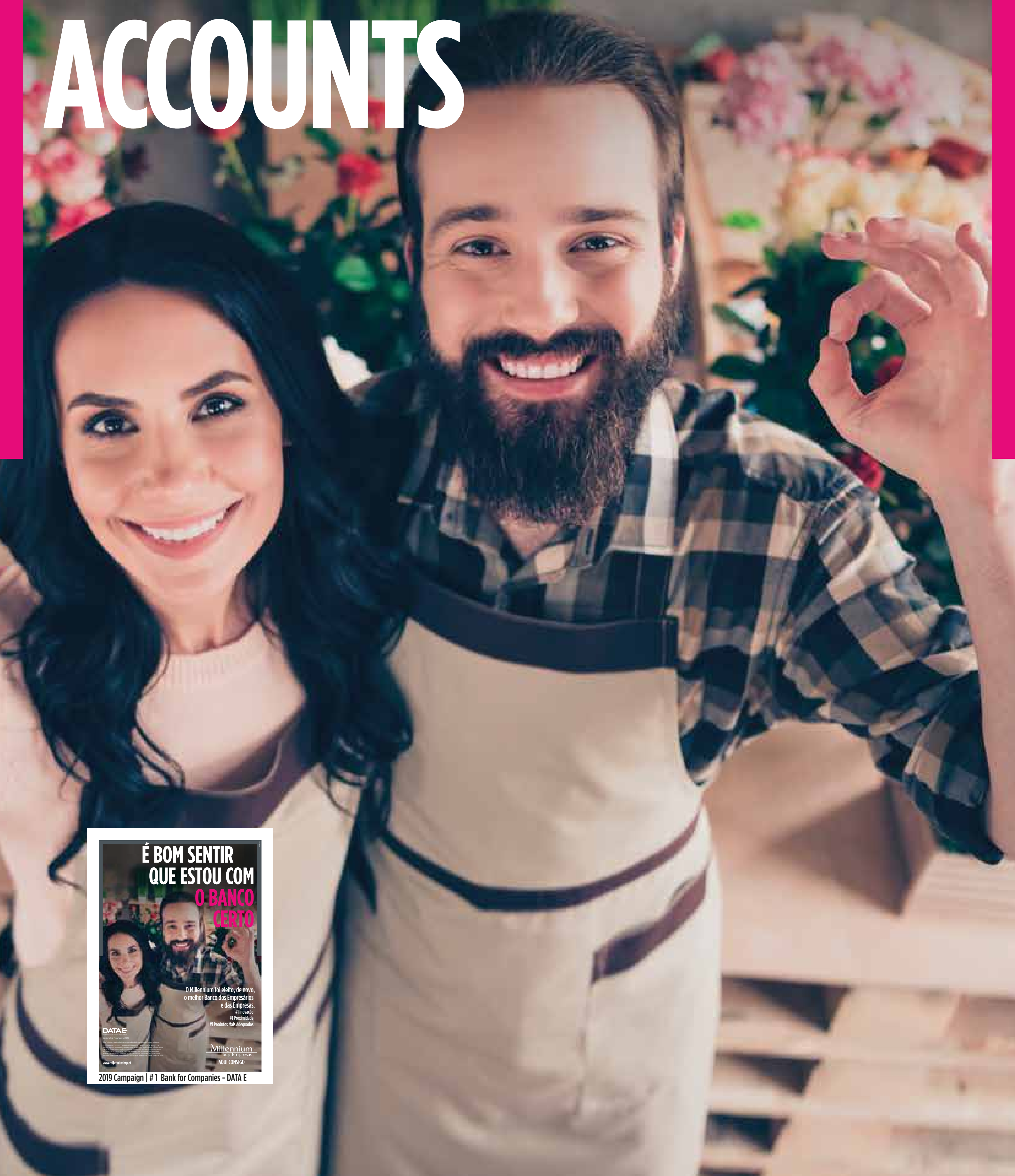
ACCOUNTS AND TO THE CONSOLIDATED ACCOUNTS



2019 Campaign | # 1 Bank for Companies - DATA E

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018
Interest and similar income	2	1,991,445	1,889,739
Interest expense and similar charges	2	(442,917)	(466,108)
NET INTEREST INCOME		1,548,528	1,423,631
Dividends from equity instruments	3	798	636
Net fees and commissions income	4	703,497	684,019
Net gains / (losses) from financial operations at fair value through profit or loss	5	4,837	1,400
Net gains / (losses) from foreign exchange	5	69,391	75,355
Net gains / (losses) from hedge accounting operations	5	(5,682)	2,552
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	99,676	49,435
Net gains / (losses) from insurance activity		11,752	8,477
Other operating income / (losses)	6	(144,400)	(135,878)
TOTAL OPERATING INCOME		2,263,488	2,059,433
Staff costs	7	668,232	592,792
Other administrative costs	8	376,455	376,676
Amortisations and depreciations	9	124,785	57,745
TOTAL OPERATING EXPENSES		1,169,472	1,027,213
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,094,016	1,032,220
Impairment for financial assets at amortised cost	10	(390,308)	(465,468)
Impairment for financial assets at fair value through other comprehensive income	11	2,180	1,092
Impairment for other assets	12	(96,034)	(79,037)
Other provisions	13	(57,484)	(57,689)
NET OPERATING INCOME		552,370	431,118
Share of profit of associates under the equity method	14	42,989	89,175
Gains / (losses) arising from sales of subsidiaries and other assets	15	31,907	37,916
NET INCOME BEFORE INCOME TAXES		627,266	558,209
Income taxes			
Current	30	(100,908)	(105,559)
Deferred	30	(138,370)	(32,458)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		387,988	420,192
Income arising from discontinued or discontinuing operations	16	13,412	(1,318)
NET INCOME AFTER INCOME TAXES		401,400	418,874
Net income for the year attributable to:			
Bank's Shareholders		302,003	301,065
Non-controlling interests	44	99,397	117,809
NET INCOME FOR THE YEAR		401,400	418,874
Earnings per share (in Euros)			
Basic	17	0.018	0.020
Diluted	17	0.018	0.020

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	387,988	13,412	401,400	302,003	99,397
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	183,516	-	183,516	184,115	(599)
Reclassification of (gains) / losses to profit or loss	(99,676)	-	(99,676)	(94,923)	(4,753)
Cash flows hedging					
Gains / (losses) for the year	52,303	-	52,303	47,625	4,678
Other comprehensive income from investments in associates and others	3,539	-	3,539	3,530	9
Exchange differences arising on consolidation	(24,449)	-	(24,449)	(35,952)	11,503
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(4,529)	-	(4,529)	(4,529)	-
Fiscal impact	(44,906)	-	(44,906)	(45,042)	136
	65,798	-	65,798	54,824	10,974
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	(10,109)	-	(10,109)	(10,508)	399
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(4,019)	-	(4,019)	(4,019)	-
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(285,335)	-	(285,335)	(285,335)	-
Pension Fund - other associated companies	(3,455)	-	(3,455)	(3,369)	(86)
Fiscal impact	(44,679)	-	(44,679)	(44,619)	(60)
	(347,597)	-	(347,597)	(347,850)	253
Other comprehensive income / (loss) for the year	(281,799)	-	(281,799)	(293,026)	11,227
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	106,189	13,412	119,601	8,977	110,624

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

	2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	420,192	(1,318)	418,874	301,065	117,809
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	17,720	-	17,720	7,131	10,589
Reclassification of (gains) / losses to profit or loss	(49,435)	-	(49,435)	(47,222)	(2,213)
Cash flows hedging					
Gains / (losses) for the year	97,955	-	97,955	92,720	5,235
Other comprehensive income from investments in associates and others	(2,737)	-	(2,737)	(2,681)	(56)
Exchange differences arising on consolidation	(131,345)	-	(131,345)	(104,937)	(26,408)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	14,914	-	14,914	14,914	-
Fiscal impact	(21,410)	-	(21,410)	(18,824)	(2,586)
	(74,338)	-	(74,338)	(58,899)	(15,439)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	99	-	99	176	(77)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	2,193	-	2,193	2,193	-
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(97,922)	-	(97,922)	(97,922)	-
Pension Fund - other associated companies	536	-	536	545	(9)
Fiscal impact	(15,338)	-	(15,338)	(15,354)	16
	(110,432)	-	(110,432)	(110,362)	(70)
Other comprehensive income / (loss) for the year	(184,770)	-	(184,770)	(169,261)	(15,509)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	235,422	(1,318)	234,104	131,804	102,300

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018
ASSETS			
Cash and deposits at Central Banks	18	5,166,551	2,753,839
Loans and advances to credit institutions repayable on demand	19	320,857	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	20	892,995	890,033
Loans and advances to customers	21	49,847,829	45,560,926
Debt securities	22	3,185,876	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss	23	31,496	33,034
Financial assets at fair value through other comprehensive income	23	13,216,701	13,845,625
Assets with repurchase agreement		-	58,252
Hedging derivatives	24	45,141	123,054
Investments in associated companies	25	400,391	405,082
Non-current assets held for sale	26	1,279,841	1,868,458
Investment property	27	13,291	11,058
Other tangible assets	28	729,442	461,276
Goodwill and intangible assets	29	242,630	174,395
Current tax assets		26,738	32,712
Deferred tax assets	30	2,720,648	2,916,630
Other assets	31	1,239,134	811,816
TOTAL ASSETS		81,643,408	75,923,049
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	6,366,958	7,752,796
Resources from customers	33	59,127,005	52,664,687
Non subordinated debt securities issued	34	1,594,724	1,686,087
Subordinated debt	35	1,577,706	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	343,933	327,008
Financial liabilities at fair value through profit or loss	37	3,201,309	3,603,647
Hedging derivatives	24	229,923	177,900
Provisions	38	345,312	350,832
Current tax liabilities		21,990	18,547
Deferred tax liabilities	30	11,069	5,460
Other liabilities	39	1,442,225	1,300,074
TOTAL LIABILITIES		74,262,154	68,959,143
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	2,922
Legal and statutory reserves	41	240,535	264,608
Treasury shares	42	(102)	(74)
Reserves and retained earnings	43	435,823	470,481
Net income for the year attributable to Bank's Shareholders		302,003	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,119,730	5,780,473
Non-controlling interests	44	1,261,524	1,183,433
TOTAL EQUITY		7,381,254	6,963,906
TOTAL LIABILITIES AND EQUITY		81,643,408	75,923,049

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,743,234	1,652,260
Commissions received	899,938	880,287
Fees received from services rendered	100,315	48,866
Interests paid	(426,571)	(461,280)
Commissions paid	(171,815)	(140,956)
Recoveries on loans previously written off	24,269	13,210
Net earned insurance premiums	17,418	17,698
Claims incurred of insurance activity	(6,591)	(5,393)
Payments (cash) to suppliers and employees (*)	(1,248,720)	(1,158,346)
Income taxes (paid) / received	(61,027)	(67,569)
	870,450	778,777
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(2,626)	121,768
Deposits held with purpose of monetary control	-	50,114
Loans and advances to customers receivable / (granted)	(1,901,159)	(1,254,603)
Short term trading securities	165,922	(93,688)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(108,587)	111,842
Deposits from credit institutions with agreed maturity date	(2,154,270)	175,304
Loans and advances to customers repayable on demand	5,444,107	5,144,519
Deposits from customers with agreed maturity date	(1,784,092)	(1,051,734)
	529,745	3,982,299
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	13	98,000
Acquisition of investments in subsidiaries (**)	(348,997)	-
Dividends received	11,003	67,213
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	291,339	311,001
Sale of financial assets at fair value through other comprehensive income and at amortised cost	19,886,088	5,725,095
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(50,627,555)	(56,020,038)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	32,096,533	46,049,277
Acquisition of tangible and intangible assets	(105,715)	(88,560)
Sale of tangible and intangible assets	14,475	39,507
Decrease / (increase) in other sundry assets	(231,448)	703,905
	985,736	(3,114,600)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Sale of shares in subsidiaries companies which does not results loss control	-	(1,400)
Issuance of subordinated debt	647,216	192
Reimbursement of subordinated debt	(129,536)	(96,181)
Issuance of debt securities	545,825	447,007
Reimbursement of debt securities	(310,448)	(640,376)
Issuance of commercial paper and other securities	238,839	23,204
Reimbursement of commercial paper and other securities	(171,641)	(108,930)
Issue of Perpetual Subordinated Bonds (Additional Tier 1) (note 48)	396,325	-
Reimbursed of perpetual subordinated debt securities	(2,922)	-
Dividends paid to shareholders of the Bank (note 47)	(30,228)	-
Dividends paid of perpetual subordinated debt securities	(148)	(149)
Dividends paid to non-controlling interests	(15,502)	(9,088)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(27,750)	-
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	(224,200)	266,447
	915,830	(119,274)
Exchange differences effect on cash and equivalents	(24,449)	(131,345)
Net changes in cash and equivalents	2,406,862	617,080
Cash (note 18)	566,202	540,608
Deposits at Central Banks (note 18)	2,187,637	1,627,326
Loans and advances to credit institutions repayable on demand (note 19)	326,707	295,532
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,080,546	2,463,466
Cash (note 18)	636,048	566,202
Deposits at Central Banks (note 18)	4,530,503	2,187,637
Loans and advances to credit institutions repayable on demand (note 19)	320,857	326,707
CASH AND EQUIVALENTS AT THE END OF THE YEAR	5,487,408	3,080,546

(*) In 2019, this balance includes the amount of Euros 4.551,000 related to short-term lease contracts and the amount of Euros 2,118,000 related to lease contracts of low value assets.
(**) In 2019, this balance includes the investment in Euro Bank, S.A. (Euros 424,370,000) , net of Cash and equivalents at the time of the acquisition (Euros 75,373,000).
(***) In 2019, this balance includes the amount of Euros 56.552.000 corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2017 (*)	5,600,738	16,471	59,910	2,922	252,806	(293)	(38,130)	186,391	6,080,815	1,098,921	7,179,736
Transition adjustments IFRS 9											
Gross value	-	-	-	-	-	-	(218,184)	-	(218,184)	(36,999)	(255,183)
Taxes	-	-	-	-	-	-	(155,472)	-	(155,472)	6,888	(148,584)
	-	-	-	-	-	-	(373,656)	-	(373,656)	(30,111)	(403,767)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(411,786)	186,391	5,707,159	1,068,810	6,775,969
Net income for the year	-	-	-	-	-	-	-	301,065	301,065	117,809	418,874
Other comprehensive income	-	-	-	-	-	-	(169,261)	-	(169,261)	(15,509)	(184,770)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(169,261)	301,065	131,804	102,300	234,104
Results application:											
Legal reserve	-	-	-	-	11,802	-	-	(11,802)	-	-	-
Transfers for Reserves and retained earnings	-	-	-	-	-	-	174,589	(174,589)	-	-	-
Share capital decrease (note 40)	(875,738)	-	-	-	-	-	875,738	-	-	-	-
Reimbursement of preference shares (note 40)	-	-	(59,910)	-	-	-	373	-	(59,537)	-	(59,537)
Costs related to the share capital decrease	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	21,359	21,359
Dividends from preference shares	-	-	-	-	-	-	(722)	-	(722)	-	(722)
Dividends from other equity instruments	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Dividends (a)	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares	-	-	-	-	-	219	-	-	219	-	219
Gains arising on sale of 10% of Setelote	-	-	-	-	-	-	252	-	252	-	252
Other reserves	-	-	-	-	-	-	1,488	-	1,488	52	1,540
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	-	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the year	-	-	-	-	-	-	-	302,003	302,003	99,397	401,400
Other comprehensive income	-	-	-	-	-	-	(293,026)	-	(293,026)	11,227	(281,799)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(293,026)	302,003	8,977	110,624	119,601
Results application (note 48):											
Statutory reserve (note 41)	-	-	-	-	(30,000)	-	30,000	-	-	-	-
Legal reserve (note 41)	-	-	-	-	5,927	-	(5,927)	-	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	301,065	(301,065)	-	-	-
Dividends payed (note 48)	-	-	-	-	-	-	(30,228)	-	(30,228)	-	(30,228)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	400,000	-	-	-	-	400,000	-	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	-	-	-	(27,750)	-	(27,750)	-	(27,750)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(3,675)	-	(3,675)	-	(3,675)
Taxes with interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	19	-	19	-	19
Reimbursed of perpetual subordinated debt securities	-	-	-	(2,922)	-	-	-	-	(2,922)	-	(2,922)
Reversal of deferred tax assets related with expenses with the capital increase	-	-	-	-	-	-	(3,652)	-	(3,652)	-	(3,652)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	2	-	2	-	2
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(16,699)	(16,699)
Dividends from other equity instruments	-	-	-	-	-	-	(148)	-	(148)	-	(148)
Dividends (a)	-	-	-	-	-	-	-	-	-	(15,502)	(15,502)
Treasury shares (note 42)	-	-	-	-	-	(28)	-	-	(28)	-	(28)
Other reserves (note 43)	-	-	-	-	-	-	(1,338)	-	(1,338)	(332)	(1,670)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	-	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254

(*) 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 59).

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated 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 consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended 31 December 2019 and 2018.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). 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 its predecessor bodies. The consolidated financial statements and the accompanying notes were approved on 26 March 2020 by the Bank's Board of Directors and are presented in thousands of Euros, rounded to the nearest thousand.

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

The consolidated financial statements for the year ended 31 December 2019 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU effective on that date.

These consolidated 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 Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2019. The accounting policies were applied consistently to all entities of the Group and 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 standard with reference to 1 January 2019: IFRS 16 – Leases. This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases.

On 1 January 2019, the Group 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 Group applied 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 Group recognised 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 impacts arising from the implementation of IFRS 16 with reference to 1 January 2019, as well as the reconciliation between the balance sheet at 31 December 2018 and the balance sheet at 1 January 2019, in accordance with IFRS 16, are detailed in note 59. Application of IFRS 16 – Leases. The balances included in the financial statements as at 31 December 2018 are presented for comparative purposes only.

The Group's financial statements were 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, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations 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 estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are considered to be significant are presented in note 1.Z.

B. Basis of consolidation

As from 1 January 2010, the Group began to apply IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group 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 these results through the power it holds over the relevant activities of that entity (*de facto* control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired is recorded against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group 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 Group and the investee;
- interchange of the management team;
- provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, with exception of the part in which the Group incurs in a legal obligation to assume these losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are recorded directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising from an acquisition is recognised directly in the income statement of the year in which the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimation of the contingent purchase price, being the difference recorded in the income statement or in equity, when applicable.

According to IFRS 3 – Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognised previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognised at that date.

During this period, the Group should also recognise additional assets and liabilities in case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of that assets and liabilities at that time.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the highest 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.

B4. Purchases and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

B5. Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into Euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, exchange differences, between the conversion to Euros of the equity at the beginning of the year and its value in Euros at the exchange rate ruling at the balance sheet date in which the consolidated accounts are reported, are recognised against "Reserves - exchange differences". The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions, and it is used a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies". The exchange rates used by the Group are detailed in note 54.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves are transferred to profit and loss, as part of the gains or loss arising from the disposal.

The Group applies IAS 29 – Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation.

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2019. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution, if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recognised against the item "Reserves and retained earnings".

In accordance with the requirements provided in IAS 29, Angola was considered until 31 December 2018 as a hyperinflationary economy. This classification is no longer applicable since 1 January 2019.

B7. Transactions eliminated on consolidation

The balances and transactions between Group's companies, as well as any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in these entities.

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

i) “Financial assets at amortised 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 Group'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 Group carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. 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 on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management bodies;
- 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, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Group 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 by 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, for 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), as well as for 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 Group 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 Group considered:

- 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 Group to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance 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.

C1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised 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 their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised 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 Group accepts to acquire them.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

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

C1.1.2. 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 both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Group 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 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 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 recognised 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 item designated "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 C1.5). 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 C3.

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 recognised against "Other comprehensive income". Dividends are recognised in the income statement 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 recognised in "Fair value changes" are transferred to "Retained earnings" at the time of their derecognition.

C1.1.3. 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 Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group 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 an inconsistency in measurement or recognition (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

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

a) "Financial assets held for trading"

These financial assets are acquired with the purpose of short-term selling; at the initial recognition, they are part of a portfolio of identified financial instruments and for which there is evidence of profit-taking in the short-term; or they can be defined as derivatives (except for hedging derivatives).

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 Group 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 Group 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 and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of 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 and loss when the right to receive them is attributed.

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

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into 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 the ones related to impairment) or interest previously recognised should not be restated.

It is not allowed the reclassification of investments in equity instruments measured at fair value through other comprehensive income, nor of financial instruments designated at fair value through profit or loss.

C1.3. Modification and derecognition of financial assets

General principles

i) The Group 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) below and the transfer qualifies for derecognition in accordance with note iv).

ii) The Group 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 presented in note iii).

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

- the Group does not have any obligation 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 Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it 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 until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Group transfers a financial asset (see note ii) above), it shall evaluate the extent to which it retains the risks and benefits arising from owning the financial asset. In this case:

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Group did not retain 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 Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group'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 Group retained or not control (see note iv) above) over 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 can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous 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 Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having 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 to the residual maturity in the moment of 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 currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or relevant monetary authorities;
b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;
c) transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

Purchased or originated credit-impaired (POCI) assets are assets that present objective evidence of credit impairment in the moment of their initial recognition. An asset is credit-impaired if one or more events have occurred with a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the origin 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 C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

C1.5.1.2. Debt instruments at fair value through other comprehensive income

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

C1.5.1.3. 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 the income statement).

C1.5.2. Classification of financial instruments by stages

	Changes in credit risk since 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 Group 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: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in 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: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in 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: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. 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, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers' behavior towards the financial system.

C1.5.4. 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 restructured operations caused by financial difficulties, for which it was registered, at the time of restructuring, an economic loss over Euros 5 million or 20% of total exposure;
g) Customers with restructured operations caused by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its credit operations;
h) Customers that register a recurrence of restructured operations due to financial difficulties within a 24 months period since default resulting from a previous restructuring. If the previous restructuring did not result in default, the 24 months period count begins at the date of the previous restructuring;
i) Customers for which a part or the entirety of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that result from a decision regarding balance sheet management and not from a disposal of problematic loans);
j) Customers for which takes place a new sale with loss, regardless of the amount, within a period of 24 months since the trigger resulting from the previous sale;
k) Guarantors of operations overdue for more than 90 days above the defined materiality, as long as 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).

It is considered as having 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 that, when submitted to a questionnaire for analysis of financial difficulties evidence, are considered with objective signs of impairment;
iii) customers whose contracts' values, that are due for more than 90 days, represent more than 20% of their total exposure in the balance sheet;
iv) the Non-Retail customers with one or more contracts overdue for more than 90 days and whose total overdue amount exceeds Euros 500;
v) the Retail customers contracts overdue for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) contracts restructured due to financial difficulties that are overdue for more than 30 days and in which the overdue amount exceeds Euros 200.

C1.5.5. Estimates of expected credit losses - Individual analysis

1. Customers 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 exceeds Euros 1 million
	Customers integrated into groups with an exposure over 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 an exposure over Euros 5 million, since a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, since a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose 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 over Euros 500,000, not being considered customers with exposure below this limit for the purpose of determining the exposure referred in the previous point.

3. Other customers that do not meet the criteria defined in 1 will also be subject to individual analysis, if under the following conditions:

- have impairment as a result of the latest individual analysis;
- according to recent information, show a significant deterioration in risk levels; or,
- are a Special Purpose Vehicle (SPV).

4. The individual analysis includes the following procedures:

- for customers that are 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 for this purpose 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 departments in charge of customers' management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

The assessment of existence of impairment losses in individual terms is determined through an analysis of the total credit exposure on a case-by-case basis. For each loan considered individually significant, the Group assessed, at each balance sheet date, the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

- total exposure of each customer towards the Group and the existence of overdue loans;
- viability of the customer's business and its capacity to generate enough cash flows to service debt obligations in the future;
- the existence, nature and estimated value of the collaterals associated to each loan;
- significant deterioration of the customer's rating;
- the customer's available assets in liquidation or insolvency situations;
- the existence of preferential creditors;
- the amount and expected recovery term.

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 estimation 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 regarding the expected recovery estimation 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 scenario;
- for Gone Concern strategies (i.e., the recovery estimation 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 estimations 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.

C1.5.6. 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 Group'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 Group 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 Group 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 Group expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Group 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 associated with each exposure.

Group 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 Group 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 Group 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 amortisations 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 Group 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 Group has the right to require payment or end the commitment or guarantee.

The Group 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 Group 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 (PDpit) 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.

C2. Financial liabilities

C2.1. 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”.

C2.1.1. 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 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 Group 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; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group 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 recognised 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 in "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. 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 C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

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

C2.1.3. 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 and from customers, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

The Group derecognises financial liabilities when these are cancelled or extinct.

C3. Interest recognition

Income and expense related to interest from 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. Interest related to financial assets at fair value through other comprehensive income is 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 Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., 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.

Interest 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 amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is 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, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

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

C4. Hedge accounting

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39.

The Group 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 Group. 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.

C4.1. 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 term of the hedged item.

C4.2. 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.

C4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Group 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.

C4.4. 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 and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

C5. 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 C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever 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.

D. Securitization operations

D1. Traditional securitizations

As at 31 December 2019, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), which portfolios were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

By purchasing a part of the most subordinated residual portion, the Group maintained the control of the assets and liabilities of Magellan Mortgage no.3, being this Special Purpose Entity (SPE) consolidated in the Group's financial statements, in accordance with the accounting policy referred in note 1.B.

The three 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 SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

As at 31 December 2018, the Group had three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.2, no.3 and no.4), having occurred in October 2019 the liquidation of the operation Magellan Mortgages no.2 and the consequent incorporation of its credits in BCP and BII.

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

Caravela SME no.3, which started on 28 June 2013, has 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, 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 Group 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 Group, in accordance of the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if: i) 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, ii) 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 Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

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 Group 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 in 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. 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. For the sale to be considered highly probable, the Group 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 Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to 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.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of their sale.

G1. Non-operating real estate (INAE)

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

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

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 amortisation. 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 Comissão do Mercado de Valores Mobiliários (CMVM).

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate similar to INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Group'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 Group may reflect that gain up to the maximum of the impairment that has been recorded on that property.

H. Lease transactions (IFRS 16)

As described in note 1.A, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Group did not adopt earlier any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:

- from the lessor's perspective, leases will continue to be classified as finance leases or operating leases;
- 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 these leases as an expense.

The Group 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 was not 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 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 Group recognise for all leases, except for those with a term under 12 months or for leases of low-value assets:

- 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.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For contracts with term, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, it is considered the particular clauses of the contracts, as well as the current law on Urban Leases.

Subsequently, lease payments are 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 and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group's financial statements, as referred in note 59, namely:

- in the consolidated income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the consolidated balance sheet:
  (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
  (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (iii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the consolidated statement of cash flows.

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.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease's lessor, simultaneously lessee regarding the original lease, shall recognise an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

If the initial lease is a short-term lease, the sublease shall be classified as an operating lease.

I. Lease transactions (IAS 17)

Until 31 December 2018, and in accordance with IAS 17, the lease transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was done according to the substance and not the form of the contract.

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions were recorded at the beginning as an asset and liability at fair value of the leased asset, which was 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 were recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals were a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflected 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, were measured in accordance with the accounting policy defined in note 1.G.

I2. Operational leases

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

J. Recognition of income from services and commissions

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

- in the moment it is received, as services are being provided, it is recognised in the income statement of the period to which it corresponds;
- when it results from a service, it is recognised as income when the referred service is concluded.

Income from services and commissions, that is an integral part of the effective interest rate of a financial instrument, is 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, i.e., 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 Group's consolidated 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 Group. 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 the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

N. Investment property

Real estate properties owned by the Group are recognised as 'Investment properties', considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, 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 Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Group recognises 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 Group does not capitalise internal costs arising from software development.

P. Cash and cash equivalents

For the purposes of the cash flow statement, the item “Cash and cash equivalents” comprises balances with less than three months maturity from the balance sheet date, where are included the items "Cash and deposits at 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 Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassification 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 converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on 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 Group 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 Group had assumed the responsibility, if certain conditions were verified in each year, of assigning complementary benefits to the Group's employees hired before 21 September 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish (cut) the benefit of old age Complementary Plan. As at 14 December 2012, the Instituto de Seguros de Portugal (ISP - Portuguese Insurance Institute) formally approved this change to the benefit plan of the Group 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 Group 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 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 banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

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 recognised 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 ACT was reached between the BCP Group and two federations of the 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" 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 an additional month in each year, which cannot, in any case, be higher than the one 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, lastly, it was introduced a new benefit called the End of Career Premium, that replaces the Seniority Premium.

These changes described above were framed by the Group 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 - 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, as well as to transfer 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 Group'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 estimation. 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 Group'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 Group, 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 Group 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 company of the Group, according to a specific contributions plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

S2. Revision of the salary tables for employees in service and pensions in payment

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. This agreement established, for 2018, the increase in the base salary of 0.75% until level 6 and of 0,50% for the levels from 7 until 20 (similar increase for 2019), as well as the increase in other pecuniary clauses, such as lunch allowance, diuturnities, among others.

S3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 December 2019, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group'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 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.

S4. Variable remuneration paid to employees

The remuneration policy for employees includes an annual variable remuneration system for employees not covered by commercial incentive systems, for which an assessment of the performance of each employee is carried out on an annual basis, based on quantitative and qualitative criteria. As a result of this assessment and of the annual fixed remuneration of reference for the role performed, and provided that the Bank's minimum level of performance, as measured by a set of quantitative indicators, is met, the amount of the variable remuneration to be attributed to each employee is determined.

The Executive Committee is responsible, under the terms defined in the remuneration policy, for setting the respective allocation criteria for each employee, whenever it is attributed. The variable remuneration attributed to employees is recorded against the income statement in the period to which it relates.

S5. Share-based compensation plan

As at 31 December 2019, a variable compensation plan with shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the remuneration policies for the members of the management and supervisory bodies and for the key management members, approved by the Nomination and Remuneration Committee and, in the case of members of the Executive Committee, by the Remuneration and Welfare Board, for 2018 and for the following years, with the changes that may be approved in each financial year.

As defined in the referred remuneration policy, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined, which is proposed for the Remuneration and Welfare Board's approval by the Nomination and Remuneration Committee. The payment of the amount of the variable remuneration attributed is subject to a deferral period for 50% of its value, being the amounts paid in 2019 and following years, relating to the deferred portion, paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a quotation value defined in accordance with the approved remuneration policy on the date of the respective payment.

For employees considered key management members, and in accordance with accounting policy S4, the payment of the value of the variable remuneration attributed, approved by the Nomination and Remuneration Committee as proposed by the Executive Committee, is subject to a deferral period for 50% of its value, being the amounts paid in 2019 made 100% in cash and in the following years, regarding the deferred part, paid 100% in BCP shares. The number of BCP shares to be attributed results from their valuation at a price defined in accordance with the approved remuneration policy.

Employees considered key management members are not covered by commercial incentive systems.

As foreseen in the approved remuneration policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the employees considered key management members are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the covered people have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, for which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, provided that a certain level of performance is achieved in a set of long-term objectives.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to the employees considered key management members, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective remuneration policy.

T. Income taxes

The Group is subject to income tax in several jurisdictions. 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 these 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 non-deductible goodwill for tax purposes, differences arising from 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.

The item "Deferred tax assets" includes amounts associated with credit impairments not accepted for tax purposes whose credits have been written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

Deferred tax assets are recognised when it is probable that there will be future taxable profits that absorb the deductible temporary differences for tax purposes (including reportable tax losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity, or different taxable entities that intend 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 deferred tax liabilities or assets are expected to be settled or recovered.

The Group complies with the guidelines of IFRIC 23 – Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the Bank's financial statements resulting from its application.

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2019 and 2018, the RETGS application was maintained.

U. Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Group'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.

The Group controls its activity through the following major operating segments:

Portugal activity:

- Retail Banking, also including ActivoBank;
- Companies, Corporate and Investment Banking;
- Private Banking;
- Other.

"Other (Portugal activity)" includes all activity not allocated to other business lines, namely centralized management of financial holdings, corporate activities and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

"Other (foreign activity)" includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when i) the Group 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; and, iii) a reliable estimation 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 to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at 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.

Provisions are derecognised through their use in the obligations for which they were initially created, or in the case that these obligations cease to exist.

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 Group registers a contingent liability when:

i) 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 that are not wholly within the control of the Group; or,
ii) it is a present obligation that arises from past events but is not recognised because:
  a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
  b) 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 Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group 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 contracts

X1. Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

X2. Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions/liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a *pro-rata* basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

X3. Premiums

Issued gross premiums are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the period to which they respect in the same way as gross premiums written.

X4. Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the *pro-rata temporis* method applied to each contract in force.

X5. Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

Y. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF) for the practice of insurance intermediation in the category of Linked Insurance Broker, in accordance with Article 8, paragraph a), subparagraph i) of Decree-Law no. 144/2006, of 31 July, carrying out insurance intermediation activities in life and non-life segments.

Within the scope of insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for insurance intermediation services, they receive commissions for arranging insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurance Companies.

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions whose receipt occurs at a different time from the period to which they refer are recognised as an amount receivable under the item "Other assets".

Z. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, under advice of the Executive Committee, the Group'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 Group'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 estimations would be more appropriate.

Z1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and if it is able to take possession of these results through the power it holds (*de facto* control). The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimations and assumptions to determine at what extent the Group is exposed to the variable returns and its ability to use its power to affect these returns. Different estimations and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Z2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's assets is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Z3. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could 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 taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

Regarding activity in Portugal, the regulatory decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. 13/2018, of 28 December, established the maximum limits for impairment losses and other value adjustments for specific credit risk deductible for the purposes of calculating taxable income under IRC in 2016, 2017 and 2018, respectively. These regulatory decrees establish that Bank of Portugal Notice no. 3/95 (Notice that was relevant for determining credit provisions in the financial statements presented in NCA) must be considered for the purposes of determining the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively,

Meanwhile, it was published the Law no. 98/2019, of 4 September, that establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless of the option mentioned above, the application of the new regime will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- in the financial year of 2022, if, as of 1 January 2022, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 10% compared to the amount recognised on 31 December 2018;
- in the financial year of 2023, if, as of 1 January 2023, the Bank distributes dividends related to that financial year or acquires its own shares, without having occurred a reduction in deferred tax assets covered by the Special Regime of at least 20% compared to the amount recognised on 31 December 2018.

For the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2019, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law.

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since it was not created a transitional regime that established the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the application of IRC Code's general rules.

The taxable income or tax loss determined by the Bank or its subsidiaries that reside in Portugal can be corrected by the Portuguese Tax Authority in the period of four years, except if any deduction was made or if tax credit was used, in which the limitation period corresponds to the same of exercising of that right. The Bank recorded provisions or deferred tax liabilities in the amount that finds appropriate to face the tax amendments or the tax losses of which was object, as well as the contingencies regarding exercises not yet revised by the Tax Authority.

Z4. 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.

Z5. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimations, 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 – that the Group considers to have 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.

Z6. Financial instruments – IFRS 9

Z6.1. 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 Group 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, must 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 Group monitors the financial assets measured at amortised 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 these assets. This monitoring is part of a process of continuous evaluation by the Group 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 classification change of these financial assets.

Z6.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses on financial instruments involves judgments and estimations 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 Group 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 Group 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 Group 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 estimation of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation 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 estimation of loss given default is 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.

Z6.3. 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.

Z7. Provisions for risk associated with mortgage loans indexed to the swiss franc

The Bank creates provisions for legal contingencies related to mortgage loans indexed to the Swiss franc granted by Bank Millennium, S.A.

The assumptions used by the Bank are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by the Bank is based on the following parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified time horizon; (ii) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained.

The evolution of responsibilities with legal contingencies related to mortgage loans indexed to the swiss franc and the amount of the Bank's actual losses depend, namely, on the number of ongoing and potential lawsuits, as well as on the final court decisions about each case.

AA. Subsequent events

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur 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 occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	149	1,287
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	39,690	25,250
Loans and advances to customers	1,510,510	1,385,313
Debt securities	149,473	169,463
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	4,419	5,822
Derivatives associated to financial instruments at fair value through profit or loss	7,322	14,149
Financial assets not held for trading mandatorily at fair value through profit or loss	26,821	23,191
Financial assets designated at fair value through profit or loss	1,115	2,191
Interest on financial assets at fair value through other comprehensive income	148,742	158,376
Interest on hedging derivatives	97,663	97,032
Interest on other assets	5,541	7,665
	1,991,445	1,889,739
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(18,745)	(12,234)
Resources from customers	(297,832)	(313,529)
Non subordinated debt securities issued	(17,513)	(27,689)
Subordinated debt	(61,629)	(62,682)
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	(3,628)	(3,242)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,512)	(13,175)
Non subordinated debt securities issued	(3,783)	(5,963)
Interest on hedging derivatives	(28,289)	(25,964)
Interest on leasing	(6,365)	-
Interest on other liabilities	(1,621)	(1,630)
	(442,917)	(466,108)
	1,548,528	1,423,631

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 39,044,000 (2018: Euros 51,040,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 5,513,000 and Euros 12,318,000, respectively (2018: Euros 13,176,000 and Euros 11,563,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 74,330,000 (2018: Euros 92,026,000) related to interests income arising from customers classified in stage 3. The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 51,504,000 (2018: Euros 37,281,000), as referred in note 21 and Euros 120,000 (2018: Euros 211,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

In 2019, the balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H and note 59.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Dividends from financial assets held for trading	6	4
Dividends from financial assets through other comprehensive income	792	632
	798	636

The balances Dividends from financial assets through other comprehensive income include dividends and income from investment fund units received during the year.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Fees and commissions received		
Banking services provided	442,444	421,801
Management and maintenance of accounts	118,954	105,852
Bancassurance	118,293	105,223
Securities operations	77,075	87,862
Guarantees granted	53,353	58,110
Commitments to third parties	4,334	4,353
Insurance activity commissions	1,015	921
Fiduciary and trust activities	684	711
Other commissions	48,204	43,657
	864,356	828,490
Fees and commissions paid		
Banking services provided by third parties	(128,294)	(111,546)
Securities operations	(11,413)	(10,971)
Guarantees received	(4,600)	(5,845)
Insurance activity commissions	(1,167)	(1,044)
Other commissions	(15,385)	(15,065)
	(160,859)	(144,471)
	703,497	684,019

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	185,794	(94,645)
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(13,509)	(12,626)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(167,448)	108,671
	4,837	1,400
Net gains / (losses) from foreign exchange	69,391	75,355
Net gains / (losses) from hedge accounting	(5,682)	2,552
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	99,676	49,435
	143,313	78,548

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

(Thousands of euros)

	2019	2018
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	5,771	15,604
Equity instruments	2,183	1,068
Derivative financial instruments	464,136	222,165
Other operations	1,068	1,326
	473,158	240,163
Losses		
Debt securities portfolio	(9,215)	(8,963)
Equity instruments	(139)	(3,428)
Derivative financial instruments	(277,462)	(321,453)
Other operations	(548)	(964)
	(287,364)	(334,808)
	185,794	(94,645)
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	24,592	28,096
Debt securities portfolio	36,487	78,185
Equity instruments	10,476	-
	71,555	106,281
Losses		
Loans and advances to customers	(30,040)	(32,771)
Debt securities portfolio	(55,024)	(86,136)
	(85,064)	(118,907)
	(13,509)	(12,626)

(continues)

(continuation)

(Thousands of euros)

	2019	2018
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	46	5,324
Debt securities issued		
Certificates and structured securities issued	37,749	127,029
Other debt securities issued	1,802	23,725
	39,597	156,078
Losses		
Debt securities portfolio	(1,897)	(6,404)
Resources from customers	(1,456)	-
Debt securities issued		
Certificates and structured securities issued	(197,518)	(40,265)
Other debt securities issued	(6,174)	(738)
	(207,045)	(47,407)
	(167,448)	108,671

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

(Thousands of euros)

	2019	2018
Net gains / (losses) from foreign exchange		
Gains	1,147,877	1,181,449
Losses	(1,078,486)	(1,106,094)
	69,391	77,373
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	34,316	83,612
Hedged items	117,842	41,454
	152,158	125,066
Losses		
Hedging derivatives	(147,191)	(117,208)
Hedged items	(10,649)	(5,306)
	(157,840)	(122,514)
	(5,682)	2,552
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	7,500	6,544
Debt securities portfolio	1,316	-
Debt securities issued	6,548	1,991
Others	4,143	196
	19,507	8,731
Losses		
Credit sales	(36,370)	(55,955)
Debt securities issued	(7,089)	(2,012)
Others	(957)	(958)
	(44,416)	(58,925)
	(24,909)	(50,194)

The balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income is comprised of:

(Thousands of euros)

	2019	2018
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	101,056	59,818
Losses		
Debt securities portfolio	(1,380)	(10,383)
	99,676	49,435

In 2019, 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 70,474,000 (2018: Euros 17,905,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2019, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 89,174,000 (2018: Euros 8,212,000) 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.

