cost.

The table below presents the reconciliation between the book values of impairment / provisions in balance sheet according with the measurement categories of IAS 39 and IFRS 9 as at 1 January 2018 (initial application date):

(Thousands of euros)

Measurement category	Impairment for credit IAS 39 / Provision IAS 37	Reclassifications (A)	Revaluation	Impairment loss / Provision in accordance with IFRS 9
Loans and accounts receivable (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and deposits at Central Banks	-	-	-	-
Loans and advances to credit institutions repayable on demand	-	-	-	-
Loans and advances to credit institutions	-	-	703	703
Loans and advances to customers	2,742,244	-	153,917	2,896,161
Debt securities	42,886	-	4,784	47,670
Total	2,785,130	-	159,404	2,944,534
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt securities	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt securities	87,368	(83,646)	6,094	9,816
Commitments and financial guarantees issued	269,057	-	9,079	278,136
Total	3,141,555	(83,646)	174,577	3,232,486

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt securities) in the negative amount of Euros 83,646,000, refers to the write-off impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

53. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2018, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0
Banco ActivoBank, S.A.	Lisbon	64,500,000	EUR	Banking	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	12,106,743	EUR	Real-estate management	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	85.7
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	50,000	EUR	Real-estate company	100.0
Planfipsa S.G.P.S., S.A.	Belas	10,252,000	EUR	Holding company	51.0
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0

(*) Company classified as non-current assets held for sale.

As at 31 December 2018, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	99,038,784	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	4,353,444	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	97,894,785	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,664,172	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	73,333,000	EUR	Real estate investment fund	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	10,170,000	EUR	Real estate investment fund	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0

(*) Company classified as non-current assets held for sale.

As at 31 December 2018, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Dublin	50,002,375	EUR	Life reinsurance	49.0

As at 31 December 2018, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	141,710,595	EUR	Banking	19.9
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3
Projepolska, S.A.	Cascais	9,424,643	EUR	Real-estate company	23.9
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

During 2018, were included the subsidiaries Planfipsa S.G.P.S., S.A. and Cold River's Homestead, S.A., and also included the associated companies PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E and Projepolska, S.A.

The Bank also liquidated S & P Reinsurance Limited and closed ACT-C-Indústria de Cortiças, S.A.

54. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy Z), the events that occurred after the date of the financial statements until the date of its approval were as follows:

Issue of perpetual subordinated notes (Additional Tier 1) by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as additional Tier 1 core capital instrument ("Additional Tier 1" or “AT1”).

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.