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Operating income		
Gains on leasing operations	3,949	3,488
Income from services provided	24,091	24,486
Rents	4,915	5,031
Sales of cheques and others	11,386	11,840
Other operating income	21,848	11,351
	66,189	56,196
Operating costs		
Donations and contributions	(4,276)	(3,604)
Contribution over the banking sector	(31,818)	(33,066)
Contributions for Resolution Funds	(33,030)	(20,271)
Contribution for the Single Resolution Fund	(18,747)	(21,185)
Contributions to Deposit Guarantee Fund	(11,952)	(16,855)
Tax for the Polish banking sector	(57,734)	(46,553)
Taxes	(22,403)	(22,822)
Losses on financial leasing operations	(80)	-
Other operating costs	(30,549)	(27,718)
	(210,589)	(192,074)
	(144,400)	(135,878)

The balance Contribution over the Portuguese 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 Resolution Fund Contributions includes the periodic contributions that must be paid to the Portuguese 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 based on 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 Resolution Funds Contributions also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

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 consider 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) No 2015/63 and European Parliament and of the Council Regulation (EU) No 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.

The Group delivered in 2019 the amount of Euros 18,747,000 (2018: Euros 21,185,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 21,918,000 (2018: Euros 24,922,000) and the Group opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,171,000 (2018: Euros 3,737,000), 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. As at 31 December 2019 the total amount of irrevocable commitments constituted is Euros 13,860,000 (31 December 2018: Euros 10,691,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Remunerations	519,888	457,617
Mandatory social security charges		
Post-employment benefits (note 50)		
Service cost	(15,372)	(15,800)
Net interest cost / (income) in the liability coverage balance	4,524	3,030
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
	6,844	6,153
Other mandatory social security charges	114,177	105,024
	121,021	111,177
Voluntary social security charges	12,416	10,370
Other staff costs	14,907	13,628
	668,232	592,792

The balance Remuneration includes, in 2019, the amount of Euros 12,587,000 related to the distribution of profits to Bank's employees, as described in note 48.

As described in the accounting policy 1 S2, under the scope of the salary increases recorded in October 2019, with retroactive effect since 1 January 2018, agreed between the Bank and the Unions, the Group recorded the impact of Euros 4,011,000 (of which Euros 1,657,000 refer to retroactive payments of 2018) in Personnel costs .

In 2019, the balance Other staff costs includes severance payments in the amount of Euros 9,737,000 (2018: Euros 9,115,000), of which the highest amounts to Euros 1,313,000 (2018: Euros 500,000).

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

	2019	2018
Portugal		
Top Management	996	992
Intermediary Management	1,644	1,653
Specific/Technical functions	3,008	2,940
Other functions	1,608	1,556
	7,256	7,141
Abroad	10,272	8,630
	17,528	15,771

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Water, electricity and fuel	16,543	15,442
Credit cards and mortgage	7,650	7,732
Communications	26,144	23,114
Maintenance and related services	20,659	16,042
Legal expenses	5,260	6,379
Travel, hotel and representation costs	9,947	9,424
Advisory services	31,338	13,170
Training costs	2,787	2,590
Information technology services	53,609	36,996
Consumables	5,543	4,759
Outsourcing and independent labour	76,980	77,070
Advertising	31,092	27,565
Rents and leases	23,170	73,446
Insurance	3,811	3,766
Transportation	9,921	10,157
Other specialised services	29,083	29,372
Other supplies and services	22,918	19,652
	376,455	376,676

The balance Rents and leases includes, in 2019, the amount of Euros 4,551,000 related to short-term lease contracts and the amount of Euros 2,118,000 related to lease contracts of low value assets, as described in the accounting policy 1 H and note 59. In 2018, the balance Rents and lease included the amount of Euros 70,705,000 related to rents paid regarding buildings used by the Group as lessee, as described in accounting policy 1I.

Until 31 December 2018, in accordance with accounting policy 1I, the Group had various operating leases for properties and vehicles, under IAS 17. The payments under these leases were recognised in the profit and loss during the life of the contract. As at 31 December 2018, the minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2018		
	Properties	Vehicles	Total
Until 1 year	75,777	147	75,924
1 to 5 years	142,365	118	142,483
Over 5 years	41,406	-	41,406
	259,548	265	259,813

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

(Thousands of euros)

	2019	2018
Auditing services		
Legal certification	3,207	2,246
Other assurance services	1,253	1,604
Other services	244	416
	4,704	4,266

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Amortisations of intangible assets (note 29):		
Software	21,525	13,307
Other intangible assets	2,076	1,619
	23,601	14,926
Depreciations of other tangible assets (note 28):		
Properties	17,859	18,321
Equipment		
Computers	15,441	11,149
Security equipment	1,191	1,453
Installations	2,641	2,394
Machinery	948	648
Furniture	2,609	2,235
Motor vehicles	5,178	4,649
Other equipment	1,720	1,970
Right-of-use		
Real estate	53,236	-
Vehicles and equipment	361	-
	101,184	42,819
	124,785	57,745

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions (note 20)		
Charge for the year	55	1,387
Reversals for the year	(867)	(128)
	(812)	1,259
Loans and advances to customers (note 21)		
Charge for the year	924,248	926,054
Reversals for the year	(510,585)	(442,082)
Recoveries of loans and interest charged-off	(24,268)	(13,210)
	389,395	470,762
Debt securities (note 22)		
Associated to credit operations		
Charge for the year	1,717	-
Reversals for the year	(907)	(6,121)
	810	(6,121)
Not associated to credit operations		
Charge for the year	1,161	1,184
Reversals for the year	(246)	(1,616)
	915	(432)
	1,725	(6,553)
	390,308	465,468

11. Impairment for financial assets at fair value through other comprehensive income

The detail of these balances is comprised of:

(Thousands of euros)

	2019	2018
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	538	2,993
Reversals for the year	(2,718)	(4,085)
	(2,180)	(1,092)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Impairment for investments in associated companies (note 25)		
Charge for the year	4,550	12,623
Impairment for non-current assets held for sale (note 26)		
Charge for the year	98,080	78,612
Reversals for the year	(13,656)	(18,018)
	84,424	60,594
Impairment for goodwill of subsidiaries (note 29)		
Charge for the year	559	-
Impairment for other assets (note 31)		
Charge for the year	14,107	7,234
Reversals for the year	(7,606)	(1,414)
	6,501	5,820
	96,034	79,037

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments (note 38)		
Charge for the year	36,230	86,255
Reversals for the year	(40,618)	(41,802)
	(4,388)	44,453
Other provisions for liabilities and charges (note 38)		
Charge for the year	65,239	13,537
Reversals for the year	(3,367)	(301)
	61,872	13,236
	57,484	57,689

14. Share of profit / (loss) of associates under the equity method

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousands of euros)

	2019	2018
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current year	16,923	20,659
Appropriation relating to the previous year	-	19
Annulment of the gains arising from properties sold to Group entities	(8,680)	-
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(5,725)	-
Revaluation of the net non-monetary assets of the BMA	-	759
Revaluation of the goodwill associated to the investment in BMA	-	12,623
	(5,725)	13,382
	2,518	34,060
Banque BCP, S.A.S.	4,095	3,653
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	28,430	35,361
SIBS, S.G.P.S, S.A.	5,871	8,343
Unicre - Instituição Financeira de Crédito, S.A.	3,491	7,244
Other companies	(1,416)	514
	42,989	89,175

(*) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applied from 1 January 2019.

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

This balance is comprised of:

(Thousands of euros)

	2019	2018
Gains arising on sale of associated company Mundotêxtil - Indústrias Têxteis, S.A.	147	-
Gains arising on settlement of MB Finance	9	-
Losses arising on sale of Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	(276)	-
Losses arising on liquidation of Imábida - Imobiliária da Arrábida, S.A..	(96)	-
Gains arising on settlement of bcp holdings (usa), Inc regarding the investment of 100%	-	2,769
Gains arising on settlement of S & P Reinsurance Limited regarding the investment of 100%	-	7
Other assets	32,123	35,140
	31,907	37,916

The balance Other assets includes gains arising from the sale of assets held by the Group, classified as non-current assets held for sale which in 2019, corresponds to a gain of Euros 29,263,000 (2018: gain of Euros 31,348,000).

16. Income / (loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Gain arising on sale of Planfipsa Group	13,454	-
Appropriation of net income of Planfipsa Group	-	(3,068)
Gains/(losses) arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	(42)	1,750
	13,412	(1,318)

Under the scope of the sale of Planfipsa Group occurred in February 2019 and in accordance with IFRS 5, this operation was considered as a discontinuing operation, during the 2nd semester of 2018, and the impact on results is shown in a separate item of the income statement Income / (loss) arising from discontinued or discontinuing operations.

The disposal of 51% held in Planfipsa S.G.P.S. S.A. and of a set of loans granted by Banco Comercial Português, S.A. to the entity, originated a gain of Euros 13,454,000 (gain of Euros 18,186,000, before taxes and a tax cost of Euros 4,732,000).

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2019	2018
Continuing operations		
Net income after income taxes from continuing operations	387,988	420,192
Non-controlling interests	(99,397)	(117,809)
Appropriated net income	288,591	302,383
Dividends from other equity instruments	(148)	(871)
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(27,750)	-
Adjusted net income	260,693	301,512
Discontinued or discontinuing operations (note 16)		
Appropriated net income	13,412	(1,318)
Adjusted net income	274,105	300,194
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.017	0.020
from discontinued or discontinuing operations	0.001	0.000
	0.018	0.020
Diluted earnings per share (Euros):		
from continuing operations	0.017	0.020
from discontinued or discontinuing operations	0.001	0.000
	0.018	0.020

The Bank's share capital, as at 31 December 2019, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 31 December 2019 and 2018, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Cash	636,048	566,202
Central Banks		
Bank of Portugal	3,658,202	1,315,682
Central Banks abroad	872,301	871,955
	5,166,551	2,753,839

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates 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.

In addition, from the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to an estimated maximum of 6 times of the reserves, is remunerated at the central bank's lending rate instead of the deposit rate.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Credit institutions in Portugal	9,427	960
Credit institutions abroad	220,718	238,932
Amounts due for collection	90,712	86,815
	320,857	326,707

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions in Portugal		
Loans	36,655	47,911
Term deposits to collateralise CIRS and IRS operations (*)	-	430
Other	6,028	1,123
	42,683	49,464
Loans and advances to credit institutions abroad		
Very short-term deposits	342,090	78,030
Term deposits	220,426	488,827
Term deposits to collateralise CIRS and IRS operations (*)	252,584	256,177
Other	35,580	18,719
	850,680	841,753
	893,363	891,217
Overdue loans - Over 90 days	-	669
	893,363	891,886
Impairment for loans and advances to credit institutions	(368)	(1,853)
	892,995	890,033

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), 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 Group.

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

(Thousands of euros)

	2019	2018
Up to 3 months	875,286	848,082
3 to 6 months	-	14,749
6 to 12 months	8,077	27,751
1 to 5 years	10,000	635
Undetermined	-	669
	893,363	891,886

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

(Thousands of euros)

	2019	2018
Balance on 1 January	1,853	-
Adjustments due to the implementation of IFRS 9 (note 58)	-	703
Impairment charge for the year (note 10)	55	1,387
Reversals for the year (note 10)	(867)	(128)
Loans charged-off	(673)	(109)
Balance at the end of the year	368	1,853

21. Loans and advances to customers

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

(Thousands of euros)

	2019	2018
Mortgage loans	25,968,814	23,691,928
Loans	14,783,169	13,047,108
Finance leases	4,144,376	3,955,451
Factoring operations	2,566,627	2,463,503
Current account credits	1,734,948	1,731,445
Overdrafts	1,215,941	1,258,634
Discounted bills	265,385	249,710
	50,679,260	46,397,779
Overdue loans - less than 90 days	115,707	118,475
Overdue loans - Over 90 days	1,469,884	1,896,578
	52,264,851	48,412,832
Impairment for credit risk	(2,417,022)	(2,851,906)
	49,847,829	45,560,926

The balance Loans and advances to customers, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	588,970	10	588,980	(1,493)	587,487
Asset-backed loans	29,895,043	838,734	30,733,777	(1,412,285)	29,321,492
Other guaranteed loans	3,672,218	166,487	3,838,705	(252,711)	3,585,994
Unsecured loans	7,700,118	338,697	8,038,815	(400,468)	7,638,347
Foreign loans	2,111,908	125,073	2,236,981	(193,148)	2,043,833
Factoring operations	2,566,627	25,150	2,591,777	(42,805)	2,548,972
Finance leases	4,144,376	91,440	4,235,816	(114,112)	4,121,704
	50,679,260	1,585,591	52,264,851	(2,417,022)	49,847,829

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);

- Other guaranteed loans: First-demand guarantees issued by banks or other entities with an internal risk level of “7” or better; personal guarantees, when the guarantors are classified as having an internal risk level of “7” or better.

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	721,519	1,062	722,581	(3,981)	718,600
Asset-backed loans	28,000,766	1,164,703	29,165,469	(1,706,849)	27,458,620
Other guaranteed loans	3,526,035	170,305	3,696,340	(332,468)	3,363,872
Unsecured loans	5,658,748	455,439	6,114,187	(450,549)	5,663,638
Foreign loans	2,071,757	114,496	2,186,253	(178,146)	2,008,107
Factoring operations	2,463,503	15,205	2,478,708	(42,219)	2,436,489
Finance leases	3,955,451	93,843	4,049,294	(137,694)	3,911,600
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	89,406	60,123	439,441	588,970	10	588,980
Asset-backed loans	1,788,179	3,249,925	24,856,939	29,895,043	838,734	30,733,777
Other guaranteed loans	1,252,124	1,521,117	898,977	3,672,218	166,487	3,838,705
Unsecured loans	2,569,023	3,216,089	1,915,006	7,700,118	338,697	8,038,815
Foreign loans	504,863	380,293	1,226,752	2,111,908	125,073	2,236,981
Factoring operations	2,069,801	496,826	-	2,566,627	25,150	2,591,777
Finance leases	681,020	1,470,884	1,992,472	4,144,376	91,440	4,235,816
	8,954,416	10,395,257	31,329,587	50,679,260	1,585,591	52,264,851

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	94,491	66,961	560,067	721,519	1,062	722,581
Asset-backed loans	1,708,178	3,052,444	23,240,144	28,000,766	1,164,703	29,165,469
Other guaranteed loans	1,294,406	1,349,257	882,372	3,526,035	170,305	3,696,340
Unsecured loans	2,063,873	1,907,528	1,687,347	5,658,748	455,439	6,114,187
Foreign loans	491,746	429,514	1,150,497	2,071,757	114,496	2,186,253
Factoring operations	1,904,236	559,252	15	2,463,503	15,205	2,478,708
Finance leases	599,079	1,459,353	1,897,019	3,955,451	93,843	4,049,294
	8,156,009	8,824,309	29,417,461	46,397,779	2,015,053	48,412,832

As at 31 December 2019, the balance Loans and advances to customers includes the amount of Euros 11,778,334,000 (31 December 2018: Euros 12,315,731,000) regarding credits related to mortgage loans issued by the Group.

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

As referred in note 51, 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 40.

As at 31 December 2019, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 99,774,000 (31 December 2018: Euros 101,350,000), as referred in note 51 a). The amount of impairment recognised for these contracts amounts to Euros 210,000 (31 December 2018: Euros 650,000).

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.

As at 31 December 2019, the balance Finance leases includes the amount of Euros 9,278,000 related to sublease operations, as referred in accounting policy described 1 H and note 59.

The Outstanding loans related to finance leases contracts are analysed as follows:

(Thousands of euros)

	2019	2018
Amount of future minimum payments		
Up to 1 year	1,069,860	931,836
1 to 5 years	1,978,977	1,951,933
Over 5 years	1,600,732	1,540,260
	4,649,569	4,424,029
Interest not yet due	(505,193)	(468,578)
Present value	4,144,376	3,955,451

Regarding operational leasing, the Group does not present relevant contracts as lessee.

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

(Thousands of euros)

	2019	2018
Individuals		
Home	56,371	64,150
Consumer	33,290	33,020
Others	92,316	108,043
	181,977	205,213
Companies		
Equipment	1,915,011	1,804,542
Real estate	2,047,388	1,945,696
	3,962,399	3,750,238
	4,144,376	3,955,451

The analysis of loans and advances to customers, as at 31 December 2019, by sector of activity, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	328,520	7,599	336,119	(7,419)	328,700	0.64%
Fisheries	35,528	29	35,557	(679)	34,878	0.07%
Mining	54,611	1,397	56,008	(4,561)	51,447	0.11%
Food, beverage and tobacco	712,184	15,386	727,570	(24,840)	702,730	1.39%
Textiles	375,226	9,020	384,246	(18,807)	365,439	0.74%
Wood and cork	231,876	3,501	235,377	(5,075)	230,302	0.45%
Paper, printing and publishing	167,395	1,194	168,589	(14,416)	154,173	0.32%
Chemicals	718,269	23,210	741,479	(26,820)	714,659	1.42%
Machinery, equipment and basic metallurgical	1,224,725	31,448	1,256,173	(37,769)	1,218,404	2.40%
Electricity and gas	313,776	223	313,999	(2,550)	311,449	0.60%
Water	189,455	618	190,073	(9,504)	180,569	0.36%
Construction	1,525,891	163,138	1,689,029	(252,391)	1,436,638	3.23%
Retail business	1,197,223	37,489	1,234,712	(54,633)	1,180,079	2.36%
Wholesale business	2,057,044	50,408	2,107,452	(99,968)	2,007,484	4.03%
Restaurants and hotels	1,144,155	40,227	1,184,382	(87,325)	1,097,057	2.27%
Transports	1,250,810	25,826	1,276,636	(39,739)	1,236,897	2.44%
Post offices	10,583	254	10,837	(346)	10,491	0.02%
Telecommunications	354,129	3,959	358,088	(6,853)	351,235	0.69%
Services						
Financial intermediation	1,658,167	134,789	1,792,956	(494,251)	1,298,705	3.43%
Real estate activities	1,584,251	98,840	1,683,091	(110,495)	1,572,596	3.22%
Consulting, scientific and technical activities	1,096,394	24,594	1,120,988	(177,341)	943,647	2.15%
Administrative and support services activities	539,047	14,236	553,283	(75,801)	477,482	1.06%
Public sector	1,042,143	10	1,042,153	(3,729)	1,038,424	1.99%
Education	125,432	1,338	126,770	(6,389)	120,381	0.24%
Health and collective service activities	296,830	1,281	298,111	(4,256)	293,855	0.57%
Artistic, sports and recreational activities	272,838	1,230	274,068	(66,816)	207,252	0.52%
Other services	207,012	271,206	478,218	(207,350)	270,868	0.92%
Consumer loans	5,354,681	294,117	5,648,798	(316,423)	5,332,375	10.81%
Mortgage credit	25,686,880	206,666	25,893,546	(168,039)	25,725,507	49.54%
Other domestic activities	1,155	374	1,529	(82)	1,447	0.00%
Other international activities	923,030	121,984	1,045,014	(92,355)	952,659	2.00%
	50,679,260	1,585,591	52,264,851	(2,417,022)	49,847,829	100%

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	294,808	10,093	304,901	(9,704)	295,197	0.63%
Fisheries	31,515	43	31,558	(883)	30,675	0.07%
Mining	59,058	2,877	61,935	(9,744)	52,191	0.13%
Food, beverage and tobacco	683,830	15,670	699,500	(17,615)	681,885	1.45%
Textiles	363,277	14,540	377,817	(22,566)	355,251	0.78%
Wood and cork	237,191	6,312	243,503	(8,564)	234,939	0.50%
Paper, printing and publishing	193,611	4,985	198,596	(18,134)	180,462	0.41%
Chemicals	664,652	40,598	705,250	(50,057)	655,193	1.46%
Machinery, equipment and basic metallurgical	1,171,768	46,249	1,218,017	(50,160)	1,167,857	2.52%
Electricity and gas	371,518	611	372,129	(2,027)	370,102	0.77%
Water	188,221	1,132	189,353	(11,461)	177,892	0.39%
Construction	1,595,783	358,006	1,953,789	(433,006)	1,520,783	4.04%
Retail business	1,089,590	80,331	1,169,921	(89,031)	1,080,890	2.42%
Wholesale business	2,093,318	79,300	2,172,618	(103,523)	2,069,095	4.49%
Restaurants and hotels	1,150,604	55,508	1,206,112	(91,657)	1,114,455	2.49%
Transports	1,293,631	18,180	1,311,811	(31,328)	1,280,483	2.71%
Post offices	10,631	351	10,982	(644)	10,338	0.02%
Telecommunications	306,844	6,333	313,177	(15,882)	297,295	0.65%
Services						
Financial intermediation	1,476,828	116,446	1,593,274	(380,196)	1,213,078	3.29%
Real estate activities	1,336,226	218,978	1,555,204	(158,998)	1,396,206	3.21%
Consulting, scientific and technical activities	1,339,659	30,038	1,369,697	(371,352)	998,345	2.83%
Administrative and support services activities	553,539	31,448	584,987	(79,567)	505,420	1.21%
Public sector	1,128,520	1,247	1,129,767	(7,743)	1,122,024	2.33%
Education	131,840	1,719	133,559	(7,713)	125,846	0.28%
Health and collective service activities	282,231	2,012	284,243	(4,286)	279,957	0.59%
Artistic, sports and recreational activities	287,865	6,161	294,026	(76,296)	217,730	0.61%
Other services	209,752	264,796	474,548	(194,401)	280,147	0.98%
Consumer loans	3,432,425	281,567	3,713,992	(302,840)	3,411,152	7.67%
Mortgage credit	23,555,628	225,084	23,780,712	(212,505)	23,568,207	49.12%
Other domestic activities	1,124	499	1,623	(302)	1,321	0.00%
Other international activities	862,292	93,939	956,231	(89,721)	866,510	1.98%
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926	100%

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	118,266	84,416	125,838	328,520	7,599	336,119
Fisheries	15,424	5,365	14,739	35,528	29	35,557
Mining	28,140	21,648	4,823	54,611	1,397	56,008
Food, beverage and tobacco	435,514	202,863	73,807	712,184	15,386	727,570
Textiles	191,682	101,232	82,312	375,226	9,020	384,246
Wood and cork	103,852	92,225	35,799	231,876	3,501	235,377
Paper, printing and publishing	74,088	49,998	43,309	167,395	1,194	168,589
Chemicals	288,778	293,438	136,053	718,269	23,210	741,479
Machinery, equipment and basic metallurgical	595,222	430,211	199,292	1,224,725	31,448	1,256,173
Electricity and gas	47,249	123,300	143,227	313,776	223	313,999
Water	36,549	30,201	122,705	189,455	618	190,073
Construction	504,209	459,834	561,848	1,525,891	163,138	1,689,029
Retail business	612,802	341,565	242,856	1,197,223	37,489	1,234,712
Wholesale business	1,110,421	693,813	252,810	2,057,044	50,408	2,107,452
Restaurants and hotels	155,015	222,128	767,012	1,144,155	40,227	1,184,382
Transports	394,342	494,011	362,457	1,250,810	25,826	1,276,636
Post offices	4,446	5,613	524	10,583	254	10,837
Telecommunications	106,785	220,229	27,115	354,129	3,959	358,088
Services						
Financial intermediation	244,060	483,788	930,319	1,658,167	134,789	1,792,956
Real estate activities	320,846	488,537	774,868	1,584,251	98,840	1,683,091
Consulting, scientific and technical activities	399,063	214,439	482,892	1,096,394	24,594	1,120,988
Administrative and support services activities	210,420	216,054	112,573	539,047	14,236	553,283
Public sector	169,744	382,856	489,543	1,042,143	10	1,042,153
Education	40,277	21,566	63,589	125,432	1,338	126,770
Health and collective service activities	105,927	85,132	105,771	296,830	1,281	298,111
Artistic, sports and recreational activities	34,350	31,829	206,659	272,838	1,230	274,068
Other services	87,352	79,727	39,933	207,012	271,206	478,218
Consumer loans	1,494,022	2,605,265	1,255,394	5,354,681	294,117	5,648,798
Mortgage credit	457,280	1,760,404	23,469,196	25,686,880	206,666	25,893,546
Other domestic activities	179	391	585	1,155	374	1,529
Other international activities	568,112	153,179	201,739	923,030	121,984	1,045,014
	8,954,416	10,395,257	31,329,587	50,679,260	1,585,591	52,264,851

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	104,408	90,843	99,557	294,808	10,093	304,901
Fisheries	7,651	15,273	8,591	31,515	43	31,558
Mining	37,281	15,400	6,377	59,058	2,877	61,935
Food, beverage and tobacco	433,901	177,057	72,872	683,830	15,670	699,500
Textiles	176,911	98,472	87,894	363,277	14,540	377,817
Wood and cork	110,304	88,857	38,030	237,191	6,312	243,503
Paper, printing and publishing	106,952	37,301	49,358	193,611	4,985	198,596
Chemicals	311,924	226,324	126,404	664,652	40,598	705,250
Machinery, equipment and basic metallurgical	597,052	384,518	190,198	1,171,768	46,249	1,218,017
Electricity and gas	50,564	131,375	189,579	371,518	611	372,129
Water	28,589	38,542	121,090	188,221	1,132	189,353
Construction	508,815	474,681	612,287	1,595,783	358,006	1,953,789
Retail business	537,728	318,170	233,692	1,089,590	80,331	1,169,921
Wholesale business	1,114,076	721,614	257,628	2,093,318	79,300	2,172,618
Restaurants and hotels	80,578	300,890	769,136	1,150,604	55,508	1,206,112
Transports	448,160	468,137	377,334	1,293,631	18,180	1,311,811
Post offices	4,419	6,099	113	10,631	351	10,982
Telecommunications	103,547	136,765	66,532	306,844	6,333	313,177
Services						
Financial intermediation	206,384	336,801	933,643	1,476,828	116,446	1,593,274
Real estate activities	301,503	356,177	678,546	1,336,226	218,978	1,555,204
Consulting, scientific and technical activities	317,270	443,740	578,649	1,339,659	30,038	1,369,697
Administrative and support services activities	234,653	192,796	126,090	553,539	31,448	584,987
Public sector	134,771	437,637	556,112	1,128,520	1,247	1,129,767
Education	37,872	31,468	62,500	131,840	1,719	133,559
Health and collective service activities	111,315	84,740	86,176	282,231	2,012	284,243
Artistic, sports and recreational activities	43,518	31,234	213,113	287,865	6,161	294,026
Other services	78,909	91,140	39,703	209,752	264,796	474,548
Consumer loans	989,303	1,536,802	906,320	3,432,425	281,567	3,713,992
Mortgage credit	380,051	1,424,987	21,750,590	23,555,628	225,084	23,780,712
Other domestic activities	173	482	469	1,124	499	1,623
Other international activities	557,427	125,987	178,878	862,292	93,939	956,231
	8,156,009	8,824,309	29,417,461	46,397,779	2,015,053	48,412,832

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)

	2019	2018
Total credit	56,991,658	53,239,630
Stage 1		
Gross amount	44,374,375	38,353,853
Impairment	(110,509)	(98,344)
	44,263,866	38,255,509
Stage 2		
Gross amount	8,149,861	8,726,840
Impairment	(191,810)	(185,063)
	7,958,051	8,541,777
Stage 3		
Gross amount	4,467,422	6,158,937
Impairment	(2,212,693)	(2,739,559)
	2,254,729	3,419,378
	54,476,646	50,216,664

The total credit portfolio includes, as at 31 December 2019, loans and advances to customers in the amount of Euros 52,264,851,000 (31 December 2018: Euros: 48,412,832,000) and guarantees granted and commitments to third parties balance (note 45), in the amount of Euros 4,726,807,000 (31 December 2018: Euros 4,826,798,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 C1.5, including the provision for guarantees and other commitments to third parties (note 38), associated to Guarantees granted, in the amount of Euros 97,990,000 (31 December 2018: Euros 171,060,000).

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

(Thousands of euros)

	2019	2018
Stage 1		
Securities and other financial assets	1,904,675	1,879,568
Residential real estate	21,165,962	18,656,116
Other real estate	2,943,688	3,032,719
Other guarantees	4,571,961	3,512,140
	30,586,286	27,080,543
Stage 2		
Securities and other financial assets	293,565	286,629
Residential real estate	2,759,766	2,894,058
Other real estate	1,237,569	1,083,323
Other guarantees	868,877	659,328
	5,159,777	4,923,338
Stage 3		
Securities and other financial assets	301,745	380,083
Residential real estate	800,650	1,121,101
Other real estate	610,792	1,024,062
Other guarantees	579,905	459,632
	2,293,092	2,984,878
	38,039,155	34,988,759

The balance Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Group (note 54), 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 Group 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. 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 Group 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 include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and / or in interest rate. The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2019			2018		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	14,391	(3,012)	11,379	26,785	(4,097)	22,688
Fisheries	6,134	(454)	5,680	6,153	(549)	5,604
Mining	5,558	(3,317)	2,241	14,449	(8,530)	5,919
Food, beverage and tobacco	25,290	(7,448)	17,842	18,071	(5,614)	12,457
Textiles	14,010	(4,287)	9,723	15,708	(6,186)	9,522
Wood and cork	7,978	(1,694)	6,284	12,487	(3,395)	9,092
Paper, printing and publishing	16,449	(12,222)	4,227	19,381	(12,661)	6,720
Chemicals	23,386	(5,095)	18,291	27,806	(12,278)	15,528
Machinery, equipment and basic metallurgical	54,949	(11,038)	43,911	68,553	(13,502)	55,051
Electricity and gas	454	(32)	422	839	(110)	729
Water	51,694	(7,116)	44,578	16,771	(2,541)	14,230
Construction	245,348	(148,041)	97,307	428,059	(233,362)	194,697
Retail business	61,569	(23,761)	37,808	101,067	(51,444)	49,623
Wholesale business	105,965	(13,463)	92,502	133,962	(20,744)	113,218
Restaurants and hotels	101,525	(20,402)	81,123	123,014	(22,636)	100,378
Transports	13,118	(2,691)	10,427	57,356	(4,852)	52,504
Post offices	236	(61)	175	92	(22)	70
Telecommunications	18,059	(1,219)	16,840	31,638	(1,635)	30,003
Services						
Financial intermediation	533,238	(340,993)	192,245	401,209	(242,479)	158,730
Real estate activities	157,808	(43,027)	114,781	250,263	(48,471)	201,792
Consulting, scientific and technical activities	166,498	(93,427)	73,071	241,698	(166,724)	74,974
Administrative and support services activities	83,319	(61,457)	21,862	89,424	(63,324)	26,100
Public sector	67,157	(1,309)	65,848	72,382	(1,458)	70,924
Education	20,057	(4,724)	15,333	20,458	(5,616)	14,842
Health and collective service activities	10,537	(1,156)	9,381	4,987	(966)	4,021
Artistic, sports and recreational activities	90,159	(40,616)	49,543	116,562	(46,351)	70,211
Other services	245,150	(177,061)	68,089	245,637	(172,503)	73,134
Consumer loans	301,820	(76,808)	225,012	281,568	(92,111)	189,457
Mortgage credit	604,597	(45,234)	559,363	714,611	(58,747)	655,864
Other international activities	36,531	(24,491)	12,040	40,296	(25,227)	15,069
	3,083,006	(1,175,657)	1,907,349	3,581,292	(1,328,135)	2,253,157

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 and considering new collaterals.

The Group 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 Group'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, 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;

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. In the case of credits marked as NPE, this 2-year period will only start on the date of classification of the credit as performing.

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 2019, the amount calculated is Euros 2,259,596,000 (31 December 2018: Euros 3,049,747,000).

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 operations 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 2019, the NPE amounts to Euros 4,206,158,000 (31 December 2018: Euros 5,547,454,000).

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

(Thousands of euros)

	2019	2018
Balance on 1 January	2,851,906	3,279,046
Adjustments due to the implementation of IFRS 9 (note 58)		
Remeasurement under IFRS 9	-	235,548
Reclassification under IFRS 9	-	8,508
Charge for the year in net income interest (note 2)	51,504	37,281
Transfers resulting from changes in the Group's structure	-	754
Other transfers	72,421	(56,345)
Impairment charge for the year (note 10)	924,248	926,054
Reversals for the year (note 10)	(510,585)	(442,082)
Loans charged-off	(979,451)	(1,129,834)
Exchange rate differences	6,979	(7,024)
Balance at the end of the year	2,417,022	2,851,906

As at 31 December 2019, the balance Other transfers includes the amount of Euros 64,588,000 related to provisions for guarantees and other commitments, which were transferred to impairment for credit risks due to the fact that the guarantees granted were converted into loans and advances to customers.

In 2018, the balance Other transfers referred 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 and the related impairment of these assets.

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

(Thousands of euros)

	2019	2018
Agriculture and forestry	4,360	4,964
Fisheries	4	152
Mining	4,414	3,403
Food, beverage and tobacco	14,190	2,138
Textiles	7,418	15,631
Wood and cork	3,304	16,981
Paper, printing and publishing	6,823	1,976
Chemicals	30,947	5,389
Machinery, equipment and basic metallurgical	25,843	29,123
Electricity and gas	506	5
Water	619	4,949
Construction	282,889	257,356
Retail business	75,990	29,939
Wholesale business	37,281	67,318
Restaurants and hotels	13,128	27,817
Transports	11,546	17,243
Post offices	243	70
Telecommunications	17,956	1,822
Services		
Financial intermediation	21,154	244,728
Real estate activities	62,175	80,496
Consulting, scientific and technical activities	178,745	89,357
Administrative and support services activities	6,353	11,185
Public sector	-	3
Education	603	807
Health and collective service activities	1,215	603
Artistic, sports and recreational activities	3,651	919
Other services	4,833	10,668
Consumer loans	149,500	185,758
Mortgage credit	9,059	13,979
Other domestic activities	2,561	1,132
Other international activities	2,141	3,923
	979,451	1,129,834

In compliance with the accounting policy described in note 1 C1.3, 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)

	2019	2018
Public sector	-	3
Asset-backed loans	14,896	15,786
Other guaranteed loans	37,499	43,181
Unsecured loans	894,640	1,040,765
Factoring operations	10,312	7,058
Finance leases	22,104	23,041
	979,451	1,129,834

The analysis of recovered loans and interest occurred during 2019 and 2018 by sector of activity, is as follows:

(Thousands of euros)

	2019	2018
Agriculture and forestry	73	47
Fisheries	-	24
Mining	-	1
Food, beverage and tobacco	211	140
Textiles	1,340	121
Wood and cork	41	115
Paper, printing and publishing	292	171
Chemicals	535	206
Machinery, equipment and basic metallurgical	139	223
Electricity and gas	8	1
Water	3	1
Construction	1,617	1,761
Retail business	1,486	468
Wholesale business	827	786
Restaurants and hotels	599	29
Transports	2,905	235
Post offices	11	16
Telecommunications	10	28
Services		
Financial intermediation	754	2,239
Real estate activities	1,227	182
Consulting, scientific and technical activities	13	65
Administrative and support services activities	176	440
Health and collective service activities	2	15
Artistic, sports and recreational activities	257	6
Other services	563	109
Consumer loans	10,818	4,049
Mortgage credit	139	68
Other domestic activities	199	55
Other international activities	23	1,609
	24,268	13,210

The analysis of recovered loans and interest occurred during 2019 and 2018, by type of credit, is as follows:

(Thousands of euros)

	2019	2018
Asset-backed loans	154	68
Other guaranteed loans	6,236	2,431
Unsecured loans	17,319	9,446
Foreign loans	9	691
Finance leases	550	574
	24,268	13,210

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1 D.

Traditional securitizations

Securitization transactions engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As at 31 December 2019, the loans and advances referred to these operations amounts to Euros 269,668,000 (31 December 2018: Euros 405,439,000) As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 2

The traditional securitization Magellan Mortgages No. 2 was reimbursed on 18 October 2019, through a Clean-Up Call exercise.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 B. As at 31 December 2019, the SPE's credit portfolio associated with this operation amounts to Euros 269,668,000, and bonds issued with different subordination levels amount to Euros 199,178,000 (this amount excludes bonds hold by the Group in the amount of Euros 89,643,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group 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 Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 800,801,000 as at 31 December 2019. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 203,646,000 and the registered cost in 2019 amounts to Euros 5,169,000.

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 2019, the operation amounts to Euros 884,659,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,101,000 and their registered cost in 2019 amounts to Euros 906,000.

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 total of 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%). In both structures, the correspondent 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 Bank 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 1 C1.3.

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	155,567	176,751
Commercial paper	1,871,985	2,024,762
Foreign issuers		
Bonds	32,356	34,671
Commercial paper	25,233	19,704
	2,085,141	2,255,888
Overdue securities - over 90 days	1,799	55,353
	2,086,940	2,311,241
Impairment	(12,431)	(39,921)
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	137,330	47,377
Foreign issuers	301,988	740,118
Bonds issued by other entities		
Portuguese issuers	178,069	254,662
Foreign issuers	50,854	63,325
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	445,226	-
	1,113,467	1,105,482
Impairment	(2,100)	(1,788)
	1,111,367	1,103,694
	3,185,876	3,375,014

(*) Includes the amount of Euros 856,000 related to adjustments resulting from the application of fair value hedge accounting.

As at 31 December 2019, the balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 138,752,000 (31 December 2018: Euros 213,772,000) related to public sector companies.

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019					
	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	-	-	-	155,567	-	155,567
Commercial paper	1,342,583	529,402	-	-	1,799	1,873,784
Foreign issuers						
Bonds	-	-	10,881	21,475	-	32,356
Commercial paper	15,201	10,032	-	-	-	25,233
	1,357,784	539,434	10,881	177,042	1,799	2,086,940
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	137,330	-	137,330
Foreign issuers	11,232	30,500	144,723	115,533	-	301,988
Other entities						
Portuguese issuers	-	-	138,738	39,331	-	178,069
Foreign issuers	-	-	-	50,854	-	50,854
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	173,242	271,984	-	-	-	445,226
	184,474	302,484	283,461	343,048	-	1,113,467
	1,542,258	841,918	294,342	520,090	1,799	3,200,407

The analysis of the balance Debt securities before impairment, 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	112,965	394,174	122,846	110,133	-	740,118
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
	112,965	484,789	247,655	260,073	-	1,105,482
	1,563,335	1,078,885	259,314	459,836	55,353	3,416,723

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

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Mining	17,493	24,996
Food, beverage and tobacco	83,063	80,074
Textiles	67,201	69,346
Wood and cork	8,017	10,820
Paper, printing and publishing	10,305	17,163
Chemicals	151,612	222,101
Machinery, equipment and basic metallurgical	76,345	56,775
Electricity and gas	184,911	190,338
Water	14,956	9,957
Construction	12,135	6,937
Retail business	73,243	86,042
Wholesale business	70,554	73,388
Restaurants and hotels	7,506	8,518
Transports	35,948	49,144
Telecommunications	6,444	8,932
Services		
Financial intermediation	222,846	249,231
Real estate activities	23,919	39,115
Consulting, scientific and technical activities	923,513	991,948
Administrative and support services activities	16,924	13,653
Health and collective service activities	4,999	4,999
Other services	5,084	3,596
Other international activities	57,491	54,247
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Chemicals	25,609	25,562
Water	39,324	39,229
Transports (*)	99,402	174,480
Services		
Financial intermediation	495,666	63,325
Consulting, scientific and technical activities	13,550	15,149
	673,551	317,745
Government and Public securities	437,816	785,949
	1,111,367	1,103,694
	3,185,876	3,375,014

(*) Corresponds to securities from public sector companies

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

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Balance on 1 January	39,921	42,886
Adjustments due to the implementation of IFRS 9 (note 58)	-	2,946
Charge for the year in net income interest (note 2)	120	211
Charge for the year (note 10)	1,717	-
Reversals for the year (note 10)	(907)	(6,121)
Loans charged-off	(28,420)	-
Exchange rate differences	-	(1)
Balance at the end of the year	12,431	39,921
Debt securities held not associated with credit operations		
Balance on 1 January	1,788	n.a.
Adjustments due to the implementation of IFRS 9	-	2,217
Charge for the year (note 10)	1,161	1,184
Reversals for the year (note 10)	(246)	(1,616)
Loans charged-off	(620)	-
Exchange rate differences	17	3
Balance at the end of the year	2,100	1,788

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	2019	2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	255,313	220,047
Equity instruments	3,109	5,410
Trading derivatives	619,912	644,997
	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	352,367	291,050
Debt instruments	1,037,480	1,108,605
Equity instruments	15,666	5,029
	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss		
Debt instruments	31,496	33,034
Financial assets at fair value through other comprehensive income		
Debt instruments	13,179,281	13,797,971
Equity instruments	37,420	47,654
	13,216,701	13,845,625
	15,532,044	16,153,797

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, by type of asset, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	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	3,180	-	31,496	4,425,302	4,459,978
Foreign issuers	205,805	-	-	5,398,404	5,604,209
Bonds issued by other entities					
Portuguese issuers	3,043	16,778	-	802,268	822,089
Foreign issuers	43,285	-	-	314,991	358,276
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	1,922,991	1,922,991
Foreign issuers	-	-	-	315,325	315,325
Shares of foreign companies (a)	-	37,375	-	-	37,375
Investment fund units (b)	-	983,327	-	-	983,327
	255,313	1,037,480	31,496	13,179,281	14,503,570
Equity instruments					
Shares					
Portuguese companies	2,515	-	-	19,163	21,678
Foreign companies	49	15,666	-	18,254	33,969
Investment fund units	-	-	-	3	3
Other securities	545	-	-	-	545
	3,109	15,666	-	37,420	56,195
Trading derivatives	619,912	-	-	-	619,912
	878,334	1,053,146	31,496	13,216,701	15,179,677
Level 1	252,683	-	31,496	12,643,402	12,927,581
Level 2	317,689	-	-	464,728	782,417
Level 3	307,962	1,053,146	-	108,571	1,469,679

(a) Under IFRS 9, and as detailed in note 58, these shares were considered as debt instruments because they not fall within the definition of SPPI.
(b) Under IFRS 9, and as detailed in note 58, these participation units were considered as debt instruments because they not fall within the definition of equity instruments.

As at 31 December 2019, the balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1C.5. in the amount of Euros 1,257,000 (31 December 2018: Euros 920,000).

As at 31 December 2019, portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C). As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

As at 31 December 2019, 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 Magellan Mortgages No.1 and No. 4, referred in note 1 D. in the amount of Euros 184,000 and Euros 105,000, respectively.

The Group, as part of the management process of the liquidity risk (note 54), 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 Group operates, which includes debt instruments. As at 31 December 2019, the balances Financial assets at fair value through other comprehensive income and Financial designated at fair value through profit or loss, includes the amounts of Euros 8,776,000 and Euros 29,603,000, respectively (31 December 2018: Euros 8,898,000 and Euros 30,714,000) of securities included in the ECB's monetary policy pool.

As at 31 December 2019, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 297,243,000 related to public sector companies.

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, by type of asset, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	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	5,671,092	5,707,792
Foreign issuers	161,347	-	-	4,904,357	5,065,704
Bonds issued by other entities					
Portuguese issuers	9,852	16,778	-	1,217,482	1,244,112
Foreign issuers	45,182	-	-	107,007	152,189
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	1,048,263	1,048,263
Shares of foreign companies (a)	-	19,085	-	-	19,085
Investment fund units (b)	-	1,072,742	-	-	1,072,742
	220,047	1,108,605	33,034	13,801,693	15,163,379
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	220,047	1,108,605	33,034	13,797,971	15,159,657
Equity instruments					
Shares					
Portuguese companies	4,939	-	-	23,270	28,209
Foreign companies	24	5,029	-	24,382	29,435
Investment fund units	12	-	-	2	14
Other securities	435	-	-	-	435
	5,410	5,029	-	47,654	58,093
Trading derivatives	644,997	-	-	-	644,997
	870,454	1,113,634	33,034	13,845,625	15,862,747
Level 1	214,531	-	33,034	12,973,893	13,221,458
Level 2	347,770	-	-	843,946	1,191,716
Level 3	308,153	1,113,634	-	27,786	1,449,573

(a) Under IFRS 9, and as detailed in note 58, these shares were considered as debt instruments because they not fall within the definition of SPPI.
(b) Under IFRS 9, and as detailed in note 58, these participation units were considered as debt instruments because they not fall within the definition of equity instruments.

The changes occurred during 2019 and 2018 in impairment for financial assets at fair value through other comprehensive, in balance sheet are analysed as follows:

(Thousands of euros)

	2019	2018
Balance on 31 December 2017	-	570,379
Transition adjustments IFRS 9 (note 58)	-	(565,229)
Balance on 1 January	4,887	5,150
Transfers	(1,536)	867
Impairment through profit and loss (note 11)	538	2,993
Reversals through profit and loss (note 11)	(2,718)	(4,085)
Amounts charged-off	(6)	-
Exchange rate differences	12	(38)
Balance at the end of the year	1,177	4,887

As at 31 December 2019, the accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 3,157,000 and is recorded against Fair value reserves (2018: Euros 6,820,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,292,931	93,586	38,785	4,425,302
Foreign issuers	5,384,433	(744)	14,715	5,398,404
Bonds issued by other entities				
Portuguese issuers	764,470	17,875	19,923	802,268
Foreign issuers	303,954	6,026	5,011	314,991
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	1,922,666	-	325	1,922,991
Foreign issuers	315,235	-	90	315,325
	12,983,689	116,743	78,849	13,179,281
Equity instruments				
Shares				
Portuguese companies	50,476	-	(31,313)	19,163
Foreign companies	20,855	-	(2,601)	18,254
Investment fund units	2	-	1	3
	71,333	-	(33,913)	37,420
	13,055,022	116,743	44,936	13,216,701

(a) Include 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 according to the requirements defined in the accounting policy 1 C1.5.1.2.

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 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,547,657	165,986	(42,551)	5,671,092
Foreign issuers	4,889,654	981	13,722	4,904,357
Bonds issued by other entities				
Portuguese issuers (*)	1,188,586	6,750	18,424	1,213,760
Foreign issuers	107,379	(1)	(371)	107,007
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	1,047,983	-	280	1,048,263
	13,634,598	173,716	(10,343)	13,797,971
Equity instruments				
Shares				
Portuguese companies	57,033	-	(33,763)	23,270
Foreign companies	20,816	-	3,566	24,382
Investment fund units	2	-	-	2
	77,851	-	(30,197)	47,654
	13,712,449	173,716	(40,540)	13,845,625

(*) Includes impairment for overdue securities
(a) Include 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 according to the requirements defined in the accounting policy 1 C1.5.1.2.

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, net of impairment, as at 31 December 2019, by valuation levels, is analysed as follows:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,392,381	67,597	-	4,459,978
Foreign issuers	5,604,209	-	-	5,604,209
Bonds issued by other entities				
Portuguese issuers	644,464	69,044	108,581	822,089
Foreign issuers	358,274	-	2	358,276
Treasury bills and other Government bonds				
Portuguese issuers	1,922,991	-	-	1,922,991
Foreign issuers	-	315,325	-	315,325
Shares of foreign companies	-	-	37,375	37,375
Investment fund units	-	-	983,327	983,327
	12,922,319	451,966	1,129,285	14,503,570
Equity instruments				
Shares				
Portuguese companies	4,786	3,423	13,469	21,678
Foreign companies	114	9,339	24,516	33,969
Investment fund units	-	-	3	3
Other securities	-	-	545	545
	4,900	12,762	38,533	56,195
Trading derivatives	362	317,689	301,861	619,912
	12,927,581	782,417	1,469,679	15,179,677

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, net of impairment, as at 31 December 2018, by valuation levels, is analysed as follows:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,526,914	180,878	-	5,707,792
Foreign issuers	5,065,704	-	-	5,065,704
Bonds issued by other entities				
Portuguese issuers (*)	941,606	275,894	22,890	1,240,390
Foreign issuers	152,188	-	1	152,189
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	372,340	-	1,048,263
Shares of foreign companies	-	-	19,085	19,085
Investment fund units	-	-	1,072,742	1,072,742
	13,215,827	829,112	1,114,718	15,159,657
Equity instruments				
Shares				
Portuguese companies	4,727	-	23,482	28,209
Foreign companies	24	15,564	13,847	29,435
Investment fund units	-	-	14	14
Other securities	-	-	435	435
	4,751	15,564	37,778	58,093
Trading derivatives	880	347,040	297,077	644,997
	13,221,458	1,191,716	1,449,573	15,862,747

(*) Includes impairment for overdue securities

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 47) in the amount of Euros 924,487,000 (31 December 2018: Euros 1,006,988,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2019, 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.

The instruments classified as level 3 have associated net losses not performed in the amount of Euros 1,555,000 (2018: Euros 7,382,000) recorded in Other comprehensive income. The amount of impairment associated to these securities amounts to Euros 1,177,000 in 2019 (2018: Euros 4,887,000).

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	-	82,854	2,952,439	1,424,685	-	4,459,978
Foreign issuers	230,897	270,439	4,734,189	368,684	-	5,604,209
Bonds issued by other entities						
Portuguese issuers	44	-	383,176	438,869	-	822,089
Foreign issuers	495	-	171,779	186,002	-	358,276
Treasury bills and other Government bonds						
Portuguese issuers	782,058	1,140,933	-	-	-	1,922,991
Foreign issuers	235,175	80,150	-	-	-	315,325
Shares of foreign companies	-	-	-	-	37,375	37,375
Investment fund units	-	14,017	94,527	866,587	8,196	983,327
	1,248,669	1,588,393	8,336,110	3,284,827	45,571	14,503,570
Equity instruments						
Companies' shares						
Portuguese companies	-	-	-	-	21,678	21,678
Foreign companies	-	-	-	-	33,969	33,969
Investment fund units	-	-	-	-	3	3
Other securities	-	-	-	-	545	545
	-	-	-	-	56,195	56,195
	1,248,669	1,588,393	8,336,110	3,284,827	101,766	14,559,765

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, 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
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	-	860	3,648,552	2,058,380	-	5,707,792
Foreign issuers	1,952	48,884	4,670,294	344,574	-	5,065,704
Bonds issued by other entities						
Portuguese issuers	264,471	13,010	368,519	594,390	3,722	1,244,112
Foreign issuers	-	-	65,060	87,129	-	152,189
Treasury bills and other Government bonds						
Portuguese issuers	38,726	814,766	-	-	-	853,492
Foreign issuers	546,688	501,575	-	-	-	1,048,263
Shares of foreign companies	-	-	-	-	19,085	19,085
Investment fund units	-	-	33,898	1,030,593	8,251	1,072,742
	851,837	1,379,095	8,786,323	4,115,066	31,058	15,163,379
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	851,837	1,379,095	8,786,323	4,115,066	27,336	15,159,657
Equity instruments						
Companies' shares						
Portuguese companies	-	-	-	-	28,209	28,209
Foreign companies	-	-	-	-	29,435	29,435
Investment fund units	-	-	-	12	2	14
Other securities	-	-	-	-	435	435
	-	-	-	12	58,081	58,093
	851,837	1,379,095	8,786,323	4,115,078	85,417	15,217,750

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	2019	2018
Public sector	27	20
Asset-backed loans	8	5
Unsecured loans	346,558	287,028
	346,593	287,053
Overdue loans - less than 90 days	1,717	1,023
Overdue loans - Over 90 days	4,057	2,974
	352,367	291,050

The balance Loans to customers at fair value correspond essentially to consumer loans. This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2019	2018
Up to 3 months	37,178	35,211
3 to 6 months	139,124	125,820
6 to 12 months	170,289	126,021
1 to 5 periods	2	1
Over 5 years	5,774	3,997
	352,367	291,050

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	680	-	-	-	680
Mining	-	7	-	-	7
Paper, printing and publishing	51,735	2	-	-	51,737
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	2,363	2,518	-	-	4,881
Electricity and gas	9,410	-	-	-	9,410
Water	7,000	-	-	-	7,000
Construction	17,611	16	23,252	-	40,879
Retail business	-	6	-	-	6
Wholesale business	200,367	162	-	-	200,529
Restaurants and hotels	-	9,357	-	-	9,357
Transports	297,236	-	-	-	297,236
Telecommunications	-	4,686	-	-	4,686
Services					
Financial intermediation (*)	753,341	59,314	933,445	-	1,746,100
Real estate activities	-	-	19,749	-	19,749
Consulting, scientific and technical activities	129,301	140	-	-	129,441
Administrative and support services activities	9,961	9,391	-	-	19,352
Public sector	-	-	544	-	544
Artistic, sports and recreational activities	16,683	-	-	-	16,683
Other services	2	7,412	6,885	-	14,299
Other international activities	-	7	-	-	7
	1,495,690	93,022	983,875	-	2,572,587
Government and Public securities	11,987,178	-	-	-	11,987,178
	13,482,868	93,022	983,875	-	14,559,765

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 924,487,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 47.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and 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 and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	2,000	-	-	-	2,000
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	1	-	-	47,067
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	4,062	511	-	-	4,573
Construction	-	377	30,118	2,394	32,889
Retail business	-	4,064	-	-	4,064
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	689,930	-	-	-	689,930
Telecommunications	-	7,849	-	-	7,849
Services					
Financial intermediation (*)	615,600	30,868	1,007,761	-	1,654,229
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	1	7,324	7,504	1	14,830
Other international activities	-	8	-	-	8
	1,764,919	76,729	1,073,191	3,722	2,918,561
Government and Public securities	12,302,911	-	-	-	12,302,911
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	14,067,830	76,729	1,073,191	-	15,217,750

(*) The balance Other financial assets includes restructuring funds, in the amount of Euros 1,006,988,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 47.

The analysis of trading derivatives, by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	254,840	507,831	5,718,298	6,480,969	306,167	242,288
Interest rate options (purchase)	-	92,815	165,628	258,443	39	-
Interest rate options (sale)	-	-	162,574	162,574	-	58
	254,840	600,646	6,046,500	6,901,986	306,206	242,346
Stock Exchange transactions:						
Interest rate futures	53,192	17,817	-	71,009	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	260,402	174,276	23,013	457,691	1,244	5,486
Currency swaps	2,386,123	340,615	36,118	2,762,856	6,750	29,295
Currency options (purchase)	24,979	2,274	-	27,253	632	-
Currency options (sale)	24,979	2,274	-	27,253	-	632
	2,696,483	519,439	59,131	3,275,053	8,626	35,413
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps:	-	50,848	-	50,848	157	1,013
	-	50,848	-	50,848	157	1,013
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	304,513	1,179,093	1,027,987	2,511,593	4,271	1,910
Shares/indexes options (sale)	478,348	-	20,126	498,474	-	-
Others shares/indexes options (purchase)	16,864	-	-	16,864	16,442	-
Others shares/indexes options (sale)	16,864	-	-	16,864	-	-
	816,589	1,179,093	1,048,113	3,043,795	20,713	1,910
Stock exchange transactions:						
Shares futures	728,807	-	-	728,807	-	-
Shares/indexes options (purchase)	125,064	297,909	163,362	586,335	15,112	-
Shares/indexes options (sale)	27,983	52,721	(2,624)	78,080	-	696
	881,854	350,630	160,738	1,393,222	15,112	696
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	38	-	-	38	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	-	-	283,107	283,107	267,841	-
Other credit derivatives (sale)	-	-	78,484	78,484	-	-
	-	-	361,591	361,591	267,841	-
Total derivatives traded in:						
OTC Market	3,767,912	2,350,026	7,515,335	13,633,273	603,543	280,682
Stock Exchange	935,084	368,447	160,738	1,464,269	15,112	696
Embedded derivatives					1,257	14,983
	4,702,996	2,718,473	7,676,073	15,097,542	619,912	296,361

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 36)
Interest rate Derivatives:						
OTC Market:						
Interest rate swaps	462,745	1,389,124	6,857,859	8,709,728	335,697	258,391
Interest rate options (purchase)	-	108,630	151,683	260,313	9	-
Interest rate options (sale)	-	12,692	144,472	157,164	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	462,745	1,529,620	7,275,602	9,267,967	337,737	259,559
Stock Exchange transactions:						
Interest rate futures	107,277	-	-	107,277	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	212,020	223,111	17,529	452,660	1,592	3,024
Currency swaps	2,623,052	621,812	41,564	3,286,428	8,639	12,403
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
	2,903,222	895,175	113,599	3,911,996	13,588	18,776
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps:	-	-	59,264	59,264	480	1,826
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	459,994	-	19,730	479,724	-	-
Other shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Other shares/indexes options (sale)	-	-	16,864	16,864	-	-
	871,023	950,649	1,658,277	3,479,949	16,288	8,816
Stock Exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Shares/indexes options (purchase)	119,023	234,521	164,466	518,010	8,843	-
Shares/indexes options (sale)	57,212	10,402	1,724	69,338	-	597
	862,754	244,923	166,190	1,273,867	8,843	597
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)	-	-	81,016	81,016	-	-
	123,531	-	375,153	498,684	267,141	287
Total derivatives traded in:						
OTC Market	4,360,521	3,375,444	9,481,895	17,217,860	635,234	289,264
Stock Exchange	970,066	244,923	166,190	1,381,179	8,843	597
Embedded derivatives					920	8,344
	5,330,587	3,620,367	9,648,085	18,599,039	644,997	298,205

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	45,141	229,923	123,054	177,900

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group 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 Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, 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 2019, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,259,000 (31 December 2018: positive amount of Euros 3,187,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 4,514,000 (31 December 2018: negative amount of Euros 4,636,000).

During 2019, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 44,882,000 (2018: positive amount Euros 23,004,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2019, is as follows:

(Thousands of euros)

	2019					
	Notional (remaining period)				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	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	83,090	-	-	83,090	185	172
Other currency contracts (CIRS)	469,804	930,004	1,605,817	3,005,625	8,853	98,300
	552,894	930,004	1,605,817	3,088,715	9,038	98,472
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	-	462,072	136,723	598,795	-	8,057
Total derivatives traded by OTC Market	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

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

(Thousands of euros)

	2018					
	Notional (remaining period)				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	3,976,674	4,001,174	12,662	77,787
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by OTC Market	447,220	876,520	19,515,361	20,839,101	123,054	177,900

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Portuguese credit institutions	37,959	42,486
Foreign credit institutions	172,432	237,991
Other Portuguese companies	228,897	180,832
Other foreign companies	21,876	21,785
	461,164	483,094
Impairment	(60,773)	(78,012)
	400,391	405,082

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

(Thousands of euros)

	2019	2018
Balance on 1 January	78,012	102,012
Transfers	2,853	-
Impairment charge for the year (note 12)	4,550	12,623
Loans charged-off	(3,756)	-
Exchange rate differences	(20,886)	(36,623)
Balance at the end of the year	60,773	78,012

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	2019				2018
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	174,348	-	-	174,348	138,460
Banco Millennium Atlântico, S.A.	68,196	63,962	(39,114)	93,044	141,188
Banque BCP, S.A.S.	40,274	-	-	40,274	36,802
Cold River's Homestead, S.A.	19,170	-	(3,648)	15,522	-
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	-	-	6,762
SIBS, S.G.P.S, S.A.	34,815	-	-	34,815	32,629
Unicre - Instituição Financeira de Crédito, S.A.	30,523	7,436	-	37,959	42,486
Webspectator Corporation	94	18,011	(18,011)	94	92
Others	4,335	-	-	4,335	6,663
	371,755	89,409	(60,773)	400,391	405,082

These investments correspond to unquoted companies. According to the accounting policy described in note 1 B), these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 61.

The main indicators of the principal associated companies, as at 31 December 2019, are analysed as follows:

(Thousands of euros)

	2019 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,808,337	11,147,890	1,035,785	47,677
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,027,719	2,725,875	359,375	74,094
Banque BCP, S.A.S.	France	19.8	4,147,954	3,944,835	123,119	20,624
SIBS, S.G.P.S, S.A. (**)	Portugal	23.3	243,883	134,308	195,618	24,782
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32.0	373,410	276,942	171,891	16,793

(a) Non audited accounts

(*) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29 (note 14).

(**) Provisional values.

The main indicators of the principal associated companies, as at 31 December 2018 are analysed as follows:

(Thousands of euros)

	2018					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,111,215	10,514,100	1,149,380	60,894
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,952,382	3,570,117	539,337	90,872
Banque BCP, S.A.S.	France	19.9	3,867,689	3,682,412	123,017	18,375
SIBS, S.G.P.S, S.A.	Portugal	23.3	243,883	134,308	195,618	24,782
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	349,749	247,358	162,383	15,343

(*) - These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29 (note 14).

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

(Thousands of euros)

	2019	2018
Ownership held by BCP on equity of the associated company as at 1 January	141,188	212,797
Application of IFRS 9 - Effect on 1 January 2018	-	(4,184)
Application of IAS 29 for the year:		
Net non-monetary assets of the BMA		
Effect on BMA's equity (note 43)	-	18,250
Effect of exchange rate variations (note 43)	(14,733)	(21,267)
Amortization of the effect of the application of IAS 29 calculated as at 31 December 2018 (note 14)	(5,725)	-
Revaluation in net income (note 14)	-	759
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	(10,682)	(17,426)
Revaluation in net income (note 14)	-	12,623
Impairment for investments in associated companies	-	(12,623)
Appropriation of the net income of the associated companies (note 14)	16,923	20,659
Appropriation of the net income of previous years (note 14)	-	19
Annulment of the gains arising from properties sold to Group entities (note 14)	(8,680)	-
Other comprehensive income attributable to BCP	(1,735)	885
Exchange differences		
Effect on BMA's equity	(33,779)	(62,304)
Goodwill associated with BMA investment	(12,999)	(28,866)
Impairment for investments in associated companies (note 43)	20,886	36,623
Annulment of the gains arising from properties sold to Group entities	2,073	-
Dividends received	-	(14,757)
Others	307	-
Investment held at the end of the year	93,044	141,188

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)	2019	2018
Income	359,375	539,337
Net profit for the year	74,094	90,872
Comprehensive income	(7,633)	3,889
Total comprehensive income attributable to Shareholders of the associated company	66,461	94,761
Application of IAS 29 (*)	(25,181)	3,339
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	41,280	98,100
Attributable to the BCP Group	9,385	22,303
Balance sheet		
Financial assets	2,455,612	3,258,359
Non-financial assets	572,107	694,023
Financial liabilities	(2,657,420)	(3,494,473)
Non-financial liabilities	(68,455)	(75,644)
Attributable to Shareholders of the associated companies	301,844	382,265
Application of IAS 29 (*)	113,459	203,445
Reverse of the gain from the sale of buildings to entities of the Group	(29,064)	-
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	386,239	585,710
Attributable to the BCP Group	87,810	133,159
Goodwill of the merge	44,349	68,030
Impairment for investments in associated companies	(39,115)	(60,001)
Attributable to the BCP Group adjusted of consolidation items	93,044	141,188

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to apply on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

(Thousands of euros)	2019	2018
Ownership held by BCP on equity of the associated company as at 1 January	138,460	252,577
Appropriation of the net income of the associated company (note 14) (*)	28,430	35,361
Other comprehensive income attributable to BCP	7,458	(6,398)
Capital reimbursement	-	(98,000)
Dividends received	-	(45,080)
Investment held at the end of the year	174,348	138,460

(*) Includes adjustments according to BCP GAAP.

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2019	2018
Income	1,035,785	1,149,380
Net profit for the year	47,677	60,894
Comprehensive income	15,220	(13,057)
Total comprehensive income attributable to Shareholders of the associated company	62,897	47,837
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	10,343	11,272
Attributable to Shareholders of the associated company adjusted to BCP GAAP	73,240	59,109
Attributable to the BCP Group	35,888	28,963
Balance sheet		
Financial assets	11,374,831	10,639,154
Non-financial assets	433,506	472,061
Financial liabilities	(11,061,276)	(10,384,696)
Non-financial liabilities	(86,614)	(129,404)
Total equity	660,447	597,115
Attributable to non-controlling interests	11,649	11,215
Attributable to Shareholders of the associated companies	648,798	585,900
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	337,917	327,574
Attributable to Shareholders of the associated company adjusted to BCP GAAP	986,715	913,474
Attributable to the BCP Group	483,490	447,602
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	174,348	138,460

(*) VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), being accounted as investment in an associate under the equity method.

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 is in force on 1 January 2018, the insurance companies can choose for the temporary exemption until 2021.

The Group chose for the temporary exemption until 2021, following the approach of Mbcp Ageas, and as far it fulfils the requirements to be accomplish with the temporary exemption until 2021 which are:

- The entity didn't adopt previously the IFRS 9;
- The liabilities measured according IFRS 4 are significative;
- The weight of IFRS4 liabilities in total liabilities of entity is more than 90%;
- Non-related activities with insurance activity isn't significant.

This exception, and based on paragraph 20P b) and 20Oa) of IFRS 4, allows the Group to apply IFRS 9 in its consolidated accounts and to have Mbcp Ageas not applying IFRS 9 in its individual accounts (which are integrated into the consolidated accounts using the equity method).

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 31 December 2019, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a positive amount of Euros 513,000 (2018: negative amount of Euros 48,000).

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,072,391	(191,105)	881,286	1,516,604	(209,622)	1,306,982
Assets belong to investments funds and real estate companies	371,417	(54,579)	316,838	431,565	(62,571)	368,994
Assets for own use (closed branches)	30,778	(7,333)	23,445	45,658	(10,871)	34,787
Equipment and other	45,113	(10,874)	34,239	72,216	(13,635)	58,581
Subsidiaries acquired exclusively with the purpose of short-term sale	-	-	-	69,338	-	69,338
Other assets	24,033	-	24,033	29,776	-	29,776
	1,543,732	(263,891)	1,279,841	2,165,157	(296,699)	1,868,458

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

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group 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 54.

These assets are available for sale in a period less than one year and the Group has a strategy for its sale, according to the characteristic of each asset. However, considering the formal constraints, 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 Group 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 Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 36,111,000 (31 December 2018: Euros 43,460,000), of which Euros 2,092,000 (31 December 2018: Euros 4,688,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 10,618,000 (31 December 2018: Euros 5,091,000), of which Euros 479,000 (31 December 2018: Euros 982,000) relate to properties held by investment funds which was calculated considering the value of the respective contracts.

In 2019, the Group established a contract for the sale of a real estate assets portfolio in the total amount of Euros 122,029,000, which generated a gain of Euros 2,000,000.

As at 31 December 2018, Planfipsa Group was registered in the balance Subsidiaries acquired with the purpose of short-term sale. In February 2019, the Group sold the Planfipsa Group and the operation generated a gain of Euros 13,454,000, as referred in note 16.

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

(Thousands of euros)

	2019	2018
Balance on 1 January	296,699	318,155
Transfers resulting from changes in the Group's structure (a)	(5,707)	-
Transfers (b)	2,937	4,383
Charge for the year (note 12)	98,080	78,612
Reversals for the year (note 12)	(13,656)	(18,018)
Amounts charged-off	(114,462)	(86,431)
Exchange rate differences	-	(2)
Balance at the end of the year	263,891	296,699

(a) In 2019 Cold River's Homestead S.A start to be consolidated under the equity method of consolidation, so this balance refers to the impairment that was accounted to Cold River's Homestead S.A. real estates, as at 31 December 2018 .

(b) In 2019 and 2018, the balance Transfers refers to impairments that, as at 31 December 2018 and 2017 respectively, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2019 and 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

27. Investment property

As at 31 December 2019, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 484,000 (31 December 2018: Euros 547,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 323,000 (31 December 2018: Euros 253,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2019	2018
Balance on 1 January	11,058	12,400
Transfers from / to non-current assets held for sale	1,267	-
Revaluations	2,092	(168)
Disposals	(1,126)	(1,174)
Balance at the end of the year	13,291	11,058

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Real estate	762,085	780,726
Equipment:		
Computer equipment	330,524	306,699
Security equipment	71,268	71,703
Interior installations	145,298	143,114
Machinery	48,466	45,871
Furniture	85,951	84,363
Motor vehicles	31,820	32,948
Other equipment	32,072	32,663
Right of use		
Real estate	329,604	-
Vehicles and equipment	958	-
Work in progress	20,833	21,719
Other tangible assets	296	236
	1,859,175	1,520,042
Accumulated depreciation		
Relative to the current year (note 9)	(101,184)	(42,819)
Relative to the previous years	(1,028,549)	(1,015,947)
	(1,129,733)	(1,058,766)
	729,442	461,276

As at 31 December 2019, the balance Real Estate includes the amount of Euros 120,395,000 (31 December 2018: Euros 128,604,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H and note 59.

The changes occurred in Other tangible assets during 2019 are analysed as follows:

(Thousands of euros)

	2019						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
Real estate	780,726	410	(20,359)	3,749	(3,788)	1,347	762,085
Equipment:							
Computer equipment	306,699	16,560	(8,090)	5,340	9,489	526	330,524
Security equipment	71,703	920	(1,243)	-	(139)	27	71,268
Interior installations	143,114	1,464	(928)	-	1,579	69	145,298
Machinery	45,871	679	(874)	944	1,570	276	48,466
Furniture	84,363	2,740	(2,745)	-	1,559	34	85,951
Motor vehicles	32,948	7,202	(9,166)	573	145	118	31,820
Other equipment	32,663	19	(629)	361	(646)	304	32,072
Right of use - (IFRS 16) (*)							
Real estate	248,753	64,477	(12,148)	18,378	8,785	1,359	329,604
Vehicles and equipment	663	2	(5)	-	284	14	958
Work in progress	21,719	25,592	(214)	356	(26,830)	210	20,833
Other tangible assets	236	46	-	-	14	-	296
	1,769,458	120,111	(56,401)	29,701	(7,978)	4,284	1,859,175
Accumulated depreciation							
Real estate	(431,078)	(17,859)	11,042	-	3,738	(802)	(434,959)
Equipment:							
Computer equipment	(278,202)	(15,441)	7,832	-	(1,003)	(371)	(287,185)
Security equipment	(66,409)	(1,191)	1,234	-	150	(20)	(66,236)
Interior installations	(127,455)	(2,641)	867	-	108	(36)	(129,157)
Machinery	(41,873)	(948)	848	-	962	(222)	(41,233)
Furniture	(75,600)	(2,609)	2,723	-	(1,012)	(19)	(76,517)
Motor vehicles	(14,294)	(5,178)	2,824	-	98	(66)	(16,616)
Other equipment	(23,819)	(1,720)	617	-	1,141	(220)	(24,001)
Right of use							
Real estate	-	(53,236)	53	-	-	(245)	(53,428)
Vehicles and equipment	-	(361)	1	-	-	(5)	(365)
Other tangible assets	(36)	-	-	-	-	-	(36)
	(1,058,766)	(101,184)	28,041	-	4,182	(2,006)	(1,129,733)
	710,692	18,927	(28,360)	29,701	(3,796)	2,278	729,442

(*) The balance on 1 January of Right of use corresponds to the IFRS 16 adjustment, as detailed in note 59.

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

(Thousands of euros)

	2018					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Real estate	830,989	5,186	(61,969)	8,617	(2,097)	780,726
Equipment:						
Computer equipment	300,310	9,896	(7,542)	4,670	(635)	306,699
Security equipment	70,960	1,385	(692)	49	1	71,703
Interior installations	140,628	1,983	(3,209)	3,705	7	143,114
Machinery	45,279	1,149	(573)	580	(564)	45,871
Furniture	83,202	1,962	(1,439)	635	3	84,363
Motor vehicles	30,597	7,092	(4,667)	231	(305)	32,948
Other equipment	31,394	27	(1,356)	3,408	(810)	32,663
Work in progress	20,288	29,676	(355)	(27,794)	(96)	21,719
Other tangible assets	230	2	-	4	-	236
	1,553,877	58,358	(81,802)	(5,895)	(4,496)	1,520,042
Accumulated depreciation						
Real estate	(442,632)	(18,321)	26,361	1,924	1,590	(431,078)
Equipment:						
Computer equipment	(274,652)	(11,149)	7,179	4	416	(278,202)
Security equipment	(65,726)	(1,453)	692	81	(3)	(66,409)
Interior installations	(128,313)	(2,394)	3,163	99	(10)	(127,455)
Machinery	(42,093)	(648)	557	(213)	524	(41,873)
Furniture	(74,571)	(2,235)	1,436	(224)	(6)	(75,600)
Motor vehicles	(12,876)	(4,649)	3,304	(130)	57	(14,294)
Other equipment	(22,555)	(1,970)	1,356	(1,207)	557	(23,819)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,063,454)	(42,819)	44,048	334	3,125	(1,058,766)
	490,423	15,539	(37,754)	(5,561)	(1,371)	461,276

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	113,032	111,853
Real estate and mortgage credit	-	40,859
Euro Bank, S.A. (Poland) (*)	38,280	-
Others	14,592	17,781
	165,904	170,493
Impairment		
Real estate and mortgage credit	-	(40,859)
Others	(13,837)	(13,278)
	(13,837)	(54,137)
	152,067	116,356
Intangible assets		
Software	189,031	142,229
Other intangible assets	67,214	56,765
	256,245	198,994
Accumulated amortisation		
Charge for the year (note 9)	(23,601)	(14,926)
Charge for the previous years	(142,081)	(126,029)
	(165,682)	(140,955)
	90,563	58,039
	242,630	174,395

(*) The operation is detailed in note 60.

According to the accounting policy described in note 1 B), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2019, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

During 2019, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2024. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2020 to 2024, considering, along this period, a compound annual growth rate of 7.3% for Total Assets and of 12.5% for Total Equity, while considering a ROE evolution from 9.9% in 2020 to 10.5% by the end of 2024. The exchange rate EUR/PLN considered was 4.2518 as at 31 December 2019. The Cost of Equity considered was 8.75% for the period 2020-2024 and 8,75% in perpetuity. The annual growth rate in perpetuity (g) was 2.8%.

The changes occurred in Goodwill and intangible assets during 2019 are analysed as follows:

(Thousands of euros)

	2019						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	170,493	38,576	(44,608)	-	-	1,443	165,904
Impairment for goodwill	(54,137)	(559)	40,859	-	-	-	(13,837)
	116,356	38,017	(3,749)	-	-	1,443	152,067
Intangible assets							
Software	142,229	45,082	(5,476)	8,542	(2,499)	1,153	189,031
Other intangible assets	56,765	5,001	(622)	2,910	2,464	696	67,214
	198,994	50,083	(6,098)	11,452	(35)	1,849	256,245
Accumulated depreciation							
Software	(87,126)	(21,525)	45	-	690	(774)	(108,690)
Other intangible assets	(53,829)	(2,076)	196	-	(690)	(593)	(56,992)
	(140,955)	(23,601)	241	-	-	(1,367)	(165,682)
	58,039	26,482	(5,857)	11,452	(35)	482	90,563
	174,395	64,499	(9,606)	11,452	(35)	1,925	242,630

The changes occurred in Goodwill and intangible assets during 2018 are analysed as follows:

(Thousands of euros)

	2018					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	176,929	-	(3,195)	-	(3,241)	170,493
Impairment for goodwill	(57,332)	-	3,195	-	-	(54,137)
	119,597	-	-	-	(3,241)	116,356
Intangible assets						
Software	122,124	28,697	(5,801)	(884)	(1,907)	142,229
Other intangible assets	56,731	1,505	-	137	(1,608)	56,765
	178,855	30,202	(5,801)	(747)	(3,515)	198,994
Accumulated depreciation:						
Software	(80,286)	(13,307)	5,755	(749)	1,461	(87,126)
Other intangible assets	(53,760)	(1,619)	-	31	1,519	(53,829)
	(134,046)	(14,926)	5,755	(718)	2,980	(140,955)
	44,809	15,276	(46)	(1,465)	(535)	58,039
	164,406	15,276	(46)	(1,465)	(3,776)	174,395

30. Income tax

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

(Thousands of euros)

	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a) (b)						
Impairment losses (c)	983,177	-	983,177	973,317	-	973,317
Employee benefits	836,911	-	836,911	836,580	-	836,580
	1,820,088	-	1,820,088	1,809,897	-	1,809,897
Deferred taxes depending on the future profits						
Impairment losses (c)	822,822	(50,303)	772,519	800,003	(50,303)	749,700
Tax losses carried forward	120,295	-	120,295	328,229	-	328,229
Employee benefits	47,919	(811)	47,108	43,659	(222)	43,437
Financial assets at fair value through other comprehensive income	59,379	(140,103)	(80,724)	157,957	(188,577)	(30,620)
Derivatives	-	(5,640)	(5,640)	-	(6,071)	(6,071)
Intangible assets	49	(663)	(614)	39	-	39
Other tangible assets	11,199	(4,171)	7,028	8,759	(3,184)	5,575
Others	46,711	(17,192)	29,519	24,069	(13,085)	10,984
	1,108,374	(218,883)	889,491	1,362,715	(261,442)	1,101,273
Total deferred taxes	2,928,462	(218,883)	2,709,579	3,172,612	(261,442)	2,911,170
Offset between deferred tax assets and deferred tax liabilities	(207,814)	207,814	-	(255,982)	255,982	-
Net deferred taxes	2,720,648	(11,069)	2,709,579	2,916,630	(5,460)	2,911,170

(a) Special Regime applicable to deferred tax assets
(b) The increase in deferred tax assets not dependent on future profitability results from the merger by incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(c) The amounts of 2019 and 2018 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met

As at 31 December 2019, the balance deferred tax assets amounts to Euros 2.720.648.000, of which Euros 2,584,903,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 764,850,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:
- Euros 657,233,000 related to impairment losses; and
- Euros 109,964,000 resulting from reportable tax losses originating in 2016, with a reporting period of 12 years (until 2028).

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after January 1, 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the periods taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,391,083,000 (31 December 2018: Euros 1,247,052,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter) or reimbursed by the State.

Pursuant to 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. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. 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 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing bank shall deposit in favor of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date 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 substantially 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 with each other and when the deferred taxes are related to the same tax.

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	2019	2018
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000 (a)	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2018: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2018: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 24.16% in Switzerland.

The reporting period of tax losses in Portugal is 12 years for the losses of 2014, 2015 and 2016 and 5 years for the losses of 2017 and following years. In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes 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 impairment losses in loans accounted until 31 December 2014.

The deferred income tax assets associated to tax losses, by expiry date, are presented as follows:

(Thousands of euros)

Expiry date	2019	2018
2019-2025	10,306	8,437
2026	-	10,297
2028 and following	109,989	309,495
	120,295	328,229

Following the publication of the Notice of 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 Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, 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 that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of 4 September, establishes the tax regime of credit impairment and of provisions for guarantees for the tax periods beginning on or after 1 January 2019, predicting the approximation between accounting and tax rules for purposes of deductibility of expenses related to the increase of credit impairments. Until the end of 2023, the rules prevailing until 2018 will continue to be applied, except if the option of applying the new regime is exercised earlier.

Regardless the previously referred option, the new regime's application will be mandatory in the financial years of 2022 and/or 2023 in the following circumstances:

- In the financial year of 2022, if, since 1 January 2022, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 10% comparatively to the amount recorded on 31 December 2018;

- In the financial year of 2023, if, since 1 January 2023, the Bank distributes dividends regarding that financial year or acquires own shares, without occurring a decrease of the deferred tax assets covered by the Special Regime in, at least, 20% comparatively to the amount recorded on 31 December 2018.

For the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, resulting from not exercising earlier the option of applying the new regime

In 2018, the Group 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 Bank's interpretation of the application of IRC Code's general rules.

The Group complies with the guidelines of IFRIC 23 - Uncertainty over Income Tax Treatments on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty regarding the income tax treatment, not having occurred material impact on the Bank's financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Z.3) and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group'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 taxable income and its interpretation of tax legislation. 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 estimated financial statements, prepared under the budgetary process for 2020 and adjusted according to the strategic plan approved by the elected governing bodies, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods of 2020 to 2028, the following main assumptions were considered:

- It was considered the approximation between accounting and tax rules predicted by Law No. 98/2019, of 4 September, assuming the Group will not exercise its application earlier over the adaptation period of 5 years that the referred Law predicts. In the application of these rules, the following assumptions were considered, in general terms:

a) non-deductible expenses related to increase of credit impairments for the years between 2020 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2019, compared to the amounts of net impairment increases recorded in these years;

b) the expenses with credit impairment's increases beginning in 2024 were considered deductible for tax purposes according to the new fiscal regime;

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 submitted to the supervisory authority in March 2019, and also on the average reversal percentage observed in the last years of 2016 to 2019;

d) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures.

-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 consider 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, submitted to the supervisory authority in March 2019, emphasising:

- improvement in the net margin, reflecting an effort to increase credit, favoring certain segments, the focus on off-balance sheet resources while interest rates remain negative and the effect of the normalization of those rates in the last years of the projection horizon, such as results from the market interest rate curve;

- increase in commission income based on efficient and judicious management of commissioning and pricing, and, regarding the Individuals segment, the growth of off-balance sheet products;

- normalization of the cost of risk to levels aligned with the current activity of the Bank and reduction of negative impacts produced by the devaluation or sale of non current assets, with the progressive reduction of the historical NPE, foreclosed assets and FREs portfolios;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, but implying in the short term an effort to adapt the Bank's structure.

- following the analysis of the recoverability of deferred tax assets carried out in 2019, the Bank unrecognized an amount net of deferred tax assets in the amount of Euros 116,347,000, proceeding to the derecognize of deferred tax assets relating to reportable tax losses of Euros 198,565,000 and the recognition of deferred tax assets relating to impairment losses of Euros 82,218,000. From the referred net amount, Euros 69,584,000 were recorded against results and Euros 46,763,000 were recorded against reserves. The allocation of deferred taxes to results and reserves was made in accordance with the accounting principle used for the recognition of the deferred tax assets in question, due to the decomposition of the realities that originated the tax losses to which they refer.

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 31 December 2019.

In accordance with these assessments, the amount of unrecognised deferred tax related to tax losses, by expiry year, is as follows:

(Thousands of euros)

Tax losses carried forward	2019	2018
2021-2025	182,872	149,694
2026	213,521	203,349
2027 and following	408,679	209,397
	805,072	562,440

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Net income for the year	Reserves	Exchange differences	Euro Bank	Discontinuing operations (c)
Deferred taxes					
Deferred taxes not depending on the future profits (a)					
Impairment losses	9,860	-	-	-	-
Employee benefits	102	229	-	-	-
	9,962	229	-	-	-
Deferred taxes depending on the future profits					
Impairment losses	(19,867)	-	1,148	41,538	-
Tax losses carried forward (b)	(159,768)	(48,201)	35	-	-
Employee benefits	7,022	(4,162)	300	511	-
Financial assets at fair value through other comprehensive income	-	(47,462)	(2,642)	-	-
Derivatives	-	-	431	-	-
Intangible assets	61	-	(4)	(710)	-
Other tangible assets	1,304	-	19	130	-
Others	22,916	5,797	5,312	(10,758)	(4,732)
	(148,332)	(94,028)	4,599	30,711	(4,732)
	(138,370)	(93,799)	4,599	30,711	(4,732)
Current taxes					
Current year	(115,396)	583	-	639	-
Correction of previous years	14,488	-	-	-	-
	(100,908)	583	-	639	-
	(239,278)	(93,216)	4,599	31,350	(4,732)

(a) The increase in deferred tax assets not dependent on future profitability arises from the merger by incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.

(b) Tax on reserves refers to realities recognized in reserves that compete for the purposes of calculating taxable income. The impacts on results and reserves of 2019 include the negative amounts of Euros 9,889,000 and Euros 1,349,000, respectively, resulting from the merger by incorporation of Banco de Investimento Imobiliário, S.A., calculated by reference to 1 January 2019, date that the merger produced its accounting-tax effects (from the perspective of the IRC).

(c) Refers to que sale of Planfipsa.

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			
	Net income / (loss) for the year	Reserves		Exchange differences
		Impact of adoption of IFRS 9	Changes of the year	
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(3,230)	276	(264)	-
Employee benefits	(2,189)	-	-	-
	(5,419)	276	(264)	-
Deferred taxes depending on the future profits				
Impairment losses	(22,005)	(182,551)	370	3,092
Tax losses carried forward (b)	(5,031)	-	11,352	134
Employee benefits	9,862	-	3,461	(108)
Financial assets at fair value through other comprehensive income	(10,076)	33,341	(53,954)	69
Financial assets available for sale	n.a.	(7,070)	n.a.	n.a.
Derivatives	562	-	-	188
Other tangible assets	(824)	-	-	(19)
Others	473	6,373	3,250	(6,049)
	(27,039)	(149,907)	(35,521)	(2,693)
	(32,458)	(149,631)	(35,785)	(2,693)
Current taxes				
Current year	(107,043)	1,047	(963)	-
Correction of previous years	1,484	-	-	-
	(105,559)	1,047	(963)	-
	(138,017)	(148,584)	(36,748)	(2,693)

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

(b) - The tax on reserves refers to realities recognised in reserves considered for taxable income purposes.

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

(Thousands of euros)

	2019	2018
Net income / (loss) before income taxes	627,266	558,209
Current tax rate (%)	31.5%	31.5%
Expected tax	(197,589)	(175,836)
Employees' benefits	-	1,558
Tax benefits	13,610	14,819
Correction of previous years	12,279	(1,540)
Effect of the difference between the tax rate and deferred tax (a)	38,690	25,321
Effect of recognition / derecognition net of deferred taxes (b)	(85,478)	(1,142)
Other corrections	1,900	1,946
Non-deductible impairment and provisions	(8,779)	(718)
Results of companies accounted by the equity method	13,542	23,875
Autonomous tax	(1,580)	(2,337)
Contribution to the banking sector	(25,873)	(23,963)
Total	(239,278)	(138,017)
Effective rate (%)	38.15%	24.72%

(a) Includes the amount of Euros 15,486,000 related to the effect of updating the deferred tax assets rate on temporary differences transferred by merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(b) Includes the negative amount of Euros 69,584,000 (31 December 2018: negative Euros 14,336,000) related to Banco Comercial Português, S.A. and the effect of the de-recognition of deferred tax assets related to tax losses resulting from the merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A., in the negative amount of Euros 9,889,000.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Deposit account applications	468,123	53,417
Associated companies	631	1,644
Subsidies receivables	9,429	8,767
Prepaid expenses	25,757	29,307
Debtors for futures and options transactions	98,965	109,445
Insurance activity	5,882	6,297
Debtors		
Residents		
Advances to suppliers	-	962
Prosecution cases / agreements with the Bank	14,832	11,713
SIBS	6,183	6,005
Receivables from real estate, transfers of assets and other securities	40,361	46,550
Others	18,575	63,107
Non-residents	31,832	43,150
Interest and other amounts receivable	55,628	43,969
Amounts receivable on trading activity	7,256	33,792
Gold and other precious metals	3,769	3,617
Other financial investments	-	165
Other recoverable tax	20,473	22,026
Artistic patrimony	28,818	28,811
Reinsurance technical provision	16,604	5,243
Obligations with post-employment benefits	10,529	12,707
Capital supplies	238,449	227,295
Amounts due for collection	74,469	45,501
Amounts due from customers	225,073	217,483
Sundry assets	85,247	75,984
	1,487,050	1,096,957
Impairment for other assets	(247,916)	(285,141)
	1,239,134	811,816

As referred in note 47, as at 31 December 2019, the balances Capital supplies include the amount of Euros 231,136,000 (31 December 2018: Euros 226,049,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2019, the balance Deposit account applications includes the amount of Euros 431,226,000 (31 December 2018: Euros 16,307,000) on the Clearing houses / Clearing derivatives.

The balance 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 registered in the income statement.

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

(Thousands of euros)

	2019	2018
Balance on 1 January	285,141	282,646
Transfers	3,442	51,842
Charge for the year (note 12)	14,107	7,234
Reversals for the year (note 12)	(7,606)	(1,414)
Amounts charged-off	(47,173)	(55,164)
Exchange rate differences	5	(3)
Balance at the end of the year	247,916	285,141

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.

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,940,496	3,940,496	-	3,950,657	3,950,657
Central Banks abroad	-	109,508	109,508	-	805,264	805,264
	-	4,050,004	4,050,004	-	4,755,921	4,755,921
Resources from credit institutions in Portugal						
Very short-term deposits	-	-	-	-	8,134	8,134
Sight deposits	112,244	-	112,244	119,634	-	119,634
Term Deposits	-	92,471	92,471	-	190,825	190,825
Loans obtained	-	1,771	1,771	-	1,154	1,154
CIRS and IRS operations collateralised by deposits (*)	-	1,060	1,060	-	2,560	2,560
	112,244	95,302	207,546	119,634	202,673	322,307
Resources from credit institutions abroad						
Very short-term deposits	-	640	640	-	700	700
Sight deposits	109,004	-	109,004	184,543	-	184,543
Term Deposits	-	169,413	169,413	-	196,906	196,906
Loans obtained	-	1,784,671	1,784,671	-	1,818,677	1,818,677
CIRS and IRS operations collateralised by deposits (*)	18,484	-	18,484	-	21,174	21,174
Sales operations with repurchase agreement	-	21,335	21,335	-	451,712	451,712
Other resources	-	5,861	5,861	-	856	856
	127,488	1,981,920	2,109,408	184,543	2,490,025	2,674,568
	239,732	6,127,226	6,366,958	304,177	7,448,619	7,752,796

(*) 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"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The balance 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.

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2019	2018
Up to 3 months	836,401	1,965,667
3 to 6 months	3,535,288	52,630
6 to 12 months	628,022	231,413
1 to 5 periods	1,062,395	4,682,096
Over 5 years	304,852	820,990
	6,366,958	7,752,796

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	36,658,120	425,247	37,083,367	30,143,049	449,154	30,592,203
Term deposits	-	17,329,381	17,329,381	-	18,231,848	18,231,848
Saving accounts	-	4,276,990	4,276,990	-	3,512,313	3,512,313
Treasury bills and other assets sold under repurchase agreement	-	21,963	21,963	-	15,958	15,958
Cheques and orders to pay	355,077	-	355,077	312,365	-	312,365
Other	-	60,227	60,227	-	-	-
	37,013,197	22,113,808	59,127,005	30,455,414	22,209,273	52,664,687

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 Portuguese fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

This balance is analysed, by remaining period until the next operation renewal date, as follows:

(Thousands of euros)

	2019	2018
Deposits repayable on demand	37,083,367	30,592,203
Term deposits and saving accounts		
Up to 3 months	11,357,567	10,882,082
3 to 6 months	5,713,727	5,676,407
6 to 12 months	3,979,916	4,557,361
1 to 5 years	554,915	614,111
Over 5 years	246	14,200
	21,606,371	21,744,161
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	21,963	15,958
Cheques and orders to pay		
Up to 3 months	355,077	312,365
Other		
Up to 3 months	227	-
Over 5 years	60,000	-
	60,227	-
	59,127,005	52,664,687

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Bonds	309,804	310,164
Covered bonds	995,976	994,347
Medium term notes (MTNs)	99,119	77,488
Securitisations	184,631	298,395
	1,589,530	1,680,394
Accruals	5,194	5,693
	1,594,724	1,686,087

The characteristics of the bonds issued by the Group, as at 31 December 2019 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP 4.75 % set 20 Vm Sr 279	September, 2012	September, 2020	Fixed rate 4.75%	27,100	27,641
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	2,554
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0,75%	1,000,000	995,976
Bcp Div Cabaz 3 Ações Smtn 3	December, 2017	December, 2020	Indexed to portfolio of 3 shares	6,362	6,318
Bcp Mill Cabaz 3 Ações Fev 2021 Smtn Sr 6	February, 2018	February, 2021	Indexed to portfolio of 3 shares	10,958	10,958
Tit Div Mill Cabaz 3 Ações Mar 2021 Smtn Sr 7	March, 2018	March, 2021	Indexed to portfolio of 3 shares	24,336	24,336
Bcp Part Euro Ações 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 Ações Mai 2021 Smtn Sr 10	May, 2018	May, 2021	Indexed to portfolio of 3 shares	32,361	32,361
Bcp Perfor Cabaz Ponder 18/17.05.21 Smtn Sr.14	May, 2018	May, 2021	Indexed to portfolio of 3 shares	790	790
Bcp Rend Min Cb Multi Set Iii19 Eur Smtn Sr 36	March, 2019	March, 2022	Indexed to portfolio of 3 shares	3,000	3,000
Bcp Euro Sectores Retorno Garantido Iv Smtn 37	May, 2019	May, 2022	Indexed to portfolio of 3 indexes	3,960	3,960
Bcp Ações Euro Zona Ret Min V19 Smtn 39	May, 2019	May, 2022	Indexed to portfolio of 3 shares	2,480	2,480
Bcp Rend Min Euro Setores Vi Smtn Sr 41	June, 2019	June, 2022	Indexed to portfolio of 3 indexes	3,150	3,150
Bcp Eur Cabaz Ações Ret MinVii 19 Eur Smtn Sr 43	July, 2019	August, 2022	Indexed to portfolio of 3 shares	2,270	2,270
Bcp Cabaz Ações America Ret Min Out22 Smtn 45	October, 2019	October, 2022	Indexed to portfolio of 3 shares	1,610	1,610
Bcp Cabaz Ações Euro Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to portfolio of 3 shares	6,210	6,210
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	300	305
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	196,588	182,230
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	1,015	940
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,575	1,460
Bank Millennium:					
Bank Millennium - BPW_2020/02	February, 2017	February, 2020	Indexed to Platinum Price index	1,689	1,689
Bank Millennium - BPW_2020/03	March, 2017	March, 2020	Indexed to Facebook	1,121	1,121
Bank Millennium - BPW_2020/04	April, 2017	April, 2020	Indexed to Gold Fix Price	165	165
Bank Millennium - BKMO_210420T	April, 2017	April, 2020	Wibor 6m + 100 bp	70,430	70,430

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bank Millennium - BPW_2020/05	May, 2017	May, 2020	Indexed to 4 shares portfolio	425	425
Bank Millennium - BPW_2020/06	June, 2017	June, 2020	Indexed to 4 shares portfolio	560	560
Bank Millennium - BPW_2020/07	July, 2017	July, 2020	Indexed to index WIG20	738	738
Bank Millennium - BPW_2020/08	August, 2017	August, 2020	Indexed to Alibaba	245	245
Bank Millennium - BPW_2020/09	September, 2017	September, 2020	Indexed to Louis Vuitton	748	748
Bank Millennium - BPW_2020/10	October, 2017	October, 2020	Indexed to Gold Fix Price	1,009	1,009
Bank Millennium - BPW_2020/11	November, 2017	November, 2020	Indexed to index S&P 500	1,640	1,640
Bank Millennium - BPW_2020/12	December, 2017	December, 2020	Indexed to 5 shares portfolio	866	866
Bank Millennium - BPW_2020/02A	February, 2018	February, 2020	Indexed to S&P 500	717	717
Bank Millennium - BPW_2020/03A	March, 2018	March, 2020	Indexed to DAX index	2,380	2,380
Millennium Leasing - G9	March, 2018	March, 2020	Wibor 3m + 90 bp	12,113	12,113
Bank Millennium - BPW_2020/04A	April, 2018	April, 2020	Indexed to Nasdaq 100 index	3,645	3,645
Bank Millennium - BPW_2021/05	May, 2018	May, 2021	Indexed to Gold Fix Price	1,523	1,523
Bank Millennium - BPW_2021/06A	June, 2018	June, 2021	Indexed to Nasdaq 100 index	2,777	2,777
Bank Millennium - BPW_2020/07A	July, 2018	June, 2021	Indexed to FTSE MIB index	3,925	3,925
Millennium Leasing - G10	July, 2018	July, 2020	Wibor 3m + 90 bp	8,702	8,702
Bank Millennium - BPW_2020/09A	September, 2018	September, 2020	Indexed to Facebook shares	4,425	4,425
Bank Millennium - BPW_2020/09B	September, 2018	September, 2020	Indexed to Facebook shares	2,964	2,964
Bank Millennium - BPW_2020/09C	September, 2018	September, 2020	Indexed to Facebook shares	1,867	1,867
Bank Millennium - BPW_2020/10A	October, 2018	October, 2020	Indexed to DAX index	4,142	4,142
Bank Millennium - BPW_2020/10B	October, 2018	October, 2020	Indexed to DAX index	2,802	2,802
Millennium Leasing - G11	October, 2018	October, 2020	Wibor 3m + 90 bp	3,810	3,810
Bank Millennium - BPW_2020/11A	November, 2018	November, 2020	Indexed to FTSE MIB index	3,515	3,515
Bank Millennium - BPW_2020/11B	November, 2018	November, 2020	Indexed to FTSE MIB index	1,561	1,561
Bank Millennium - BPW_2020/12A	December, 2018	December, 2020	Indexed to Nasdaq 100 index	5,775	5,775
Bank Millennium - BPW_2021/01	January, 2019	January, 2021	Indexed to Facebook shares	8,365	8,365
Bank Millennium - BPW_2021/03	February, 2019	March, 2021	Indexed to Gold Fix Price	5,412	5,412
Bank Millennium - BPW_2021/03A	February, 2019	March, 2021	Indexed to Apple shares	3,654	3,654
Millennium Leasing - G12	February, 2019	February, 2021	Wibor 3m + 80 bp	8,173	8,173
Bank Millennium - BPW_2021/03B	March, 2019	March, 2021	Indexed to DAX index	2,029	2,029
Bank Millennium - BPW_2021/03C	March, 2019	March, 2021	Indexed to Gold Fix Price	6,667	6,667
Bank Millennium - BPW_2021/04	April, 2019	April, 2021	Indexed to Volkswagen shares	1,768	1,768
Bank Millennium - BPW_2021/04A	April, 2019	April, 2021	Indexed to Gold Fix Price	6,993	6,993
Bank Millennium - BPW_2021/05A	May, 2019	May, 2021	Indexed to DAX index	2,224	2,224
Bank Millennium - BPW_2021/05B	May, 2019	May, 2021	Indexed to Gold Fix Price	6,260	6,260
Millennium Leasing - G13	May, 2019	May, 2022	Wibor 3m + 80 bp	9,408	9,408
Bank Millennium - BPW_2021/06	June, 2019	June, 2021	Indexed to NDX index	2,882	2,882
Bank Millennium - BPW_2021/06B	June, 2019	June, 2021	Indexed to NDX index	3,541	3,541
Bank Millennium - BPW_2021/07	July, 2019	July, 2021	Indexed to commodities	2,280	2,280
Bank Millennium - BPW_2021/07A	July, 2019	July, 2021	Indexed to SXAP index	2,883	2,883
EBK_011221C	December, 2017	December, 2021	Wibor 6m + 82 bp	58,799	58,799
					1,589,530
Accruals					5,194
					1,594,724

This balance as at 31 December 2019, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	18,019	75,225	72,451	144,109	-	309,804
Covered bonds	-	-	-	995,976	-	995,976
MTNs	-	-	6,319	92,800	-	99,119
Securitisations	-	-	-	-	184,631	184,631
	18,019	75,225	78,770	1,232,885	184,631	1,589,530

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
Bonds	74,027	15,466	39,561	181,110	-	310,164
Covered bonds	-	-	-	994,347	-	994,347
MTNs	-	-	-	77,182	306	77,488
Securitisations	-	-	-	-	298,395	298,395
	74,027	15,466	39,561	1,252,639	298,701	1,680,394

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Bonds		
Non Perpetual	1,540,201	1,036,785
Perpetual	22,035	27,021
	1,562,236	1,063,806
Accruals	15,470	8,299
	1,577,706	1,072,105

As at 31 December 2019, 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						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	28,373
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	16,061
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	9,158
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,042	101
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,325	1,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iii)	450,000	441,390	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	164,636	164,636	55,948
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 2,30%	195,211	195,211	66,339
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	96,000	86,222	10,563
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,540,201	943,990
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	-
					22,035	-
Accruals					15,470	-
					1,577,706	943,990

(*) 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 - Dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2020.

Interest rate

(ii) 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%; (iii) Annual interest rate of 3.871 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

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						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	51,173
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	28,881
Bcp Ob Sub 3S Apr 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 Sep 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 Dec 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 Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
Bcp Subord 2 Serie Apr 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 reference (iii)	300,000	298,620	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	162,920	162,920	42,409
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,445	80,331	14,978
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,036,785	509,274
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See reference (ii)	Euribor 3M+2,25%	4,986	4,986	1,994
					27,021	10,808
Accruals					8,299	-
					1,072,105	520,082

(*) 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 - 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%.

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

(Thousands of euros)

	2019	2018
Up to 3 months	37,252	-
3 to 6 months	76,936	-
Up to 1 year	26,668	133,709
1 to 5 years	299,322	441,492
Over 5 years	1,100,023	461,584
Undetermined	22,035	27,021
	1,562,236	1,063,806
Accruals	15,470	8,299
	1,577,706	1,072,105

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Short selling securities	47,572	28,803
Trading derivatives (note 23):		
Swaps	274,506	281,724
Options	1,386	3,966
Embedded derivatives	14,983	8,344
Forwards	5,486	3,024
Others	-	1,147
	296,361	298,205
	343,933	327,008
Level 1	67	266
Level 2	280,944	289,039
Level 3	62,922	37,703

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance Financial liabilities held for trading includes, as at 31 December 2019, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 C.5. in the amount of Euros 14,983,000 (31 December 2018: Euros 8,344,000). This note should be analysed together with note 23.

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

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Deposits from customers	1,720,134	2,583,549
Debt securities at fair value through profit and loss		
Bonds	262	826
Medium term notes (MTNs)	734,722	340,274
	734,984	341,100
Accruals	801	806
	735,785	341,906
Certificates	745,390	678,192
	3,201,309	3,603,647

As at 31 December 2019, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2019					
	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	318,903	433,281	734,858	233,092	-	1,720,134
Debt securities at fair value through profit and loss						
Bonds	262	-	-	-	-	262
MTNs	-	31,796	3,776	699,150	-	734,722
	262	31,796	3,776	699,150	-	734,984
Certificates	-	-	-	-	745,390	745,390
	319,165	465,077	738,634	932,242	745,390	3,200,508

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 2019, 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
Banco Comercial Português:					
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	30,549
Bcp Reemb Parc Eur Ações Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2nd quarter =3,9%; 3 nd semester=6,5%; 2nd year =3,25%; 3rd year=3,25%	268	262
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,248
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	598	604
Bcp Inv Eur Ações Cup Extra Xi/17 Eur-Smtn Sr4	November, 2017	November, 2020	Indexed to EuroStoxx 50	1,370	1,255
Bcp Rend Euro-Divid Autoccalable Xii Smtn Sr5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,917
Bcp Euro Divid Cupão Memoria Iii18-Smtn Sr9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	2,174
Bcp Rend Multi Set Europa Autocallable Smtn11	April, 2018	April, 2021	Indexed to portfolio of 3 shares	1,230	1,239
Millennium Cabaz 3 Ações-Smtn Sr13	June, 2018	June, 2023	Indexed to portfolio of 3 shares	87,831	87,274
Bcp Rend Cabaz Sectorial Autocallable-Smtn Sr15	June, 2018	June, 2021	Indexed to portfolio of 3 shares	1,580	1,582
Bcp Inv Euro Ações Cupão Lock In-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50 index	2,240	2,290
Bcp Tit Div Millennium Cabaz 3 Ações-Smtn Sr17	July, 2018	July, 2023	Indexed to portfolio of 3 shares	15,572	15,663
Bcp Ret Sect Europa Autcallable Vii18-Smtn Sr18	July, 2018	July, 2021	Indexed to portfolio of 3 indexes	1,270	1,273
Bcp Tit Div Millenn Cabaz 3Acoes-Smtn Sr20	September, 2018	September, 2023	Indexed to portfolio of 3 shares	29,937	30,161
Bcp Rendimento Sectores Ix 18- Smtn 22	September, 2018	September, 2021	Indexed to portfolio of 3 indexes	1,070	1,067
Cabaz Multi Sect Europ Autocall Xi18-Smtn 23	October, 2018	October, 2021	Indexed to portfolio of 3 shares	3,910	3,954
Rembol Parc Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	313
Bcp Performance Euro Divid-Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,596
Bcp Tit Divida MillennCabaz 3 Ações-Smtn 25	December, 2018	December, 2023	Indexed to portfolio of 3 shares	97,728	97,261
Bcp Tit Div Mill Cabaz 3 Ações Smtn Sr 28	January, 2019	January, 2024	Indexed to portfolio of 3 shares	23,010	23,843
Bcp Rend Euro Sect Autoc I19 Eur Smtn Sr 30	January, 2019	January, 2022	Indexed to portfolio of 3 indexes	900	883
Bcp Rend Ações Europ Cupão Min Autoc Smtn Sr 32	February, 2019	February, 2022	Indexed to portfolio of 3 shares	8,140	8,319
Bcp Cabaz 3 Ações Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to portfolio of 3 shares	76,526	76,818
Bcp Rend Ações Valor Glob Aut Iii19 Smtn 33	March, 2019	March, 2022	Indexed to Stoxx Global Select Divid 100	1,160	1,233
Bcp Ações Europa Rend Min Aut Iii19 Smtn 34	March, 2019	March, 2022	Indexed to portfolio of 3 shares	5,650	5,789
Bcp Tit Div Mill Cabaz 3 Ações 8Abr24 Smtn Sr 35	April, 2019	April, 2024	Indexed to portfolio of 3 shares	69,287	69,367
Bcp Tit Div Mill Cabaz 4 Ações Smtn Sr 38	June, 2019	June, 2024	Indexed to portfolio of 4 shares	86,570	87,880
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 42	July, 2019	July, 2024	Indexed to portfolio of 5 shares	80,182	80,281
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 44	December, 2019	December, 2024	Indexed to portfolio of 5 shares	99,120	98,889
					734,984
Accruals					801
					735,785

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments (note 21)	116,560	187,710
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	7,346	7,801
Life insurance	3,400	4,736
For participation in profit and loss	216	184
Other technical provisions	26,853	13,918
Other provisions for liabilities and charges	190,937	136,483
	345,312	350,832

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

(Thousands of euros)

	2019	2018
Balance on 1 January	187,710	130,875
Adjustments due to the implementation of IFRS 9	-	14,714
Transfers resulting from changes in the Group's structure (Euro Bank acquisition)	172	-
Other transfers	(67,072)	(2,122)
Charge for the year (note 13)	36,230	86,255
Reversals for the year (note 13)	(40,618)	(41,802)
Exchange rate differences	138	(210)
Balance at the end of the year	116,560	187,710

As at 31 December 2019, the balance Other transfers includes the amount of Euros 64,588,000 corresponding to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

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

(Thousands of euros)

	2019	2018
Balance on 1 January	136,483	135,249
Transfers	2,447	733
Charge for the year (note 13)	65,239	13,537
Reversals for the year (note 13)	(3,367)	(301)
Amounts charged-off	(10,627)	(12,427)
Exchange rate differences	762	(308)
Balance at the end of the year	190,937	136,483

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for contingencies in the sale of Millennium Bank (Greece) (Euros 23,507,000), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 70,714,000 (31 December 2018: Euros 65,539,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

This balance also includes the amount of Euros 52,480,000 (PLN 223.134.000) related to the creation, by Bank Millennium, of provisions for legal risk related to FX-indexed mortgages. As described in note 56, the methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases. As at 31 December 2019, the Loans and advances to customers portfolio in CHF has a net amount of approximately Euros 3,473,000,000.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Creditors:		
Associated companies	190	44
Suppliers	44,627	46,144
From factoring operations	35,948	26,323
For futures and options transactions	11,039	13,731
For direct insurance and reinsurance operations	3,350	3,614
Deposit account and other applications	60,339	75,453
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	15,014	13,431
Rents to pay	281,072	-
Other creditors		
Residents	29,774	27,915
Non-residents	61,564	257,902
Negative equity in associated companies	278	-
Holidays, subsidies and other remuneration payable	59,420	58,609
Interests and other amounts payable	151,170	106,326
Operations to be settled - foreign, transfers and deposits	288,281	277,452
Amounts payable on trading activity	89,003	10,603
Other administrative costs payable	5,153	5,194
Deferred income	10,846	11,688
Loans insurance received and to amortised	74,712	59,641
Public sector	38,037	35,791
Other liabilities	182,408	270,213
	1,442,225	1,300,074

As at 31 December 2018, the balance Other creditors - Non-residents included the amount of Euros 207,531,000 related to the acquisition of securities for BCP's portfolio, which were settled in 2019.

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 5,543,000 (31 December 2018: Euros 6,363,000) 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 2018: 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 50.

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

In 2019, the Group has several operating leases for properties, and accounts for, in the balance Rents to pay, the amount of lease liabilities recognised under IFRS 16, according to the accounting policy 1 H and note 59. The analyse of this balance, by maturity, is as follows:

(Thousands of euros)

	2019
Until 1 year	26,473
1 to 5 years	97,590
Over 5 years	168,361
	292,424
Accrued costs recognised in Net interest income	(11,352)
	281,072

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 31 December 2019, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

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 shares. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 December 2019, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2019, the balance Other equity instruments, in the amount of Euros 400,000,000 (31 December 2018: Euros 2,922,000) corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

In December 2019, the Bank reimbursed 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each, in the amount of Euros 2,922,000.

As at 31 December 2019, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	512,328,512	3.39%	3.39%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	7,888,801,188	52.20%	52.20%

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

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

As described in note 48, 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, in the amount of Euros 400,000,000. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E.

This operation 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.

41. 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 appropriation of net income for the 2018 financial year approved at the General Shareholders' Meeting held on 22 May 2019, the Bank increased its legal reserve in the amount of Euros 5,927,000. Thus as at 31 December 2019, the Legal reserves amount to Euros 240,535,000 (31 December 2018: Euros 234,608,000).

In accordance with current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity and are recorded in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

As described in note 48, under the appropriation of net income for the 2018 financial year, in 2019 the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

42. Treasury shares

This balance is analysed as follows:

	2019			2018		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	65	323,738	0.32	74	323,738	0.23
Other treasury stock	37			-		
Total	102			74		

As at 31 December 2019, Banco Comercial Português, S.A. does not hold treasury shares and did not purchased or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2018: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

Regarding treasury shares owned by associated companies of the BCP Group, as referred in note 51, as at 31 December 2019, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2018: 142,601,002 shares) in the amount of Euros 28,891,000 (31 December 2018: Euros 32,727,000).

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	78,849	(10,343)
Equity instruments	(33,913)	(30,197)
Of associated companies and other changes	29,205	25,675
Cash-flow hedge	153,330	105,705
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	132	4,151
	227,603	94,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(22,724)	7,988
Equity instruments	3,797	1,880
Cash-flow hedge	(48,398)	(34,069)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(41)	(1,299)
	(67,366)	(25,500)
	160,237	69,491
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(33,084)	(38,841)
BIM - Banco International de Moçambique, S.A.	(150,976)	(152,287)
Banco Millennium Atlântico, S.A.	(143,476)	(100,382)
Others	2,528	2,454
	(325,008)	(289,056)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	38,813	43,342
Others	(3,965)	(3,965)
	34,848	39,377
Other reserves and retained earnings	565,746	650,669
	435,823	470,481

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

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 C).

During 2019, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 31 December 2018	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2019
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	(72,484)	112,077	72,400	(2,718)	(70,165)	39,110
Others	62,141	17,245	(15,427)	538	(24,758)	39,739
	(10,343)	129,322	56,973	(2,180)	(94,923)	78,849
Equity instruments	(30,197)	(10,508)	-	-	6,792	(33,913)
Associated companies and others						
Millenniumbcp Ageas	18,774	7,494	-	-	-	26,268
Others	6,901	(2,897)	-	-	(1,067)	2,937
	25,675	4,597	-	-	(1,067)	29,205
	(14,865)	123,411	56,973	(2,180)	(89,198)	74,141

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

(Thousands of euros)

	Balance as at 31 December 2017	Adjustments - 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							
Debt securities - Portuguese public issuers	-	(58,155)	25,299	(19,605)	(3,329)	(16,694)	(72,484)
Others	-	87,904	12,622	(10,094)	2,237	(30,528)	62,141
	-	29,749	37,921	(29,699)	(1,092)	(47,222)	(10,343)
Equity instruments	-	(67,149)	176	-	-	36,776	(30,197)
Financial assets available for sale							
Debt instruments							
Debt securities - Portuguese public issuers	(57,774)	57,774	-	-	-	-	-
Others	85,101	(85,101)	-	-	-	-	-
	27,327	(27,327)	-	-	-	-	-
Equity instruments							
Visa Inc.	2,927	(2,927)	-	-	-	-	-
Others	26,629	(26,629)	-	-	-	-	-
	29,556	(29,556)	-	-	-	-	-
Financial assets held to maturity	(3,049)	3,049	-	-	-	-	-
Associated companies and others							
Millenniumbcp Ageas	25,032	-	(6,258)	-	-	-	18,774
Others	4,167	(843)	3,577	-	-	-	6,901
	29,199	(843)	(2,681)	-	-	-	25,675
	83,033	(92,077)	35,416	(29,699)	(1,092)	(10,446)	(14,865)

In 2018 the negative amount of Euros 92,077,000 of adjustments due to the implementation of IFRS 9 corresponds. as described in note 58, to the impact arising from the adoption of IFRS 9 in the balance Investments in associated companies and other changes due to changes in the classification of securities.

In 2019 and 2018, the Disposals occurred regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Fair value changes		
Debt instruments	10,538	15,890
Equity instruments	3,337	2,938
Cash-flow hedge	(3,286)	(7,964)
Other	38	29
	10,627	10,893
Deferred taxes		
Debt instruments	(1,994)	(3,019)
Equity instruments	(634)	(558)
Cash-flow hedge	624	1,513
	(2,004)	(2,064)
	8,623	8,829
Exchange differences arising on consolidation	(101,914)	(113,417)
Actuarial losses (net of taxes)	178	248
Other reserves and retained earnings	1,354,637	1,287,773
	1,261,524	1,183,433

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2019	2018	2019	2018
Bank Millennium, S.A.	1,049,395	973,749	65,141	89,027
BIM - Banco International de Moçambique, SA (*)	180,278	160,776	34,614	33,340
Other subsidiaries	31,851	48,908	(358)	(4,558)
	1,261,524	1,183,433	99,397	117,809

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium, S.A.		BIM - Banco International de Moçambique, S.A.	
	2019	2018	2019	2018
Total income	1,074,244	851,205	324,311	357,268
Net profit for the year	147,567	178,411	99,486	94,063
Net profit for the year attributable to the shareholders	82,426	89,384	66,343	62,726
Net profit for the year attributable to non-controlling interests	65,141	89,027	33,143	31,337
Other comprehensive income attributable to the shareholders	10,551	(15,200)	1,425	(519)
Other comprehensive income attributable to non-controlling interests	10,508	(15,139)	712	(260)
Total comprehensive income	168,626	148,072	101,623	93,284
Balance sheet				
Financial assets	22,593,994	18,457,170	2,120,457	1,955,494
Non-financial assets	468,044	268,047	213,856	183,010
Financial liabilities	(20,375,566)	(16,338,222)	(1,696,897)	(1,583,802)
Non-financial liabilities	(583,476)	(435,595)	(105,067)	(78,588)
Equity	2,102,996	1,951,400	532,349	476,114
Equity attributed to the shareholders	1,053,601	977,651	354,999	317,499
Equity attributed to the non-controlling interests	1,049,395	973,749	177,350	158,615
Cash flows arising from:				
operating activities	(134,219)	990,383	78,251	48,387
investing activities	(214,636)	(1,863,011)	(31,003)	(8,587)
financing activities	168,249	(32,172)	(47,490)	(18,217)
Net increase / (decrease) in cash and equivalents	(180,606)	(904,800)	(242)	21,583
Dividends paid during the year:				
attributed to the shareholders	-	-	29,834	17,192
attributed to the non-controlling interests	-	-	14,904	8,589
	-	-	44,738	25,781

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Guarantees granted		
Guarantees	4,298,837	4,306,184
Stand-by letter of credit	52,447	81,249
Open documentary credits	237,828	300,020
Bails and indemnities	137,695	139,345
	4,726,807	4,826,798
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	3,999,502	3,267,453
Securities subscription	83,842	97,159
Other irrevocable commitments	115,247	114,829
Revocable commitments		
Revocable credit lines	4,897,405	4,077,379
Bank overdraft facilities	566,525	552,307
Other revocable commitments	108,905	109,535
	9,771,426	8,218,662
Guarantees received	27,225,242	24,061,727
Commitments from third parties	10,262,135	9,411,635
Securities and other items held for safekeeping	69,128,000	64,887,064
Securities and other items held under custody by the Securities Depository Authority	67,072,528	65,566,396
Other off balance sheet accounts	126,060,542	126,252,374

The guarantees granted by the Group 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 38).

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 are 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 C. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

46. Assets under management and custody

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2019	2018
Banco Comercial Português, S.A. (*)	2,610,678	2,140,906
Banque Privée BCP (Suisse) S.A.	1,286,759	1,134,734
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	782,602	760,104
Millennium TFI S.A.	1,065,256	982,632
	5,745,295	5,018,376

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

The Group 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 by the Group companies are analysed as follows:

(Thousands of euros)

	2019	2018
Assets under deposit	61,085,200	57,497,563
Wealth management	3,004,260	2,489,547
Investment funds	2,741,035	2,528,828
	66,830,495	62,515,939

47. Transfers of assets

The Group 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. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio 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 2019 and 2018, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 31 December 2019 and 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 activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	-	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	-	(84,029)
	224,887	-	-	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	-	33,280	121,682
Impairment and other fair value adjustments	(44,698)	-	(33,280)	(77,978)
	43,704	-	-	43,704
FLIT-PTREL				
Gross value	247,354	38,154	-	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	-	(45,741)
	239,767	-	-	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	-	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	-	(184,443)
	86,245	-	-	86,245
Fundo Aquarius FCR				
Gross value	139,147	-	-	139,147
Impairment and other fair value adjustments	(9,153)	-	-	(9,153)
	129,994	-	-	129,994
Discovery Real Estate Fund				
Gross value	155,328	-	-	155,328
Impairment and other fair value adjustments	2,149	-	-	2,149
	157,477	-	-	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	-	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	-	(83,027)
	42,415	-	-	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	-	-	924,489

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and was made a negative fair value adjustment of the same amount.

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 2019, 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 2 funds and Limited Revision Report with reference to 30 June 2019 for 5 funds), do not present any reservations except for Fundo de Reestruturação Empresarial whose Limited Review Report of 30 June 2019 includes a reserve by scope limitation whose potential negative impact was considered in the valuation reflected in the consolidated accounts as at 31 December 2019; (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 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2018			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	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	106,690	-	33,280	139,970
Impairment and other fair value adjustments	(31,336)	-	(33,280)	(64,616)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	268,645	38,154	-	306,799
Impairment and other fair value adjustments	(3,899)	(38,154)	-	(42,053)
	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	152,864	-	-	152,864
Impairment and other fair value adjustments	1,075	-	-	1,075
	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)	-	(80,285)
	42,160	-	-	42,160
Total Gross value	1,196,701	226,049	33,280	1,456,030
Total impairment and other fair value adjustments	(189,713)	(226,049)	(33,280)	(449,042)
	1,006,988	-	-	1,006,988

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and it was made a negative fair value adjustment of the same amount.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2019			2018		
	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	276,246	15,754	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	74,263	67,409	6,854	101,133	86,419	14,714
FLIT-PTREL	241,358	241,358	-	262,231	262,231	-
Fundo Recuperação FCR	206,805	187,742	19,063	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952	156,100	139,148	16,952
Discovery Real Estate Fund	156,121	156,121	-	153,243	153,243	-
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,233	3,383
	1,176,263	1,114,625	61,638	1,239,641	1,168,932	70,709

In 2019, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 18,227,000 and Euros 3,977,000, respectively.

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	2019	2018
Loans and advances to customers	232,892	282,480
Guarantees granted and irrevocable credit lines	49,327	55,089
Gross exposure	282,219	337,569
Impairment	(88,337)	(85,884)
Net exposure	193,882	251,685

48. Relevant events occurred during 2019

Issue of perpetual subordinated notes 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.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million (Euros 193 million). The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 22 May 2019, with 64.59% 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 2018, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profits for the 2018 financial year;

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 alteration of the articles of association, giving a new wording to paragraph c) of article 14 and to nr. 1 of article 10, adding two new numbers 2 and 3 to article 10 with the consequent renumbering of current nrs. 2 and 3;

Item Six – Approval of the cooptation of Mr. Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021. The effects of this cooptation are subject to obtaining the authorization for the exercise of functions from the European Central Bank;

Item Seven – Appointment of Prof. Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021;

Item Eight – Election of Mr. Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board;

Item Nine - Election of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020;

Item Ten - Selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Appropriation of profits for the 2018 financial year

In accordance with the Companies Code, and with the Bank's articles of association, was deliberated in the Annual General Meeting of Shareholders of 22 May 2019, that the year-end results amounting to Euros 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of Euros 30,000,000.00, be applied as follows:

a) For the reinforcement of legal reserve, Euros 5,926,667.50;
b) For the attribution of dividends Euros 30,227,979.90, corresponding Euros 227,979.90 to earnings and Euros 30,000,000.00 to the reserve for the stabilization of dividends;
c) to be distributed to employees Euros 12,587,009.00;
d) Euros 40,525,018.59, that is, the remaining, to Retained Earnings.

It was also approved that:

i) The payment to each share of the unit dividend of Euros 0.002;
ii) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings.

Acquisition of Euro Bank S.A. by Bank Millennium S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., announced on 28 May 2019, having been informed of the non-objection by the Polish Financial Supervision Authority to its acquisition of Euro Bank S.A.. As at 31 May 2019, the Bank Millennium S.A has completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.. On 1 October 2019, the legal merger of Bank Millennium S.A. with Euro Bank S.A. has been completed. The details of the acquisition are detailed in note 60.

Merger of Banco de Investimento Imobiliário, S.A. with Banco Comercial Português, S.A.

Following the announcement dated 19 June 2019, Banco Comercial Português, S.A. hereby informs that its Board of Directors and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved during September 2019, the merger project of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter. The process was concluded on 30 December 2019, after the signature of the merger deed.

Notification from the Competition Authority

On 9 September 2019, BCP was notified by the Portuguese Competition Authority ("AdC") of its decision of conviction under a litigation related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions in the segments of mortgage loans, consumer loans and corporate loans.

Thereby, BCP was one of the 14 banks to which AdC decided to apply the payment of fines in the global amount of Euros 225 million for alleged concerted practice of sensitive commercial information exchange, fining BCP in Euros 60 million. Under the same litigation, other 13 credit institutions were also condemned: BBVA, BIC/BPN, BPI, BES, BANIF, Barclays, CGD, Caixa Central de Crédito Agrícola Mútuo, Montepio, Santander (for facts practiced by itself and by Banco Popular), Deutsche Bank and UCI.

According to the referred decision, BCP's fine of Euros 60 million contemplated the duration of its participation in the alleged infringement (11 years, between May 2002 and March 2013) and the Bank's turnover related with the markets included in the infringement, i.e., mortgage loans, consumer loans and corporate loans.

The exchange of sensitive information for which BCP is condemned refers to: (i) information related to commercial conditions (as prices/spread rates that were not public in the moment of the information exchange or that were difficult to access or systematize); and (ii) monthly production amounts of each bank occurred during that period (disaggregated information relative to the amount of credit granted in Euros in a determined period, normally corresponding to the month before).

AdC did not constitute any evidence about the restrictive effect on competition due to the information exchange. AdC considered the information exchange as an infringement by object, hence considering there would not be need of constituting evidence of the restrictive effect on competition, which, in BCP's opinion, is not in conformity with the doctrine and relevant community jurisprudence.

On 21 October 2019, BCP filed an appeal to the Court of Competition, Regulation & Supervision ("TCRS"). The sentence, that will be given by TCRS, may be appealed to the Lisbon Court of Appeal ("TRL").

The Bank contested AdC's decision because it believes that the impugned facts and decisions are not properly supported and substantiated, considering the applied fine unjustified and unbalanced.

On 15 November 2019, BCP was notified of a ruling, by the Lisbon Court of Appeal, on an appeal that it had filed in an earlier moment, still at the pre-trial phase of these administrative proceedings, on the right by the concerned parties to attend the examination of witnesses enrolled by other parties, and such ruling was unfavourable to its claims. Because BCP did not agree with that ruling by the Lisbon Court of Appeal, on 25 November 2019 it appealed this decision to the Constitutional Court.

Issue of subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. fixed, as at 20 September 2019, the terms for a new issue of medium term subordinated notes qualified as Tier 2 own funds, under its Euro Note Programme.

The issue, in the amount of Euros 450 million, will have a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an annual interest rate of 3.871 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, which, for the determination of the interest rate for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

Rating assessment

Long-term issuer default rating was affirmed by Fitch Ratings and by Standard & Poor's at BB and the outlook was revised to positive from stable.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2020, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The aforementioned decisions define, with regard to the minimum capital requirements to be observed as from 1 January 2020, the following ratios, determined according to the total value of risk-weighted assets (RWA):

Minimum capital requirements from 1 January 2020								
BCP Consolidate	Phased-in	of which:			Fully implemented	of which:		
		Pilar 1	Pilar 2	*Buffers*		Pilar 1	Pilar 2	*Buffers*
CET1	9,81%	4,50%	2,25%	3,06%	10,25%	4,50%	2,25%	3,50%
T1	11,31%	6,00%	2,25%	3,06%	11,75%	6,00%	2,25%	3,50%
Total	13,31%	8,00%	2,25%	3,06%	13,75%	8,00%	2,25%	3,50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). Given the increased systemic importance of BCP for the Portuguese financial system, its future O-SII reserve requirement was revised from 0.75% to 1.00%, and BCP was granted an additional year (January 1st, 2022) to fulfill it, as communicated by the Bank of Portugal in its website.

According to ECB's decision under SREP, the Pillar 2 requirement for BCP was set at 2.25% for 2020, the same value as for 2019.

49. 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 Group'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 2019 (31 December 2018: -0.4%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group 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 Group 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) 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 Group 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 Group. This was calculated from the average production of the three most recent months compared to the reporting date.

As at 31 December 2019, 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	
	2019	2018	2019	2018	2019	2018	2019	2018
EUR	0.66%	0.45%	2.26%	2.75%	0.57%	0.44%	-0.08%	0.01%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.17%	2.34%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.05%	2.31%
CHF	n.a.	n.a.	2.30%	2.63%	n.a.	-0.11%	-0.45%	-0.42%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.64%	2.79%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.29%	-0.14%
GBP	0.83%	n.a.	3.88%	3.64%	n.a.	n.a.	0.94%	1.05%
HKD	n.a.	n.a.	n.a.	2.29%	n.a.	n.a.	2.99%	1.98%
MOP	n.a.	n.a.	2.29%	n.a.	n.a.	n.a.	2.35%	2.14%
MZN	n.a.	n.a.	15.81%	19.82%	n.a.	n.a.	9.66%	12.03%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.08%	1.57%
PLN	1.60%	1.36%	5.73%	5.47%	1.31%	1.72%	1.55%	1.61%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.44%	0.17%
USD	2.13%	2.90%	3.45%	5.36%	1.93%	2.76%	1.62%	2.56%
ZAR	7.20%	6.80%	11.58%	16.18%	n.a.	n.a.	3.72%	4.93%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

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 because of the 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 securities

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 remunerated instruments 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 Group.

As original reference, the Group 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 customers of the Group, 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 of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2019			2018		
	EUR	PLN	USD	EUR	PLN	USD
Placed in the institutional market						
Subordinated	5.05%	1.74%	-	6.92%	-	-
Senior (including mortgage)	-0.01%	-	-	0.05%	-	-
Placed in retail						
Subordinated	3.88%	-	-	2.64%	-	-
Senior and collateralised	0.10%	1.99%	2.37%	0.36%	2.27%	3.30%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 29,017,000 (31 December 2018: a negative amount of Euros 9,663,000) and includes a payable amount of Euros 13,726,000 (31 December 2018: a payable amount of Euros 7,424,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

As 31 December 2019 and 2018, 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 financial assets and liabilities of the Group:

	2019				2018			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.47%	1.73%	0.73%	1.45%	-0.43%	2.75%	0.75%	1.44%
7 days	-0.47%	1.70%	0.74%	1.45%	-0.40%	2.55%	0.78%	1.44%
1 month	-0.47%	1.75%	0.75%	1.53%	-0.41%	2.57%	0.80%	1.54%
2 months	-0.44%	1.79%	0.80%	1.57%	-0.38%	2.61%	0.85%	1.58%
3 months	-0.43%	1.81%	0.83%	1.61%	-0.36%	2.72%	0.96%	1.62%
6 months	-0.38%	1.84%	0.90%	1.69%	-0.29%	2.81%	1.08%	1.69%
9 months	-0.35%	1.86%	0.93%	1.70%	-0.23%	2.88%	1.18%	1.72%
1 year	-0.32%	1.75%	0.97%	1.70%	-0.23%	2.74%	1.29%	1.74%
2 years	-0.29%	1.67%	0.80%	1.75%	-0.18%	2.65%	1.16%	1.82%
3 years	-0.24%	1.65%	0.82%	1.75%	-0.07%	2.58%	1.22%	1.91%
5 years	-0.12%	1.70%	0.88%	1.79%	0.20%	2.57%	1.30%	2.12%
7 years	0.02%	1.76%	0.94%	1.82%	0.47%	2.62%	1.36%	2.29%
10 years	0.21%	1.86%	1.02%	1.87%	0.82%	2.70%	1.43%	2.48%
15 years	0.47%	1.97%	1.10%	1.98%	1.17%	2.79%	1.51%	2.75%
20 years	0.60%	2.02%	1.12%	2.07%	1.35%	2.82%	1.55%	2.88%
30 years	0.63%	2.05%	1.11%	2.07%	1.41%	2.81%	1.54%	2.88%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2019:

(Thousands of euros)

	2019				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	5,166,551	5,166,551	5,166,551
Loans and advances to credit institutions repayable on demand	-	-	320,857	320,857	320,857
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	892,995	892,995	881,873
Loans and advances to customers (i)	-	-	49,847,829	49,847,829	49,421,513
Debt securities	-	-	3,185,876	3,185,876	3,199,965
Financial assets at fair value through profit or loss					
Financial assets held for trading	878,334	-	-	878,334	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	-	-	1,405,513	1,405,513
Financial assets designated at fair value through profit or loss	31,496	-	-	31,496	31,496
Financial assets at fair value through other comprehensive income	-	13,216,701	-	13,216,701	13,216,701
Hedging derivatives (ii)	45,141	-	-	45,141	45,141
	2,360,484	13,216,701	59,414,108	74,991,293	74,567,944
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	6,366,958	6,366,958	6,353,655
Resources from customers (i)	-	-	59,127,005	59,127,005	59,134,647
Non subordinated debt securities issued (i)	-	-	1,594,724	1,594,724	1,623,741
Subordinated debt (i)	-	-	1,577,706	1,577,706	1,685,810
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	343,933	-	-	343,933	343,933
Financial liabilities designated at fair value through profit or loss	3,201,309	-	-	3,201,309	3,201,309
Hedging derivatives (ii)	229,923	-	-	229,923	229,923
	3,775,165	-	68,666,393	72,441,558	72,573,018

(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 Group, 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	-	-	2,753,839	2,753,839	2,753,839
Loans and advances to credit institutions repayable on demand	-	-	326,707	326,707	326,707
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	890,033	890,033	889,441
Loans and advances to customers (i)	-	-	45,560,926	45,560,926	45,128,921
Debt securities	-	-	3,375,014	3,375,014	3,381,178
Financial assets at fair value through profit or loss					
Financial assets held for trading	870,454	-	-	870,454	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	-	1,404,684	1,404,684
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	-	13,845,625	-	13,845,625	13,845,625
Assets with repurchase agreement	-	-	58,252	58,252	58,259
Hedging derivatives (ii)	123,054	-	-	123,054	123,054
	2,431,226	13,845,625	52,964,771	69,241,622	68,815,196
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,752,796	7,752,796	7,716,281
Resources from customers (i)	-	-	52,664,687	52,664,687	52,675,638
Non subordinated debt securities issued (i)	-	-	1,686,087	1,686,087	1,676,424
Subordinated debt (i)	-	-	1,072,105	1,072,105	1,126,038
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	327,008	-	-	327,008	327,008
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	177,900	-	-	177,900	177,900
	4,108,555	-	63,175,675	67,284,230	67,302,936

(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 Group 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 based on the 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 Group, as at 31 December 2019:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,166,551	-	-	5,166,551
Loans and advances to credit institutions repayable on demand	320,857	-	-	320,857
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	881,873	881,873
Loans and advances to customers	-	-	49,421,513	49,421,513
Debt securities	123,300	703,248	2,373,417	3,199,965
Financial assets at fair value through profit or loss				
Financial assets held for trading	252,683	317,689	307,962	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,405,513	1,405,513
Financial assets designated at fair value through profit or loss	31,496	-	-	31,496
Financial assets at fair value through other comprehensive income	12,643,402	464,728	108,571	13,216,701
Hedging derivatives	-	45,141	-	45,141
	18,538,289	1,530,806	54,498,849	74,567,944
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	6,353,655	6,353,655
Resources from customers	-	-	59,134,647	59,134,647
Non subordinated debt securities issued	-	-	1,623,741	1,623,741
Subordinated debt	-	-	1,685,810	1,685,810
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	67	280,944	62,922	343,933
Financial liabilities designated at fair value through profit or loss	745,390	-	2,455,919	3,201,309
Hedging derivatives	-	229,923	-	229,923
	745,457	510,867	71,316,694	72,573,018

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2018:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,753,839	-	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	-	326,707
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	889,441	889,441
Loans and advances to customers	-	-	45,128,921	45,128,921
Debt securities	122,601	677,298	2,581,279	3,381,178
Financial assets at fair value through profit or loss				
Financial assets held for trading	214,531	347,770	308,153	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,404,684	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034
Financial assets at fair value through other comprehensive income	12,973,893	843,946	27,786	13,845,625
Assets with repurchase agreement	-	-	58,259	58,259
Hedging derivatives	-	123,054	-	123,054
	16,424,605	1,992,068	50,398,523	68,815,196
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,716,281	7,716,281
Resources from customers	-	-	52,675,638	52,675,638
Non subordinated debt securities issued	-	-	1,676,424	1,676,424
Subordinated debt	-	-	1,126,038	1,126,038
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	266	289,039	37,703	327,008
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	177,900	-	177,900
	678,458	466,939	66,157,539	67,302,936

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2019 is presented as follows:

(Thousands of euros)

	2019			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	308,153	1,404,684	27,786	8,900
Gains / (losses) recognised in profit or loss				
Results on financial operations	2,210	(13,620)	-	6,428
Net interest income	-	26,968	-	-
Transfers between portfolios	(4,059)	-	-	-
Transfers between levels	(3,378)	-	83,815	(14)
Purchases	8,815	162,287	85,617	573
Sales, repayments or amortisations	(3,779)	(178,030)	(92,350)	(537)
Gains / (losses) recognised in reserves	-	-	3,519	-
Exchange differences	-	3,224	82	-
Accruals of interest	-	-	102	-
Balance as at 31 December	307,962	1,405,513	108,571	15,350

(*) Do not include short sales in the amount of Euros 47,572,000 (note 36).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 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	Financial liabilities held for trading (*)
Balance as at 31 December 2017	305,451	-	-	1,300,626	10,925
Impact of transition to IFRS 9	-	1,381,734	29,509	(1,300,626)	-
Balance as at 1 January 2018	305,451	1,381,734	29,509	-	10,925
Gains / (losses) recognised in profit or loss					
Results on financial operations	2,121	(12,175)	-	-	(1,924)
Net interest income	-	23,128	-	-	-
Transfers between portfolios	(3)	-	3	-	-
Transfers between levels	(3,113)	-	-	-	(265)
Purchases	12,044	28,824	3,848	-	397
Sales, repayments or amortisations	(8,347)	(9,451)	(9,149)	-	(233)
Gains / (losses) recognised in reserves	-	-	3,641	-	-
Exchange differences	-	(7,376)	(66)	-	-
Balance as at 31 December 2018	308,153	1,404,684	27,786	-	8,900

(*) Do not include short sales in the amount of Euros 28,803,000 (note 36).

50. Post-employment benefits and other long term benefits

The Group 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 S).

As at 31 December 2019 and 2018, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2019	2018
Pensioners	16,959	16,829
Former Attendees Acquired Rights	3,258	3,300
Employees	7,340	7,255
	27,557	27,384

In accordance with the accounting policy described in note 1 S), the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

(Thousands of euros)

	2019	2018
Actual amount of the past services		
Pensioners	2,310,799	2,048,284
Former attendees acquired rights	224,004	193,995
Employees	955,538	823,444
	3,490,341	3,065,723
Pension fund value	(3,500,869)	(3,078,430)
Net (assets) / liabilities in balance sheet (note 31)	(10,528)	(12,707)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,574,864	3,289,529

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 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 under the scope of the fund is called an Additional Complement, which as at 31 December 2019 amounts to Euros 289,733,000 (31 December 2018: Euros 284,923,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. The agreement establishes the increase for 2018 by 0.75% to level 6 and 0.50% for levels 7 to 20 (similar increase for 2019) and the increase of other pecuniary clauses, such as the lunch allowance, diuturnities, among others.

Regarding from the update of salary tables, with reference to 2019 and 2018, the Group recorded an actuarial loss in the amount of Euros 53,705,000 in the pension fund's liabilities.

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

(Thousands of euros)

	2019	2018
Balance as at 1 January	3,065,723	3,049,570
Service cost	(15,372)	(15,800)
Interest cost / (income)	57,755	62,991
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	99,969	43,549
Related to changes in assumptions	367,125	-
Payments	(111,339)	(102,024)
Early retirement programmes and terminations by mutual agreement	18,375	19,303
Contributions of employees	8,105	8,134
Balance at the end of the year	3,490,341	3,065,723

As at 31 December 2019, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 111,339,000 (31 December 2018: Euros 102,024,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 327,573,000 as at 31 December 2019 (31 December 2018: Euros 300,550,000).

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 2019 amounts to Euros 58,039,000 (31 December 2018: Euros 62,677,000), 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 new CLA 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 2019 the retirement age is 66 years and 5 months (66 years and 4 months in 2018). 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 2019 and 2018 the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2019	2018
Balance as at 1 January	3,078,430	3,166,351
Contributions to the Fund	290,000	-
Employees' contributions	8,105	8,134
Actuarial gains / (losses)	181,759	(54,373)
Payments	(111,339)	(102,024)
Expected return on plan assets	53,231	59,962
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	683	380
Balance at the end of the year	3,500,869	3,078,430

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2019			2018		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	303,434	111,902	415,336	280,208	102,992	383,200
Bonds and other fixed income securities	1,745,335	4,405	1,749,740	1,054,637	4,193	1,058,830
Participations units in investment funds	-	550,732	550,732	-	752,628	752,628
Participation units in real estate funds	-	266,222	266,222	-	276,144	276,144
Properties	-	245,392	245,392	-	245,392	245,392
Loans and advances to credit institutions and others	-	273,447	273,447	-	362,236	362,236
	2,048,769	1,452,100	3,500,869	1,334,845	1,743,585	3,078,430

The balance Shares includes an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2019 amounts to Euros 110,459,000 (31 December 2018: Euros 101,618,000). 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 2019, amounts to Euros 245,392,000 (31 December 2018: Euros 245,392,000), mostly a set of properties called "Taguspark" whose book amounts to Euros 243,750,000 (31 December 2018: Euros 243,750,000). This book value was calculated based on 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)

	2019	2018
Loans and advances to credit institutions and others	26,534	275,429
Bonds and other fixed income securities	12,278	12,209
	38,812	287,638

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

(Thousands of euros)

	2019	2018
Balance as at 1 January	(12,707)	(116,781)
Recognised in the income statement:		
Service cost	(15,372)	(15,800)
Interest cost / (income) net of the balance liabilities coverage	4,524	3,029
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
	6,844	6,152
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(181,759)	54,373
Difference between expected and effective obligations	99,969	43,549
Arising from changes in actuarial assumptions	367,125	-
	285,335	97,922
Contributions to the fund	(290,000)	-
Balance at the end of the year	(10,528)	(12,707)

The estimated contributions to be made in 2020, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 12,128,000 and Euros 7,925,000, respectively.

In accordance with IAS 19, during 2019 and 2018, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2019	2018
Current service cost	(15,372)	(15,800)
Net interest cost in the liability coverage balance	4,524	3,030
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
(Income) / Cost of the year	6,844	6,153

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 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 recognised 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 remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) 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 as at 31 December 2019 a provision of Euros 3,733,000 (31 December 2018: Euros 3,733,000).

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 Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2019	2018
Salary growth rate	0.75%	0,25% until 2019 0,75% after 2019
Pensions growth rate	0.50%	0% until 2019 0,5% after 2019
Discount rate / Projected Fund's rate of return	1.4%	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 5 months	66 years and 4 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 2019 it is 66 years and 5 months (2018: 66 years and 4 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 by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, 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 2019, the Group used a discount rate of 1.4% (31 December 2018: 2.1%) to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2019 and 2018, the Actuarial losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2019		2018	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		99,969		43,549
Changes on the assumptions:				
Discount rate		367,125		-
Deviation between expected income and income from funds	8.13%	(181,759)	0.18%	54,372
		285,335		97,921

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			
	2019		2018	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	146,426	(137,734)	125,693	(121,218)
Pension's increase rate	(154,939)	164,454	(132,092)	141,376
Salary growth rate	(36,297)	45,536	(26,101)	43,592

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2019		2018	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	125,716	(125,224)	97,169	(103,574)

(*) 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 S3), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during 2019 and 2018, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP'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. The Group accounted as staff costs in 2019, the amount of Euros 183,000 (2018: Euros 81,000) related to this contribution.

51. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 61 - List of subsidiary and associated companies of Banco Comercial Português Group, 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.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 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 40.

A) Balances and transactions with qualified shareholders

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

(Thousands of euros)

	2019	2018
Assets		
Financial assets at amortised cost		
Loans and advances to customers	99,564	100,700
Debt instruments	159,160	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	5,525	6,102
Financial assets at fair value through other comprehensive income	108,361	32,968
Others	53	53
	372,663	290,437
Liabilities		
Resources from customers	121,570	162,665
	121,570	162,665

Loans and advances to customers are net of impairment in the amount of Euros 210,000 (31 December 2018: Euro 650,000).

During 2019 and 2018, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2019	2018
Income		
Interest and similar income	12,547	10,858
Commissions	5,447	6,834
	17,994	17,692
Costs		
Interest and similar expenses	8	116
Commissions	175	124
	183	240

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2019	2018
Guarantees granted	99,792	100,329
Revocable credit lines	49,750	56,670
Irrevocable credit lines	150,000	150,121
	299,542	307,120

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	2	7	7,892	5,915
Executive Committee	107	114	631	868
Closely related people	277	301	419	322
Controlled entities	-	-	30	30
Key management members				
Key management members	6,066	6,155	8,744	6,133
Closely related people	933	629	3,272	2,353
Controlled entities	12	17	1,801	1,818
	7,397	7,223	22,789	17,439

In accordance with Article 85, no. 9, of RGICSF, in the year of 2019 no credits were attributed.

During 2019 and 2018, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	-	-	21	16
Executive Committee	-	-	14	12
Closely related people	-	-	5	5
Key management members				
Key management members	43	43	37	46
Closely related people	10	9	35	28
Controlled entities	-	-	8	9
	53	52	120	116

During 2019 and 2018, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	172	71	1	2
Key management members				
Key management members	19	26	1	2
Closely related people	2	3	1	1
Controlled entities	1	1	2	2
	194	101	5	7

The revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	39	22	-	-
Executive Committee	157	70	-	-
Closely related people	37	39	-	-
Key management members				
Key management members	748	429	-	50
Closely related people	176	163	-	24
Controlled entities	20	14	-	-
	1,177	737	-	74

The fixed remuneration 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	
	2019	2018	2019	2018	2019	2018
Fixed remuneration	3,055	3,720	1,859	1,215	6,675	6,406
Variable remuneration	479	-	-	-	1,019	-
Supplementary retirement pension	611	5,658	84	-	-	-
Post-employment benefits	3	(5)	-	-	(123)	(120)
Other mandatory social security charges	711	895	430	291	1,652	1,582
	4,859	10,268	2,373	1,506	9,223	7,868

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 performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank.

During 2019, the amount of remuneration paid to the Executive Committee includes Euros 94,000 (2018: Euros 85,000) supported by subsidiaries or companies whose governing bodies represent the Group's interests, while the remuneration paid to the Board of Directors in the referred conditions include the amount of Euros 55,000 (2018: Euros 85,000).

In 2019, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employes, approved for 2018, as described in accounting policies 1 S4) and 1 S5).

In 2019, the Executive Committee's variable remuneration incorporates shares in the amount of Euros 210,000. It was also assigned to the Executive Committee a variable remuneration deferred over a 3-year period in the amount of Euros 268,000 and 1,042,295 shares. During 2018 no variable remuneration was paid to the Executive Committee's.

As approved in the General Shareholders' Meeting of May 2018, the balance "Supplementary retirement pension" includes, in 2018, the amount of Euros 4,920,000 relative to the payment of a single and extraordinary contribution of BCP to the pension funds of the Executive Directors in functions between 2015/2017.

In 2019, the remunerations and social security charges supported with the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	**Total**
Fixed remuneration	855	1,656	451	3,713	6,675
Variable remuneration	148	211	55	605	1,019
Post-employment benefits	(41)	21	9	(112)	(123)
Other mandatory social security charges	211	414	109	918	1,652
	1,173	2,302	624	5,124	9,223
Number of beneficiaries	6	9	2	29	46

As described in accounting policies 1 S4) and 1 S5), in 2019 in accordance with the remuneration policies for employees considered key management members, approved for 2018, it was assigned a variable remuneration deferred over a 3-year period in the amount of Euros 542,000. During 2018 no variable remuneration was paid to key management members.

During 2019, variable remunerations were paid to 46 key management members and were provided severance payments to three key management members in the amount of Euros 1,077,000, of which the highest amounts to Euros 657,000. During 2018, no severance payments were provided to key management members.

The shareholder and bondholder position of members of the Board of Directors, key management members and people closely related to the previous categories, as well as the movements occurred during 2019, are as follows:

Shareholders/Bondholders	Security	Number of securities at 31/12/2019	Number of securities at 31/12/2018	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				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	231,676	32,695	198981.0 *		25-Oct-19	0.202
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (a)	1	0	1.0		26-Feb-19	200000
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	175,707	1,748	173959.0 *		25-Oct-19	0.202
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	169,450	*** 96,240	73210.0 *		25-Oct-19	0.202
Miguel de Campos Pereira de Bragança	BCP Shares	564,949	365,968	198981.0 *		25-Oct-19	0.202
Miguel Maya Dias Pinheiro	BCP Shares	581,117	361,408	219709.0 *		25-Oct-19	0.202
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
	Bonds (a)	2	0	2.0		31-Jan-19	200000
Rui Manuel da Silva Teixeira (3)	BCP Shares	212,043	36,336	175707.0 *		25-Oct-19	0.202
Teófilo César Ferreira da Fonseca (4)	BCP Shares	10,000	10,000				
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	5,000	2,000	3000.0		31-Jan-19	0.193
Alexandre Manuel Casimiro de Almeida	BCP Shares	0	121,440		121440.0	14-May-19	0.252
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	0	42,656		42656.0	17-Apr-19	0.251
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				
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	0	0				
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				
Helene Xin Xia	BCP Shares	0	0				
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				
Jorge Manuel Nobre Carreteiro	BCP Shares	9,468	9,468				
José Carlos Benito Garcia de Oliveira	BCP Shares	0	0				
José Gonçalo Prior Regalado (10)	BCP Shares	0	0				

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".
(a) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

Shareholders/Bondholders	Security	Number of securities at 31/12/2019	Number of securities at 31/12/2018	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 de Los Angeles Sanchez Sanchez (13)	BCP Shares	0	0				
Maria Helena Soledade Nunes Henriques	BCP Shares	170,974	170,974				
Maria Manuela de Araújo Mesquita Reis (10)	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				
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 Francisco da Silva Dias (12)	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	91,297	91,297				
Rui Manuel Pereira Pedro	BCP Shares	149,328	149,328				
Rui Miguel Alves Costa	BCP Shares	162,881	162,881				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
PEOPLE CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Álvaro Manuel Coreia Marques Tavares (7)	BCP Shares	25,118	25,118				
Américo Simões Regalado (11)	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				
Filomena Maria Brito Francisco Dias (12)	BCP Shares	4,290	4,290				
Francisco Jordão Torres Marques Tavares (7)	BCP Shares	1,016	1,016				
Guilherme Sanchez Oliveira Lima (13)	BCP Shares	300	0	300.0		17-Oct-19	0.187
José Francisco Conceição Monteiro (9)	BCP Shares	18,002	18,002				
José Manuel de Vasconcelos Mendes Ferreira (5)	BCP Shares	1,616	1,616				
Luís Filipe da Silva Reis (10)	BCP Shares	280,000	280,000				
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	169,450	96,240 ***				
Ricardo Miranda Monteiro (9)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (9)	BCP Shares	1,639	1,639				

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".
(*) identifies the increment of shares occurred in 2019 corresponding to variable remuneration of 2018.
(**) person in the category "People closely related to the previous categories" is equally a "Key management member".
(***) position held in which the primary account holder is part of "People closely related to the previous categories" or "Key management member".

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

(Thousands of euros)

	2019	2018
Assets		
Loans and advances to credit institutions repayable on demand	597	5
Financial assets at amortised cost		
Loans and advances to credit institutions	250,621	293,553
Loans and advances to customers	68,062	65,577
Debt instruments	-	950
Financial assets at fair value through profit or loss		
Financial assets held for trading	101,391	107,843
Other assets	13,997	14,579
	434,668	482,507
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	120,999	189,106
Resources from customers	617,256	541,422
Non subordinated debt securities issued	45,622	132,911
Subordinated debt	355,297	474,873
Financial liabilities held for trading	18,448	27,275
Financial liabilities designated at fair value through profit or loss	31,070	31,995
Other liabilities	22	3
	1,188,714	1,397,585

As at 31 December 2019, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2018: 142,601,002 shares) in the amount of Euros 28,891,000 (31 December 2018: Euros 32,727,000).

During 2019 and 2018, the transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	2019	2018
Income		
Interest and similar income	13,425	14,438
Commissions	57,265	58,026
Profits from financial operations	10,363	-
Other operating income	870	1,378
	81,923	73,842
Costs		
Interest and similar expenses	41,771	47,830
Commissions	22	38
Other operating losses	1,242	95
Losses from financial operations	13,411	-
Other administrative costs	1,136	862
	57,582	48,825

The guarantees granted and revocable credit lines by the Group over associated companies are as follows:

(Thousands of euros)

	2019	2018
Guarantees granted	7,982	21,325
Revocable credit lines	3,951	9,862
Irrevocable credit lines	600	14,011
Other revocable commitments	4,907	4,906
	17,439	50,104

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

(Thousands of euros)

	2019	2018
Life insurance		
Saving products	35,783	33,715
Mortgage and consumer loans	20,122	19,158
Others	31	24
	55,936	52,897
Non-Life insurance		
Accidents and health	18,758	17,298
Motor	3,959	3,705
Multi-Risk Housing	6,712	6,433
Others	1,315	1,197
	30,744	28,633
	86,680	81,530

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

(Thousands of euros)

	2019	2018
Funds receivable for payment of life insurance commissions	13,877	14,545
Funds receivable for payment of non-life insurance commissions	7,729	7,292
	21,606	21,837

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to 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 commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

(Thousands of euros)

	2019	2018
Assets		
Other assets	-	58
Liabilities		
Resources from customers	31,391	279,851
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	14,426	14,306
Subordinated debt	-	34
	45,817	294,191

During 2019, the Pension Fund holds Perpetual subordinated debt securities (Adt1) in the amount of Euros 1,575,000, issued by Banco Comercial Português, S.A. During 2019 and 2018, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During 2019 and 2018, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	2019	2018
Income		
Commissions	836	564
Expenses		
Interest expense and similar charges	306	89
Other administrative costs	14,274	15,028
	14,580	15,117

The balance Other administrative costs corresponds to the amount of rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 31 December 2019, the amount of guarantees granted by the Group to the Pension Fund amounts to Euros 5,000 (31 December 2018: Euros 5,000).

52. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises the Private Banking network in Portugal and the provision of advisory services and the asset management activity provided by the Wealth Management Division. For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:
- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 December 2019 and 31 December 2018 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 December 2019. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 December 2019, the net contribution of the major business segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	501,354	1,033,548	1,534,902	328,785	27,867	99,891	1,991,445
Interest expense and similar charges	(26,135)	(284,166)	(310,301)	(53,738)	(7,855)	(71,023)	(442,917)
Net interest income	475,219	749,382	1,224,601	275,047	20,012	28,868	1,548,528
Commissions and other income	426,328	285,123	711,451	162,345	57,555	16,997	948,348
Commissions and other costs	(43,919)	(163,886)	(207,805)	(26,920)	(7,526)	(134,450)	(376,701)
Net commissions and other income (2)	382,409	121,237	503,646	135,425	50,029	(117,453)	571,647
Net gains arising from trading activity (3)	16,798	88,247	105,045	396	3,998	33,874	143,313
Share of profit of associates under the equity method	-	2,518	2,518	-	-	40,471	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	-	4,335	4,335	-	9	27,563	31,907
Net operating revenue	874,426	965,719	1,840,145	410,868	74,048	13,323	2,338,384
Operating expenses	488,002	468,816	956,818	126,073	46,513	40,068	1,169,472
Impairment for credit and financial assets (4)	(25,237)	(111,122)	(136,359)	(270,784)	1,602	17,413	(388,128)
Other impairments and provisions (5)	(8)	(59,458)	(59,466)	15	-	(94,067)	(153,518)
Net income / (loss) before income tax	361,179	326,323	687,502	14,026	29,137	(103,399)	627,266
Income tax	(111,661)	(92,690)	(204,351)	(3,452)	(7,711)	(23,764)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	233,633	483,151	10,574	21,426	(127,163)	387,988
Income / (loss) arising from discontinued operations	-	-	-	-	-	13,412	13,412
Net income / (loss) for the year	249,518	233,633	483,151	10,574	21,426	(113,751)	401,400
Non-controlling interests	-	(99,756)	(99,756)	-	-	359	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	133,877	383,395	10,574	21,426	(113,392)	302,003

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2019, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	9,488,042	1,425,056	10,913,098	1,678,262	2,706,079	(8,917,036)	6,380,403
Loans and advances to customers (1)	22,028,660	17,065,043	39,093,703	11,971,158	645,486	564,358	52,274,705
Financial assets (2)	384,926	6,220,579	6,605,505	-	5,389	9,725,291	16,336,185
Other assets	197,446	778,715	976,161	49,208	25,060	5,601,686	6,652,115
Total Assets	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Resources from other credit institutions (3)	616,186	443,268	1,059,454	4,413,047	512	893,945	6,366,958
Resources from customers (4)	28,855,517	20,842,418	49,697,935	7,882,707	2,793,225	473,273	60,847,140
Debt securities issued (5)	1,399,948	278,290	1,678,238	1,797	94,973	1,300,890	3,075,898
Other financial liabilities (6)	-	546,892	546,892	-	67	1,604,603	2,151,562
Other liabilities (7)	46,786	688,540	735,326	67,409	18,811	999,050	1,820,596
Total Liabilities	30,918,437	22,799,408	53,717,845	12,364,960	2,907,588	5,271,761	74,262,154
Equity and non-controlling interests	1,180,637	2,689,985	3,870,622	1,333,668	474,426	1,702,538	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Number of employees	4,635	11,295	15,930	597	230	1,828	18,585
Public subsidies received	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income, assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) Foreign Business segment considers 8,615 employees from Poland corresponding to 8,464 FTE - Full-time equivalent.

As at 31 December 2018, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking: Retail in Portugal	Commercial banking: Foreign business [1]	Commercial banking: Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Interest and similar income	460,036	886,236	1,346,272	343,043	30,273	170,151	1,889,739
Interest expense and similar charges	(38,012)	(276,786)	(314,798)	(62,663)	(8,528)	(80,119)	(466,108)
Net interest income	422,024	609,450	1,031,474	280,380	21,745	90,032	1,423,631
Commissions and other income	411,761	255,775	667,536	171,552	56,691	5,282	901,061
Commissions and other costs	(41,145)	(137,664)	(178,809)	(27,574)	(7,233)	(130,191)	(343,807)
Net commissions and other income [2]	370,616	118,111	488,727	143,978	49,458	(124,909)	557,254
Net gains arising from trading activity [3]	16,079	62,487	78,566	436	4,207	(4,661)	78,548
Share of profit of associates under the equity method	-	34,060	34,060	-	-	55,115	89,175
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	10,774	10,773	12	-	27,131	37,916
Net operating revenue	808,718	834,882	1,643,600	424,806	75,410	42,708	2,186,524
Operating expenses	467,085	361,500	828,585	127,328	41,912	29,388	1,027,213
Impairment for credit and financial assets [4]	(11,976)	(75,538)	(87,514)	(453,636)	329	76,445	(464,376)
Other impairments and provisions [5]	(9)	(14,680)	(14,689)	(8)	1	(122,030)	(136,726)
Net income / (loss) before income tax	329,648	383,164	712,812	(156,166)	33,828	(32,265)	558,209
Income tax	(102,261)	(85,421)	(187,682)	50,036	(8,592)	8,221	(138,017)
Income / (loss) after income tax from continuing operations	227,387	297,743	525,130	(106,130)	25,236	(24,044)	420,192
Income arising from discontinued operations	-	-	-	-	-	(1,318)	(1,318)
Net income / (loss) for the year	227,387	297,743	525,130	(106,130)	25,236	(25,362)	418,874
Non-controlling interests	-	(122,366)	(122,366)	-	-	4,557	(117,809)
Net income / (loss) for the year attributable to Bank's Shareholders	227,387	175,377	402,764	(106,130)	25,236	(20,805)	301,065

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2018, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Commercial banking: Retail in Portugal	Commercial banking: Foreign business [1]	Commercial banking: Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,676,928	1,280,716	9,957,644	218,221	2,513,580	(8,718,866)	3,970,579
Loans and advances to customers [1]	21,257,724	12,977,414	34,235,138	13,092,522	573,712	221,924	48,123,296
Financial assets [2]	20,838	6,148,434	6,169,272	-	1,481	10,976,994	17,147,747
Other assets	187,135	596,699	783,834	49,580	15,569	5,832,444	6,681,427
Total Assets	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Resources from other credit institutions [3]	913,040	483,416	1,396,456	4,310,909	1,640	2,043,791	7,752,796
Resources from customers [4]	27,168,263	16,988,098	44,156,361	7,883,217	2,577,072	631,586	55,248,236
Debt securities issued [5]	1,018,395	188,446	1,206,841	769	54,691	1,443,884	2,706,185
Other financial liabilities [6]	-	304,002	304,002	-	1,428	1,271,583	1,577,013
Other liabilities [7]	38,566	514,180	552,746	60,772	10,559	1,050,836	1,674,913
Total Liabilities	29,138,264	18,478,142	47,616,406	12,255,667	2,645,390	6,441,680	68,959,143
Equity and non-controlling interests	1,004,361	2,525,121	3,529,482	1,104,656	458,950	1,870,818	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	21,003,263	51,145,888	13,360,323	3,104,340	8,312,498	75,923,049
Number of employees	4,637	8,889	13,526	725	226	1,590	16,067
Public subsidies received	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) Foreign Business segment considers 6,270 employees from Poland corresponding to 6,132 FTE - Full-time equivalent.

As at 31 December 2019, the net contribution of the major geographic segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	501,354	328,785	18,093	99,891	948,123	785,688	247,860	9,774	1,991,445
Interest expense and similar charges	(26,135)	(53,738)	(7,695)	(71,023)	(158,591)	(218,355)	(65,465)	(506)	(442,917)
Net interest income	475,219	275,047	10,398	28,868	789,532	567,333	182,395	9,268	1,548,528
Commissions and other income	426,328	162,345	26,936	16,997	632,606	226,526	58,597	30,619	948,348
Commissions and other costs	(43,919)	(26,920)	(1,928)	(134,450)	(207,217)	(148,993)	(14,893)	(5,598)	(376,701)
Net commissions and other income [2]	382,409	135,425	25,008	(117,453)	425,389	77,533	43,704	25,021	571,647
Net gains arising from trading activity [3]	16,798	396	395	33,874	51,463	73,382	14,865	3,603	143,313
Share of profit of associates under the equity method	-	-	-	40,471	40,471	-	-	2,518	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	27,563	27,563	(2,082)	6,417	9	31,907
Net operating revenue	874,426	410,868	35,801	13,323	1,334,418	716,166	247,381	40,419	2,338,384
Operating expenses	488,002	126,073	20,154	40,068	674,297	369,753	97,817	27,605	1,169,472
Impairment for credit and financial assets [4]	(25,237)	(270,784)	1,563	17,413	(277,045)	(93,542)	(19,999)	2,458	(388,128)
Other impairments and provisions [5]	(8)	15	-	(94,067)	(94,060)	(58,397)	(1,062)	1	(153,518)
Net income / (loss) before income tax	361,179	14,026	17,210	(103,399)	289,016	194,474	128,503	15,273	627,266
Income tax	(111,661)	(3,452)	(5,421)	(23,764)	(144,298)	(63,931)	(28,094)	(2,955)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	10,574	11,789	(127,163)	144,718	130,543	100,409	12,318	387,988
Income / (loss) arising from discontinued operations	-	-	-	13,412	13,412	-	-	-	13,412
Net income / (loss) for the year	249,518	10,574	11,789	(113,751)	158,130	130,543	100,409	12,318	401,400
Non-controlling interests	-	-	-	359	359	(65,141)	(34,067)	(548)	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	10,574	11,789	(113,392)	158,489	65,402	66,342	11,770	302,003

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2019, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	9,488,042	1,678,262	2,075,021	(8,917,036)	4,324,289	724,030	701,026	631,058	6,380,403
Loans and advances to customers [1]	22,028,660	11,971,158	273,602	564,358	34,837,778	16,432,968	632,075	371,884	52,274,705
Financial assets [2]	384,926	-	-	9,725,291	10,110,217	5,436,994	783,585	5,389	16,336,185
Other assets	197,446	49,208	13,234	5,601,686	5,861,574	468,044	217,627	104,870	6,652,115
Total Assets	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Resources from other credit institutions [3]	616,186	4,413,047	-	893,945	5,923,178	392,671	12,192	38,917	6,366,958
Resources from customers [4]	28,855,517	7,882,707	2,193,470	473,273	39,404,967	19,157,713	1,684,705	599,755	60,847,140
Debt securities issued [5]	1,399,948	1,797	94,973	1,300,890	2,797,608	278,290	-	-	3,075,898
Other financial liabilities [6]	-	-	-	1,604,603	1,604,603	546,892	-	67	2,151,562
Other liabilities [7]	46,786	67,409	1,060	999,050	1,114,305	583,474	105,066	17,751	1,820,596
Total Liabilities	30,918,437	12,364,960	2,289,503	5,271,761	50,844,661	20,959,040	1,801,963	656,490	74,262,154
Equity and non-controlling interests	1,180,637	1,333,668	72,354	1,702,538	4,289,197	2,102,996	532,350	456,711	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Number of employees	4,635	597	144	1,828	7,204	8,615	2,680	86	18,585
Public subsidies received	-	-	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income , assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) In Poland, the number of employees presented corresponds to 8,464 FTE - Full-time equivalent.

As at 31 December 2018, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	460,036	343,043	17,732	170,151	990,962	600,899	285,337	12,541	1,889,739
Interest expense and similar charges	(38,012)	(62,663)	(6,486)	(80,119)	(187,280)	(174,610)	(101,829)	(2,389)	(466,108)
Net interest income	422,024	280,380	11,246	90,032	803,682	426,289	183,508	10,152	1,423,631
Commissions and other income	411,761	171,552	27,674	5,282	616,269	200,753	55,022	29,017	901,061
Commissions and other costs	(41,145)	(27,574)	(1,584)	(130,191)	(200,494)	(123,173)	(14,490)	(5,650)	(343,807)
Net commissions and other income [2]	370,616	143,978	26,090	(124,909)	415,775	77,580	40,532	23,367	557,254
Net gains arising from trading activity [3]	16,079	436	418	(4,661)	12,272	52,980	9,506	3,790	78,548
Share of profit of associates under the equity method	-	-	-	55,115	55,115	-	-	34,060	89,175
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	12	-	27,131	27,142	2,692	8,082	-	37,916
Net operating revenue	808,718	424,806	37,754	42,708	1,313,986	559,541	241,628	71,369	2,186,524
Operating expenses	467,085	127,328	17,405	29,388	641,206	270,149	91,350	24,508	1,027,213
Impairment for credit and financial assets [4]	(11,976)	(453,636)	82	76,445	(389,085)	(45,959)	(34,140)	4,808	(464,376)
Other impairments and provisions [5]	(9)	(8)	-	(122,030)	(122,047)	(3,112)	1,055	(12,622)	(136,726)
Net income / (loss) before income tax	329,648	(156,166)	20,431	(32,265)	161,648	240,321	117,193	39,047	558,209
Income tax	(102,261)	50,036	(6,436)	8,221	(50,440)	(61,910)	(22,160)	(3,507)	(138,017)
Income / (loss) after income tax from continuing operations	227,387	(106,130)	13,995	(24,044)	111,208	178,411	95,033	35,540	420,192
Income arising from discontinued operations	-	-	-	(1,318)	(1,318)	-	-	-	(1,318)
Net income / (loss) for the year	227,387	(106,130)	13,995	(25,362)	109,890	178,411	95,033	35,540	418,874
Non-controlling interests	-	-	-	4,557	4,557	(89,027)	(32,307)	(1,032)	(117,809)
Net income / (loss) for the year attributable to Bank's Shareholders	227,387	(106,130)	13,995	(20,805)	114,447	89,384	62,726	34,508	301,065

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2018, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,676,928	218,221	1,869,029	(8,718,866)	2,045,312	740,447	540,268	644,552	3,970,579
Loans and advances to customers [1]	21,257,724	13,092,522	231,839	221,924	34,804,009	12,268,269	711,562	339,456	48,123,296
Financial assets [2]	20,838	-	-	10,976,994	10,997,832	5,448,454	699,980	1,481	17,147,747
Other assets	187,135	49,580	12,163	5,832,444	6,081,322	268,046	186,692	145,367	6,681,427
Total Assets	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Resources from other credit institutions [3]	913,040	4,310,909	-	2,043,791	7,267,740	428,274	13,203	43,579	7,752,796
Resources from customers [4]	27,168,263	7,883,217	1,998,106	631,586	37,681,172	15,417,499	1,570,599	578,966	55,248,236
Debt securities issued [5]	1,018,395	769	54,691	1,443,884	2,517,739	188,446	-	-	2,706,185
Other financial liabilities [6]	-	-	-	1,271,583	1,271,583	304,002	-	1,428	1,577,013
Other liabilities [7]	38,566	60,772	1,018	1,050,836	1,151,192	435,594	78,586	9,541	1,674,913
Total Liabilities	29,138,264	12,255,667	2,053,815	6,441,680	49,889,426	16,773,815	1,662,388	633,514	68,959,143
Equity and non-controlling interests	1,004,361	1,104,656	59,216	1,870,817	4,039,050	1,951,400	476,114	497,342	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	13,360,323	2,113,031	8,312,497	53,928,476	18,725,215	2,138,502	1,130,856	75,923,049
Number of employees	4,637	725	143	1,590	7,095	6,270	2,619	83	16,067
Public subsidies received	-	-	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) In Poland, the number of employees presented corresponds to 6,132 FTE - Full-time equivalent.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	2019	2018
Net contribution		
Retail banking in Portugal	249,518	227,387
Companies, Corporate and Investment banking	10,574	(106,130)
Private Banking	11,789	13,995
Foreign business (continuing operations)	243,270	308,984
Non-controlling interests (1)	(99,756)	(122,366)
	415,395	321,870
Amounts not allocated to segments		
Net interest income of the bond portfolio	(1,615)	30,531
Foreign exchange activity	8,576	22,222
Gains / (losses) arising from sales of subsidiaries and other assets	27,563	27,130
Equity accounted earnings	40,471	55,115
Impairment and other provisions (2)	(76,654)	(45,586)
Operational costs (3)	(40,068)	(29,388)
Gains on sale of Portuguese public debt	69,444	14,889
Mandatory contributions	(66,627)	(66,471)
Loans sale	(28,897)	(49,343)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(28,806)	(11,130)
Taxes (5)	(23,764)	8,221
Income from discontinued operations	13,412	(1,318)
Non-controlling interests	359	4,557
Others (6)	(6,786)	19,766
Total not allocated to segments	(113,392)	(20,805)
Consolidated net income	302,003	301,065

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.
(2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.
(3) Corresponds to revenues/costs related restructuring costs.
(4) Includes gains/(losses) from corporate restructuring funds.
(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.
(6) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

53. Solvency

The Group'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).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1 (AT1).

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; 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, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 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 in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2019, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2019 Minimum Capital Requirements								
		of which:				of which:		
BCP Consolidated	Phased-in	Pilar 1	Pilar 2	*Buffers*	Fully implemented	Pilar 1	Pilar 2	*Buffers*
CET1	9.63%	4.50%	2.25%	2.88%	10.00%	4.50%	2.25%	3.25%
T1	11.13%	6.00%	2.25%	2.88%	11.50%	6.00%	2.25%	3.25%
Total	13.13%	8.00%	2.25%	2.88%	13.50%	8.00%	2.25%	3.25%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Group 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 in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

(Thousands of euros)

	2019	2018
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(102)	(74)
Reserves and retained earnings	926,877	1,006,048
Minority interests eligible to CET1	711,470	493,796
Regulatory adjustments to CET1	(871,226)	(1,194,083)
	5,508,490	5,047,158
Tier 1		
Capital Instruments	400,000	1,169
Minority interests eligible to AT1	103,949	72,740
	6,012,439	5,121,067
Tier 2		
Subordinated debt	821,704	477,675
Minority interests eligible to CET1	260,886	148,108
Other	(58,800)	(58,800)
	1,023,790	566,983
Total own funds	7,036,229	5,688,050
RWA - Risk weighted assets		
Credit risk	39,558,388	36,974,641
Market risk	1,301,134	1,125,845
Operational risk	4,058,072	3,631,244
CVA	113,884	151,302
	45,031,478	41,883,032
Capital ratios		
CET1	12.2%	12.1%
Tier 1	13.4%	12.2%
Tier 2	2.3%	1.4%
	15.6%	13.6%

The 2018 and 2019 amounts include the accumulated net income.

54. Risk Management

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

The Group'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 Group'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.

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund’s assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT’s structure and the Bank’s strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behaviour or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Risk of foreign currency loans’ conversion in Poland – This risk is related to eventual losses for the Group due to approval of law regarding rules of conversion into zlotys of loans originally based in foreign currency.

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 of the 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 Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, 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 Group 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 Group 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 Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2019	2018
Central Governments or Central Banks	15,734,930	15,231,511
Regional Governments or Local Authorities	818,986	806,871
Administrative and non-profit Organisations	301,479	144,656
Multilateral Development Banks	41,422	19,139
Other Credit Institutions	3,155,805	2,738,662
Retail and Corporate customers	66,252,288	60,735,561
Other items (*)	9,863,160	10,072,372
	96,168,070	89,748,772

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. 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 before 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 with 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 with the minimum periodicities 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 (land 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 2019 and 2018 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) 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 2019, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2019				
	Gross exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,357	3,006	-	-	893,363
Loans and advances to customers (note 21)	40,864,110	7,220,484	4,058,116	122,141	52,264,851
Debt instruments (note 22)	3,116,343	74,515	9,549	-	3,200,407
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,179,281	-	1,177	-	13,180,458
Guarantees and other commitments (note 45)	12,022,296	1,793,631	483,094	123	14,299,144
Total	70,072,387	9,091,636	4,551,936	122,264	83,838,223

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

(Thousands of euros)

	2019				
	Impairment losses				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	161	207	-	-	368
Loans and advances to customers (note 21)	94,766	190,878	2,117,756	13,622	2,417,022
Debt instruments (note 22)	4,669	382	9,480	-	14,531
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	-	-	-	-	-
Guarantees and other commitments (note 38)	10,329	6,330	99,899	2	116,560
Total	109,925	197,797	2,227,135	13,624	2,548,481

(Thousands of euros)

	2019				
	Net exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,196	2,799	-	-	892,995
Loans and advances to customers (note 21)	40,769,344	7,029,606	1,940,360	108,519	49,847,829
Debt instruments (note 22)	3,111,674	74,133	69	-	3,185,876
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,179,281	-	1,177	-	13,180,458
Guarantees and other commitments (notes 38 and 45)	12,011,967	1,787,301	383,195	121	14,182,584
Total	69,962,462	8,893,839	2,324,801	108,640	81,289,742

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

As at 31 December 2018, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2018				
	Gross Exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	880,560	10,657	669	-	891,886
Loans and advances to customers (note 21)	35,658,333	7,235,837	5,518,658	4	48,412,832
Debt instruments (note 22)	3,080,409	264,307	72,007	-	3,416,723
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,797,971	-	4,887	-	13,802,858
Guarantees and other commitments (note 45)	10,702,195	1,491,003	640,274	-	12,833,472
Total	64,119,468	9,001,804	6,236,495	4	79,357,771

(Thousands of euros)

	2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	410	774	669	-	1,853
Loans and advances to customers (note 21)	94,542	183,932	2,573,432	-	2,851,906
Debt instruments (note 22)	4,542	507	36,660	-	41,709
Guarantees and other commitments (note 38)	10,632	6,615	170,463	-	187,710
Total	110,126	191,828	2,781,224	-	3,083,178

(Thousands of euros)

	2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	880,150	9,883	-	-	890,033
Loans and advances to customers (note 21)	35,563,791	7,051,905	2,945,226	4	45,560,926
Debt instruments (note 22)	3,075,867	263,800	35,347	-	3,375,014
Debt instruments at fair value					
through other comprehensive income (note 23)	13,797,971	-	4,887	-	13,802,858
Guarantees and other commitments (notes 38 and 45)	10,691,563	1,484,388	469,811	-	12,645,762
Total	64,009,342	8,809,976	3,455,271	4	76,274,593

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2019	2018
Financial assets held for trading (note 23)		
Debt instruments	255,313	220,047
Derivatives	763,611	696,943
Financial assets designated at fair value through profit or loss - Debt instruments (note 23)	31,496	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	1,037,480	1,108,605
Hedging derivatives (note 24)	87,677	185,525
Total	2,087,900	2,058,629

- 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 2019, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	35,658,333	7,235,837	5,518,658	4	48,412,832
Changes in gross book value:					
Transfers from stage 1 to stage 2	(1,580,942)	1,580,942	-	-	-
Transfers from stage 1 to stage 3	(144,179)	-	144,179	-	-
Transfers from stage 2 to stage 1	1,713,624	(1,713,624)	-	-	-
Transfers from stage 2 to stage 3	-	(334,639)	334,639	-	-
Transfers from stage 3 to stage 1	46,668	-	(46,668)	-	-
Transfers from stage 3 to stage 2	-	407,346	(407,346)	-	-
Write-offs	(899)	(3,376)	(674,059)	-	(678,334)
Impact of acquisition/merger of Euro Bank	2,610,511	74,423	46,962	120,733	2,852,629
Net balance of new financial assets and derecognised financial assets and other variations	2,560,994	(26,425)	(858,249)	1,404	1,677,724
Gross amount at the end of the year	40,864,110	7,220,484	4,058,116	122,141	52,264,851

During 2019, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,542	183,932	2,573,432	-	2,851,906
Change in impairment losses:					
Transfer to Stage 1	39,801	(35,498)	(4,303)	-	-
Transfer to Stage 2	(7,291)	47,833	(40,542)	-	-
Transfer to Stage 3	(1,712)	(18,508)	20,220	-	-
Changes occurred due to changes in credit risk	(52,163)	(18,260)	105,185	-	34,762
Write-offs	(719)	(3,376)	(674,059)	-	(678,154)
Impact of acquisition/merger of Euro Bank	12,769	8,455	18,564	13,109	52,897
Changes due to new financial assets and derecognised financial assets and other variations	9,539	26,300	119,259	513	155,611
Impairment losses at the end of the year	94,766	190,878	2,117,756	13,622	2,417,022

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

(Thousands of euros)

	2018				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	34,511,663	7,177,992	6,960,474	-	48,650,129
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,805,394)	1,805,394	-	-	-
Transfer from Stage 1 to Stage 3	(161,037)	-	161,037	-	-
Transfer from Stage 2 to Stage 1	1,359,489	(1,359,489)	-	-	-
Transfer from Stage 2 to Stage 3	-	(481,014)	481,014	-	-
Transfer from Stage 3 to Stage 1	40,611	-	(40,611)	-	-
Transfer from Stage 3 to Stage 2	-	325,303	(325,303)	-	-
Write-offs	(8,218)	(32,515)	(635,807)	-	(676,540)
Net balance of new financial assets and derecognised financial assets and other changes	1,721,219	(199,834)	(1,082,146)	4	439,243
Gross amount at the end of the year	35,658,333	7,235,837	5,518,658	4	48,412,832

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

(Thousands of euros)

	2018				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January 2018	112,344	244,708	3,165,613	-	3,522,665
Change in impairment losses:					
Transfer to Stage 1	39,995	(34,753)	(5,242)	-	-
Transfer to Stage 2	(8,140)	52,265	(44,125)	-	-
Transfer to Stage 3	(4,487)	(32,534)	37,021	-	-
Changes occurred due to changes in credit risk	(48,233)	(2,782)	393,564	-	342,549
Write-offs	(8,218)	(32,515)	(635,807)	-	(676,540)
Changes due to new financial assets and derecognised financial assets and other variations	11,281	(10,457)	(337,592)	-	- (336,768)
Impairment losses at the end of the year	94,542	183,932	2,573,432	-	2,851,906

The modified financial assets that do not result in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2019**	**2018**
Amortised cost before changes	669,892	547,969
Impairment losses before changes	(270,074)	(171,010)
Net amortised cost before changes	399,818	376,959
Net gain / loss arising on changes	(8,979)	(13,348)
Net amortised cost after changes	390,839	363,611

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as f

(Thousands of euros)

Financial assets changed	2019	2018
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	-	67,709

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2019									
		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	22,353,466	2,409,116	153,136	53,818	2,616,070	290,423	336,520	626,943	21,869	25,618,348
Individuals-Other	7,915,090	722,034	108,364	63,299	893,697	243,799	333,221	577,020	100,373	9,486,180
Financial Companies	3,142,152	436,539	87	9	436,635	217,568	253,927	471,495	-	4,050,282
Non-financial comp. - Corporate	8,062,174	994,988	515	448	995,951	443,269	630,343	1,073,612	-	10,131,737
Non-financial comp.- SME-Corporate	9,541,235	2,369,242	22,412	4,655	2,396,309	793,661	323,413	1,117,074	-	13,054,618
Non-financial comp. -SME-Retail	4,091,815	1,232,296	36,575	13,744	1,282,615	409,553	207,741	617,294	22	5,991,746
Non-financial comp.-Other	463,226	122,636	14	-	122,650	9,677	57,553	67,230	-	653,106
Other loans	1,323,948	347,709	-	-	347,709	90	1	91	-	1,671,748
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Individuals-Mortgage	5,926	10,390	2,875	3,531	16,796	28,620	71,542	100,162	416	123,300
Individuals-Other	36,710	16,884	11,416	11,523	39,823	94,004	187,494	281,498	13,203	371,234
Financial Companies	1,976	5,198	10	1	5,209	142,056	203,236	345,292	-	352,477
Non-financial comp. - Corporate	22,635	19,230	3	34	19,267	269,938	386,084	656,022	-	697,924
Non-financial comp.- SME-Corporate	32,913	78,768	2,213	615	81,596	260,117	232,087	492,204	-	606,713
Non-financial comp. -SME-Retail	7,767	27,831	2,036	1,178	31,045	194,031	124,383	318,414	5	357,231
Non-financial comp.-Other	239	370	-	-	370	1,314	32,229	33,543	-	34,152
Other loans	1,759	3,691	-	-	3,691	-	-	-	-	5,450
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Individuals-Mortgage	22,347,540	2,398,726	150,261	50,287	2,599,274	261,803	264,978	526,781	21,453	25,495,048
Individuals-Other	7,878,380	705,150	96,948	51,776	853,874	149,795	145,727	295,522	87,170	9,114,946
Financial Companies	3,140,176	431,341	77	8	431,426	75,512	50,691	126,203	-	3,697,805
Non-financial comp. - Corporate	8,039,539	975,758	512	414	976,684	173,331	244,259	417,590	-	9,433,813
Non-financial comp.- SME-Corporate	9,508,322	2,290,474	20,199	4,040	2,314,713	533,544	91,326	624,870	-	12,447,905
Non-financial comp. -SME-Retail	4,084,048	1,204,465	34,539	12,566	1,251,570	215,522	83,358	298,880	17	5,634,515
Non-financial comp.-Other	462,987	122,266	14	-	122,280	8,363	25,324	33,687	-	618,954
Other loans	1,322,189	344,018	-	-	344,018	90	1	91	-	1,666,298
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Individuals-Mortgage	0.03%	0.43%	1.88%	6.56%	0.64%	9.85%	21.26%	15.98%	1.90%	0.48%
Individuals-Other	0.46%	2.34%	10.54%	18.20%	4.46%	38.56%	56.27%	48.78%	13.15%	3.91%
Financial Companies	0.06%	1.19%	11.49%	10.79%	1.19%	65.29%	80.04%	73.23%	0.00%	8.70%
Non-financial comp. - Corporate	0.28%	1.93%	0.63%	7.55%	1.93%	60.90%	61.25%	61.10%	0.00%	6.89%
Non-financial comp.- SME-Corporate	0.34%	3.32%	9.88%	13.22%	3.41%	32.77%	71.76%	44.06%	0.00%	4.65%
Non-financial comp. -SME-Retail	0.19%	2.26%	5.57%	8.57%	2.42%	47.38%	59.87%	51.58%	24.69%	5.96%
Non-financial comp.-Other	0.05%	0.30%	0.32%	0.16%	0.30%	13.58%	56.00%	49.89%	0.00%	5.23%
Other loans	0.13%	1.06%	0.00%	86.57%	1.06%	0.34%	25.74%	0.65%	0.00%	0.33%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2019									
		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	30,268,556	3,131,150	261,500	117,117	3,509,767	534,222	669,741	1,203,963	122,242	35,104,528
Non-financial comp.- Trade	4,582,666	699,541	15,539	2,875	717,955	162,472	90,839	253,311	5	5,553,937
Non-financial comp.- Construction	1,818,997	661,929	5,314	1,413	668,656	497,493	223,261	720,754	7	3,208,414
Non finan. comp.- Manufacturing indust.	4,923,011	776,824	12,375	5,430	794,629	144,757	127,568	272,325	-	5,989,965
Non-financial comp.-Other activities	1,430,987	406,038	4,623	917	411,578	162,545	11,707	174,252	-	2,016,817
Non-financial comp.- Other services	9,402,789	2,174,830	21,665	8,212	2,204,707	688,893	765,675	1,454,568	10	13,062,074
Other Services /Other activities	4,466,100	784,248	87	9	784,344	217,658	253,928	471,586	-	5,722,030
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Loans to individuals	42,636	27,274	14,291	15,054	56,619	122,624	259,036	381,660	13,619	494,534
Non-financial comp.- Trade	14,704	12,532	935	378	13,845	77,103	50,035	127,138	1	155,688
Non-financial comp.- Construction	5,965	8,362	616	90	9,068	135,666	168,096	303,762	1	318,796
Non-financial comp.- Manufacturing indus	16,042	17,799	1,021	759	19,579	51,759	52,406	104,165	-	139,786
Non-financial comp.-Other activities	3,162	11,014	76	121	11,211	75,129	4,224	79,353	-	93,726
Non-financial comp.- Other services	23,681	76,492	1,604	479	78,575	385,743	500,022	885,765	3	988,024
Other Services /Other activities	3,735	8,889	10	1	8,900	142,056	203,236	345,292	-	357,927
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Loans to individuals	30,225,920	3,103,876	247,209	102,063	3,453,148	411,598	410,705	822,303	108,623	34,609,994
Non-financial comp.- Trade	4,567,962	687,009	14,604	2,497	704,110	85,369	40,804	126,173	4	5,398,249
Non-financial comp.- Construction	1,813,032	653,567	4,698	1,323	659,588	361,827	55,165	416,992	6	2,889,618
Non finan. comp.- Manufacturing indust.	4,906,969	759,025	11,354	4,671	775,050	92,998	75,162	168,160	-	5,850,179
Non-financial comp.-Other activities	1,427,825	395,024	4,547	796	400,367	87,416	7,483	94,899	-	1,923,091
Non-financial comp.- Other services	9,379,108	2,098,338	20,061	7,733	2,126,132	303,150	265,653	568,803	7	12,074,050
Other Services /Other activities	4,462,365	775,359	77	8	775,444	75,602	50,692	126,294	-	5,364,103
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Loans to individuals	0.14%	0.87%	5.47%	12.85%	1.61%	22.95%	38.68%	31.70%	11.14%	1.41%
Non-financial comp.- Trade	0.32%	1.79%	6.02%	13.16%	1.93%	47.46%	55.08%	50.19%	19.52%	2.80%
Non-financial comp.- Construction	0.33%	1.26%	11.59%	6.39%	1.36%	27.27%	75.29%	42.15%	17.98%	9.94%
Non finan. comp.- Manufacturing indust.	0.33%	2.29%	8.25%	13.97%	2.46%	35.76%	41.08%	38.25%	0.00%	2.33%
Non-financial comp.-Other activities	0.22%	2.71%	1.63%	13.20%	2.72%	46.22%	36.08%	45.54%	0.00%	4.65%
Non-financial comp.- Other services	0.25%	3.52%	7.41%	5.83%	3.56%	55.99%	65.30%	60.90%	32.25%	7.56%
Other Services /Other activities	0.08%	1.13%	11.49%	12.31%	1.13%	65.27%	80.04%	73.22%	0.00%	6.26%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Geography	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										
Portugal	37,360,242	7,539,145	213,859	50,683	7,803,687	2,091,146	1,634,199	3,725,345	4	48,889,278
Poland	17,805,331	637,164	103,279	83,608	824,051	280,998	375,142	656,140	122,260	19,407,782
Mozambique	1,223,817	458,251	3,965	1,682	463,898	32,342	133,378	165,720	-	1,853,435
Switzerland	503,716	-	-	-	-	3,554	-	3,554	-	507,270
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Portugal	29,491	135,225	6,309	2,365	143,899	862,601	946,988	1,809,589	-	1,982,979
Poland	76,111	20,991	11,359	14,078	46,428	115,442	222,327	337,769	13,624	473,932
Mozambique	3,966	6,146	885	439	7,470	8,488	67,740	76,228	-	87,664
Switzerland	357	-	-	-	-	3,549	-	3,549	-	3,906
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Portugal	37,330,751	7,403,920	207,550	48,318	7,659,788	1,228,545	687,211	1,915,756	4	46,906,299
Poland	17,729,220	616,173	91,920	69,530	777,623	165,556	152,815	318,371	108,636	18,933,850
Mozambique	1,219,851	452,105	3,080	1,243	456,428	23,854	65,638	89,492	-	1,765,771
Switzerland	503,359	-	-	-	-	5	-	5	-	503,364
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Portugal	0.08%	1.79%	2.95%	4.67%	1.84%	41.25%	57.95%	48.58%	0.00%	4.06%
Poland	0.43%	3.29%	11.00%	16.84%	5.63%	41.08%	59.26%	51.48%	11.14%	2.44%
Mozambique	0.32%	1.34%	22.33%	26.10%	1.61%	26.25%	50.79%	46.00%	0.00%	4.73%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	99.87%	0.00%	99.87%	0.00%	0.77%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2019							
	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	27,229,156	9,199,924	3,325,337	24,978	3,593,623	43,373,018	96,281	43,276,737
stage 2	1,156,108	1,649,110	2,999,799	498,649	615,424	6,919,090	184,280	6,734,810
stage 3	1,054	3,425	66,159	3,757,614	75,746	3,903,998	2,048,079	1,855,919
POCI	434	536	456	112,054	8,662	122,142	13,622	108,520
	28,386,752	10,852,995	6,391,751	4,393,295	4,293,455	54,318,248	2,342,262	51,975,986
Debt instruments at fair value through other comprehensive income (*)								
stage 1	12,732,509	88,792	184	-	276,641	13,098,126	-	13,098,126
stage 2	-	-	-	-	-	-	-	-
stage 3	-	-	-	-	-	-	-	-
	12,732,509	88,792	184	-	276,641	13,098,126	-	13,098,126
Guarantees and other commitments								
stage 1	7,431,539	2,938,347	940,101	235	482,333	11,792,555	9,321	11,783,234
stage 2	206,446	342,793	640,031	65,466	453,912	1,708,648	6,047	1,702,601
stage 3	9	9	18,415	457,458	1,596	477,487	99,279	378,208
	7,637,994	3,281,149	1,598,547	523,159	937,841	13,978,690	114,647	13,864,043
Total	48,757,255	14,222,936	7,990,482	4,916,454	5,507,937	81,395,064	2,456,909	78,938,155

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	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	19,749,462	2,536,079	197,808	46,836	2,780,723	429,851	551,741	981,592	-	23,511,777
Individuals-Other	5,552,362	714,557	102,982	32,516	850,055	267,829	371,734	639,563	4	7,041,984
Financial Companies	2,968,123	363,896	-	-	363,896	283,266	372,289	655,555	-	3,987,574
Non-financial comp. - Corporate	7,633,705	1,230,536	6,688	202	1,237,426	599,083	637,974	1,237,057	-	10,108,188
Non-financial comp.- SME-Corporate	9,015,943	2,041,249	25,862	3,241	2,070,352	1,088,217	622,686	1,710,903	-	12,797,198
Non-financial comp. -SME-Retail	3,381,566	1,151,099	64,964	6,624	1,222,687	558,034	357,637	915,671	-	5,519,924
Non-financial comp.-Other	282,342	173,104	351	143	173,598	31,802	58,226	90,028	-	545,968
Other loans	1,737,994	302,936	43	88	303,067	11	1,228	1,239	-	2,042,300
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Individuals-Mortgage	6,527	10,629	7,063	2,865	20,557	32,951	103,478	136,429	-	163,513
Individuals-Other	28,974	16,796	10,419	5,249	32,464	109,544	216,385	325,929	-	387,367
Financial Companies	2,266	7,318	-	-	7,318	187,600	280,991	468,591	-	478,175
Non-financial comp. - Corporate	23,010	33,240	109	5	33,354	346,914	378,883	725,797	-	782,161
Non-financial comp.- SME-Corporate	37,788	53,270	1,829	1,250	56,349	347,670	362,971	710,641	-	804,778
Non-financial comp. -SME-Retail	8,906	29,055	2,047	760	31,862	216,571	165,252	381,823	-	422,591
Non-financial comp.-Other	775	3,716	11	13	3,740	17,295	13,479	30,774	-	35,289
Other loans	1,880	6,184	-	-	6,184	11	1,229	1,240	-	9,304
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Individuals-Mortgage	19,742,935	2,525,450	190,745	43,971	2,760,166	396,900	448,263	845,163	-	23,348,264
Individuals-Other	5,523,388	697,761	92,563	27,267	817,591	158,285	155,349	313,634	4	6,654,617
Financial Companies	2,965,857	356,578	-	-	356,578	95,666	91,298	186,964	-	3,509,399
Non-financial comp. - Corporate	7,610,695	1,197,296	6,579	197	1,204,072	252,169	259,091	511,260	-	9,326,027
Non-financial comp.- SME-Corporate	8,978,155	1,987,979	24,033	1,991	2,014,003	740,547	259,715	1,000,262	-	11,992,420
Non-financial comp. -SME-Retail	3,372,660	1,122,044	62,917	5,864	1,190,825	341,463	192,385	533,848	-	5,097,333
Non-financial comp.-Other	281,567	169,388	340	130	169,858	14,507	44,747	59,254	-	510,679
Other loans	1,736,114	296,752	43	88	296,883	-	(1)	(1)	-	2,032,996
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Individuals-Mortgage	0.03%	0.42%	3.57%	6.12%	0.74%	7.67%	18.75%	13.90%	0.00%	0.70%
Individuals-Other	0.52%	2.35%	10.12%	16.14%	3.82%	40.90%	58.21%	50.96%	0.00%	5.50%
Financial Companies	0.08%	2.01%	7.10%	21.98%	2.01%	66.23%	75.48%	71.48%	0.00%	11.99%
Non-financial comp. - Corporate	0.30%	2.70%	1.63%	2.67%	2.70%	57.91%	59.39%	58.67%	0.00%	7.74%
Non-financial comp.- SME-Corporate	0.42%	2.61%	7.07%	38.58%	2.72%	31.95%	58.29%	41.54%	0.00%	6.29%
Non-financial comp. -SME-Retail	0.26%	2.52%	3.15%	11.47%	2.61%	38.81%	46.21%	41.70%	0.00%	7.66%
Non-financial comp.-Other	0.27%	2.15%	3.17%	8.86%	2.15%	54.38%	23.15%	34.18%	0.00%	6.46%
Other loans	0.11%	2.04%	1.04%	0.22%	2.04%	100.00%	99.92%	99.92%	0.00%	0.46%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	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	25,301,824	3,250,636	300,790	79,352	3,630,778	697,680	923,475	1,621,155	4	30,553,761
Non-financial comp.- Trade	4,247,942	642,117	14,849	2,904	659,870	230,067	157,920	387,987	-	5,295,799
Non-financial comp.- Construction	1,574,944	525,725	7,678	2,245	535,648	705,122	457,206	1,162,328	-	3,272,920
Non finan. comp.- Manufacturing indust.	4,474,126	903,046	16,952	1,291	921,289	146,016	169,215	315,231	-	5,710,646
Non-financial comp.-Other activities	1,349,242	320,945	2,313	502	323,760	212,992	18,897	231,889	-	1,904,891
Non-financial comp.- Other services	8,667,302	2,204,155	56,073	3,268	2,263,496	982,939	873,285	1,856,224	-	12,787,022
Other Services /Other activities	4,706,117	666,832	43	88	666,963	283,277	373,517	656,794	-	6,029,874
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Loans to individuals	35,501	27,425	17,482	8,114	53,021	142,495	319,863	462,358	-	550,880
Non-financial comp.- Trade	14,814	16,075	783	902	17,760	92,613	92,945	185,558	-	218,132
Non-financial comp.- Construction	6,299	5,719	1,099	550	7,368	265,322	263,502	528,824	-	542,491
Non-financial comp.- Manufacturing indus	17,935	18,086	1,039	132	19,257	52,154	88,621	140,775	-	177,967
Non-financial comp.-Other activities	2,407	10,089	75	70	10,234	90,586	8,189	98,775	-	111,416
Non-financial comp.- Other services	29,024	69,312	1,000	374	70,686	427,775	467,328	895,103	-	994,813
Other Services /Other activities	4,146	13,502	-	-	13,502	187,611	282,220	469,831	-	487,479
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Loans to individuals	25,266,323	3,223,211	283,308	71,238	3,577,757	555,185	603,612	1,158,797	4	30,002,881
Non-financial comp.- Trade	4,233,128	626,042	14,066	2,002	642,110	137,454	64,975	202,429	-	5,077,667
Non-financial comp.- Construction	1,568,645	520,006	6,579	1,695	528,280	439,800	193,704	633,504	-	2,730,429
Non finan. comp.- Manufacturing indust.	4,456,191	884,960	15,913	1,159	902,032	93,862	80,594	174,456	-	5,532,679
Non-financial comp.-Other activities	1,346,835	310,856	2,238	432	313,526	122,406	10,708	133,114	-	1,793,475
Non-financial comp.- Other services	8,638,278	2,134,843	55,073	2,894	2,192,810	555,164	405,957	961,121	-	11,792,209
Other Services /Other activities	4,701,971	653,330	43	88	653,461	95,666	91,297	186,963	-	5,542,395
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Loans to individuals	0.14%	0.84%	5.81%	10.23%	1.46%	20.42%	34.64%	28.52%	0.00%	1.80%
Non-financial comp.- Trade	0.35%	2.50%	5.28%	31.06%	2.69%	40.25%	58.86%	47.83%	0.00%	4.12%
Non-financial comp.- Construction	0.40%	1.09%	14.31%	24.49%	1.38%	37.63%	57.63%	45.50%	0.00%	16.58%
Non finan. comp.- Manufacturing indust.	0.40%	2.00%	6.13%	10.20%	2.09%	35.72%	52.37%	44.66%	0.00%	3.12%
Non-financial comp.-Other activities	0.18%	3.14%	3.25%	13.99%	3.16%	42.53%	43.34%	42.60%	0.00%	5.85%
Non-financial comp.- Other services	0.33%	3.14%	1.78%	11.46%	3.12%	43.52%	53.51%	48.22%	0.00%	7.78%
Other Services /Other activities	0.09%	2.02%	1.04%	0.32%	2.02%	66.23%	75.56%	71.53%	0.00%	8.08%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2018									
		Stage 2				Stage 3				
Geography	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										
Portugal	35,135,414	7,451,625	241,597	40,889	7,734,111	2,966,505	2,524,585	5,491,090	4	48,360,619
Poland	13,457,252	622,012	137,888	45,848	805,748	260,144	316,334	576,478	-	14,839,478
Mozambique	1,250,611	439,819	19,213	2,913	461,945	27,866	132,596	160,462	-	1,873,018
Switzerland	478,220	-	-	-	-	3,578	-	3,578	-	481,798
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Portugal	31,379	124,608	5,442	1,429	131,479	1,126,917	1,272,926	2,399,843	-	2,562,701
Poland	67,895	24,838	12,879	7,398	45,115	108,280	200,123	308,403	-	421,413
Mozambique	10,094	10,762	3,157	1,315	15,234	20,652	49,619	70,271	-	95,599
Switzerland	758	-	-	-	-	2,707	-	2,707	-	3,465
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Portugal	35,104,035	7,327,017	236,155	39,460	7,602,632	1,839,588	1,251,659	3,091,247	4	45,797,918
Poland	13,389,357	597,174	125,009	38,450	760,633	151,864	116,211	268,075	-	14,418,065
Mozambique	1,240,517	429,057	16,056	1,598	446,711	7,214	82,977	90,191	-	1,777,419
Switzerland	477,462	-	-	-	-	871	-	871	-	478,333
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Portugal	0.09%	1.67%	2.25%	3.49%	1.70%	37.99%	50.42%	43.70%	0.00%	5.30%
Poland	0.50%	3.99%	9.34%	16.14%	5.60%	41.62%	63.26%	53.50%	0.00%	2.84%
Mozambique	0.81%	2.45%	16.43%	45.16%	3.30%	74.11%	37.42%	43.79%	0.00%	5.10%
Switzerland	0.16%	0.00%	0.00%	0.00%	0.00%	75.66%	0.00%	75.66%	0.00%	0.72%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	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	25,159,396	8,953,561	2,853,215	35	1,181,364	38,147,571	90,088	38,057,483
stage 2	1,205,609	1,583,594	3,037,028	474,487	774,553	7,075,271	170,144	6,905,127
stage 3	2,549	10,477	96,250	5,246,346	73,159	5,428,781	2,538,296	2,890,485
POCI	-	-	-	-	4	4	-	4
	26,367,554	10,547,632	5,986,493	5,720,868	2,029,080	50,651,627	2,798,528	47,853,099
Debt instruments at fair value through other comprehensive income (*)								
stage 1	13,708,187	83,940	-	-	5,843	13,797,970	-	13,797,970
stage 3	-	-	-	-	4,887	4,887	-	4,887
	13,708,187	83,940	-	-	10,730	13,802,857	-	13,802,857
Guarantees and other commitments								
stage 1	6,664,521	2,619,025	759,108	24	402,415	10,445,093	9,186	10,435,907
stage 2	205,729	304,644	609,108	49,856	295,250	1,464,587	6,451	1,458,136
stage 3	60	5	25,145	609,961	3,617	638,788	169,948	468,840
	6,870,310	2,923,674	1,393,361	659,841	701,282	12,548,468	185,585	12,362,883
Total	46,946,051	13,555,246	7,379,854	6,380,709	2,741,092	77,002,952	2,984,113	74,018,839

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	29,015	25,589,333	25,618,348	10,216	113,084	123,300
Individuals-Other	115,704	9,370,476	9,486,180	29,834	341,400	371,234
Financial Companies	458,198	3,592,084	4,050,282	344,870	7,607	352,477
Non-financial comp. - Corporate	1,044,443	9,087,294	10,131,737	649,682	48,242	697,924
Non-financial comp.- SME-Corporate	902,774	12,151,844	13,054,618	452,958	153,755	606,713
Non-financial comp. -SME-Retail	438,601	5,553,145	5,991,746	255,339	101,892	357,231
Non-financial comp.-Other	61,862	591,244	653,106	33,358	794	34,152
Other loans	-	1,671,748	1,671,748	-	5,450	5,450
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	144,718	34,959,810	35,104,528	40,050	454,484	494,534
Non-financial comp.- Trade	167,971	5,385,966	5,553,937	98,054	57,634	155,688
Non-financial comp.- Construction	605,188	2,603,226	3,208,414	281,705	37,091	318,796
Non finan. comp.- Manufacturing indust.	170,689	5,819,276	5,989,965	82,803	56,983	139,786
Non-financial comp.-Other activities	152,241	1,864,576	2,016,817	75,203	18,523	93,726
Non-financial comp.- Other services	1,351,591	11,710,483	13,062,074	853,573	134,451	988,024
Other Services /Other activities	458,199	5,263,831	5,722,030	344,869	13,058	357,927
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	2,732,595	46,156,683	48,889,278	1,626,492	356,487	1,982,979
Poland	181,361	19,226,421	19,407,782	83,898	390,034	473,932
Mozambique	133,087	1,720,348	1,853,435	62,318	25,346	87,664
Switzerland	3,554	503,716	507,270	3,549	357	3,906
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

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, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	32,543	23,479,234	23,511,777	12,377	151,136	163,513
Individuals-Other	158,089	6,883,895	7,041,984	63,796	323,571	387,367
Financial Companies	639,580	3,347,994	3,987,574	465,963	12,212	478,175
Non-financial comp. - Corporate	1,220,815	8,887,373	10,108,188	720,016	62,145	782,161
Non-financial comp.- SME-Corporate	1,343,991	11,453,207	12,797,198	603,860	200,918	804,778
Non-financial comp. -SME-Retail	670,617	4,849,307	5,519,924	297,013	125,578	422,591
Non-financial comp.-Other	84,175	461,793	545,968	28,034	7,255	35,289
Other loans	1,238	2,041,062	2,042,300	1,238	8,066	9,304
Total	4,151,048	61,403,865	65,554,913	2,192,297	890,881	3,083,178

(Thousands of euros)

	2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	190,631	30,363,130	30,553,761	76,174	474,706	550,880
Non-financial comp.- Trade	258,813	5,036,986	5,295,799	141,116	77,016	218,132
Non-financial comp.- Construction	985,308	2,287,612	3,272,920	471,588	70,903	542,491
Non finan. comp.- Manufacturing indust.	199,963	5,510,683	5,710,646	105,874	72,093	177,967
Non-financial comp.-Other activities	201,314	1,703,577	1,904,891	90,656	20,760	111,416
Non-financial comp.- Other services	1,674,201	11,112,821	12,787,022	839,687	155,126	994,813
Other Services /Other activities	640,818	5,389,056	6,029,874	467,202	20,277	487,479
Total	4,151,048	61,403,865	65,554,913	2,192,297	890,881	3,083,178

(Thousands of euros)

	2018					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	3,833,290	44,527,329	48,360,619	2,046,861	515,840	2,562,701
Poland	172,336	14,667,142	14,839,478	87,960	333,453	421,413
Mozambique	141,844	1,731,174	1,873,018	54,769	40,830	95,599
Switzerland	3,578	478,220	481,798	2,707	758	3,465
Total	4,151,048	61,403,865	65,554,913	2,192,297	890,881	3,083,178

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 2019, 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):

	2019					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2009 and previous						
Number of operations	17,070	27,744	324,486	611,691	385	981,376
Value (Euros '000)	1,098,178	3,889,372	13,295,414	1,053,292	22,035	19,358,291
Impairment constituted (Euros '000)	104,226	130,808	105,157	18,205	182	358,578
2010						
Number of operations	1,675	3,557	21,269	98,942	42	125,485
Value (Euros '000)	155,253	385,822	979,221	177,869	6,340	1,704,505
Impairment constituted (Euros '000)	10,486	12,877	5,437	2,869	370	32,039
2011						
Number of operations	1,725	4,645	15,104	112,267	19	133,760
Value (Euros '000)	78,994	411,266	650,922	185,559	1,312	1,328,053
Impairment constituted (Euros '000)	9,134	14,440	3,869	4,264	12	31,719
2012						
Number of operations	1,629	5,250	13,289	120,107	209	140,484
Value (Euros '000)	98,151	318,169	530,220	167,261	15,625	1,129,426
Impairment constituted (Euros '000)	4,763	16,965	5,676	6,264	663	34,331
2013						
Number of operations	2,331	6,893	13,349	142,202	44	164,819
Value (Euros '000)	125,157	864,816	584,262	192,277	74,566	1,841,078
Impairment constituted (Euros '000)	13,095	49,704	7,744	10,635	37,955	119,133
2014						
Number of operations	2,446	9,630	11,529	166,901	114	190,620
Value (Euros '000)	137,239	924,371	555,774	246,849	223,382	2,087,615
Impairment constituted (Euros '000)	8,951	49,380	6,418	17,301	694	82,744
2015						
Number of operations	3,791	15,509	13,989	255,641	248	289,178
Value (Euros '000)	205,091	1,377,949	760,503	484,927	118,968	2,947,438
Impairment constituted (Euros '000)	22,617	64,782	4,524	33,907	7,293	133,123
2016						
Number of operations	4,352	21,555	15,876	272,966	204	314,953
Value (Euros '000)	296,587	2,108,876	904,586	674,725	112,707	4,097,481
Impairment constituted (Euros '000)	16,843	102,965	4,418	40,701	2,702	167,629
2017						
Number of operations	5,514	27,110	25,886	300,210	279	358,999
Value (Euros '000)	561,497	2,446,356	1,763,007	830,302	164,562	5,765,724
Impairment constituted (Euros '000)	42,394	84,823	5,317	40,748	3,229	176,511
2018						
Number of operations	9,199	39,431	33,391	556,652	508	639,181
Value (Euros '000)	1,375,058	4,168,601	2,626,272	1,607,824	578,385	10,356,140
Impairment constituted (Euros '000)	13,609	59,314	3,537	50,647	8,488	135,595
2019						
Number of operations	18,526	180,431	36,975	1,253,320	4,142	1,493,394
Value (Euros '000)	1,775,386	7,322,607	3,095,865	2,983,482	459,630	15,636,970
Impairment constituted (Euros '000)	14,784	122,409	4,174	46,290	1,770	189,427
Total						
Number of operations	68,258	341,755	525,143	3,890,899	6,194	4,832,249
Value (Euros '000)	5,906,591	24,218,205	25,746,046	8,604,367	1,777,512	66,252,721
Impairment constituted (Euros '000)	260,902	708,467	156,271	271,831	63,358	1,460,829

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 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	17,356	27,714	322,834	611,393	478	979,775
Value (Euros '000)	1,084,845	3,584,254	13,454,506	1,034,717	50,947	19,209,269
Impairment constituted (Euros '000)	168,452	163,012	135,942	26,295	771	494,472
2009						
Number of operations	2,077	3,273	18,789	73,636	64	97,839
Value (Euros '000)	237,103	685,307	903,711	114,823	7,638	1,948,582
Impairment constituted (Euros '000)	23,915	14,271	7,467	4,585	176	50,414
2010						
Number of operations	2,001	4,058	20,615	106,117	64	132,855
Value (Euros '000)	183,439	488,464	1,014,984	192,961	9,896	1,889,744
Impairment constituted (Euros '000)	19,436	15,042	6,723	3,872	594	45,667
2011						
Number of operations	1,960	5,450	13,584	122,165	43	143,202
Value (Euros '000)	98,288	464,657	618,493	193,887	11,437	1,386,762
Impairment constituted (Euros '000)	13,435	14,889	4,167	5,624	568	38,683
2012						
Number of operations	1,861	5,812	11,104	132,350	259	151,386
Value (Euros '000)	108,842	514,859	457,504	182,500	17,890	1,281,595
Impairment constituted (Euros '000)	9,720	90,442	6,146	7,281	338	113,927
2013						
Number of operations	2,833	8,494	11,479	167,727	116	190,649
Value (Euros '000)	139,013	966,916	514,301	230,884	144,862	1,995,976
Impairment constituted (Euros '000)	21,422	54,113	7,606	14,703	17,363	115,207
2014						
Number of operations	3,216	13,391	8,545	212,415	224	237,791
Value (Euros '000)	181,713	1,074,423	436,849	313,691	220,795	2,227,471
Impairment constituted (Euros '000)	9,084	43,856	6,413	24,582	819	84,754
2015						
Number of operations	4,850	20,901	9,886	292,179	448	328,264
Value (Euros '000)	265,538	1,782,911	586,031	517,277	224,327	3,376,084
Impairment constituted (Euros '000)	32,095	145,900	4,230	41,267	7,020	230,512
2016						
Number of operations	5,389	27,322	13,692	289,145	382	335,930
Value (Euros '000)	416,921	2,528,360	858,463	693,072	206,116	4,702,932
Impairment constituted (Euros '000)	31,960	119,846	4,202	37,250	4,137	197,395
2017						
Number of operations	6,189	31,197	25,233	306,462	440	369,521
Value (Euros '000)	696,026	3,046,700	1,834,789	877,639	262,900	6,718,054
Impairment constituted (Euros '000)	45,668	92,627	5,114	31,016	6,008	180,433
2018						
Number of operations	14,010	132,610	32,879	634,048	4,017	817,564
Value (Euros '000)	1,942,173	8,159,206	2,723,382	1,933,972	803,583	15,562,316
Impairment constituted (Euros '000)	29,250	143,454	4,332	31,428	17,731	226,195
Total						
Number of operations	61,742	280,222	488,640	2,947,637	6,535	3,784,776
Value (Euros '000)	5,353,901	23,296,057	23,403,013	6,285,423	1,960,391	60,298,785
Impairment constituted (Euros '000)	404,437	897,452	192,342	227,903	55,525	1,777,659

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 2019, 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:

	2019					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	6,437	9,745	10,791	74,567	453,331	413
Value (Euros '000)	833,563	228,720	1,526,932	1,608,063	52,185,423	22,193
>= 0.5 M€ and < 1 M€						
Number	685	46	1,366	279	4,234	6
Value (Euros '000)	476,576	29,484	952,816	192,906	2,747,545	3,487
>= 1 M€ and < 5 M€						
Number	910	895	1,104	276	848	12
Value (Euros '000)	1,274,189	240,034	2,146,890	422,576	845,945	3,606
>= 5 M€ and < 10 M€						
Number	86	8	126	24	6	-
Value (Euros '000)	588,600	62,474	850,782	157,821	39,768	-
>= 10 M€ and < 20 M€						
Number	42	4	60	16	-	-
Value (Euros '000)	576,221	50,642	803,455	240,773	-	-
>= 20 M€ and < 50 M€						
Number	33	4	24	3	-	-
Value (Euros '000)	869,417	73,324	709,533	96,262	-	-
>= 50 M€						
Number	3	-	12	4	-	-
Value (Euros '000)	171,131	-	924,316	863,177	-	-
Total						
Number	8,196	10,702	13,483	75,169	458,419	431
Value (Euros '000)	4,789,697	684,678	7,914,724	3,581,578	55,818,681	29,286

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

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 real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	7,509	8,674	10,699	67,843	412,381	471
Value (Euros '000)	926,993	221,851	1,531,245	1,583,305	45,077,642	24,357
>= 0.5 M€ and < 1 M€						
Number	638	57	1,314	293	2,450	5
Value (Euros '000)	432,714	36,504	915,079	205,129	1,586,158	2,876
>= 1 M€ and < 5 M€						
Number	436	56	1,055	224	372	2
Value (Euros '000)	875,232	99,842	2,081,256	425,434	561,752	2,916
>= 5 M€ and < 10 M€						
Number	68	3	118	24	4	-
Value (Euros '000)	479,873	19,280	803,674	162,992	24,124	-
>= 10 M€ and < 20 M€						
Number	32	4	59	17	-	-
Value (Euros '000)	430,715	58,495	791,756	255,092	-	-
>= 20 M€ and < 50 M€						
Number	26	-	27	3	-	-
Value (Euros '000)	757,027	-	802,373	86,423	-	-
>= 50 M€						
Number	3	-	8	2	-	-
Value (Euros '000)	176,677	-	669,380	688,193	-	-
Total						
Number	8,712	8,794	13,280	68,406	415,207	478
Value (Euros '000)	4,079,231	435,972	7,594,763	3,406,568	47,249,676	30,149

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

As at 31 December 2019, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2019				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,086,625	768,657	442,944	202,585
<60%	17,242	558,709	241,261	63,333	15,699
>=60% and <80%	3,389	675,660	97,461	26,694	10,938
>=80% and <100%	1,538	163,759	85,336	112,415	26,182
>=100%	8,068	436,551	190,209	370,532	195,285
Companies - Other Activities					
Without associated collateral	n.a.	14,681,508	2,224,191	1,597,121	1,045,994
<60%	47,980	1,374,701	447,465	233,219	80,416
>=60% and <80%	16,575	902,710	244,641	151,310	51,077
>=80% and <100%	13,894	709,089	202,621	143,773	70,388
>=100%	8,657	1,115,491	357,817	723,141	487,563
Mortgage loans					
Without associated collateral	n.a.	231,962	5,098	10,469	7,999
<60%	272,952	8,057,885	952,664	201,100	30,362
>=60% and <80%	145,013	7,210,271	1,031,242	236,650	29,324
>=80% and <100%	67,132	3,286,948	616,158	251,569	29,570
>=100%	28,216	1,343,396	219,650	375,142	115,204

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.	1,919,046	714,764	537,137	234,797
<60%	9,267	397,422	217,356	90,602	31,083
>=60% and <80%	4,269	490,779	82,968	109,921	23,882
>=80% and <100%	2,132	162,694	54,044	96,652	29,928
>=100%	15,197	263,815	151,302	819,524	428,196
Companies - Other Activities					
Without associated collateral	n.a.	14,681,508	2,224,191	1,597,121	1,045,994
<60%	47,980	1,374,701	447,465	233,219	80,416
>=60% and <80%	16,575	902,710	244,641	151,310	51,077
>=80% and <100%	13,894	709,089	202,621	143,773	70,388
>=100%	8,657	1,115,491	357,817	723,141	487,563
Mortgage loans					
Without associated collateral	n.a.	231,962	5,098	10,469	7,999
<60%	272,952	8,057,885	952,664	201,100	30,362
>=60% and <80%	145,013	7,210,271	1,031,242	236,650	29,324
>=80% and <100%	67,132	3,286,948	616,158	251,569	29,570
>=100%	28,216	1,343,396	219,650	375,142	115,204

As at 31 December 2019, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2019					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	462,441	367,128	252,190	252,190	714,631	619,318
Rural	20,104	15,065	3,398	3,398	23,502	18,463
Buildings in development						
Commercials	1,468	767	34,176	34,176	35,644	34,943
Mortgage loans	4,000	3,043	-	-	4,000	3,043
Other	61	61	-	-	61	61
Constructed buildings						
Commercials	288,983	233,049	21,467	21,467	310,450	254,516
Mortgage loans	312,807	251,777	2,948	2,948	315,755	254,725
Other	6,827	6,502	2,659	2,659	9,486	9,161
Other assets	3,894	3,894	-	-	3,894	3,894
	1,100,585	881,286	316,838	316,838	1,417,423	1,198,124

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 26), by type of asset:

(Thousands of euros)

	2018					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	623,010	477,795	267,943	267,943	890,953	745,738
Rural	33,188	26,466	32,760	32,760	65,948	59,226
Buildings in development						
Commercials	28,401	23,348	34,754	34,754	63,155	58,102
Mortgage loans	55,406	44,107	-	-	55,406	44,107
Other	61	61	-	-	61	61
Constructed buildings						
Commercials	394,885	307,941	23,692	23,692	418,577	331,633
Mortgage loans	499,889	417,164	6,994	6,994	506,883	424,158
Other	6,123	6,050	2,851	2,851	8,974	8,901
Other assets	4,081	4,050	-	-	4,081	4,050
	1,645,044	1,306,982	368,994	368,994	2,014,038	1,675,976

Credit concentration risk

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document *Credit Principles and Guidelines*, approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity. Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Exposures to Sovereigns;
2) Exposures to Institutions (Banks/financial institutions);
3) Single-name exposures (Large Corporate exposures);
4) Geographic concentration (country risk);
5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The measurement of geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique).

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The limits in force as at 31 December 2019, for the exposure to Sovereigns, Institutions, Single-name and geographical (for a given Customer/Group of Customers in the second and third cases) are the following, in terms of the Net Exposure weight over the Consolidated Own Funds:

		Limit = Max. % of Net Exposure over the Consolidated Own Funds		
Risk quality	Risk grades	Sovereigns	Institutions	Countries (geog.)
1st Tier	1 - 3	25.0%	10.0%	40.0%
2nd Tier	4 - 6	10.0%	5.0%	20.0%
3rd Tier	7 - 12	7.5%	2.5%	10.0%

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.7%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default;

(**) NPE = Non-performing exposures

As at 31 December 2019:

- There were no exposure excesses to Sovereigns, Institutions or countries;
- There were 3 Economic Groups with net exposure above the established Single-name limits for their respective risk grade, the same number as by the end of 2018. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31 December 2019, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. As of 31 December 2019, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group’s systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

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 for each entity of the Group:

- 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 Group 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 Group 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 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, between 31 December 2019 and 31 December 2018, measured by the methodologies referred to above:

(Thousands of euros)

	December 2019	Max of global risk in the period	Min of global risk in the period	December 2018
Generic Risk (VaR)	2,094	5,490	884	3,039
Interest Rate Risk	1,876	5,596	714	3,125
FX Risk	1,170	306	415	363
Equity Risk	81	32	7	34
Diversification effects	*(1,033)*	*(444)*	*(252)*	*(483)*
Specific Risk	3	15	10	47
Non-Linear Risk	-	-	-	-
Commodities Risk	5	2	3	5
Global Risk	2,102	5,507	897	3,091

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 evaluation of 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 Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group'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, although 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 Group'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 Group holds material positions:

(Thousands of euros)

	2019			
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	2,075	2,075	2,906	6,406
EUR	67,754	66,915	8,699	27,583
PLN	69,034	37,128	(34,785)	(67,405)
USD	(21,837)	(12,593)	12,160	23,930
	117,026	93,525	(11,020)	(9,486)

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

(Thousands of euros)

				2,018
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	1,822	1,822	2,879	5,694
EUR	(20,095)	(24,812)	128,633	251,343
PLN	16,936	7,841	(7,100)	(13,523)
USD	(28,136)	(13,800)	13,280	26,077
	(29,473)	(28,949)	137,692	269,591

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

As described in accounting policy 1 B), the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	2019	2018	2019	2018
AOA	541.2770	352.8610	412.0225	298.2603
BRL	4.5114	4.4377	4.3958	4.3064
CHF	1.0872	1.1267	1.1132	1.1518
MOP	9.0080	9.2211	9.0080	9.2211
MZN	70.0750	70.5000	69.9398	71.6463
PLN	4.2518	4.2966	4.2954	4.2635
USD	1.1225	1.1434	1.1201	1.1828

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area, 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.

As at 31 December 2019, the Group's investments in convertible foreign currencies were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

Regarding equity risk, the Group maintains a set of positions 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.

As at 31 December 2019, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2019			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	76,493	76,493	70,355	70,355
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	604,454	604,454

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during the first semester of 2019, as referred in the accounting policy 1 C4.

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

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

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

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

In 2019, net wholesale financing needs decreased by Euros 2,346,095,000 in consolidated terms, attributable to a decrease of Euro 2.739.569.000 in the Portuguese operation and an increase of Euros 393,474,000 in Bank Millennium, in this case mainly as a result of the acquisition of Euro Bank SA. In Portugal, the variation was due, by decreasing order of materiality, to the reductions in the commercial gap and investments in sovereign debt, cash flow from operations, sale of other assets and reduction of the corporate securities portfolio.

From a funding structure perspective, the reduction in the liquidity needs of the operation in Portugal was carried out through decreases in the resort to net funding from the ECB (Euros 2,368,613,000, to Euros 283,385,000) and money market instruments (Euros 1,249,982,000, split between interbank market and repos, in this case to a zero balance) against a reinforcement totaling Euros 850,000,000 of its medium-term component eligible for MREL, already foreseen in the Group Liquidity Plan for 2019. Thus, in January BCP placed an issue of Additional Tier 1 worth Euros 400,000,000 and returned to the market in September with a new issue of Euros 450,000,000 of subordinated debt securities eligible as Tier 2, with the operation placed on a very diverse set of European institutional investors. Bank Millennium, in turn, issued PLN 830,000,000 subordinated bonds to strengthen its financial structure in view of the acquisition of Euro Bank, also assuming long-term liabilities originating in that entity in the amount of PLN 878,000,000. The overall amount of debt placed on the market by the Group amounts to Euro Euros 2,590,681,000 at the end of 2019. The medium-long-term funding component was further strengthened by an increase of Euros 131,407,000 of the balance of loan agreements, to Euros 1,886,747,000, split between Bank Millennium (Euros 89,895,000) and BCP (Euros 41,512,000).

The value of collateralized borrowings with the ECB remained at Euros 4,000,000,000 euros, corresponding to the balance of targeted longer-term refinancing operations, called TLTRO, which will mature in 2020. Net debt with the ECB, which deducts from the value of the gross borrowings the liquidity deposited with the Bank of Portugal euros in excess of the minimum cash reserves, other liquidity denominated in euros and accrued interest to be received, reached the lowest value since the Bank borrows from the central bank at Euros 283,385,000, a reduction of Euros 2,368,613,000 over the previous year.

The evolution of the central bank's liquidity buffers held by the three main operations of the Group showed a favorable evolution throughout 2019, assuming in any case a very comfortable dimension in relation to total of customer deposits, an indicator internally used by the Group to assess the resilience of the liquidity buffer to a scenario of financial stress.

In Portugal, the joint evolution of liquidity held at the central bank and the portfolio of eligible assets with the ECB has substantially increased the Eurosystem's liquidity buffer by Euros 2,516,214,000, to Euros 16,776,747,000.

Although Bank Millennium's liquidity buffer with the Central Bank of Poland was reduced by Euros 1,169,465,000 at the end of May, to pay for the acquisition of Euro Bank SA, the balance at the end of 2019 was similar to that observed one year earlier (Euros 5,088,019,000).

Throughout 2019, BIM maintained a strong liquidity position, with the central bank buffer increasing at year end by Euros 79,058,000 vs. 2018, to a total of Euros 800,306,000.

On a consolidated basis and considering the implementation of the 2020 Liquidity Plan issuance plan, future refinancing needs will remain at low materiality levels over the next five years, exceeding Euros 1,000,000,000 just once, in 2022. Even in this case, it will involve the repayment of a Euros 1,000,000,000 issuance which pledged collateral will be free for discount with the ECB at maturity, thus meaning a minor loss of liquidity.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

(Thousands of euros)

	2019	2018
European Central Bank	7,328,153	7,248,348
Other Central Banks	5,888,324	5,608,093
	13,216,477	12,856,441

As at 31 December 2019, the amount discounted with the European Central Bank amounts to Euros 4,000,000,000 (31 December 2018: Euros 4,000,000,000). On 31 December 2019 the amount discounted from the Bank of Mozambique was Euros 2,426,000 (Euros 1,275,000 as of 31 December 2018). There were no discounted amounts with other central banks. The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2019	2018
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	7,328,153	7,248,348
Outside the pool of ECB monetary policy	9,731,980	9,664,184
	17,060,133	16,912,532
Net borrowing at the ECB (ii)	283,385	2,651,998
Liquidity buffer (iii)	16,776,748	14,260,534

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 31 December 2019, the value of funding with ECB net of interest associated with negative financing rate applied to TLTRO (Euros 56,428,000) of deposits with the Bank of Portugal and other liquidity of the Eurosystem (Euros 4,039,694,000), plus the minimum cash reserves (Euros 379,507,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording as at 31 December 2019 a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) of 86% and as at 31 December 2018 this ratio was set at 87% (according to the current version of the Instruction as at 31 December 2019).

Liquidity coverage ratio

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and the Delegated Act by the European Commission was adopted in early October 2015, which introduced, in relation to CRD IV / CRR, new metrics and calculation criteria implemented in the European Union. The adoption of the new framework defines a minimum requirement of 100% from1 January 2018. The LCR ratio of the BCP Group comfortably stood above the reglementary limit indicating 216% at the end of December 2019 (31 December 2018: 218%), supported by highly liquid asset portfolios of value compatible with prudent management of the Group's short-term liquidity.

Net stable funding ratio

The definition of the Net Stable Funding Ratio (NSFR) was approved by the Basel Committee in October 2014. The Group has a stable financing base, obtained by the high weight of customer deposits in the funding structure, collateralised financing, medium and long-term instruments and a strengthened regulatory capital structure, that allow to adequately support the stable financing requirements of the medium and long-term business model, including tangible and intangible assets, customers loans and the securities portfolio that partly serves the purpose of maintaining a highly liquid assets buffer to cover liquidity outflows in adverse situations. The NFSR stood at 135 % as at 31 December 2019 (which compares to 133% by 31 December 2018).

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	2019 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the reporting institution	10,459,171	1,043,266	n/a	n/a	70,539,049	16,449,753	n/a	n/a
Equity instruments	-	-	n/a	n/a	86,033	-	n/a	n/a
Debt securities	1,137,566	1,043,266	1,136,379	1,042,273	17,762,092	12,773,551	17,764,516	12,774,818
of which:								
issued by general governments	765,468	666,166	765,468	666,166	12,312,751	11,902,959	12,319,695	11,905,154
issued by financial corporations	32,938	32,938	32,938	32,938	1,975,150	23,492	1,970,819	23,492
issued by non-financial corporations	336,757	336,757	336,064	336,064	2,726,570	496,101	2,726,817	495,520
Other assets of which:	9,321,605	-	n/a	n/a	52,690,924	3,676,202	n/a	n/a
Loans on demand	-	-	n/a	n/a	3,430,440	3,130,931	n/a	n/a
Loans and advances other than loans on demand	9,061,854	-	n/a	n/a	41,740,048	-	n/a	n/a
Other	259,751	-	n/a	n/a	7,520,436	545,271	n/a	n/a

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

(Thousands of euros)

	2019 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the reporting institution	-	-	32,476	32,476
Debt securities	-	-	32,476	32,476
of which:				
issued by general governments	-	-	32,476	32,476
Own covered bonds and asset-backed securities issued and not yet pledged	n/a	n/a	3,616,373	3,616,373
Total assets, Collateral Received and Own Debt Securities Issued	10,459,171	1,043,266	n/a	n/a

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

(Thousands of euros)

	2019 [1]	
Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	6,768,487	10,056,710

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.

At the end of 2019, and according to the EBA methodology, the total encumbered assets represents 12% of the Group's total balance sheet assets. The encumbered Loans to customers represent 81%, while Debt securities represents 12%.

The encumbered assets are mostly related with the Group's funding operations - namely with the ECB and via REPO operations - through the issuance of mortgage bonds and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers' portfolios, supporting securitisation programs and mortgage bonds issues, either placed outside of the Group or intended to reinforce the collateral pool with the ECB and to collateralise REPO operations from the money markets. Another part of the collateralisation of operations of the latter type, as well as financing from the European Investment Bank, is obtained though sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 31 December 2019, the Other assets: Other, in the amount of Euros 7,520,436,000, although not encumbered, are mostly related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31 December 2019, the Group has an Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 8.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.7 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 42.3% that is above the minimum of 14% currently required by rating agencies. The former BII covered bond programme finished on 28 March 2019.

The Portuguese covered bond legislation ensures covered bond holders the benefit of dual-recourse over the issuer, together with a special preferential claim over the respectively assigned residential mortgage portfolios, with precedence over any other creditors, covered bond law superseding the general bankruptcy regulation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, which include a maximum LTV of 80%, delinquency of no more than 90 days and first lien mortgages (or, if otherwise, all preceding liens being included in the cover pool) over properties located in the EU. Both the BCP Programme and the BII Programme documentation limit property location to Portugal.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2019						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	5,166,551	-	-	-	-	-	5,166,551
Loans and advances to CI							
Repayable on demand	320,857	-	-	-	-	-	320,857
Other loans and advances (a)	-	875,286	8,077	10,000	-	-	893,363
Loans and advances to customers (a)	-	-	8,954,416	10,395,257	31,329,587	1,585,591	52,264,851
Other financial assets (b)	-	1,285,847	1,727,517	8,506,399	3,284,829	727,452	15,532,044
	5,487,408	2,161,133	10,690,010	18,911,656	34,614,416	2,313,043	74,177,666
Liabilities							
Resources from CI	-	836,401	4,163,310	1,062,395	304,852	-	6,366,958
Resources from costumers	37,083,367	11,734,834	9,693,643	554,915	60,246	-	59,127,005
Debt securities issued	-	23,213	153,995	1,232,885	184,631	-	1,594,724
Subordinated debt	-	52,722	103,604	299,322	1,100,023	22,035	1,577,706
	37,083,367	12,647,170	14,114,552	3,149,517	1,649,752	22,035	68,666,393

(a) Gross of impairment
(b) Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income.

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, these 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 most relevant Group subsidiaries 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, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

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 management system (SGR) – role of Risk Management (Risk Office) and Compliance (Compliance Office) – represents the 2nd Line of Defence and is responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred.

In 2019, 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.

The Bank's mobilization to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels. In order to strengthen mechanisms for more efficient control of operational risk, several initiatives were launched, of which we highlight:

- Integrated assessment of operational risks and conduct risks in the analysis and approval of new products and services;
- The strengthening of the monitoring of the risk of conflicts of interest and the evaluation and monitoring of service provision contracts under an outsourcing regime considered critical;
- Conducting a new IT Risk self-assessment exercise;
- Redesign of the operational risk self-assessment methodology, to include aspects and quantitative indicators monitored by internal controls on compliance and conduct risks;
- Reinforcement of the weight of operational risk indicators in the RAS metrics, namely in the monitoring of digital channels;
- Improvement of the rules for validating the quality of regulatory reports related to Operational 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.

Hedge accounting

As at 31 December 2019, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2019			
	Hedging instruments			
		Book value		Change in
Type of hedging	Notional	Assets	Liabilities	fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,536,385	17,131	46,122	(106,219)
	4,536,385	17,131	46,122	(106,219)
Cash flows hedging				
Foreign exchange risk				
Currency swap	83,090	185	172	48
Currency and interest rate swap	3,005,625	8,853	98,300	4,019
Interest rate risk				
Interest rate swaps	11,883,933	18,972	77,272	(123,578)
	14,972,648	28,010	175,744	(119,511)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	598,795	-	8,057	(6,303)
	598,795	-	8,057	(6,303)
Total	20,107,828	45,141	229,923	(232,033)

(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 hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2018			
	Hedging instruments			
		Book value		Change in
Type of hedging	Notional	Assets	Liabilities	fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,001,174	12,662	77,787	(32,377)
	4,001,174	12,662	77,787	(32,377)
Cash flows hedging				
Foreign exchange risk				
Currency and interest rate swap	3,516,676	28,051	87,700	5,068
Interest rate risk				
Interest rate swaps	12,725,086	81,677	7,604	107,337
	16,241,762	109,728	95,304	112,405
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	596,165	664	4,809	17,333
	596,165	664	4,809	17,333
Total	20,839,101	123,054	177,900	97,361

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

As at 31 December 2019, the table below includes the detail of the hedged items:

(Thousands of euros)

		2019						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	449,137	-	5,102	-	623	n.a.	n.a.
	(H)	89,953	-	856	-	856	n.a.	n.a.
	(C)	2,217,744	-	(26,417)	-	105,005	n.a.	n.a.
	(D)	-	260,000	-	9,950	1,470	n.a.	n.a.
	(E)	-	180,650	-	5,149	(6,407)	n.a.	n.a.
	(F)	-	2,554	-	54	(43)	n.a.	n.a.
	(G)	-	441,389	-	(6,974)	6,974	n.a.	n.a.
		2,756,834	884,593	(20,459)	8,179	108,478	n.a.	n.a.
Cash flows hedging								
Foreign exchange risk								
Currency and interest rate swap	(B)	3,181,707	-	-	-	(4,067)	(10,302)	(2,598)
Interest rate risk								
Interest rate swaps	(B)	11,883,933	-	-	-	123,592	(60,371)	217,308
		15,065,640	-	-	-	119,525	(70,673)	214,710
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	6,303	(6,303)	-
Total		17,822,474	884,593	(20,459)	8,179	234,306	(76,976)	214,710

(A) Fair value changes 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

(H) Debt securities held not associated with credit operations

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

(Thousands of euros)

		2018						
		Hedged items						
		Book value		Cumulative value of the adjustments			Cash flow hedge reserve / Currency translation reserve	
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)	3,484,435	-	(65,176)	-	37,021	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.
		3,946,835	450,852	(59,870)	10,362	35,564	n.a.	n.a.
Cash flows hedging								
Foreign exchange risk								
Currency and interest rate swap	(B)	3,577,938	-	-	-	(5,068)	(9,074)	(7,051)
Interest rate risk								
Interest rate swaps	(B)	12,214,683	-	-	-	(107,337)	63,219	50,648
		15,792,621	-	-	-	(112,405)	54,145	43,597
Hedging of net investments in foreign entities								
Foreign exchange risk								
Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(17,333)	17,333	n.a.
Total		19,739,456	450,852	(59,870)	10,362	(94,174)	71,478	43,597

(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

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2019 and 2018, is as follows:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	2019	2018	2019	2018
Balance as at 1 January	(16,126)	(26,514)	21,783	4,450
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	4,067	4,951	-	-
Foreign exchange changes	(170)	746	-	-
Ineffectiveness of coverage recognised in results	4,514	4,691	-	-
Others	1,130	-	-	-
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	-	-	(6,303)	17,333
Balance at the end of the year	(6,585)	(16,126)	15,480	21,783

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2019:

(Thousands of euros)

Type of hedging	2019					
				Amounts reclassified from reserves to results for the following reasons:		
	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	2,259		n.a.	n.a.
		n.a.	2,259		n.a.	n.a.
Cash flows hedging						
Foreign exchange risk						
Currency and interest rate swap	(D)	6,020	(4,514)		-	-
Interest rate risk						
Interest rate swaps	(D)	(62)	(129)	(E)	44,882	-
		5,958	(4,643)		44,882	-
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(6,303)	-		-	-
		(6,303)	-		-	-
Total		(345)	(2,384)		44,882	-

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2018:

(Thousands of euros)

Type of hedging	2018					
				Amounts reclassified from reserves to results for the following reasons:		
	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	3,187		n.a.	n.a.
		n.a.	3,187		n.a.	n.a.
Cash flows hedging						
Foreign exchange risk						
Currency and interest rate swap	(D)	5,068	(4,636)		-	-
Interest rate risk						
Interest rate swaps	(D)	43	-	(E)	23,004	-
		5,111	(4,636)		23,004	-
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	17,333	-	-	-	-
		17,333	-		-	-
Total		22,444	(1,449)		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 income
(F) Net gains / (losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 31 December 2019, by maturity:

(Thousands of euros)

	2019					
	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	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
Fixed interest rate (average)	1.98%	-0.05%	1.19%	0.81%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	83,090	-	-	83,090	185	172
Currency and interest rate swap	469,804	930,004	1,605,817	3,005,625	8,853	98,300
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	-	462,072	136,723	598,795	-	8,057
Total derivatives traded by OTC Market:	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

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

(Thousands of euros)

	2018					
	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	-	24,500	3,976,674	4,001,174	12,662	77,787
Fixed interest rate (average)		3.44%	1.05%	1.07%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Foreign exchange rate and interest rate swap	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by OTC Market:	447,220	876,520	19,515,361	20,839,101	123,054	177,900

55. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique. Additionally, on June 3, 2019, the Constitutional Council of the Republic of Mozambique issued a Judgment, within the framework of a successive abstract review of constitutionality, declaring the nullity of the acts inherent to the loan contracted by the entity that originated this debt, and the respective sovereign guarantee granted by the Government in 2013. On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

As at 31 December 2019, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 354,999,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 150,976,000. BIM's contribution to consolidated net income for 2019, attributable to the shareholders of the Bank, amounts to Euros 66,343,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 702,375,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 80,150,000.

As at 31 December 2019, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 327,948,000 (of which Euros 327,240,000 are denominated in metical and Euros 707,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 162,604,000 denominated in USD and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 62,053,000 (of which Euros 1,170,000 are denominated in euros, Euros 2,037,000 are denominated in metical, Euros 58,714,000 denominated in USD and Euros 133,000 denominated in Rands).

According to public information provided by IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State. The ongoing dialogue between the Government of Mozambique, IMF and creditors has the objective of finding a solution to the debt guaranteed by the State of Mozambique that had not previously been disclosed to the IMF referred to above. Nevertheless, the Ministry of Economy and Finance of the Republic of Mozambique has presented in November 2018 new proposals regarding this matter, a solution has not yet been approved to change the current Group's expectations reflected in the financial statements as at 31 December 2019, regarding the capacity of the Government of Mozambique and public companies to repay their debts and the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

56. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, the main contingent liabilities and other commitments under IAS 37 are the following:

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 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, in 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 SO 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's 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 SO. 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).

On 9 September 2019, the PCA adopted its final decision on this proceeding, fining BCP in Euros 60 million for its alleged participation in a confidential information exchange system with its competitors in the mortgage, consumer and small and medium enterprises credit segments. The Bank considers that this decision contains serious factual and legal errors, having filed an appeal on 21 October 2019 before the Competition Court requesting the annulation of the decision and the suspensive effect of the appeal. The admission of the appeal and the decision on its respective effect are expected.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the abusiveness of agreements' clauses determined by the court, during abstract control, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1) send information about the UOKIK's decision to the referred 78 clients;
2) place information about the decision and the decision itself on its website and on Twitter;
3) pay a fine amounting to PLN 20.7 million (Euros 4.87 million).

The decision of the President of UOKIK is not final. Bank Millennium filed an appeal within the statutory time limit for not agreeing with this decision.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium intends to make to the court of second instance.

The verdict issued on 7 January 2020 is not final. Bank Millennium will appeal to the court of second instance. According to current estimates of the risk of losing the dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought up by UOKIK, in which the President of UOKIK recognizes anti-competitive practices through an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2009, it was imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.87 million). The case is currently pending. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 5 April 2016, 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 of PLN 521.9 million (Euros 122.75 million), with statutory interest from 5 April 2016 until the day of payment.

According to the plaintiff, the basis of the claim is damage caused to their assets due to actions taken by Bank Millennium, consisting in the wrong interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the case brought by EFWP-B, the plaintiff set the claim in the amount of PLN 250 million (Euros 58.80 million). The petition was dismissed on 5 September 2016, with legal validity by the Appeal Court. Bank Millennium is requesting complete dismissal of the lawsuit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of the final verdict of Wrocław Court of Appeal, which was favourable to Bank Millennium, issued in the same legal state of the action brought by PCZ S.A. against Bank Millennium.

Currently, the court is conducting evidence proceedings.

4. On 19 January 2018, Bank Millennium received a lawsuit petition by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 43.93 million). First Data Polska S.A. claims a portion of an amount that Bank Millennium received for the sale of shares of Visa Europe to Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. Bank Millennium did not accept the claim and filed the response to the lawsuit petition within the legal deadline. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. The case is currently awaiting verdict before the court of second instance. According to current estimates of the risk of losing the dispute, Bank Millennium has not created a provision related to this matter.

5. Regarding mortgage loans indexed to swiss francs (CHF) granted by Bank Millennium, there are risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans.

Vast majority of verdicts in lawsuits concerning Bank Millennium have been favourable to the Bank so far. However, it should be noted that there is a significant risk that such favourable verdicts may change, as a result of which pending lawsuits' verdicts may not be taken in accordance with the Bank's expectation.

If such risk materializes, it may have a significant negative impact on Bank Millennium. Among other factors which are relevant for the assessment of risk related to disputes concerning CHF-indexed mortgage loans, the judgment of the Court of Justice of the European Union (CJEU) on Case C-260/18 should be considered.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU, combined with the interpretation of European Union Law, is binding on domestic courts.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, of the European Union, to formulate the answers to the preliminary questions. In the light of the subject matter in question, Article 6 of Directive 93/13 must be interpreted as following: (i) the national court may, based on national law, conclude that a loan agreement cannot continue to exist if the removal of terms that alter the nature of the main subject matter of the agreement occurs; (ii) the effects on the consumer's situation resulting from the cancellation of the contract as a whole must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose, and that the will of the consumer is decisive as to whether he wishes to maintain the contract and avoid those effects; (iii) Article 6 precludes the filling of gaps in the contract caused by the removal of abusive terms from it based on national law (even if the non-filling of those gaps would result in the contract annulment to the detriment of the consumer), which provides that the effects expressed in the content of a legal act are to be supplemented, in particular, by principles arising from equality rules or established customs; and, (iv) Article 6 precludes the maintenance of abusive terms in the contract (even if their removal would result in the contract annulment to the detriment of the consumer), if the consumer has not consented to the maintenance of such terms.

CJEU's judgment concerns only the situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be identified as abusive in the circumstances of the lawsuit.

It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be further examined by the national courts within the framework of the disputes considered, which could possibly result in the emergence of further interpretations relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases may also be filed.

At the end of 2019, Bank Millennium had 2,010 FX-indexed mortgage loans under individual litigations, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 203 million (Euros 47.74 million). Until 31 December 2019, only 19 of these cases had obtained a final verdict, being the vast majority in accordance with Bank Millennium's interest. The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract or the payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses. The pushy advertising campaign observed in the public domain to encourage claims against banks may lead to an increase of the number of future court disputes.

On 21 October 2014, a class action was presented to Bank Millennium, in which a group of Bank Millennium's borrowers, represented by the Municipal Consumer Ombudsman in Olsztyn, seek the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage loans. The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. It is not a payment dispute. According to the statement of claim, the overstatement of such amounts is the result of applying abusive contractual provisions concerning the CHF-indexed loans. The number of loan agreements involved in this lawsuit is 3,281. The case is pending before its first hearing, which is scheduled for March 2020.

According to the Polish Bank Association (ZBP), during 2019, over 70% of the lawsuits regarding FX-indexed mortgage loans obtained a final verdict favourable to the banks involved. However, after the CJEU judgment regarding Case C-260/18 issued on 3 October 2019, there is a risk that this so far positive scenario for the banks may change.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created a provision in the amount of PLN 223 million (Euros 52.45 million) for legal risk. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

Bank Millennium undertakes a number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk regarding the FX-indexed mortgage loans portfolio. Bank Millennium is open to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions.

Finally, it should be mentioned that Bank Millennium has to maintain additional own funds for the coverage of additional capital requirements related to the FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 4.87 p.p. at the Group level, which corresponds to, approximately, PLN 1.85 billion (Euros 43.51 billion), part of which is allocated to operational/legal risk.

6. On 3 December 2015, a collective action against Bank Millennium was filed. A group of Bank Millennium's 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 0.82 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.82 million) to over PLN 5 million (Euros 1.18 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject 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 7,371,107.94 (Euros 1.733.644,09).

The next stage of the proceedings is establishing the composition of the group (i.e., determining whether all the people who joined the proceedings may participate in the group).

As at 31 December 2019, there are also 537 individual court cases regarding loan-to-value (LTV) insurance.

In addition, there are currently two class actions against Euro Bank S.A. (bank held by Bank Millennium):

- firstly, a class action worth PLN 3.5 million (Euros 0.82 million), in which the plaintiffs demand the determination of the actual condition of their debt under the mortgage loan agreements, accusing the bank of abusiveness;
- secondly, a class action worth PLN 1.3 million (Euros 0.31 million), in which the plaintiffs demand payment for the abusive nature of the mortgage loan agreements regarding the valorisation clause.

The cases are pending before the court of first instance.

7. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank amounting to 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 that:

a) 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) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;
c) 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 refund 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 issued a curative act and already ascertained the factual basis proven and that must be proven. Currently, the Bank is waiting for the designation of an expert, 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, 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 of 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, 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 be taken, 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.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. This list details that the total of the acknowledge credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, there being no guaranteed or privileged claims. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined with the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 23 of the Resolution Fund's annual report of 2018, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use of case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. However, on 12 March 2019, the Administrative Court of Lisbon unanimously by its 20 judges delivered its judgment, confirming the constitutionality of the legal regime of the resolution and the full legality of the resolution measure applied to BES on 3 August 2014. Also, by decision of the Supreme Administrative Court on 13 March 2019, a judgment on the substance was entirely favourable to the Resolution Fund associated to the impugnation of the sale process of Novo Banco. The Board of Directors supported by lawyers opinion, which sponsored these actions, and in the light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure"*.

On 31 March 2017, Bank of Portugal communicated 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 Agreement, under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are to be met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, 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 ceased, 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 underlying 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 regarding 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 (**).

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible to clarify any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets.

Also in its 2018 annual report, the Resolution Fund states that *"Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the agreement on the Contingent Capital Agreement with Novo Banco"*.

(*) 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 three years (2017-2019); (ii) CET1 < 12%

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the contingent capitalization agreement was as of 30 June 2016 of Euros 7,838 million (book value of the associated assets, net of impairments), and the value of the portfolio, as of 31 December 2018, amounted to approximately Euros 3,920 million (book value, net of impairments);

- The accumulated losses of the covered assets and their management, between 30 June 2016 (reference date of the mechanism) and 31 December 2018, correspond to Euros 2,661 million. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the CCA, around Euros 792 million, hence, the amount of losses not borne by the Fund was, at the end of 2018, approximately Euros 1,869 million;

- The amount necessary to maintain the capital ratios of Novo Banco for 2018 at the agreed levels is Euros 1,149 million. The amount payable by the Resolution Fund results from a comparison between the amount of Euros 1.869 million (accumulated loss on the covered assets not supported by the Fund) and the amount of Euros 1,149 million, corresponding to the lower of those amounts, i.e. Euros 1,149 million.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 792 million to Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430 million under the terms agreed between the Portuguese State and the Resolution Fund in October 2017. 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. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, in the amount of Euros 1.149 million. For this purpose, the Resolution Fund used its own resources and also resorted to a State loan of Euros 850 million, which corresponds to the annual maximum funding limit agreed between the Resolution Fund and the State. The amount paid by the Resolution Fund to Novo Banco in two years was Euros 1,941 million.

According to Novo Banco's 2019 earnings press release, Novo Banco will request a compensation of Euros 1.037 million under the Contingent Capital Agreement (CCA), as stipulated in the sale agreement. The amount of the compensation requested in 2017 and 2018 and to be requested relating to 2019 totals Euros 2.98 billion. The maximum amount of compensation established in the CCA is Euros 3.89 billion.

As at 31 December 2019, 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 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. The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a mutual contract given by the State.

According to the Resolution Fund's 2018 annual report, *"to ensure that the Fund has, at due date, the financial resources necessary to comply with this guarantee, if the principal debtor – Oitante - defaults, the Portuguese State counter-guarantees the referred bond issue. Until 31 December 2018, Oitante made partial prepayments of Euros 360.961 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 385.038 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2018 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund".* On 13 July 2019, Oitante states that *"at the end of the current month, July 2019, the debt reimbursed since it was incurred will reach 57.7%"*.

Also, according to this source, *"The outstanding debt related to the amount made available by the State to finance the absorption of BANIF's losses, following the resolution measure applied by Banco de Portugal to that entity [amounts to] Euros 352,880.3 thousand".* This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2018 included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the Contingent Capital Agreement (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- 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 the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3,89 billion under the aforementioned conditions, among which a reduction of CET1 below 8%-13%;

- 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 as referred to in the respective European Commission Decision.

According to note 24 of the Resolution Fund's 2018 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on 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 amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 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".*

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 equity of Euros 6,114 million, according to the latest 2018 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 no. 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 if 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 based on objective incidence of periodic contributions. The instruction of the Bank of Portugal no. 24/2019, published on 16 December 2019, set the base rate to be effective in 2020 for the determination of periodic contributions to the FR by 0.06% against the rate of 0.057% in 2019.

During 2019, the Group made regular contributions to the Resolution Fund in the amount of Euros 15,965 thousand. The amount related to the contribution on the banking sector, registered in 2019, was Euros 31,818 thousand. These contributions were recognized as a cost in 2019, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group had to make an initial contribution in the amount of Euros 31,364 thousand. 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 (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in 2019 was Euros 21,918 thousand, of which the Group delivered Euros 18,747 thousand 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 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreeement; (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 "processo dos lesados do 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.

According to the Resolution Fund's 2018 annual report, under note 10, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF and no such contributions are foreseen, in particular after a review of the financing conditions of the Resolution Fund"*.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

9. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Banco de Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under 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 were 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 were filed in court on 4 September 2017. Banco de Portugal and the Resolution Fund presented their 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 most 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 are 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 present its opposition arguments.

10. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, it was implemented in Group Banco Comercial Português a process of salary adjustment with temporary term. Additionally, it was agreed between the Bank and the Trade Unions that, in the following years after the State intervention and if then exist distributable profits, the Board of Directors and the Executive Comitee will submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 22 May 2019, following the proposal submitted by the Board of Directors, the application of profits for the year 2018 was approved, which includes the distribution to employees of Euros 12,587,009, in compliance partially with the previously referred clause. This payment occurred in June 2019 and the corresponding amount was recognized in 'Staff costs' in 2019.

11. The Bank was subject to tax inspections for the years up to 2016. 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, regarding IRC, in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) 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 ways.

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.

12. 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 will pay 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.

In March 2019, BCP appealed the sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) requesting that the same is revoked and replaced by a decision accepting all the requests presented by the Bank. The Bank considers that the court decided incorrectly regarding evidence and 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 article 402, no.2, of the Commercial Companies Code (CCC), going against all court decisions issued by superior courts and most of all the prior doctrine on these issues.

On 5 March 2020, Lisbon Court of Appeal abrogated the court of first instance's decision, upholding the Bank's legal action and declaring the non-existence of the right of the Defendant Mr. Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, condemning the Defendant to return to the Bank the amounts received monthly in excess of the limits provided for in Article 402 (2) of the Commercial Companies Code, as from the date of retirement; as well as enacted the partial nullity of the insurance contracts titled by the capitalisation and lifelong pension policy, sentencing Ocidental Vida to return to the Bank the amounts paid by the latter to support the retirement supplements of Mr. Jardim Gonçalves. Finally, the court dismissed the counterclaim, acquitting the Bank of the request. There may be an appeal to the Supreme Court of Justice for this last decision.

57. Recently issued accounting standards

1- Recently issued accounting standards and interpretations that came into force in 2019

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Group started on 1 January 2019:

Amendment to IFRS 9: Prepayment features with negative clearing

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 Group applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 58.

IFRIC 23 – Uncertainties in the treatment of income tax

This interpretation clarifies what are the recognition and measurement requirements that must be adopted in scenarios of uncertainty regarding the treatment of income tax in accordance with IAS 12. It is applicable to all the inherent aspects of the treatment of income tax, such as the determination of taxable income, tax losses to be reported, tax bases, tax credits to be used and tax rates.

There were no material impacts on the application of this interpretation in the Group's financial statements.

IFRS 16 – Leases

IFRS 16 was approved by the EU in October 2017 and entered 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 Group applied the principles set out in IFRS 16 at the beginning of 2019 with the following impacts:

- from the lessor's perspective, leases continue to be classified as finance leases or operating leases, with no substantial changes for the Group 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 Group 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 was not 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 Group will recognise for all leases, except for those with a term under 12 months or for leases of low-value assets:

- 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.

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For contracts with term, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, it is considered the particular clauses of the contracts, as well as the current law on Urban Leases.

Subsequently, lease payments are 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 and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Group did not make any adjustment during the periods presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The implementation of this standard implies changes in the Group's financial statements, as referred in note 59, namely:

- in the consolidated income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the consolidated balance sheet:
  (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
  (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (iii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the consolidated statement of cash flows.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Transition

On 1 January 2019, the Group 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 Group applied this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information was not restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised 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 Group'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 Group identified that the main lease contracts covered by this standard were contracts on real estate (branches and central buildings) and on a residual number of vehicles, with the impacts arising from the implementation of IFRS 16 with reference to 1 January 2019 detailed in note 59. These changes did not result in material impacts in the Income statements.

Amendment to IAS 28: Long-term interests in associates and joint arrangements

This amendment clarifies that IFRS 9 (including its respective requirements related to impairment) is applicable for long-term interests in associates and joint arrangements that are part of the existing net investment in an associate or joint venture, but to which the equity method is not applied in their measurement.

There were no material impacts on the application of this amendment in the Group's financial statements.

Improvements to international financial reporting standards (cycle 2015-2017)

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.

There were no material impacts on the application of this improvements in the Group's financial statements.

Amendment to IAS 19: Plan amendment, curtailment or settlement

This amendment defines that, if an amendment, curtailment or settlement of the defined benefit plan occurs, it is mandatory to use the assumptions assumed on the moment of the remeasurement to determine the current service cost and the net interest for the remaining period after the remeasurement. In addition, this amendment includes
changes to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

There were no material impacts on the application of this amendment in the Group's financial 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.

The Group does not anticipate material impact on the application of this amendment in its 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:

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.

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.

These standards, although endorsed by the European Union, were not adopted by the Group in 2019, as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

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, have not been applied by the Group:

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.

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 IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (applicable for years beginning on or after 1 January 2016)

These amendments clarify a conflict between the requirements in IAS 28 and those in IFRS 10, being the aim of its implementation that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This way, these amendments define that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and, on the other hand, a partial gain or loss is recognized when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (applicable for years beginning on or after 1 January 2020)

Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 relative to the interest rate benchmark reform (known as 'IBOR reform'), with the purpose of diminishing the potential impact of reference interest rate changes in financial reporting, namely in hedge accounting.

Regarding these standards and interpretations, issued by the IASB but not endorsed by the European Union yet, it is not estimated that their adoption will result in significant impacts on the Group's financial statements.

58. 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 373,656,000 (negative impact of Euros 403,767,000 Group's total equity, including non-controlling interests).

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 1C.

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 amortised 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 262,624,000.

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 are presented 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 Group 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 Group's equity

The impacts on the Group'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	Non-controlling interests	Total equity
Equity as at 31 December 2017 - Before IFRS 9	5,932,554	82,090	66,171	6,080,815	1,098,921	7,179,736
Impairment						
Loans and advances to credit institutions	-	-	(703)	(703)	-	(703)
Loans and advances to customers	-	-	(194,385)	(194,385)	(41,163)	(235,548)
Debt securities	-	-	(5,163)	(5,163)	-	(5,163)
	-	-	(200,251)	(200,251)	(41,163)	(241,414)
Provisions	-	-	(14,714)	(14,714)	-	(14,714)
Changes in securities classification	-	(91,234)	90,522	(712)	4,164	3,452
Own credit risk	-	1,958	(1,958)	-	-	-
Investments in associates	-	(843)	(1,664)	(2,507)	-	(2,507)
	-	(90,119)	(128,065)	(218,184)	(36,999)	(255,183)
Current and deferred tax assets	-	26,150	(181,622)	(155,472)	6,888	(148,584)
Total impact	-	(63,969)	(309,687)	(373,656)	(30,111)	(403,767)
Equity as at 1 January 2018 - After IFRS 9	5,932,554	18,121	(243,516)	5,707,159	1,068,810	6,775,969

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	2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand	295,532	-	-	295,532
Financial assets at amortised cost				-
Loans and advances to credit institutions	1,065,568	-	(703)	1,064,865
Loans and advances to customers	45,625,972	(263,397)	(235,548)	45,127,027
Debt securities	2,007,520	939,889	(7,341)	2,940,068
Financial assets at fair value through profit or loss				-
Financial assets held for trading	897,734	(6,623)	-	891,111
Financial assets not held for trading				-
mandatorily at fair value through profit or loss	n.a.	1,382,151	-	1,382,151
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.	9,831,626	5,630	9,837,256
Financial assets available for sale	11,471,847	(11,471,847)	-	-
Financial assets held to maturity	411,799	(411,799)	-	-
Hedging derivatives	234,345	-	-	234,345
Investments in associated companies	571,362	-	(2,507)	568,855
Non-current assets held for sale	2,164,567	-	-	2,164,567
Investment property	12,400	-	-	12,400
Other tangible assets	490,423	-	-	490,423
Goodwill and intangible assets	164,406	-	-	164,406
Current tax assets	25,914	-	1,047	26,961
Deferred tax assets	3,137,767	-	(149,631)	2,988,136
Other assets	1,052,024	-	-	1,052,024
TOTAL ASSETS	71,939,450	-	(389,053)	71,550,397
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,487,357	-	-	7,487,357
Resources from customers	48,285,425	-	-	48,285,425
Non subordinated debt securities issued	2,066,538	-	-	2,066,538
Subordinated debt	1,169,062	-	-	1,169,062
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	399,101	-	-	399,101
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	177,337	-	-	177,337
Provisions	324,158	-	14,714	338,872
Current tax liabilities	12,568	-	-	12,568
Deferred tax liabilities	6,030	-	-	6,030
Other liabilities	988,493	-	-	988,493
TOTAL LIABILITIES	64,759,714	-	14,714	64,774,428
EQUITY				
Share capital	5,600,738	-	-	5,600,738
Share premium	16,471	-	-	16,471
Preference shares	59,910	-	-	59,910
Other equity instruments	2,922	-	-	2,922
Legal and statutory reserves	252,806	-	-	252,806
Treasury shares	(293)	-	-	(293)
Reserves and retained earnings	(38,130)	186,391	(373,656)	(225,395)
Net income for the year attributable to Bank's Shareholders	186,391	(186,391)	-	-
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,080,815	-	(373,656)	5,707,159
Non-controlling interests	1,098,921	-	(30,111)	1,068,810
TOTAL EQUITY	7,179,736	-	(403,767)	6,775,969
TOTAL LIABILITIES AND EQUITY	71,939,450	-	(389,053)	71,550,397

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	2,167,934	Cash and deposits at Central Banks	Amortised cost	2,167,934
Loans and advances to credit institutions repayable on demand	Amortised cost	295,532	Loans and advances to credit institutions repayable on demand	Amortised cost	295,532
Loans and advances to credit institutions	Amortised cost	1,065,568	Loans and advances to credit institutions	Amortised cost	1,064,865
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	45,625,972	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	45,127,027
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	263,397
Financial assets at amortised cost - Debt securities	Amortised cost	2,007,520	Financial assets at amortised cost - Debt securities	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	411,799	Financial assets at amortised cost - Debt securities	Amortised cost	415,695
Financial assets available for sale	FVOCI (available for sale)	11,471,847	Financial assets at fair value through other comprehensive income	FVOCI	9,830,633
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,118,754
			Financial assets at amortised cost - Debt securities	Amortised cost	519,799
Financial assets held for trading	FVTPL	897,734	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	891,111
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	234,345	Hedging derivatives	FVTPL	234,345

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 were 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		2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		295,532	-	-	295,532
Loans and advances to credit institutions					
Opening balance in IAS 39		1,065,568	-	-	1,065,568
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,065,568	-	(703)	1,064,865
Loans and advances to customers					
Opening balance in IAS 39		45,625,972	-	-	45,625,972
Transfer					
to fair value through profit or loss (IFRS 9) - Gross Value	(G)	-	(283,463)	-	(283,463)
to fair value through profit or loss (IFRS 9) - Impairment	(G)	-	20,066	-	20,066
Remeasurement: impairment losses	(A)	-	-	(235,548)	(235,548)
Final balance in IFRS 9		45,625,972	(263,397)	(235,548)	45,127,027
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer of available financial assets for sale (IAS 39)	(E)	-	528,090	-	528,090
Transfer from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	411,799	-	411,799
Remeasurement: impairment losses	(A)	-	-	(5,163)	(5,163)
Remeasurement: fair value to amortised cost	(E)	-	-	(2,178)	(2,178)
Final balance in IFRS 9		2,007,520	939,889	(7,341)	2,940,068
Financial assets held to maturity					
Opening balance in IAS 39		411,799	-	-	411,799
Transfer for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(411,799)	-	(411,799)
Final balance in IFRS 9		411,799	(411,799)	-	-
Total of financial assets at amortised cost		51,574,325	264,693	(243,592)	51,595,426

(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)	-	9,793,650	-	9,793,650
Transfer of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	9,800,273	-	9,800,273
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)		31,353	5,630	36,983
Final balance in IFRS 9		-	31,353	5,630	36,983
		-	9,831,626	5,630	9,837,256
Financial assets available for sale					
Opening balance in IAS 39		11,471,847	-	-	11,471,847
Transfer Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,118,754)	-	(1,118,754)
Transfer for financial assets at amortised cost (IFRS 9)	(E)	-	(528,090)	-	(528,090)
Transfer to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(9,793,650)	-	(9,793,650)
Transfer to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,353)	-	(31,353)
Final balance in IFRS 9		11,471,847	(11,471,847)	-	-
Total financial assets at fair value through other comprehensive income		11,471,847	(1,640,221)	5,630	9,837,256

(Thousands of euros)

	Notes	Financial assets at fair value through profit or loss (FVTPL) IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets held for trading					
Opening balance in IAS 39		897,734	-	-	897,734
Transfer to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		897,734	(6,623)	-	891,111
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)	-	1,118,754	-	1,118,754
Transfer from financial assets at amortised cost - Loans to customers (IAS 39) - Gross value	(G)	-	283,463	-	283,463
Transfer from financial assets at amortised cost - Loans to customers (IAS 39) - Impairment	(G)	-	(20,066)	-	(20,066)
Final balance in IFRS 9		-	1,382,151	-	1,382,151
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		234,345	-	-	234,345
Total financial assets at fair value through profit or loss		1,274,415	1,375,528	-	2,649,943

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 and at amortised cost.

(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 participation units 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.

(G) The new classification and measurement model is mainly based on principles and requires the Bank to consider not only its business model for the management of financial assets but also the characteristics of the contractual cash flows of these assets (particularly if they represent solely payments of principal and interest ('SPPI')). Thus, a set of loans from customers previously classified as financial assets at amortised cost were transferred to financial assets not held for trading mandatorily at fair value through profit or loss.

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	3,279,046	8,508	235,548	3,523,102
Debt securities	42,886	-	5,163	48,049
Total	3,321,932	8,508	241,414	3,571,854
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	88,796	(83,646)	6,496	11,646
Commitments and financial guarantees issued	324,158	-	14,714	338,872
Total	3,734,886	(75,138)	262,624	3,922,372

(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 of impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

59. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- 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 Group choose 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, the option not to apply this standard to leases of intangible assets was also used.

Transition

On 1 January 2019, the Group 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 Group applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised 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.

For contracts in which a sublease is identified, the Group recognised 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 a financial asset related to the sublease.

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. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- 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 Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Group's financial statements, namely:
- in the consolidated income statement:
(i) in Net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.
- in the consolidated balance sheet:
(i) in Financial assets at amortised cost - Loans and advances to customers, the recognition of financial assets related to sublease operations measured in accordance with IFRS 9, as referred to in note 21. Loans and advances to customers, balance Finance leases;
(ii) in Other tangible assets, the recognition of right-of-use assets, as referred in note 28. Other tangible assets, balance Right of use; and
(iii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 39. Other liabilities, balance Rents to pay.
- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Decrease in other sundry liabilities and non-controlling interests includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Consolidated statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 25,733,000. IFRS 16's adoption didn't cause an impact in the Group's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	2,753,839	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	890,033	-	890,033
Loans and advances to customers	45,560,926	9,835	45,570,761
Debt securities	3,375,014	-	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	870,454	-	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	33,034
Financial assets at fair value through other comprehensive income	13,845,625	-	13,845,625
Assets with repurchase agreement	58,252	-	58,252
Hedging derivatives	123,054	-	123,054
Investments in associated companies	405,082	-	405,082
Non-current assets held for sale	1,868,458	-	1,868,458
Investment property	11,058	-	11,058
Other tangible assets	461,276	249,416	710,692
Goodwill and intangible assets	174,395	-	174,395
Current tax assets	32,712	-	32,712
Deferred tax assets	2,916,630	-	2,916,630
Other assets	811,816	-	811,816
TOTAL ASSETS	75,923,049	259,251	76,182,300
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,752,796	-	7,752,796
Resources from customers	52,664,687	-	52,664,687
Non subordinated debt securities issued	1,686,087	-	1,686,087
Subordinated debt	1,072,105	-	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	327,008	-	327,008
Financial liabilities at fair value through profit or loss	3,603,647	-	3,603,647
Hedging derivatives	177,900	-	177,900
Provisions	350,832	-	350,832
Current tax liabilities	18,547	-	18,547
Deferred tax liabilities	5,460	-	5,460
Other liabilities	1,300,074	259,251	1,559,325
TOTAL LIABILITIES	68,959,143	259,251	69,218,394
EQUITY			
Share capital	4,725,000	-	4,725,000
Share premium	16,471	-	16,471
Other equity instruments	2,922	-	2,922
Legal and statutory reserves	264,608	-	264,608
Treasury shares	(74)	-	(74)
Reserves and retained earnings	470,481	-	470,481
Net income for the year attributable to Bank's Shareholders	301,065	-	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	-	5,780,473
Non-controlling interests	1,183,433	-	1,183,433
TOTAL EQUITY	6,963,906	-	6,963,906
TOTAL LIABILITIES AND EQUITY	75,923,049	259,251	76,182,300

60. Acquisition/Merger of Euro Bank, S.A.

Description of the transaction

On 5 November 2018, Bank Millennium (acquiring entity) announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. (acquired entity) from SG Financial Services Holdings ("Seller"), a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic rationale for the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million (of which more around 494 thousand fulfil the classification of active client as per Bank's internal definition) and therefore allowed the Bank to become one of the largest Polish bank in terms of the number of retail clients.
The acquisition of Euro Bank allowed the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group.

The acquisition of Euro Bank enabled Millennium Bank to acquire competences in the franchise model and strengthen its presence in smaller cities, where Euro Bank was strongly located, and contributed to increase of the geographical coverage of the Bank's distribution network.

Price

The parties to the contract have determined the price for the purchase of Euro Bank SA shares in the amount of PLN 1,833,000,000 (Euros 428,151,000), which is subject to the adjustment mechanism after closing the transaction (i.e. after transferring the legal title to the shares to Millennium Bank). At the date of preparation of the financial statements as at 31 December 2019 the preliminary price after adjustments amounted to PLN 1,816,545,000 (Euros 424,307,000) and was calculated on the basis of audited net asset value of Euro Bank as at 31 May 2019. The final price to be paid by Millennium Bank for the shares may differ from the price indicated above.

Bank Millennium did not increase the share capital in order to finance the Transaction.

Financing

The acquisition (price in the amount of PLN 1,833,000,000 (Euros 428,151,000)), according to the agreement, was paid with cash and was financed from the internal means of the Bank. Additionally, the Agreement specified that the financing for Euro Bank from Societe Generale (including subordinated debt to SG), would be paid or refinanced by Euro Bank or Bank Millennium.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Português, S.A., were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital from the seller.

Additionally, on 31 May 2019, the Bank has repaid the unsubordinated financing granted to Euro Bank by Societe Generale S.A. ("SG") in the amount of ca. PLN 3.800.000.000 (Euros 887,602,000). It was preceded by Euro Bank's repayment of a part of subordinated debt from SG in the amount of PLN 250.000.000 (Euros 58,395,000), after obtaining appropriate agreements from the PFSA in this particular area. In October 2019, a final repayment of a subordinated loan of SG taken out by Euro Bank in the amount of PLN 100 million (Euros 23 million) (fully collateralised by a cash deposit since 31 May 2019) took place.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger plan

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") were allocated to the minority shareholders of Euro Bank. The shares were purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 § 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank received 4.1 Merger Shares.

As a result of the Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:
(i) - permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law");
(ii) - permission of the PFSA to amend the Statute of Millennium Bank pursuant to art. 34 paragraph 2 of the Banking Law.

Provisional Transaction settlement

Transaction settlement was performed applying the acquisition method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase.

Considering that acquiring control over Euro Bank S.A. occurred on 31 May 2019, the provisional settlement of the Transaction was based on the data from the acquired company as at that date, considering the adjustments required by IFRS 3. The zloty to euros conversion rate used was the reference rate as at 31 May 2019, i.e. 4.2812.

As part of the transaction, the Group identified non-controlling interests amounting to 0.2% of the total value of Euro Bank shares. Bank Millennium acquired 26,240 shares of the Bank, constituting 0.00216302% of its share capital, which were then offered as merging shares to authorized shareholders of Euro Bank other than the Bank. The average purchase price of one merger share was PLN 5.939842, and the total price, representing the total cost of purchasing the merger shares, was PLN 156.000.

During the settlement of merger, in which the Group acts as the acquirer, the acquisition method of acquisition is applied, according to IFRS 3 "Business Combinations".

In case of each acquisition, the acquirer and the acquisition date are determined. Acquisition date is the date when the entity acquired control over the entity being acquired. In addition, the acquisition method requires recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired entity, as well as recognition and measurement of goodwill or bargain purchase gain. The acquirer measures the identifiable assets acquired and liabilities assumed at their fair values as at the acquisition date.

If the net amount of fair values of identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred, the Group, as the acquirer, recognizes the gain on bargain purchase in profit or loss. Before recognizing the gain from a bargain purchase, the Group reassesses whether all the acquired assets and liabilities assumed have been correctly identified and all additional assets and liabilities have been recognized.

If the value of the consideration transferred, measured at fair value as at the acquisition date, exceeds the net value of fair values of identifiable acquired assets and liabilities assumed as at the acquisition date, the goodwill is recognized. The determined value of goodwill is not subject to amortization, but at the end of each financial year and whenever there are impairment triggers identified, it is tested for impairment.

The profit and loss account of the Group includes the result generated by Euro Bank since the purchase of shares, i.e. from 31 May 2019 until the legal merger on 1 October 2019.

Payment transferred in the acquired entity

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands of zloty	thousands of euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(16,455)	(3,844)
Price after adjustment	1,816,545	424,307

Payments for shares was a cash payment.

The preliminary price adjustment results from the changes and detailed arrangements made in accordance with the provisions of the Transaction Agreement and has not been settled yet as at 31 December 2019.

The Group made a provisional settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares. In accordance with the requirements of IFRS 3, The Group will perform the final settlement of the acquisition within a maximum period of one year from the date of acquiring the control (31 May de 2019). During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized goodwill or gain on bargain purchase.

This provisional purchase price allocation has been prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement will, however, be subject to final arrangements between Bank Millennium and SG Financial Services Holdings, disposing the shares of Euro Bank S.A.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	million of zloty	million of euros
Assets		
Cash and deposits at Central Banks	242	57
Loans and advances to credit institutions repayable on demand	85	20
Financial assets at amortised cost		
Loans and advances to customers	12,594	2,942
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss	18	4
Financial assets at fair value through other comprehensive income	1,385	324
Other tangible assets	113	26
Goodwill and intangible assets	49	11
Deferred tax assets	135	32
Other assets	72	16
Total Assets	14,693	3,432
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	4,087	955
Resources from customers	7,975	1,863
Non subordinated debt securities issued	506	118
Subordinated debt	100	23
Hedging derivatives	6	1
Provisions	1	-
Other liabilities	364	85
Total Liabilities	13,039	3,045
Total Equity	1,654	386

Both the balance sheet amounts of Euro Bank S.A. as at 31 May 2019, as well as the amount of fair value adjustment of these items may change in the course of final transaction settlement what may affect the value of goodwill recognised within the Transaction.

The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax (recognised in the amount of PLN 33,800,000 (Euros 7,895,000)).

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. as at the acquisition date, measured at fair value, was presented in the financial statements in net value.

Fair value measurement methods

Performing loans and advances to customers

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. was measured at fair value as at the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was determined using the present value technique of discounting future cash flows resulting from the acquired assets, considering expectations on possible fluctuations in the amount and timing of cash flows, the time value of cash flows and other factors that market participants would consider in similar circumstances.

The measurement of portfolio components was based on the following assumptions:

1. For each asset, the parameterization of the valuation model was determined based on its individual characteristics. For assets included in stage 1, contractual future cash flows were subject to provision for the effect of prepayments. In the absence of contractual cash flows, future capital flows were estimated based on the pace of debt repayment resulting from the statistical-behavioural model. For the exposures in stage 1, the real capital and interest flows were subject to adjustment for the impact of credit risk parameters.

2. Future interest flows for performing loans were determined based on the curve of forward rates for components related to the variable rate. Future values of the variable rate were determined on the basis of a yield curve constructed from financial instruments indexed to a given reference rate.

3. For performing loans with a payment schedule in the valuation model, contractual cash flows were subject to adjustment for prepayment factors.

4. For performing loans without contractual maturity date, future cash flows were estimated in the behavioural life cycle of the product. This concerned the portfolio of credit cards and the portfolio of current account limits.

5. For performing loans, capital-interest cash flows determined in previous steps were subject to adjustment for the PD and LGD parameter vectors throughout the lifetime of the exposure. In this way, the impact of credit risk on fair value was taken into account in the valuation model for exposures included in stage 1.

6. The fair value of the exposure was determined by discounting the expected future cash flows. The discount rate components were the following: zero-coupon rate derived from the right yield curve, capital cost overhead and margin component, representing all cost-revenue elements for given product groups, not included under other parameters of the valuation model, e.g.: liquidity margin, administrative costs, residual profit margin required on the market.

7. The zero-coupon rate, being an element of the discount rate, was based on the swap curve appropriate for the currency of the contract.

8. The market cost of capital was determined using the CAPM model and the risk weights assigned to individual asset components.

9. The margin component was determined based on newly granted loans with similar characteristics on the market. The margin was determined numerically for each exposure group, homogeneous in terms of factors identified as affecting the valuation.

IT systems

Fair value of IT systems acquired as part of the Transaction related to the purchase of Euro Bank S.A. shares was determined as follows:

1. Assuming market depreciation rates (5 years for main systems and 3 years for other systems), the net value of systems was calculated. The calculation was based on the assumption that the market rates would be effective from the moment of acquisition of a particular IT system for use.

2. For the 20 systems that are the largest in terms of net values as at the acquisition date, an individual valuation was performed from the perspective of the average market participant.

3. IT systems that were classified as intangible assets under construction as at the acquisition date were measured from the market participant's perspective and their value was determined depending on the decision whether to continue individual projects. For projects that the market participant would have continued in similar circumstances, the capitalized cost was assumed as it accurately reflects the current value and progress of the work. In case of IT systems, which usage will not be continued and additionally due to the specificity of the systems there is no possibility of their sale, the fair value is considered to be null value.

Property, plant and equipment

For all fixed assets containing Euro Bank trademarks and logo the fair value was considered to be null. Fair value of assets classified as leasehold improvements related to adaptation and modernization of space in premises aimed at adapting them to Euro Bank standards (logo etc.) was considered an amortization of 10-month in accordance with market depreciation rates. The remaining fixed assets were measured at the net value, assuming market depreciation rates from the moment these assets are available for use.

Relations with clients in the area of deposits and loans

Relationships with clients holding a CDI (core deposit intangible) have been determined using the favourable source of funds method, as the current value of the difference between the lower cost of financing the acquired savings accounts and the higher alternative cost of financing operations (including interest costs and costs administrative burden) that the Bank would have to incur if it did not have a portfolio of such accounts. For each year of the cash flow forecast, considering the estimated rate of customer outflow, the difference between the alternative financing cost and the cost of the acquired accounts is calculated, and is discounted using an adequate discount rate.

Relations with customers who have credit accounts have been estimated using the Multi-Period Excess Earning Method (MEEM). The value of the relationship is determined based on the current value of discounted future cash flows resulting from additional income generated for the Bank having a given intangible asset, after taking into account the rate of departure customers, costs and encumbrances on capital assets.

The discount rate applied to value customer relationships takes into account the time value of money, the cost of equity and bonuses for specific risks identified in the relationship. The cost of the Bank's equity is determined in accordance with the CAMP model (Capital Asset Pricing Model).

The estimated value of CDI was considered irrelevant, mainly due to the relatively high interest rate on the acquired savings accounts and the possibility of alternative financing of the Bank at a relatively low margin. Due to the above, CDI did not meet the disclosure criterion as a separate asset related to the acquisition. With exception of cash loans there were also no significant relationships with customers having credit products, mainly due to the relatively low level of additional revenues generated by these products, in relation to the corresponding costs of risk, administrative costs and capital charges.

Lease/rental agreements

The conditions included in signed agreements regarding the rental of office space for the needs of branches and headquarters were compared to the conditions of the agreements currently concluded in the market with relation to office areas of a similar area and location. The difference between the rental rate of the acquired branches and headquarters and rental rate of similar areas available on the market was calculated. The amount of the difference was discounted by the discount rate of Millennium Bank, applied for the models of assets measurement under IFRS 16 for the period remaining until the completion of individual contracts. The value of unfavourable agreements adjusted the book value of lease assets' right of use.

Guarantee agreement regarding CHF Mortgage loans portfolio

Fair value of the guarantee determined using income method was estimated as present value of future cash flows expected to be received from Societe Generale S.A. to cover losses related to acquired CHF Mortgage loans portfolio resulting from the future defaults or from the cost of risk of already defaulted loans. In the valuation the value of market spread paid for the similar financial instruments was considered.

Other adjustments

Other adjustments to fair value and the so-called adjustments of net assets resulting from the adjustments to accounting principles concerned, among others, unification of bonds and derivatives measurement, as well as write-off of some other assets items. The determination of the fair value of the assets and liabilities acquired and the identification and recognition of intangible assets resulting from the acquisition were based on the available information and the best estimates as at the date of preparation of the financial statements.

Calculation of goodwill

As at the date of the present report, the Bank did not complete the process of calculating goodwill as at 31 May 2019.

The purchase price allocation performed as at 31 May 2019 shall be considered as provisional and may be subject to changes if the Bank acquires new information as at 31 May 2019, which are not known at the date of preparation of the annual consolidated financial statements for 2019. In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expires after 12 months from the date of the acquisition, i.e. on 31 May 2020. Any changes will be made retrospectively (i.e. they will be recognized in other comprehensive income). The currently determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Group in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets, which resulted in a significant increase in this item in the consolidated balance sheet.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(16,455)	(3,844)
Price after adjustment	1,816,545	424,307
Fair value of acquired net assets	1,653,788	386,291
Exchange differences	-	263
Goodwill	162,757	38,280

As at the balance sheet date, no impairment allowances for goodwill were recognised in intangible assets.

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

Additional disclosures

The Capital Group's profit or loss account, presented as if the acquisition date was the beginning of the reporting period, i.e. on 1 January 2019 is presented below. This data is for reference purposes only, in fact the Group's profit and loss account includes the Euro Bank's result from the date of the merger made on consolidation level (31 May 2019) to Legal Merger performed 1 October 2019.

	2019	
	thousands zloty	thousands euros (*)
Interest and similar income	3,747,541	875,081
Interest expense and similar charges	(1,024,294)	(239,181)
NET INTEREST INCOME	2,723,247	635,900
Dividends from equity instruments	3,240	757
Net fees and commissions income	718,043	167,669
Net gains / (losses) from financial operations at fair value through profit or loss	136,855	31,957
Net gains / (losses) from foreign exchange	165,942	38,749
Net gains / (losses) from hedge accounting operations	(20,008)	(4,672)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(2,378)	(555)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	40,952	9,563
Other operating income / (losses)	(422,737)	(98,712)
TOTAL OPERATING INCOME	3,343,156	780,656
Staff costs	938,688	219,191
Other administrative costs	630,687	147,270
Amortisations and depreciations	209,467	48,912
TOTAL OPERATING EXPENSES	1,778,842	415,373
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,564,314	365,283
Impairment for financial assets at amortised cost	(462,561)	(108,012)
Impairment for other assets	(1,163)	(272)
Other provisions	(224,071)	(52,322)
NET OPERATING INCOME	876,519	204,674
Gains / (losses) arising from sales of subsidiaries and other assets	(9,047)	(2,113)
NET INCOME BEFORE INCOME TAXES	867,472	202,561
Income taxes		
Current	(342,921)	(80,075)
Deferred	56,723	13,245
NET INCOME FOR THE YEAR	581,274	135,731

(*) exchange rate PLN /EUR = 4,28250833

61. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 December 2019, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	64,500,000	EUR	Banking	100.0	100.0	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0	100.0	100.0
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	31,000,785	EUR	Financial	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	56,762,559	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	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	100.0	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.4	96.0	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0	100.0	100.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	90.0	90.0	–
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

During 2019, the Group sold the Planfipsa Group and settled Imabida - Imobiliaria da Arrabida, S.A., Servitrust - Trust Management Services S.A., Irgossai - Urbanizacao e Construcao, S.A. Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and MB Finance. As referred in note 48, Euro Bank was merdeg with Bank Millennium (Poland) and Banco de Investimento Imobiliario, S.A. with Banco Comercial Português, S.A. .

As at 31 December 2019, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	2,732,623	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,320,959	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	780,089	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	67,691,000	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	EUR	Real estate investment fund	100.0	100.0	100.0

					Group		Bank
Investment funds	Head office	Participation units	Currency	Activity	% economic interests	% effective held	% direct held
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	63.3	63.3	63.3
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0	60.0	60.0

(*) - Company classified as non-current assets held for sale.

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 B), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 December 2019, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

					Group		Bank
Special Purpose Entities	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4	82.4	82.4

In October of 2019, the Special Purpose Entity - Magellan Mortgages No.2 Limited, was reimbursed.

As at 31 December 2019, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	MZN	Insurance	92.0	61.4	–

As at 31 December 2019, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	155,054,747	EUR	Banking	19.8	19.8	19.8
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14.0	–
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0	50.0	50.0
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35.0	35.0	–
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
Projepolska, S.A.	Cascais	9.424.643	EUR	Real-estate company	23.9	23.9	23.9
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2	28.2	–
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	–
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.5
Webspectator Corporation	Delaware	950	USD	Digital advertising service	25.1	25.1	25.1

The Group sold in 2019, the investments held in the associated companies Mundotêxtil - Indústrias Têxteis, S.A and Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A. The company Science4you S.A. was included in the consolidated accounts.

As at 31 December 2019, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49.0	49.0	49.0
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

62. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Covid - 19

Covid-19 has affected a large number of countries, infecting thousands of people worldwide. Available data suggests their numbers will continue to rise. Given the trend and pace of developments globally, and particularly in some Euro-zone economies, it is too early to make a reliable projection of the total impacts that could materialise. However, international and multilateral organisations, as well as rating agencies, have revised down their projections for the growth of the European and World economies in 2020.

In this context, the Bank has adopted a set of pre-established initiatives designed to protect human lives and maintain business activity, which include those recommended by the health authorities, work from home, the segregation of primary and back-up staff for various tasks, in an effort to maximise organizational resilience.

Depending on how long these disruptive impacts persist, and on their intensity, the Group´s activity and profitability will suffer to a greater or a lesser extent. Based on all available data, including the capital and liquidity situation, as well as the value of the assets, in management´s opinion, the going concern basis which underlies these financial statements continues to apply.